CREDIT SUISSE GROUP
Form 20-F
March 30, 2005

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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, 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 0.8763, which was the noon buying rate for Swiss francs on December 31, 2004, 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, 2004 and 2003, and the results of operations and cash flows for each of the years in the three-year period ended December 31, 2004.

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 properly to implement procedures;

– 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 brands;

– 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 successfully acquired 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 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS N/A

ITEM 2: OFFER, STATISTICS AND EXPECTED TIMETABLE N/A

Item 3: KEY INFORMATION

Selected financial data

Credit Suisse Group is a global financial services company domiciled in Switzerland. It provides private clients and small and medium-sized companies with private banking and financial advisory serves, and pension and insurance solutions from Winterthur. In the area of global investment banking, financial advisory and capital raising services, sales and trading for users and suppliers of capital as well as asset management products and services are provided to global institutional, corporate, government and high net-worth clients.

On June 24, 2004, Credit Suisse Group announced the sharpening of its strategic focus and the realignment of its management structure. Effective July 13, 2004, Credit Suisse Group has been structured along the existing six reporting segments: Private Banking and Corporate & Retail Banking under the business unit. Credit Suisse; Institutional Securities and Wealth & Asset Management under the business unit Credit Suisse First Boston; and Life & Pensions and Non-Life under the business unit Winterthur. This Form 20-F has been prepared on the basis of the structure in place for the year ended December 31, 2004. For further information, refer to Item 4 – Information on the Company.

On December 7, 2004 Credit Suisse Group held an investor day at which it announced its plans to create a fully integrated bank by the end of 2006, combining the current business units Credit Suisse and Credit Suisse First Boston to better address client needs in a rapidly changing market environment, as well as to make more efficient use of its resources.. Activities geared towards the needs of private clients and those targeting corporate and investment banking clients will be bundled in two distinct lines of business, Private Client Services and Corporate & Investment Banking. A third business line will comprise Credit Suisse Group’s asset management services, reflecting the Group’s core strength and one of the key elements in its generation of value for clients across all its businesses. The objective of the new integrated bank is to operate more efficiently and provide enhanced advisory services and products with a sharper focus on client needs, enabling increased revenues and cost savings. The first step in the integration is the merger of the two legal bank entities in Switzerland, which is scheduled for the second quarter, but remains subject to final internal and regulatory approvals.

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

in CHF m, except where indicated	2004	2003	2002	2001	2000
Net revenues	**54,014**	51,353	47,245	60,035	62,286
Total benefits, claims and credit losses	**21,089**	23,401	22,013	23,353	23,044
Total operating expenses	**24,623**	26,141	29,466	37,550	32,881
Income/(loss) from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**8,302**	1,811	(4,234)	(868)	6,361
Income tax expenses/(benefit)	**1,441**	(3)	(114)	(206)	1,496
Minority interests, net of tax, (including dividends on preferred securities)	**1,127**	102	(60)	242	318
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**5,734**	1,712	(4,060)	(904)	4,547
Income/(loss) from discontinued operations, net of tax	**(100)**	(383)	(466)	122	67
Extraordinary items, net of tax	**0**	7	18	0	31
Cumulative effect of accounting changes, net of tax	**(6)**	(566)	60	123	1
Net income/(loss)	**5,628**	770	(4,448)	(659)	4,646
Basic earnings per share, in CHF					
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**4.90**	1.45	(3.52)	(0.80)	4.32
Net income/(loss)	**4.80**	0.64	(3.85)	(0.58)	4.42
Dividends/repayment of capital	**1.50**1)	0.50	0.10	2.00	2.00
Return on assets	**0.5%**	0.1%	(0.4%)	(0.1%)	0.6%

Return on equity	**15.9%**	2.2%	(11.4%)	(1.4%)	-
Dividend payout ratio	**31.3%**	n/a	(2.6%)	n/a	-
Equity to asset ratio in %	**3.3%**	3.4%	3.3%	3.9%	-

1) Proposal of the Board of Directors to the Annual General Meeting on April 29, 2005.

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

in CHF m, except where indicated	2004	2003	2002	2001	2000
Assets under management in bn	**1,220.7**	1,181.1	1,138.6	1,430.6 1)	1,392.0 1)
Consolidated balance sheet in m					
Total assets	**1,089,485**	1,004,308	1,027,158	1,135,109	1,057,556
Common shares	**607**	1,195	1,190	3,590	6,009
Total shareholders' equity	**36,273**	33,991	34,178	44,061	49,104
Consolidated BIS capital ratios 2)					
Risk-weighted assets in m	**199,249**	190,761	196,486	222,874	239,465
Tier 1 ratio in %	**12.3**	11.7	9.0	9.5	11.3
Total capital ratio in %	**16.6**	17.4	14.4	15.7	18.2
Number of employees (full-time equivalents)	**60,532**	60,477	78,457	80,161	80,538
Number of shares outstanding	**1,110,819,481**	1,130,362,948	1,116,058,305	1,120,723,235	1,103,882,156

1) Not adjusted to reflect the current presentation.
2) All calculations through December 31, 2003, on the basis of Swiss GAAP. In 2003, the method for capital treatment of Winterthur was adapted in line with the new requirements defined by the Swiss regulator. Previous year comparative numbers have been adjusted accordingly, excluding the year 2000.

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
2000	0.6172	0.5912	0.6441	0.5479
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

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

Month	High	Low
March 2005 (through March, 18)	0.869490	0.848392
February 2005	0.863185	0.818197
January 2005	0.872144	0.836120
December 2004	0.881990	0.861104
November 2004	0.878040	0.828157
October 2004	0.835981	0.789702
September 2004	0.801860	0.785608

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 (other than trading) positions 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. At December 31, 2004, our trading portfolios represented approximately 32% of our total assets and approximately 14% of our total liabilities. For further information on market risk exposures in those portfolios, refer to the section Risk Management – Market risk – Trading portfolios and – Non-trading portfolios. Volatility can also lead to losses relating to a broad range of other trading and hedging products we use, including swaps, futures, options and structured products.

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 unlimited losses as we attempt to cover our net short positions by acquiring assets in a rising market. We may from time to time have a trading strategy of holding a long position in one asset and a short position in another, from which we expect to earn net revenues based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that we did not anticipate or against which we are not hedged, we might realize a loss on those paired positions. Such losses, if significant, could adversely affect our results of operations and financial condition.

Adverse market or economic conditions may cause a decrease 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. Market and economic conditions continued to improve in 2004. Geopolitical uncertainties continued in 2004 but overall market conditions improved and the economy continued to recover. Adverse market or economic conditions could create a challenging operating environment for financial services companies. In particular, the impact of high oil prices, interest rates and the risk of geopolitical events will continue to create a difficult market environment.

Certain of our businesses, particularly structured and credit products and the high-yield and fixed income businesses, have benefited in recent years from low or declining interest rates, lower valuations and declining volatility affecting the equity markets. Increasing or higher interest rates could have an adverse effect on the results of those businesses.

We face a number of risks with respect to adverse future market or economic conditions. Financial markets in Europe, the US and elsewhere may decline further or experience increased volatility, which could lead to a decline in merger and acquisition activity and capital markets transactions. Our net revenues would likely decline in those circumstances, and, if we were unable to reduce expenses at the same pace, our results of operations and financial condition would be adversely affected. In addition, adverse market or economic conditions could negatively affect our banking and insurance businesses and the estimates and assumptions used to determine the fair value of our reporting segments. In 2004 we recorded no goodwill impairment charges, but in 2003, we recorded material goodwill impairment charges, and we may record additional goodwill impairment charges in the future. Furthermore, 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, including in businesses in which we operate.

Private banking and asset management businesses

Unfavorable market or economic conditions could affect our private banking and asset management businesses by reducing sales of our investment products, such as mutual funds, and by reducing the volume of our asset management activities. In addition, because the fees we charge for managing our clients' portfolios are in many cases based on the value of those portfolios, a market downturn that reduces those values or increases the amount of withdrawals from those portfolios would reduce our commission and fee income. Even in the absence of a market downturn, below-market performance by our mutual funds and managed portfolios may result in increased withdrawals or reduced inflows, which would reduce the net revenues we receive from the asset management activities of our private banking and asset management businesses.

Investment banking business

Market and economic conditions continued to improve in 2004, with increased equity underwriting volumes and mergers and acquisitions and with fixed income markets generally remained favorable. Future economic weakness and market declines could, however, have a negative impact on the results of operations and financial condition of our investment banking business. In particular, 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, which are directly related to the number and size of the transactions in which we participate. In addition, market declines in Europe, the US and elsewhere would likely lead to a decline in the volume of securities trades that we execute for customers and, therefore, continue to have an adverse effect on the net revenues we receive from commissions and spreads.

Private equity 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 certain circumstances, depending on the size of the investment, the nature of the company’s problems or other factors, we may become involved in disputes or legal proceedings relating to the investment, and our reputation or our ability to sponsor private equity investment funds in the future could be adversely affected.

Insurance businesses

Although the insurance businesses have reduced the equity exposure of their investment portfolios, movements in the debt, equity and foreign exchange markets could adversely affect the results of operations and financial condition of those businesses. In particular, adverse market or economic conditions could result in customers reducing their rate of investment, investing in different types of instruments or ceasing to invest altogether, which would adversely affect the sales of insurance products such as unit-linked life insurance and individual pension products. In addition, because for certain types of life and pension products, we charge a fee based on the market value of the assets managed, a market downturn that reduces the value of those assets would reduce the amount of fee income we earn.

We may incur significant losses in the real estate sector

Our banking and investment banking businesses could be adversely affected by a downturn 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, residential and multi-family 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 mortgage-backed and commercial mortgage-backed securities. Future unfavorable conditions in real estate markets and further potential writedowns on our legacy real estate portfolios would adversely affect our results of operations and financial condition.

Our revenues may decline in line with declines in certain sectors

Decreasing economic growth has reduced the net revenues of our investment banking business. In the past we have made, and in the future we may make, significant commitments to providing investment banking advisory and underwriting services to companies in certain sectors such as technology and telecommunications. Decreasing economic growth generally with respect to these and other sectors could negatively affect net revenues of our investment banking business in the future.

Holding large and concentrated positions may expose us to large losses

Concentrations of risk could increase losses at our private banking, banking, insurance and investment banking businesses. These businesses have sizeable loans and securities holdings and we face additional risk from concentrations of loans in our banking business to certain customers. Our net loan exposure amounted to CHF 184.4

billion, or 16.9%, of total assets and to CHF 177.2 billion, or 17.6%, of total assets, respectively, as of December 31, 2004 and 2003. Our three largest industry concentrations were: financial services, real estate companies and manufacturing, which represented, 11.1%, 9.3% and 4.8%, respectively, of total gross loans at December 31, 2004. A downturn in any of these sectors in the past has had, and in the future may have, an adverse effect on our results of operations and financial condition. For information relating to our loans by economic sector, refer to Item 5 – Operating and Financial Review and Prospects – Information Required by Industry Guide 3 – Selected statistical information – Banking loan portfolio.

Furthermore, risk concentrations could also expose our investment banking business to increased losses from other activities, such as arbitrage, market-making, block and proprietary trading, private equity and underwriting. The trend in all major capital markets is toward larger and more frequent commitments of capital. We have committed substantial amounts of capital to these businesses, which may require us to take large positions in the loans or securities of a particular company or companies in a particular sector, country or region, thereby increasing our related risk of loss due to our sizeable securities holdings.

Significant interest rate changes could affect our results of operations and financial condition

Banking businesses

The level of our net interest income significantly affects the results of operations of our banking businesses. Interest rates are highly sensitive to many factors beyond our control. Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. Accordingly, the level of net interest income from our banking businesses could decline as a result of mismatches between those assets and liabilities. In addition, increases in the interest rates at which short-term funding is available and maturity mismatches may adversely affect the results of operations of our banking businesses.

Insurance businesses

Most of the life products that our insurance businesses offer provide for payment at guaranteed rates of interest. Accordingly, these products expose our insurance businesses to interest rate risk related to market prices and variability in cash flows associated with changes in market interest rates. Interest rate volatility could expose us to disintermediation risk and a reduction in net interest rate spread, adversely impacting our results. Although the introduction of a new employee benefit business model for Swiss group pension plans has substantially reduced the interest rate risks inherent in the Swiss group life business, further changes to that model may be required, some of which could have the effect of again increasing our exposure to interest rate related risks.

Any fluctuation in interest rates, either up or down, may have an adverse effect on the results of operations of our insurance business. During periods of declining interest rates, investment income from our insurance businesses will generally be lower because the interest earned on our fixed-income investments likely will have declined in line with market interest rates. In addition, we may have to reinvest maturing funds in lower interest-bearing investments. Accordingly, during periods of declining interest rates, a decrease in the spread between interest rates credited to policyholders and returns on our investment portfolio may adversely affect our results. In periods of increasing interest rates, insurance policy surrenders and withdrawals may increase as policyholders seek investments with higher perceived returns. This process may result in cash outflows that require our insurance businesses to sell assets held in our investment portfolio at a time when the prices of those assets have been adversely affected by increases in market interest rates, resulting in realized investment losses.

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. Many of our strategies are based on historical trading patterns and correlations. For example, if we hold a long position in an asset, we may hedge that position by taking a short position in an asset where the short position has historically moved in a direction that would offset a change in the value of the long position. However, 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 the future. Unexpected market developments may also affect our hedging strategies. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional 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. These exposures may arise, for example, from:

– A decline in the financial condition of the counterparty;

– A decrease in the value of securities of third parties held by us as collateral;

– Entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to us;

– Extending credit to our clients through loans or other arrangements;

– Executing trades that fail to settle at the required time due to systems failure or non-delivery by the counterparty; and

– Economic and political conditions beyond our control.

Banking businesses

Our banking businesses establish provisions for loan losses, which are reflected in the provision for credit losses on our income statement, in order to maintain our allowance for loan losses at a level which is deemed to be appropriate by management based upon an assessment of prior loss experience, the volume and type of lending being conducted by each bank, industry standards, past due loans, economic conditions and other factors related to the collectability of each entity's loan portfolio. For further information on potential problem loans, refer to the section Risk Management – Credit risk for the banking businesses in the Annual Report 2004. Although management uses its best efforts to establish the provision for loan losses, that determination is subject to significant judgment, and our banking businesses may have to increase their provisions for loan losses in the future as a result of increases in non-performing assets or for other reasons. Refer to Item 5 – Operating and Financial Review and Prospects – Critical Accounting Policies – Contingencies and Loss Provisions. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on our results of operations and financial condition.

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 and financial condition.

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 a portion of policy premiums. When we obtain reinsurance, 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 materially affect our results of operations and financial condition. For further information relating to our reinsurance arrangements, refer to the section Risk Management – Insurance risk – Risk structure in the insurance business in the Annual Report 2004.

Defaults by a large financial institution could adversely affect financial markets generally and us specifically

The credit environment in 2004 improved from that in 2003. However, we continue to have significant exposures to the credit quality of counterparties with which we conduct business. Recently, the credit environment has also been adversely affected by significant instances of fraud. 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.

We may not have sufficient collateral to fully cover our exposure to potential credit losses

In cases where we have extended credit against collateral, we may find that we are under-secured, for example, as a result of sudden declines in market values that reduce the value of collateral. For an analysis of our loan portfolio by collateral amount, refer to the section Risk Management – Credit Risk for the banking businesses in the Annual Report 2004.

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 risk as well as credit risk. Financial markets and economic conditions generally in Europe, the US and elsewhere around the world have in the past been, and in the future may continue to 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. The political, economic or other circumstances of the countries in which we operate may have an adverse impact on our results of operations and financial condition.

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 have adopted a lower risk profile for our emerging market operations. Our strategy includes improved risk monitoring, greater diversity in the sectors in which we invest and greater emphasis on customer driven business. Our efforts at containing emerging market risk, however, may not succeed.

Currency fluctuations may adversely affect our results of operations and financial condition

We are exposed to risk from fluctuations in exchange rates for currencies. In particular, a substantial portion of our assets and liabilities in our insurance, investment banking and asset management 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 and financial condition. For information on foreign currency translation rates, refer to note 46 of the Notes to the consolidated financial statements.

Insurance underwriting risk

Underwriting risk represents the exposure to loss resulting when actual policy experience differs from the assumptions made in product pricing associated with 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. For information relating to insurance underwriting risk, refer to the section Risk Management – Insurance Risk in the Annual Report 2004.

Non-life insurance companies frequently experience losses from catastrophes, including windstorms, hurricanes, earthquakes, tornadoes, severe hail, severe winter weather, floods, fires and terrorist attacks. The incidence and severity of these catastrophes are inherently unpredictable. The extent of our losses from catastrophe is a function of the terms of the relevant insurance contracts, the total amount of losses our policyholders incur, the number of policyholders affected, the frequency of events and the severity of a particular catastrophe. Our efforts to protect ourselves against catastrophe losses, such as the use of selective underwriting practices, the purchasing of reinsurance and the monitoring of risk accumulations, may not be effective.

For information relating to our non-life insurance liabilities, refer to Item 5 – Operating and Financial Review and Prospects – Information Required by Industry Guide 6 – Selected statistical information regarding the insurance business – Provisions for unpaid losses and loss adjustment expenses from the Insurance business. To the extent that actual claims experience is less favorable than our underlying assumptions used in establishing such liabilities, we would be required to increase our liabilities, which could have a material adverse impact on our results of operations and financial condition.

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 raise money 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. Such an inability could result from factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the financial services industry generally. Lenders could, however, develop a negative perception of our particular long-term or short-term financial prospects if:

– We incurred large trading or loan losses, or unexpected large insurance claims;

– A continuing market downturn caused the level of our business activity to decrease;

– Regulatory authorities took significant action against us; or

– We discovered serious employee misconduct or illegal activity.

If we were unable to borrow in the debt capital markets, or access the secured lending markets, we would need to liquidate assets, such as the readily marketable debt securities and other securities and investments held in our investment and trading portfolios, to meet our maturing liabilities. Certain market environments such as a market downturn, volatility or uncertainty could, however, adversely affect our ability to liquidate those assets. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may have to sell assets at depressed prices, which in either case could adversely affect our results of operations and financial condition. In addition, our ability to sell our assets may be impaired if other market participants are seeking to sell similar assets at the same time.

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, a portion of our assets has medium- or long-term maturities, creating a potential for funding mismatches. 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 regarding the banking business – Investments portfolio, – Deposits and – Short-term borrowings. 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, which could require us to use other methods to fund our obligations, such as raising money in the capital markets or through secured borrowings or asset sales. If other funding sources were not available to us at this time, 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 and investments as they arise.

Our insurance businesses may face liquidity problems

Our insurance businesses could experience liquidity difficulties in certain circumstances. These operations' short-term cash needs consist primarily of paying claims, as well as day-to-day operating expenses. Those needs are met through cash receipts from operations, and through the sale of liquid investment assets, which is generally possible absent a market environment where the sale of otherwise liquid assets is difficult or impossible. In the case of catastrophe losses, however, we may need to sell substantially more 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. We accumulate assets because premiums are paid earlier than claims are settled. 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 – Information Required by Industry Guide 6 –Selected statistical information regarding the insurance business.

Changes in our ratings may adversely affect our business and financial condition

Reductions in our assigned ratings, including in particular our credit ratings, could increase our borrowing costs and limit our access to capital markets. Ratings are assigned by rating agencies, which may reduce or indicate their intention to reduce the ratings at any time. The rating agencies could also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. For more information relating to our credit ratings and the credit ratings of our principal banks and insurance company, refer to Item 5 – Operating and Financial Review and Prospects – Liquidity and capital resources. Any reduction in our ratings may 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 current customers. This, in turn, could reduce our liquidity and negatively impact our operating results and financial condition.

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. We face risks arising from organizational factors such as change of management and other personnel, data flow, communication, coordination and allocation of responsibilities. Policy and process risk arises from weakness in or non-compliance with policies and critical processes involving documentation, due diligence, adherence to credit limits, settlement and payment. Technology risk stems from dependencies on information technology and the telecommunications infrastructure and risks arising from e-commerce activities. We face risks arising from human error and external factors such as fraud. Finally, we face risks from physical threats to our and third-party suppliers' facilities or employees and business disruption; in particular, if there is a disruption in the infrastructure supporting our businesses and/or the areas where they or third-party suppliers are situated, such as interruptions in electrical, communications, transportation or other services, our ability to conduct our operations may be negatively impacted. Any such events could have an adverse effect on our results of operation and financial condition.

We may suffer losses due to employee misconduct

Our businesses are exposed to risk from potential non-compliance with policies such as those on loans, selling of insurance, credit limits, securities transactions and settlements and payment processes. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and employee misconduct may occur. Misconduct by employees could include engaging in unauthorized activities or binding us to transactions that exceed authorized limits or present unacceptable risks, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use or disclosure of confidential information, 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.

Our dependence on systems could expose us to losses

We may suffer losses caused by a breakdown in information, communication, transaction settlement, clearance and processing procedures. 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. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

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. These risks involve disputes over the terms of transactions in which we act as principal, disputes concerning the adequacy or enforceability of documents relating to our transactions, potential liability under securities or other laws for materially false or misleading statements made in connection with securities and other transactions in which we act as underwriter, placement agent or financial advisor, potential liability for the "fairness opinions" and other advice we provide to participants in corporate transactions, disputes over the terms and conditions of complex trading arrangements, disputes over the independence of our research and mis-selling insurance. We also face the possibility that counterparties in complex or risky trading transactions will claim that we improperly failed to tell them of the risks or that they were not authorized or permitted to enter into these transactions with us and that their obligations to us are not enforceable.

We face risks relating to investment suitability determinations, disclosure obligations and performance expectations with respect to the products and services we provide, which could lead to significant losses or reputational damages. We have in place policies and practices to monitor and, to some extent, control the risks that may arise in delivering products or services to clients. Although we attempt to ensure that any investment or risk management product or service we provide to our clients is appropriate based on our relationships with that client, we may not succeed in doing so. Companies in our industry are increasingly exposed to claims for recommending investments that are not consistent with a client's investment objectives or engaging in unauthorized or excessive trading. During a prolonged market downturn, these claims could increase.

It is inherently difficult to predict the outcome of many of the litigations, regulatory proceedings 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. In presenting our 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, our defenses and our experience in similar cases or proceedings. For further information, refer to Item 5 – Operating and Financial Review and Prospects – Critical accounting policies and Item 8 – Financial Information – Legal proceedings.

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. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. 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. In addition, the SEC and other federal and state regulators are increasingly scrutinizing complex, structured finance transactions and have brought enforcement actions against a number of financial institutions in connection with such transactions. In some of those actions, clients of the financial institutions are alleged to have engaged in accounting, disclosure or other violations of securities laws, and the financial institutions are alleged to have facilitated these improprieties by entering into transactions with the clients. While we have policies and procedures intended to ensure that all transactions, including structured transactions, into which we enter comply with applicable laws and regulations, it is possible that certain of these transactions could give rise to litigation or enforcement actions. Such proceedings could also result in serious reputational harm. US authorities and authorities in other 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 harm our results of operations and financial condition. For a more complete description of our regulatory regime, refer to Item 4 – Information on the Company – Regulation and supervision.

In recent years, we have experienced increased regulation of our activities as a result of anti-money laundering initiatives in a number of jurisdictions. For example, in 2001, the US Congress enacted the USA Patriot Act, which imposed significant new record-keeping and customer identity requirements, expanded the government's powers to freeze or confiscate assets and increased the available penalties that may be assessed against financial institutions. Certain specific requirements under the USA Patriot Act involve new compliance obligations. Final regulations pursuant to the USA Patriot Act have not been adopted in all of these areas. In another example, in 2002 the US

Congress adopted the Sarbanes-Oxley Act, which imposed a number of obligations on companies, including banks, subject to reporting obligations in the US. More recently, in 2003 and 2004, the SEC has adopted a number of rules concerning mutual funds and asset management, and the US Congress is currently considering legislation with respect to the activities of mutual funds. In addition, from 2002 to 2004, the EU adopted a number of directives under the Financial Services Action Plan that are designed to increase internal market integration and harmonization. These directives include the Market Abuse Directive, the Prospectus Directive, the Transparency Obligations Directive and the Investment Services Directive. Furthermore, Switzerland and other jurisdictions in which we operate have proposed or adopted regulations to strengthen prohibitions on money laundering and terrorist financing as well as tax evasion. For a more complete description of certain of these regulations, refer to Item 4 – Information on the Company – Regulation and supervision. Similar or more severe measures may be adopted in the future.

In addition, Switzerland and the Swiss banking industry have in the past come under criticism for their laws and guidelines protecting the privacy of the customer, and such criticism may continue in the future.

We are exposed to risk of loss from legal and regulatory proceedings

The Group and its subsidiaries, in particular Credit Suisse First Boston, are subject to a number of legal proceedings, regulatory actions and investigations, including World War II settlements, research analyst practices and certain initial public offering, or IPO, allocation practices, mutual fund investigations, and particular companies to which we have rendered services. An adverse result in one or more of these proceedings could have a material adverse effect on our operating results for any particular 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.

Changes in our regulatory regime may affect our results of operations and capital requirements

Changes in laws, rules or regulations affecting the private banking, banking, insurance, investment banking and asset management businesses, or in the interpretation or enforcement of such laws, rules and regulations, may adversely affect our results. In June 2004, the Basle Committee on Banking Supervision of the Bank for International Settlements, or Basle Committee, approved significant changes to existing international capital adequacy standards and endorsed the publication of “International Convergence of Capital Measurement and Capital Standards, a revised Framework,” the new capital adequacy framework commonly referred to as Basel II. However, certain aspects of these standards may potentially be refined in the course of 2005. Participating countries are currently in the process of modifying their bank capital and regulatory standards as necessary to implement the new standards at the earliest at year-end 2006. We cannot predict at this time whether, or in what form, the new standards will be enacted through national legislations, or the effect that they would have on us or on our subsidiaries’ capital ratios, financial condition or results of operations. In addition, on April 29, 2004, the Swiss Federal Banking Commission, or SFBC, formally announced that it intends to implement the new standards swiftly but subject to a “Swiss finish”. Furthermore, the SFBC has indicated that it intends to implement the new standards for all Swiss banks. Therefore, in addition to the Credit Suisse and Credit Suisse First Boston legal entities, our private and retail banking subsidiaries may be required to comply with the new standards. Moreover, based on announcements from the SFBC, we currently expect that the Credit Suisse and Credit Suisse First Boston legal entities will be required to implement the SFBC’s new standards no later than year-end 2007.

On March 24, 2004, the Swiss government passed amendments to the Life Insurance Ordinance that provide for a mandatory allocation of profits from the regulated employee benefit business in Switzerland to be provided to policyholders. The amended ordinance requires that subject to the level of the investment result of the employee benefit business, a minimum of 90% of gross contributions or, in certain cases, 90% of net contributions be distributed to policyholders (the legal quote). On December 17, 2004 the Swiss Federal Parliament passed sweeping amendments to the Insurance Supervisory Act which, among other things, will take over the legal quote concept from and replace the Life Insurance Act and the Life Insurance Ordinance; the exact date for the entry into force of these amendments has not yet been determined but is expected to be in the second half of 2005. These new rules on the legal quote impact the determination of the provision for future dividends to policyholders in the Life & Pensions segment of the Group. In addition to the ongoing allocation to policyholders in respect of this business, provisions reflecting this legislation were recorded in 2004 and amounted to CHF 117 million, with an after-tax impact of CHF 91 million.

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 the business and financial communities. In 2002, the US Congress passed the Sarbanes-Oxley Act, and the SEC, the NYSE and NASDAQ subsequently adopted rules that significantly alter the duties and obligations relating to, among other things, corporate governance and financial disclosure. Most of these requirements are applicable to SEC-registered companies. To the extent private companies elect not to engage in IPOs in order to avoid being subject to these provisions, our equity new issuances business and our potential for exiting certain private equity investments may be adversely affected. In addition, of these requirements, coupled with the current state of the economy, have diverted many companies’ focus from capital markets transactions, such as securities offerings and acquisition or disposition transactions, and as long as such diversion exists our investment banking businesses may be adversely affected.

We are exposed to actions by employees

We are also subject to claims arising from disputes with employees for, among other things, alleged discrimination or harassment. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. We have incurred significant legal expenses in defending against employee litigation and other adversarial proceedings, and we expect to continue to do so in the future. Actions by employees could have a negative impact on our results of operations and financial condition.

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, both in the form of mergers and acquisitions and by way of alliances and cooperation, is increasing competition. The European and US financial services markets are relatively mature, and the demand for financial services products is, to some extent, related to overall economic development. Competition in this environment 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, which may not be subject to capital or regulatory requirements and, therefore, may be able to offer their products and services on more favorable terms. Furthermore, US federal financial reform legislation has significantly expanded the activities permissible for financial services firms in the US. This legislation may accelerate consolidation, increase the capital base and geographic reach of our competitors and increase competition in the financial services industry, which could adversely affect our results of operations and financial condition.

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 we fail adequately to promote and market our products and services. Our reputation could be damaged if, as we increase our client base and the scale of our businesses, our comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to address conflicts of interest properly. In the US, the SEC and state regulators have increased their review of potential conflicts of interest. Our reputation could in the future be damaged by, among other things, employee misconduct, a decline in or a restatement of or other corrections to our financial results, adverse legal or regulatory action or a downturn in financial markets or the financial services industry in general. The loss of business that could result from damage to our reputation could affect our results of operations and financial condition.

We must recruit and retain highly skilled employees

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition in the financial services industry for qualified employees is intense. We also compete for employees with companies outside the financial services industry. Such competition with non-financial services companies in particular is intensifying due to the fact that average compensation within our industry is decreasing, reflecting the current economic environment. 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.

Intense competition in all business segments could harm our results

Banking businesses

Competition in the banking markets is based on a number of factors, including products, pricing, distribution systems, customer service, brand recognition and perceived financial strength. Our private bank faces growing competition from the private banking units of other global financial services companies and from investment banks. There is increasing pressure due to competition from the substantial consolidation and innovations in product and service channels in recent years. We also face intense competition in the retail banking business, where the Swiss market is mature and demand for banking services depends, to a large extent, on the overall development of the Swiss economy. To compete effectively, our banking businesses must develop new products and distribution channels.

Investment banking business

Our investment banking operation competes with brokers and dealers in securities and commodities, investment banking firms, commercial banks and other firms offering financial services. Investment banking has experienced significant price competition in certain of its businesses, which has reduced profit margins on certain products or in certain markets. In addition, as private equity funds grow and proliferate, competition to raise private capital and to find and secure attractive investments is accelerating. Furthermore, our investment banking business faces competitive challenges from new trading technologies and alternative non-traditional trading systems, including the internet.

Asset management business

The asset management business faces competition from the asset management subsidiaries of major financial services companies, mutual fund managers and institutional fund managers in the US and Europe. Despite the trend towards globalization in the industry, competition is most significant in individual geographic locations. To compete effectively, our asset management business must continue to develop a broad range of products aimed at both global and local markets and to improve its marketing channels.

Insurance businesses

Competition in the insurance market is intense and is increasing as a result of continuing performance pressure. This pressure stems from declining financial returns from reinvestment at lower yields, low margins on traditional products, insufficient solvency capital, and customer demand for greater transparency of products and pricing. We face increased competition in distribution. In particular, we face growing competition in the mass-market customer segment due to a trend towards more standardization of products. In addition, competition is high in the affluent customer segment, which is targeted by insurance companies, banks, investment management firms, brokers and independent financial advisers. These areas of competition will likely require further development of our own brands, customer service and product capabilities. These strategies will require significant expenditures of resources, and our results of operations and financial condition could be harmed if our strategies are not as successful as our competitors' strategies.

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.

Acquisition risk

Acquisition of financial services businesses has been an important element of our strategy, and when appropriate we expect to consider additional acquisitions in the future. Even though we review the records of companies we plan to acquire, such reviews are inherently incomplete and 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 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.

Integration risk

We face the risk that we will not be able to integrate acquisitions into our existing operations effectively. Integration may be hindered by, among other things, differing procedures, business practices and technology systems, as well as difficulties in adapting an acquired company into our organizational structure. If we are unable to address these challenges effectively, our results of operations and financial condition could be adversely affected.

Item 4: INFORMATION ON THE COMPANY

Credit Suisse Group

Information related to the description of the business of Credit Suisse Group is set forth under the caption Information on the Company in the Annual Report 2004 on pages 10 to 13 and such information is incorporated herein by reference.

Credit Suisse

Information related to the description of the business of Credit Suisse is set forth under the caption Information on the Company in the Annual Report 2004 on pages 14 to 20 and such information is incorporated herein by reference.

Credit Suisse First Boston

Information related to the description of the business of Credit Suisse First Boston is set forth under the caption Information on the Company in the Annual Report 2004 on pages 21 to 28 and such information is incorporated herein by reference.

Winterthur

Information related to the description of the business of Winterthur is set forth under the caption Information on the Company in the Annual Report 2004 on pages 29 to 36 and such information is incorporated herein by reference.

Regulation and supervision

Overview

The Group's operations throughout the world are regulated and supervised, as applicable, 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, insurance, investment banking and asset management businesses. Changes in the supervisory and regulatory regimes of the countries in which the Group operates will determine to some degree the Group's ability to expand into new markets, the services and products that the Group will be able to offer in those markets and how the Group structures specific operations. For example, a number of countries in which the Group operates impose limitations on foreign or foreign-owned financial services companies including:

– Restrictions on the opening of local offices, branches or subsidiaries and restrictions on the types of banking and non-banking activities that may be conducted by these local offices, branches or subsidiaries;

– Restrictions on the acquisition of local banks or restrictions requiring a specific percentage of local ownership;

– Restrictions on investment and other financial flows entering or leaving the country; and

– Restrictions on types of services offered and level of participation in certain market segments.

From January 1, 2004 to July 13, 2004, the Group's structure was based on several legal entities comprising two business units: Credit Suisse Financial Services and Credit Suisse First Boston; from July 14, 2004, the Group's structure has comprised three business units – Credit Suisse, Credit Suisse First Boston and Winterthur – based on those same legal entities. These business units contain separate operating segments. The Group's legal entities include two principal Swiss banks, Credit Suisse and Credit Suisse First Boston, and their respective subsidiaries, and a Swiss insurance company, "Winterthur" Swiss Insurance Company and its subsidiaries. The Credit Suisse legal entity encompasses the Private Banking and Corporate & Retail Banking segments. The Credit Suisse First Boston legal entity consists of the Institutional Securities and Wealth & Asset Management segments. Winterthur is comprised of the Life & Pensions and Non-Life segments. In general, the Group is subject to regulation at the legal entity, rather than the business unit or operating segment level.

On December 7, 2004, the Group announced its intention to merge the Group's two Swiss banks, Credit Suisse and Credit Suisse First Boston. The merger will create a single legal entity encompassing the combined operations of both Swiss banks. For a more complete description, refer to the section Information on the Company in the Annual Report 2004.

Central banks and other bank regulators, financial services agencies and self-regulatory organizations are responsible for the regulation and supervision of the Group's banking businesses in each of the jurisdictions in which the Group operates. These authorities impose a wide variety of requirements, including those relating to:

– Reporting obligations;

– Reserves;

– Capital adequacy;

– Depositor protection;

– Prudential supervision;

– Risk concentration;

– Prevention and detection of money laundering and terrorist financing; and

– Liquidity requirements.

The Group’s investment banking business is also subject to oversight by securities authorities and exchanges, financial services agencies and self-regulatory organizations in various jurisdictions, including regulation as broker-dealers under applicable securities laws. Regulations affecting this business include, among others, those relating to:

– Capital requirements;

– Limitations on extensions of credit;

– Customer sales practice rules;

– Prevention and detection of money laundering and terrorist financing;

– Research analyst independence; and

– Trading rules.

In addition, the Group’s asset management and advisory businesses are generally regulated under the banking and securities laws of the United States, Switzerland and other jurisdictions in which the Group maintains a presence or provides access to its services.

Some of the more important regulatory requirements affecting the Group’s insurance businesses in various jurisdictions include:

– Maintenance of minimum solvency margins;

– Restrictions on the type of business that insurance companies can undertake;

– Restrictions on the types of assets and investments that can be used to support the insurance operations;

– Limits in some countries on premium rates and commission rates that can be charged to customers;

– Guaranteed rates of return for certain lines of insurance;

– Control of actuarial and claim reserves of the regulated insurer; and

– Allocation of profits to policyholders on participating life policies.

In addition, some of the principal jurisdictions in which the Group has insurance operations have change of control requirements that may deter, delay or prevent certain transactions affecting the control of the ownership of the Group's insurance businesses.

The regulatory structure that applies to the Group's operations in certain key countries is discussed more fully below.

Banking

Switzerland

The Credit Suisse Group legal entity is not a bank according to the Swiss Federal Law on Banks and Savings Banks of November 8, 1934, as amended, or the Bank Law, and its Implementing Ordinance of May 17, 1972, as amended, or the Implementing Ordinance. However, the SFBC issued a decree, or the Decree, in August 2003 – replacing an earlier decree from 1998 – pursuant to which the SFBC supervises, in its capacity as global lead regulator, the Credit Suisse Group legal entity on a consolidated basis. The Group is required to comply with certain of Switzerland's requirements for banks, including, among other things, with respect to capital adequacy, solvency and risk concentration on a consolidated basis, subject to specific stipulations required by the SFBC. The Group is also subject to certain of the reporting obligations of Swiss banks. Furthermore, the Group's banks in Switzerland, including the Credit Suisse and Credit Suisse First Boston legal entities as well as the Group's private and retail banking subsidiaries, 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. Banks and securities dealers must comply with certain reporting and filing requirements and, from January 20, 2005, banks must also comply with minimum reserve requirements of the Swiss National Bank, or the National Bank. In addition, banks and securities dealers must file an annual financial statement and detailed monthly interim balance sheets with the National Bank and the SFBC.

In January 2003, the SFBC issued an anti-money laundering ordinance, which contains more stringent due diligence requirements for banks and securities dealers with respect to business relationships and transactions that are deemed to entail higher legal or reputational risks. This ordinance took effect on July 1, 2003 and replaces earlier SFBC anti-money laundering guidelines. In addition, also as of July 1, 2003, the Swiss Bankers' Association, or SBA, a self-regulatory organization, issued a revised Code of Conduct with regard to the exercise of due diligence that applies to business relationships of banks in general. In aggregate, these provisions, which also aim to prevent the financing of terrorism, impose on banks, securities dealers and other financial intermediaries strict duties of diligence when entering into business relationships with customers, including a duty to identify the business partner and to establish the identity of the beneficial owner of funds and assets and, in transacting business with customers or correspondent banks, special duties to monitor and clarify the background of unusual transactions. The provisions also include a duty to freeze funds and assets and to notify the Swiss authorities in the case of well-founded suspicions relating to money laundering activities, and a duty of special care in dealing with politically exposed persons. This ordinance follows a series of anti-money laundering measures implemented in Switzerland since 1977: As a member of the Financial Action Task Force on Money Laundering, or FATF, from its inception, in August 1990 Switzerland adopted its first legislative measures aimed at the prevention of money laundering. This initiative was followed in 1991 by the issuance of the SFBC guidelines for the combat and prevention of money laundering, the adoption in 1992 of the fourth version (the first version was issued in 1977) of the Code of Conduct of the SBA with regard to the exercise of due diligence on business relationships and the implementation of the Federal Statute concerning the Combat of

Money Laundering in the Financial Sector of April 1, 1998. Moreover, on October 1, 2003, Switzerland introduced, through amendments to its penal code, criminal liability for legal entities in addition to the criminal liability of an employee for the commission of a crime (e.g. money laundering); this corporate liability covers cases where the legal entity has not taken sufficient organizational measures either to identify employees who commit a crime or to prevent the crime itself. The revised, more stringent FATF 40 recommendations are expected to be implemented in Switzerland in the near future.

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 secrecy 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 secrecy laws generally 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.

The SFBC is the highest bank supervisory authority in Switzerland and is independent from 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. Among other things, the SFBC has the power to grant and withdraw banking and securities dealer licenses, to enforce the Bank Law and the Stock Exchange Act and to prescribe the content and format of audit reports. The National Bank is a limited liability company whose share capital is held by the Swiss cantons and cantonal banks, private shareholders and public authorities. It is responsible for implementing those parts of the government's monetary policy that relate to banks and securities dealers, particularly in the area of foreign exchange. It publishes extensive statistical data on a monthly basis. On May 1, 2004, an amendment to the Swiss Federal Act on the National Bank came into effect, which gives the National Bank certain additional powers such as the supervision of payment and securities settlement systems. Conversely, as of the same date, the National Bank abolished the capital export restrictions over which it had jurisdiction – in particular, the principle of entrenchment which required that Swiss franc denominated bonds be lead-managed by banks or securities dealers based in Switzerland.

Under the Bank Law, a bank's business is subject to inspection and supervision by an independent auditing firm that is licensed by the SFBC. These Bank Law auditors, which are appointed by the bank's board of directors, are required to annually perform an audit of the bank's financial statements and 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. The regulatory part of the audit report is submitted to both the bank's board of directors and the SFBC. In the event that the audit reveals violations of the law or other irregularities, the auditors must inform the SFBC if the violation or irregularity is not cured within a deadline designated by the auditors, or immediately in the case of serious violations or irregularities that may jeopardize the security of creditors.

In 1999, the SFBC established the Large Banking Groups Department, or the SFBC Department, which oversees all of the main businesses in which the Group operates, supervises the Group directly through regular reviews of accounting, risk and structural information, regular meetings with management and periodic on-site visits. The SFBC Department also coordinates the activities of the SFBC with the Group's external auditors and with the Group's foreign regulators.

In November 2004, the Federal Council passed a resolution to support the creation of a federal financial market supervisory agency, the FINMA, by consolidating the SFBC and the Swiss Federal Office of Private Insurance, or FOPI, to unify the supervisory means for all supervised areas. At the same time, the Federal Council decided to, among other things, include the Money Laundering Control Authority within the FINMA and permit the FINMA to inform the public about on-going and concluded investigations and proceedings under defined parameters. The Federal Council has tasked the Swiss Federal Department of Finance, or FDF, with drafting a bill, expected to be presented to Parliament at the end of 2005.

In addition, the Swiss regulatory framework relies on self-regulation through the SBA. The SBA issues a variety of guidelines to banks and securities dealers, such as: the Risk Management Guidelines for Trading and the Use of Derivatives, which set out standards based on the recommendations of the Group of Thirty, the Basle Committee and the International Organization of Securities Commissions; the Portfolio Management Guidelines, which set standards for banks when managing customers' funds and administering assets on their behalf; and the Code of Conduct for Securities Dealers, which sets standards for professional ethics in the execution of securities transactions for customers. In January 2003, the SBA issued the Guidelines on the Independence of Financial Research, or the Research Guidelines. The Research Guidelines became effective on July 1, 2003 and were issued with a view to ensuring the independence of financial research of SFBC-regulated financial institutions.

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 Credit Suisse Group legal entity 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).

Through 2003, the Group's Tier 1 capital included primarily paid-in share capital, reserves (defined to include, among other things, free reserves and the reserve for general banking risks), capital participations of minority shareholders in certain fully consolidated subsidiaries, retained earnings and audited current-year profits, less anticipated dividends. Among other items, this was reduced by the net long position of the Group's own shares and goodwill. Tier 1 capital is supplemented, for capital adequacy purposes, by Tier 2 capital, which consists primarily of hybrid capital and subordinated debt instruments. A further supplement is Tier 3 capital, which consists of certain unsecured subordinated debt obligations with payment restrictions. The sum of all three capital tiers, less non-consolidated participations in the industries of banking and finance and certain other deductions, equals total bank or regulatory 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 SFBC has advised the Group that it may continue to include as Tier 1 capital CHF 2.1 billion as of December 31, 2004, of equity from special purpose entities, which are deconsolidated under FIN 46R.

The Group is required by the 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. Furthermore, in addition to the annual financial statement and detailed monthly interim balance sheets, the Group's banks submit statements of required and existing regulatory capital semi-annually on a consolidated basis to the National Bank. The National Bank may demand further disclosures from banks concerning their financial condition as well as other kinds of information relevant to regulatory oversight. Pursuant to the Decree, the Group's banking sub-groups (including the Credit Suisse and Credit Suisse First Boston legal entities) are exempt from regulatory capital consolidation, subject to certain conditions, but have to comply with regulatory capital requirements on a legal entity basis. For information on the Group's capital ratios, refer to Item 5 – Operating and Financial Review and Prospects – Liquidity and capital resources.

The Basel Committee has introduced significant changes to existing international capital adequacy standards, which were published on June 26, 2004. The Basel Committee also indicated that selected standards, e.g. trading book aspects, will be reviewed and updated in the course of 2005. Participating countries are currently in the process of modifying their bank capital and regulatory standards as necessary to implement the new standards at the earliest at year-end 2006. The Group cannot predict at this time whether, or in what form, the new standards will be implemented in national legislation, or the effect that they would have on us or on the Group's subsidiaries' capital ratios, financial condition or results of operations. In addition, on April 29, 2004, the SFBC formally announced that it intends to implement the new standards swiftly but subject to a "Swiss finish". Furthermore, the SFBC has indicated that – in contrast to the implementation plans of the Board of Governors of the Federal Reserve System to restrict application of the new standards to the major US banking institutions – it intends to implement the new standards for all Swiss banks. Therefore, the Group's various banking subsidiaries will be required to comply with the new standards. Moreover, the SFBC intends to follow the timetable for implementation of the new standards set by the European Union, irrespective of whether the United States delays implementation for US banks.

Liquidity requirements

Banks are required to maintain specified measures of primary and secondary liquidity under Swiss law. According to the Decree, the Credit Suisse Group legal entity 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 described below for banks.

The minimum reserve requirement (formerly designated as "primary liquidity") is measured by comparing Swiss franc-denominated liabilities to liquid assets in Swiss francs. For this purpose, liabilities are defined as balances due to banks and due to customers, due on demand or due within three months, and 20% of deposits in savings and similar accounts. Under applicable law in 2004, a bank's liquid assets had to be maintained to a level of at least 2.5% of the sum of these kinds of liabilities. As of January 1, 2005, these provisions were replaced by a minimum reserves requirement set forth in the new National Bank Ordinance that entered into effect on May 1, 2004. These new rules follow, in essence, the former law, but also include medium-term notes due within three months.

Overall liquidity (formerly designated as "secondary liquidity") is measured by comparing the total of liquid assets and "easily realizable assets" with the total of "short-term liabilities." The total of the liquid and easily realizable assets of a bank must be equal to at least 33% of the short-term liabilities.

Banks are required to file with the SFBC and the National Bank monthly statements reflecting their primary liquidity position and quarterly statements reflecting their secondary liquidity position.

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. A bank's aggregated and risk-weighted exposure to any single counterparty or group of related counterparties may not exceed a specified limit; risk exposures exceeding 10% of a bank's eligible capital are deemed a regulatory large exposure and must be reported to the bank's board of directors, as well as to its Bank Law auditors. In addition, aggregated and risk-weighted exposure to any single counterparty or group of related counterparties may not exceed 25% of a bank's eligible capital, and the aggregate of all reported regulatory large exposure positions may not exceed 800% of the bank's eligible capital. Subject to certain exceptions, exposures exceeding these thresholds must be reported immediately to the Bank Law auditors and to the SFBC, which may require corrective action and impose sanctions, if appropriate.

Pursuant to the Decree, the Group must adhere to these risk concentration rules on a consolidated level. However, the SFBC has agreed that the Group's Swiss banks and securities dealers are entitled to exclude from the 25% and 800% limits the risk positions of certain of the Group's companies, which are subject to adequate supervision, and the risk positions in respect of the Credit Suisse Group legal entity. In addition, subject to certain conditions, the Group's banking sub-groups are exempt from risk consolidation.

European Union

Between 2002 and 2003, the European Union, or EU, adopted or proposed a number of directives and measures within the scope of the Financial Services Action Plan, or FSAP, designed to increase internal market integration and harmonization. Individual EU member states implement these directives through national legislation, the details of which may vary from country to country and which may in certain cases set higher standards. As part of the FSAP, the EU adopted a directive on financial conglomerates in November 2002. Financial conglomerates are defined as groups that include regulated entities active in the banking and/or investment services sectors, on the one hand, and the insurance sector, on the other hand, and that meet certain criteria. The aim of the directive is to impose additional prudential requirements in respect of the regulated entities that are part of financial conglomerates including, to a certain extent, any mixed financial holding company. The supplementary supervision will be organized at the level of the financial conglomerate and cover capital adequacy, risk concentration and intra-group transactions. The directive further requires non-EU headed groups that operate regulated entities in the EU to be subject to equivalent consolidated supervision in their home country. In July 2004, the European Financial Conglomerates Committee, or the EFCC, and the Banking Advisory Committee, or the BAC, of the EU issued guidance to EU supervisors on the extent to which the supervisory regime in Switzerland is likely to meet the objectives of supplementary supervision as foreseen by the directive on financial conglomerates. In their joint guidance, the EFCC and BAC noted that, while none of the supervisory agencies in Switzerland have explicit legal powers extending to financial conglomerates, financial conglomerates are currently supervised on a consolidated basis according to special decrees issued by the lead regulator. The EFCC and BAC noted further that the Swiss banking supervisory regime makes use of many of the same tools as the banking supervisory regime in the EU and aims to achieve essentially the same objectives as set out in EU legislation. In their joint conclusions, the EFCC and BAC advised that any EU supervisor considering the equivalence of supervision for a particular Swiss-parented group:

– should clearly understand the features of the Swiss decree governing supervision of that group and satisfy themselves that the decree, and its practical application, will achieve objectives consistent with the objectives of EU supplementary or consolidated supervision, as appropriate;

– must, in all cases satisfy themselves that there will be an appropriate level of cooperation from Swiss supervisors; and

– must satisfy themselves that they would be able to obtain appropriate information from the Swiss supervisory authorities.

In view of legislative initiatives in Switzerland, such as the establishment of the FINMA, as well as uncertainty as to the extent of supervisory cooperation that can be expected from the SFBC given certain constraints on information exchange imposed by Swiss law, the EFCC and BAC intend to review their joint guidance by no later than 2006.

In June 2003, the EU adopted a directive on the taxation of savings income, or the Savings Directive. Pursuant to the Savings Directive, a member state of the EU will be required to provide to the tax authorities of other member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other member states, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments. The Directive is expected to be required to be applied by EU member states at the earliest from July 1, 2005, subject to certain conditions being met. In October 2004, the EU and Switzerland signed an agreement on the taxation of savings income by way of a withholding system and voluntary declaration in the case of transactions between parties in EU member states and Switzerland. This agreement was approved by the Swiss Parliament in December 2004, together with additional agreements on other topics (collectively, the Bilateral Treaties). Certain parts of the Bilateral Treaties will be subject to referendum or mandatory public votes to be held in Switzerland during 2005. Switzerland will introduce a tax on interest payments or other similar income paid by a paying agent within Switzerland to EU resident individuals on July 1, 2005. The tax will be withheld at a rate of 15% for the first three years of the transitional period, 20% for the subsequent three years and 35% thereafter. The beneficial owner of the interest payments may be entitled to a refund of the tax in her or his state of residency if certain conditions are met.

United States

The Group's operations in the United States are subject to a variety of regulatory regimes. The Credit Suisse First Boston legal entity operates a bank branch in New York, or the New York Branch, and the Credit Suisse legal entity operates a US administrative office in Florida and representative offices in New York and Texas. The Group refers to these collectively as the Group's US Banking Offices. Each of these offices is licensed by the state banking authority in the state in which it is located and is subject to regulation and examination by its licensing authority. Because the New York Branch does not engage in "retail" deposit taking, it is not required to be, and is not, a member of the Federal Deposit Insurance Corporation, or the FDIC. Accordingly, the FDIC does not insure its deposits.

The New York Branch is licensed by the Superintendent of Banks of the State of New York, or the Superintendent, under the New York Banking Law, or the NYBL. The New York Branch is examined by the New York State Banking Department and the Board of Governors of the Federal Reserve System, or the Board, and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. Under the NYBL and regulations adopted in 2002, the New York Branch must maintain, with banks in the State of New York, eligible assets (including US treasuries, other obligations issued or guaranteed by the US government or agencies or instrumentalities thereof, obligations of the New York State government and local governments within New York State, and numerous other assets meeting the criteria established in the NYBL and applicable regulations) in an amount generally equal, with certain exclusions, to 1% of the liabilities of the New York Branch (up to a maximum of USD 400 million as long as the Credit Suisse First Boston legal entity and the New York Branch meet specified supervisory criteria). The NYBL also empowers the Superintendent to require branches of foreign banks to maintain in New York specified assets equal to such percentage of the branches' liabilities as the Superintendent may designate. This percentage is currently set at 0%, although the Superintendent may impose specific asset maintenance requirements upon individual branches on a case-by-case basis. The Superintendent has not prescribed such a requirement for the New York Branch.

The NYBL 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. These circumstances include the following:

– Violation of any law;

– Conduct of business in an unauthorized or unsafe manner;

– Capital impairments;

– Suspension of payment of obligations;

– Liquidation of the foreign bank in the jurisdiction of its domicile or elsewhere; or

– Existence of reason to doubt a foreign bank's ability to pay in full certain claims of its creditors.

Pursuant to the NYBL, when the Superintendent takes possession of a New York branch, it succeeds to the branch's assets and the assets of the foreign bank located in New York. In liquidating or dealing with a branch ' s business after taking possession of the branch, the Superintendent shall accept for payment out of these assets only the claims of creditors (unaffiliated with the foreign bank) that arose out of transactions with such New York branch. After such claims are paid, the Superintendent would turn over the remaining assets, if any, to the foreign bank or to its duly appointed liquidator or receiver.

The New York Branch is generally subject under the NYBL to the same single borrower lending limits applicable to a New York State-chartered bank, except that for the New York Branch such limits, which are expressed as a percentage of capital, are based on the capital of the Credit Suisse First Boston legal entity on a global basis.

In addition to being subject to various state laws and regulations, the Group's operations are also subject to federal regulation, primarily under the International Banking Act of 1978, as amended, or the IBA, and the amendments to the IBA made pursuant to the Foreign Bank Supervision Enhancement Act of 1991, or FBSEA, and to examination by the Board in its capacity as the Group's US "umbrella supervisor." Under the IBA, as amended by FBSEA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by US bank holding companies, and most US branches and agencies of foreign banks, including the New York Branch, are subject to reserve requirements on deposits and to restrictions on the payment of interest on demand deposits pursuant to regulations of the Board.

Among other things, FBSEA provides 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. FBSEA also subjects 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, FBSEA authorizes the Board to 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 the Credit Suisse First Boston legal entity, unless the Superintendent or other regulatory authorities were to make alternative arrangements for the payment of the liabilities of the New York Branch.

In 2001, the US Congress enacted the USA Patriot Act, which imposed significant new record-keeping and customer identity requirements, expanded the government's powers to freeze or confiscate assets and increased the available penalties that may be assessed against financial institutions. The USA Patriot Act also required the US Treasury Secretary to develop and adopt final regulations that impose anti-money laundering compliance obligations on financial institutions. The US Treasury Secretary delegated this authority to a bureau of the US Treasury Department known as the Financial Crimes Enforcement Network, or FinCEN.

Many of the new anti-money laundering compliance requirements of the USA Patriot Act, as implemented by FinCEN, are generally consistent with the anti-money laundering compliance obligations that applied to the New York Branch and the US subsidiaries of Credit Suisse Group under Board regulations before the USA Patriot Act was adopted. These include requirements to adopt and implement an anti-money laundering program, report suspicious transactions and implement due diligence procedures for certain correspondent and private banking accounts. Certain other specific requirements under the USA Patriot Act, such as procedures relating to correspondent accounts for non-US financial institutions and regulations thereunder mandating formal customer identification procedures, involve new compliance obligations. However, FinCEN has not adopted final regulations in all of these areas, and the impact on the Group's US operations will depend on how FinCEN implements these requirements.

Non-banking activities

Pursuant to the IBA, the Bank Holding Company Act of 1956, as amended, or the BHCA, imposes significant restrictions on the Group's US non-banking operations and on the Group's worldwide holdings of equity in companies operating in the United States. Historically, the Group's US non-banking activities were principally limited to activities that the Board found to be a proper incident to banking or managing or controlling banks or to which an exemption applied (such as certain "grandfather rights" accorded to certain segments within the Credit Suisse First Boston legal entity pursuant to the IBA). Moreover, prior Board approval was generally required to engage in new activities and to make non-banking acquisitions in the United States.

The Gramm-Leach-Bliley Act, or GLBA, which was signed into law in 1999 and became effective in most respects in 2000, 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 United States, including insurance, securities, private equity and other financial activities–in many cases without prior notice to, or approval from, the Board or any other US banking regulator. 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 provisions of the BHCA governing the acquisition of US banks were not affected by the GLBA. Accordingly, as was the case prior to enactment of GLBA, 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. Under the BHCA and regulations issued by the Board, 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 became a financial holding company effective March 23, 2000. To qualify as a financial holding company, the Group was required to certify and demonstrate that the Credit Suisse First Boston legal entity was "well capitalized" and "well managed." These standards, as applied to us, are comparable to the standards US domestic banking organizations must satisfy to qualify as financial holding companies. In particular, the Credit Suisse First Boston legal entity is required to maintain capital equivalent to that of a US bank, including a Tier 1 capital ratio of at least 6% and a total capital ratio of at least 10%. If in the future the Group ceases to be well capitalized or well managed, or otherwise fail to meet any of the requirements for financial holding company status, then, depending on which requirement the Group fails to meet, the Group may be required to discontinue newly authorized financial activities or terminate the Group's 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 have narrowed and, when fully implemented, will 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 2005, although the SEC has indicated that it does not expect banks to develop compliance for the broker rules until final rules have been adopted. 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 Financial Services Authority, or FSA, is the single statutory regulator of financial services activity in the UK. It takes its powers from the Financial Services and Markets Act 2000, or the FSMA. The FSA took on its powers with effect from December 1, 2001. The scope of activities covered includes banking, personal insurance and investment business. From late 2004, the FSA is responsible for regulating mortgage lending and advice and general insurance advice in addition to its current scope. In undertaking its supervisory responsibilities, the FSA adopts a risk-based approach, covering all aspects of a firm’s business, capital adequacy, systems and controls and management structures. Accordingly, the FSA sets requirements on capital and related systems and controls based on risk factors rather than by sector from which the firm comes. In addition to its supervisory responsibilities, the FSA continues to review and update the overall regulatory regime, taking account of market changes, as well as government and international initiatives and developments with an impact on risk perceptions and exposures within the financial services industry. 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 in cases of breaches or likely breaches of rules, prosecute criminal offences under FSMA, impose financial penalties, issue public statements or censures and vary, cancel or withdraw authorizations it has granted.

The London branch of the Credit Suisse First Boston legal entity, or the London Branch, and its affiliated entities, Credit Suisse First Boston International and Credit Suisse (UK) Limited, are authorized under the FSMA with respect to their deposit taking banking business and are regulated by the FSA. Certain aspects of these entities’ wholesale money markets activities are subject to regulation in the United Kingdom by the FSA. Wholesale money market activities, which fall outside the scope of the FSMA, generally fall within the scope of a voluntary code of conduct called the Non-Investment Products Code, which is published by the Bank of England.

Subject to certain exemptions set out in the FSMA, only authorized companies may carry on deposit taking business. In deciding whether to grant authorization, the FSA must determine whether an applicant firm satisfies the threshold conditions for suitability stipulated in the FSMA, as further explained in the FSA Handbook, including a requirement to be fit and proper. Guidance on what constitutes fit and proper is set out in the FSA Handbook and includes consideration of its connection with any person, the nature of the regulated activity that it carries on or seeks to carry on and the need to ensure that its affairs are conducted soundly and prudently. The FSA may also take into account anything that could influence a firm’s continuing ability to satisfy this condition, including the firm’s position within a group and information provided by overseas regulators about the firm. In connection with its authorization the FSA may impose conditions relating to the operation of the bank and the conduct of banking business. The FSA retains the power to waive or modify the application of or compliance with certain of the rules promulgated by the FSA under FSMA.

The FSA has adopted a risk-based approach to the supervision of banks. Under this approach, the FSA performs a formal risk assessment of every bank or banking group in the United Kingdom during each supervisory period, which varies in length according to the risk profile of the bank. The FSA performs the risk assessment by analyzing information that it receives during the normal course of its supervision, such as regular prudential and statistical returns on the financial position of the bank, or that it acquires through a series of meetings with senior management of the bank. After each assessment, the FSA will inform the bank of its view on the bank’s risk profile, including details of any remedial action the FSA requires the bank to take. The FSA can, for example, increase the bank’s capital ratios or revoke the bank’s authorization, either of which would adversely affect the Group’s results of operation and financial condition.

The FSA requires Credit Suisse First Boston International and Credit Suisse (UK) Limited to maintain a certain minimum capital adequacy ratio of total capital to risk-weighted assets and to report large exposures. The London

Branch is also subject to Swiss Bank Law requirements in respect of capital adequacy and large exposures. The FSA generally requires banks operating in the United Kingdom to maintain adequate liquidity, taking into account the nature and scale of their business so that they are able to conduct business in a prudent manner and meet their obligations as they fall due.

The banking businesses that are subject to oversight by the FSA are regulated in accordance with EU directives requiring, among other things, compliance with certain 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 EU countries in which the Group operates and are broadly comparable in scope and purpose to the regulatory capital and customer protection requirements imposed under applicable US law.

The Group's UK banking and broker-dealer businesses are also subject to the Proceeds of Crime Act 2002, or PCA, which consolidates, updates and strengthens existing UK legislation and brings in broad new powers. It transfers many confiscation powers to the Crown Court and establishes an Assets Recovery Agency, or ARA. The PCA also imposes stricter penalties for money laundering offences by the introduction of a negligence-based criminal offence, which applies not only to financial institutions, but also to solicitors and other professionals who manage or deal with clients' money; introduces civil forfeiture in the High Court; and empowers the Director of the ARA to tax the proceeds of criminal conduct. The new money laundering provisions, which make negligent conduct a criminal offence, are especially important to financial institutions and banks.

Investment Banking and Asset Management

Switzerland

The Group's securities dealer activities in Switzerland are conducted primarily through the Credit Suisse and Credit Suisse First Boston legal entities 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, subject to minor exceptions, the same as for banks. Securities dealers are supervised by the SFBC, and the Research Guidelines also apply to SFBC-registered securities dealers.

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 through legal entities under the supervision of the SFBC.

European Union

In April 2004, as part of the FSAP, the EU adopted a new investment services directive, the Markets in Financial Instruments Directive, or MiFID, which EU member states will be required to implement by April 2006. The directive is designed to give investment firms an effective "single passport", allowing them to operate throughout the EU on the basis of authorization in their home member state. It will also permit investment firms to process client orders outside regulated exchanges, which is not currently possible in some member states. The directive provides for certain pre-trade and post-trade transparency obligations to apply to investment firms that engage in the internalization of order flow. Subject to certain exceptions, such firms would be obliged to disclose the prices at which they will be willing to buy from and/or sell to their clients. This is designed to ensure that European wholesale markets will not be subject to this disclosure requirement and that investment firms in these markets will not be subjected to significant risks in their role as market makers. For a description of the FSAP, refer to Item 4 – Regulation and Supervision – Banking.

United States

In the United States, the SEC is the federal agency primarily responsible for the regulation of broker-dealers, investment advisers and investment companies, while the Commodity Futures Trading Commission, or the CFTC, is the federal agency primarily responsible for, among other things, 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 and the Municipal Securities Rulemaking Board has the authority to promulgate rules relating to municipal securities. The Board of Governors of the Federal Reserve System 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 NYSE, and by state authorities. In addition, because they are also engaged in futures activities, broker-dealers are subject to industry self-regulatory organizations such as the National Futures Association, or the NFA, and by state authorities.

The Group’s investment banking business includes broker-dealers registered with the SEC, all 50 states of the United States, the District of Columbia and Puerto Rico, and with the CFTC as futures commission merchants and commodities trading advisers. 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 over-lapping schemes of regulation covering all aspects of its securities and futures activities. Such regulations cover matters 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.

A particular focus of the applicable regulations concerns the relationship between broker-dealers and their customers. As a result, US broker-dealers may be required in some instances to make “suitability” determinations as to certain customer transactions, are limited in the amounts that they may charge customers, generally cannot trade ahead of customer orders and may not engage in other activities deemed to be inconsistent with just and equitable principles of trade. US broker-dealers must make certain required disclosures to their customers.

The broker-dealers' operations are also subject to the SEC ' s net capital rule, Rule 15c3-1, or the Net Capital Rule, promulgated under the US Securities Exchange Act of 1934, which requires broker-dealers to maintain a specified level of minimum net capital in relatively liquid form. The Group also has a so-called "broker-dealer lite" entity, which is subject to the Net Capital Rule but calculates its capital requirements under Appendix F to Rule 15c3-1. 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 those of the Group's operations that require intensive use of capital, such as underwriting and trading activities and the financing of customer account balances and also could restrict the Group's ability to withdraw capital from the Group's broker-dealer subsidiaries, which in turn could limit the Group's ability to pay dividends and make payments on the Group's debt. Certain of the Group's broker-dealers are also subject to the net capital requirements of various self-regulatory organizations.

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

The investment banking and asset management businesses include legal entities registered and regulated as investment advisers under the US Investment Advisers Act of 1940, as amended, and the SEC's rules and regulations thereunder. The Group's asset management business provides primarily discretionary asset management services to individuals, corporations, public pension funds and registered and unregistered mutual funds. In 2004, the SEC also adopted rules that will require the registration of certain hedge fund advisers to register under the Advisers Act by February 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. These regulations provide, among other things, for the way in which client assets should be managed from a portfolio philosophy, diversification and management perspective. In addition, these regulations impose limitations on the ability of investment advisers to charge performance-based or non-refundable fees to customers, record keeping and recording requirements, disclosure requirements and limitations on principal transactions between an adviser or its affiliates and advisory customers, as well as general anti-fraud prohibitions. 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.

The Group's investment banking and asset management operations may also be materially affected not only by regulations applicable to them as financial market intermediaries, but also by regulations of general application. For example, the volume of the Group's underwriting, merger and acquisition and merchant banking businesses could be affected by, among other things, existing and proposed tax legislation, anti-trust policy and other governmental regulations and policies (including the interest rate policies of the Board) and changes in interpretation and enforcement of various laws that affect the business and financial communities. From time to time, various forms of anti-takeover legislation and legislation that could affect the benefits associated with financing leveraged transactions with high-yield securities have been proposed that, if enacted, could adversely affect the volume of merger and acquisition and merchant banking businesses, which in turn could adversely affect the Group's underwriting, advisory and trading revenues.

In 2002 and 2003, the NASD, the NYSE and the SEC adopted rules or regulations relating to the independence of research activities and research analysts. Credit Suisse First Boston LLC, as a member of the NASD and the NYSE and by virtue of having affiliated broker-dealers registered with the SEC, is subject to those rules and regulations. The rules adopted by the NASD and NYSE apply to research communications involving equity securities and, among other things, prohibit research analysts from being supervised by investment banking personnel, prohibit tying research analyst compensation to investment banking services, prohibit buying and selling of company securities by research analysts during specified periods, and require certain disclosures in research reports and public appearances. In February 2003, the SEC adopted Regulation Analyst Certification, or Regulation AC, which applies to research reports involving equity or debt securities. Regulation AC requires research analysts to make specific certification in connection with both research report issuances and public appearances.

In 2002, as part of changing practices in the investment banking industry and Credit Suisse First Boston's commitment to ensuring the independence of its research, Credit Suisse First Boston made a number of changes in its equity securities research activities, including realigning its research department, including equity research, to report to the Vice Chairman of Credit Suisse First Boston for Research and for Legal and Compliance, adopting new rules on securities ownership by analysts and implementing new procedures for communication between analysts and investment bankers. Further, pursuant to an agreement with various US regulators regarding, among other things, research analyst independence, Credit Suisse First Boston has adopted internal structural and operational reforms to ensure research analyst independence. Refer to Item 8–Financial Information – Legal Proceedings.

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. For a description of the FSA's enforcement powers, refer to Item 4 – Regulation and Supervision – Banking.

Subject to certain exemptions set out in the FSMA, only authorized companies may carry on an investment business. In deciding whether to grant authorization, the FSA must determine whether an applicant satisfies the threshold conditions for suitability stipulated in the FSMA, as further explained in the FSA Handbook, including a requirement to be fit and proper. For further information on this requirement, refer to Item 4 – Regulation and Supervision – Banking. In connection with its authorization the FSA may impose conditions relating to the operation of the company and the conduct of investment business. The FSA retains the power to waive compliance with various provisions of the FSMA and underlying rules.

The FSA is responsible for regulating most aspects of an investment firm's business, for example, 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, 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 FDF. The Group's Swiss insurance operations are subject to supervision by 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 Swiss Insurance Supervisory Act of 1978, or the Insurance Supervisory Act, as amended. 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 a decree, the FOPI Decree, issued by FOPI effective as of January 1, 2004. Pursuant to the FOPI Decree, the Group's Swiss insurance businesses are required to comply on a consolidated basis with certain requirements with respect to capital, solvency and risk concentration, as well as certain other requirements, subject to specific stipulations required by the FOPI.

Under current regulations, Swiss insurance and reinsurance companies cannot operate in any field other than insurance and reinsurance. This requirement is subject to exceptions, which may be granted by the FOPI. Generally, these exceptions apply if the nature and volume of the proposed non-insurance business are viewed as non-threatening to the solvency of the insurance company. Life insurance companies require approval by the FOPI if their interest in a non-insurance company exceeds 10% of the capital of the company; for investments by non-life insurance companies the relevant threshold is 20%. If the acquisition of interests in non-insurance companies exceeds 10% of the equity of the acquiring insurance company, approval is also required. Approval may be granted if the investment is viewed as non-threatening to the solvency of the acquiring insurance company.

The FOPI requires each insurance company to submit, together with its application for an operating license, a business plan that provides information on the purpose and organization of the insurance company, the nature and geographic scope of its activities, its articles of association, its financial statements, the portion of its tariffs that is subject to supervision and details about the calculations of its technical provisions (that is, the provisions to cover future liabilities for insurance contracts). Any change to these elements of the business plan requires the prior approval of the FOPI.

Swiss insurance companies are required to allocate a portion of their assets to a "Safety Fund" (for life insurance companies) or to "Bound Assets" (for non-life insurance companies). The Safety Fund and the Bound Assets cover the technical provisions and provide a minimum basis for satisfying liabilities of the insurance business. For the Bound Assets and the Safety Fund special investment restrictions apply to improve the security of the assets, especially with their diversification under different aspects (e.g. creditworthiness of the debtors, thresholds for the categories of the asset classes and the currencies).

In addition, life insurance companies are subject to the requirements and procedures set forth in the Federal Statute concerning the Combat of Money Laundering in the Financial Sector. For further information about this statute and the possible consolidation of the FOPI and the SFBC, refer to Item 4 –Regulation and Supervision – Banking.

Insurance companies are required to submit to the FOPI the statutory annual return, which includes a more detailed breakdown of certain balance sheet and income statement positions, the audited accounts on a stand-alone basis, management letters and the Board of Directors Report issued by the external auditors. Furthermore, reports on the Safety Fund and Bound Assets, respectively, must be submitted on a regular basis. The FOPI can ask for ad-hoc reports if the situation requires this. On December 17, 2004, the Swiss Parliament passed amendments to the Insurance Supervisory Act with the aim of improving financial transparency, consumer protection and corporate governance. Further, the amendments introduce a legal basis for the consolidated supervision of insurance groups.

On March 24, 2004, the Swiss government passed amendments to the Life Insurance Ordinance that provide for a mandatory allocation of profits from the regulated employee benefit business in Switzerland to be provided to policyholders. The amended ordinance requires that, subject to the level of the investment result of the employee benefit business, a minimum of 90% of gross contributions or, in certain cases, 90% of net contributions be distributed to policyholders; this is referred to as the "legal quota." The amendments to the Insurance Supervisory Act passed by the Swiss Parliament in December 2004 will, among other things, take over the legal quota concept from and replace the Life Insurance Act and the Life Insurance Ordinance; the exact date for the entry into force of these amendments has not yet been determined but is expected to be in the second half of 2005. These new rules on the legal quota impact the determination of the provision for future dividends to policyholders in the Life & Pensions segment of the Group.

European Union

The European Union has established a regulatory framework for the insurance sector through the issuance of directives concerning both 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 and to improve standards of prudential supervision and safeguard for policyholders through harmonization of core regulatory standards and solvency requirements among EU member states. Individual EU member states implement these directives through national legislation, the details of which may vary from country to country and which 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 ("Solvency II"). It contains a fundamental and wide-ranging review of the current regime in light of current developments in insurance, risk management, finance techniques, financial reporting, etc. One of the key objectives is to establish a solvency system that is better matched to the true risks of an insurance company.

The EU is currently finalizing a Fifth Motor Insurance Directive with the aim of improving the provisions of current EU Motor Insurance Directives by making it easier to obtain motor vehicle insurance and by upgrading the protection for accident victims. The directive will also make it easier for insurers to operate across borders.

In 2004, the Council of the EU adopted a directive implementing the principle of equal treatment for women and men with respect to access to and supply of goods and services. The principle of equal treatment promulgated by the directive will apply, among other things, to insurance for all new contracts issued after December 21, 2007. However the directive provides for exemptions and transitional regimes in respect of the application of this principle to insurance contracts provided that national law does not apply the unisex rule.Before December 21, 2007, EU member states may allow proportionate differences in individual premiums and contributions based on actuarial and statistical data that use gender as a determining factor. EU member states providing exemptions shall inform the EU Commission and ensure that accurate data relevant to the use of gender as a determining actuarial factor be made public and regularly updated. This exemption must be reviewed after five years (starting from December 21, 2007).

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, or FFSA, monitors and enforces compliance with German insurance laws, applicable accounting standards, investment and technical provisions and solvency margins. Insurance companies are required to submit to the FFSA, among other things, notifications, statutory annual returns, audited annual accounts, quarterly interim reports and quarterly reports on certain investments.

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. In general, the actuarial and claims reserves of each insurer must be adequate to allow the insurer to fulfill its contractual commitments to pay upon receipt of claims. Therefore, insurers 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. Life insurance, and health insurance replacing the statutory health insurance, must be offered by companies that do not write other kinds of insurance. According to the requirements of the Insurance Supervision Law, an insurance company 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 United States, 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. For these purposes, the insurer's surplus is measured in relation to its specific asset and liability profiles. A company's RBC is calculated by applying factors to various asset, premium and reserve items, where the factor is higher for those items with greater underlying risk and lower for less risky items.

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

Insurance companies in the United States 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. Furthermore, state insurance regulatory laws require pre-approval by state agencies of a change in control of an insurance company domiciled or commercially domiciled in that state. In addition, many state insurance regulatory laws contain provisions that require pre-notification to state agencies of a change in control of a non-domestic admitted insurance company in that state.

In addition, the actions of insurance companies may be subject to investigation and action by state attorney general offices. In 2004, actions by the Attorney General of the State of New York, or NYAG, in cooperation with state insurance departments resulted in the indictment of an unaffiliated insurance broker and unaffiliated commercial insurers with regard to their selling and compensation practices. The actions of the NYAG resulted in criminal convictions and fines for those parties and are expected to result in changes in applicable insurance regulations that will have an impact on insurance companies in the United States.

Corporate Governance and Investor Protection

Recent legislation and regulation in the area of corporate governance and investor protection is also likely to have an impact on us as an issuer and a participant in the relevant markets, as well as indirectly as a result of its impact on the Group's clients.

Switzerland

In Switzerland, the SWX Swiss Exchange, or SWX, issued a Corporate Governance Directive, which has been in force since July 1, 2002 and increased transparency requirements for listed companies. Moreover, due to a change in SWX listing requirements, effective as of July 1, 2005, the Group will be required to disclose transactions by the Group's management in the Group's securities that exceed a threshold of CHF 100,000 per month and such transactions also must be publicly disclosed on an anonymous basis. Furthermore, in line with international developments, the SFBC and the SBA have issued or proposed regulations, such as the Research Guidelines, in furtherance of investor protection. Further legislation and regulation in the area of corporate governance and investor protection are presently under consideration.

European Union

As part of the FSAP, the EU adopted or proposed a number of directives designed to improve corporate governance and investor protection. In December 2003, the EU adopted the Prospectus Directive. EU member states are required to implement its provisions by July 1, 2005. The Prospectus Directive sets out the circumstances in which issuers of securities covered by the directive must publish a prospectus, and a related regulation, which applies from July 1, 2005, sets out the requirements for form and content of the relevant prospectuses. Moreover, in many instances, the Prospectus Directive will, when implemented, require prospectuses to include financial statements prepared in accordance with International Financial Reporting Standards, or IFRS, or accounting principles that have been deemed to be “equivalent” for these purposes.

A Transparency Obligations Directive was adopted on December 17, 2004 and will require EU member states to implement its provisions by no later than January 20, 2007. The directive will establish on-going reporting requirements, including an obligation to publish periodic financial reports, for issuers with securities admitted to trading on a regulated market in the EU. The directive also requires, in many instances, financial statements to be prepared in accordance with IFRS or accounting principles that have been deemed to be “equivalent” for these purposes.

In addition, by October 2004, EU member states began implementing the Market Abuse Directive, which was adopted in 2003; however, in many EU member states, implementation has not yet been fully concluded. Accordingly, the impact of the Market Abuse Directive on issuers and market participants – although expected to be significant – cannot yet be fully assessed. The primary purpose of the Market Abuse Directive is to enhance investor confidence in the markets by further harmonizing the rules on insider trading and market manipulation in respect of transactions in securities that are admitted to trading in the EU. The Market Abuse Directive also imposes upon issuers, whose securities are admitted to trading in the EU, certain disclosure obligations with respect to non-public price sensitive information. Implementing measures under the Market Abuse Directive further specify safe harbors for share buy-back and stabilization activities, standards for research reports, the timing of disclosure of price sensitive information, as well as requirements in respect of lists of insiders that must be maintained by issuers and disclosure of management transactions.

United States

In July 2002, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) was signed into law. The Sarbanes-Oxley Act applies directly to all SEC-reporting companies, both domestic and foreign, including us and the Group's indirect subsidiary, Credit Suisse First Boston (USA), Inc. The Sarbanes-Oxley Act and associated SEC rules govern, among other things, corporate governance and management, disclosure requirements, the conduct of an issuer's auditors and the interactions between the issuer and its auditors. The Sarbanes-Oxley Act also enhanced civil and criminal penalties for violations of the US securities laws. Various self-regulatory agencies and exchanges have also adopted enhanced corporate governance requirements. The Sarbanes-Oxley Act and such other regulations have had and will continue to have a significant impact on the corporate governance and management of SEC-registered companies, including the Group and its subsidiaries.

Property and equipment

The Group's principal executive offices, which the Group owns, are located at Paradeplatz 8, Zurich, Switzerland. At December 31, 2004, the Group maintained worldwide over 960 offices and branches, of which approximately half were located in Switzerland.

As of December 31, 2004, approximately 30% of the Group's worldwide offices and branches were owned directly by us with the remainder being held under commercial leases, 66% of which expire after 2009. The book value of the ten largest owned properties was approximately CHF 1.9 billion at December 31, 2004. 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, 2004, 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 and insurance businesses, refer to Item 5 – Operating and Financial Review and Prospects – Information required by Industry Guide 6 and – Information required by Industry Guide 3.

Item 5: OPERATING AND FINANCIAL REVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations is set forth under the caption Operating and Financial Review in the Annual Report 2004 on pages 30 to 80 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 are required to make certain accounting estimates to ascertain the valuation 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

As is the normal practice in the financial services industry, the values we report in the consolidated financial statements with respect to financial instruments owned and financial instruments sold not yet purchased are in many cases based on fair value, with related unrealized and realized gains or losses included in the consolidated statements of income.

Fair values may be determined objectively, as is the case for exchange-traded instruments, for which quoted prices in price-efficient and liquid markets generally exist, or as is the case where the fair value of a financial instrument is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In such circumstances, valuation is determined based on management best estimate of fair value. In addition, valuation of instruments that are ordinarily based on quoted prices may be distorted in times of market dislocation.

Valuation process

The fair value of the majority of our financial instruments is based on quoted market prices in active markets or observable market parameters, or is derived from such prices or parameters. Such instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, most mortgage-backed securities and listed equities.

In addition, we hold financial instruments that are thinly traded or for which no market prices are available, and which have little or no price transparency. These include certain high-yield debt securities, distressed debt securities, certain mortgage-backed and asset-backed securities, certain collateralized debt obligations (CDOs) and non-traded equity securities. Valuation techniques for certain of these instruments are described more fully below.

For certain high-yield debt securities that are thinly traded, are not quoted or for which market prices are not available, we adopt a more subjective valuation approach based on recent disposals in the market, taking into account changes in the creditworthiness of the issuer, and using internal and external valuation models to derive yields reflecting the perceived risk of the issuer or country rating and the maturity of the security. In the absence of direct quotes for a particular high-yield debt security, bonds with a similar coupon and maturity and within the same industry and credit rating are used as a benchmark.

Controls over the fair valuation process

Control processes are applied to ensure that the fair value of the financial instruments reported in our consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reliable 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 utilized 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. As part of the Company's OTC derivatives business, the Group and other participants 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 the section Risk Management of the Annual Report 2004.

Trading assets

The Group's trading assets consist of interest bearing securities and rights, equity securities, derivatives held for trading purposes, traded mortgages and other trading assets, and are recorded at fair value. Interest bearing securities and rights include debt securities, commercial and residential mortgage and other asset-backed securities, collateralized debt obligations and money market instruments. Equity securities include equities, convertible bonds and separately managed funds.

The majority of our positions in debt securities consists of federal government debt obligations of Switzerland, cantonal or local governmental entities or other countries and investment-grade corporate debt securities, and also includes mortgage-backed or other asset-backed securities, all of which are issued in both developed and emerging markets. For debt securities for which market prices are not available, the valuation is based on yields reflecting the perceived risk of the issuer or country rating and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment. As of December 31, 2004 and 2003, the fair value of debt securities included in *Trading assets* was CHF 152.3 billion and CHF 115.8 billion, respectively.

Commercial mortgage whole loans and certain residential mortgage whole loans held-for-sale are carried at the lower of aggregate cost or fair value. 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 that are not based on quoted market prices or prices at which similarly structured and collateralized securities trade between dealers and to and from customers are valued using valuation models incorporating prepayment scenarios and Monte Carlo simulations. As of December 31, 2004 and 2003, the fair value of residential and commercial mortgage-backed securities and other asset-backed securities included in *Trading assets* was CHF 9.3 billion and CHF 36.0 billion, respectively.

Collateralized debt obligations (CDOs) and collateralized bond obligations (CBOs) are structured securities based on underlying portfolios of asset-backed securities, certain residential and mortgage securities, high-yield and investment grade corporate bonds, leveraged loans and other debt obligations. These instruments 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 subjectively, using valuation models to calculate the internal rate of return of the estimated cash flows. As of December 31, 2004 and 2003, the fair value of CDOs and CBOs included in *Trading assets* was CHF 6.7 billion and CHF 0.9 billion, respectively.

Valuations of money market instruments are generally based on market prices or market parameters, and therefore require less judgment. As of December 31, 2004 and 2003, the fair value of money market instruments included in *Trading assets* was CHF 6.7 billion and CHF 10.7 billion, respectively.

The majority of our positions in equities are traded on public stock exchanges, for which daily quoted market prices are available. Preferred shares are equity instruments that usually have a defined dividend and are traded publicly either OTC or on recognized exchanges. Fair values of preferred shares are determined by their yield and the subordination relative to the issuer's other credit obligations. As of December 31, 2004 and 2003, the fair value of equities included in *Trading assets* was CHF 90.3 billion and CHF 52.7 billion, respectively.

Convertible bonds are generally valued using direct pricing sources; however we hold positions in a small number of convertible bonds for which no direct prices are available. For such convertible bonds, we typically use a subjective approach to valuation 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. As of December 31, 2004 and 2003, the fair value of convertible bonds included in *Trading assets* was CHF 8.8 billion and CHF 11.6 billion, respectively.

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. As of December 31, 2004 and 2003, the fair value of positions in separately managed funds included in *Trading assets* was CHF 1.8 billion and CHF 2.7 billion, respectively.

Our positions in derivatives held for trading purposes include both OTC and exchange-traded derivatives. The fair value of exchange-traded derivatives is typically derived from the observable exchange price and/or observable market parameters. Our primary exchange-traded derivatives include futures and certain option agreements. OTC derivatives include forwards, swaps and options on foreign exchange, interest rates, equities and credit instruments. 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. In well-established derivatives markets, the Black-Scholes model is widely used to calculate the fair value of many types of options.

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, we do not recognize a dealer profit, or day one profit, (unrealized gain at inception of a derivative transaction) unless the valuation underlying the unrealized gain is evidenced by (a) quoted market prices in an active market, (b) observable prices of other current market transactions or (c) other observable data supporting a valuation technique. The deferred profit is linearly amortized over either the life of the derivative or the period until which observable data is available.

As of December 31, 2004 and 2003, the fair value of our positions in derivatives held for trading purposes included in *Trading assets* was CHF 52.4 billion and CHF 51.8 billion, respectively. Substantially all of the replacement values of these instruments were derived using direct pricing. For further information on the fair value of derivatives as of December 31, 2004 and 2003, see Derivatives in this section and note 36 of the Notes to the consolidated financial statements.

Investment securities recorded at fair value

Investment securities recorded at fair value include debt and equity securities classified as available-for-sale. The majority of 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, recognition of an impairment loss on investment securities 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 our expectations, that we may decide to sell a security for unforeseen liquidity needs, or that the credit assessment or equity characteristics may change from our original assessment.

As of December 31, 2004 and 2003, the fair value of debt and equity securities classified as available-for-sale included in *Investment securities* was CHF 85.0 billion and CHF 88.4 billion, respectively. Refer to the section Risk Management of the Annual Report 2004 for a discussion of the Group's market risk exposure and risk management.

Other assets and liabilities recorded at fair value

The Group's other assets and liabilities include items for which the determination of fair value is generally more subjective, including private equity investments and loans held-for-sale.

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:

	2004		2003	
December 31, in CHF m, except where indicated	Fair value	Percent of total	Fair value	Percent of total
	7,794	**81.2%**	1,699	53.7%

Credit Suisse First Boston and Credit Suisse-managed funds				
Direct investments	**106**	**1.1%**	174	5.5%
Funds managed by third parties	**1,704**	**17.7%**	1,292	40.8%
Total	**9,604**	**100.0%**	3,165	100.0%

Credit Suisse First Boston-managed funds are partnerships and related direct investments for which Credit Suisse First Boston acts as the fund's advisor and makes investment decisions. Credit Suisse First Boston-managed funds principally invest in private securities and, to a lesser extent, publicly traded securities and fund of fund partnerships. The fair value of our investments in Credit Suisse First Boston-managed fund of funds partnerships is based on the valuation received from the underlying fund manager. Direct investments are generally debt and equity securities that are not made through or "side by side" with Credit Suisse First Boston-managed funds and consist of public and private securities. Reported under Credit Suisse First Boston-managed funds are balances relating to the consolidation of private equity funds under FIN 46R for the first time in 2004. For further details relating to consolidation of Variable Interest Entities refer to note 2 and note 39 in the Notes to the consolidated financial statements. Credit Suisse-managed funds consist of investments in funds associated with the issuance of new structured products, for which other Group entities act as investment advisor. The consolidation of private equity funds in Credit Suisse First Boston and structured product issuance activity in Credit Suisse accounted for a significant portion of the increase in the fair value of private equity investments. Funds managed by third parties are investments by Credit Suisse First Boston and Winterthur 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.

The held-for-sale loan portfolio primarily includes residential and commercial mortgage loans that are either purchased or originated with a sole intent to securitize. Other loans held-for-sale are recorded in *Other assets* and are carried at the lower of cost or fair value. The commercial real estate loans are valued using origination spreads, incorporating loan-to-value ratios, debt service coverage ratios, geographic location, prepayment protection, and current yield curves. In addition, current written offers or contract prices are considered in the valuation process. As of December 31, 2004 and 2003, the carrying amount of positions included in *Loans held-for-sale* totaled CHF 10.5 billion CHF 8.8 billion, respectively.

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. The reserve is adjusted for a provision for adverse deviation, which is used 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. The method in this case 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 policy less deductions for mortality costs and expense charges. The provision for future policyholder benefits also includes liabilities for guaranteed minimum death and similar mortality and morbidity benefits, annuitization options as well as sales inducements calculated 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, which back 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 our 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 applicable.

Claims reserves

A liability for unpaid claims, including estimates of costs for claims relating to reinsured events that have occurred but have not been reported and a liability for claim adjustments expenses is accrued for when insured events occur. The liability for unpaid claims is derived from best estimate assumptions and appropriate actuarial methods. The liability for unpaid claims is 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.

We routinely evaluate the potential for changes in claim estimates with the support of qualified actuaries and use the results of these evaluations to adjust recorded reserves. Both the methods used and the underlying assumptions are in line with historical experience and the nature of the business being written. However, the claims reserve is only an estimate of future activity and is subject to variability. The assumptions underlying the reserve may not in fact materialize as expected, and even if future conditions do develop as anticipated, random events may occur which lead to different results than originally estimated.

For further information on the non-life claims reserve, refer to Information Required by Industry Guide 6 – Provisions for unpaid losses and loss adjustment expenses from the insurance business in this section and notes 23 and 24 of the Notes to the consolidated financial statements.

Deferred policy acquisition costs (DAC)

Policy acquisition costs 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 as described above. The methods use best estimate assumptions for mortality, morbidity, expected investment yields, terminations and expenses at the policy inception date and remain locked in thereafter.

DAC on participating traditional 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 re-evaluated on a regular basis where actual margins replace estimated margins when actual profits emerge.

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 to be earned 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 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 (known as the Gross Premiums Valuation (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 second, increasing the benefit reserve once the DAC has been written down to zero.

For further information on DAC as of December 31, 2004 and 2003, see note 21 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 statement of income as an additional PVFP write-off, which could be material to our operations.

For further information on PVFP as of December 31, 2004 and 2003, see note 18 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 our businesses. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our 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, our defenses and our experience in similar cases or proceedings. For a discussion of legal proceedings, see Item 8 – Financial Information – Legal Proceedings.

Allowances and provisions for losses

As a normal part of our business, we are exposed to credit risks through our 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, we generally incur 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. We maintain allowances for loan losses, as discussed in notes 1 and 14 of the consolidated financial statements, which we consider 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 which, 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, we 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. We consider 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 we use to estimate credit risk. We also consider overall credit risk indicators, 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. Our 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 our 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 our 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 our estimates of probable credit losses inherent in the portfolio could have a direct impact on the provision and could result in a change in the allowance.

Specific loan loss allowances

We make provisions for specific credit losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. Our 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 14 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 our assessment. Significant judgment is exercised in determining the amount of the provision. Wherever possible, we use independent, verifiable data or our own historical loss experience in our models for estimating loan losses. However, a significant degree of uncertainty remains when applying such valuation techniques. Under our 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 the section Risk Management of the Annual Report 2004.

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 relate to the acquisitions of DLJ and Winterthur. Goodwill was CHF 11.6 billion and CHF 12.3 billion as of December 31, 2004 and 2003, respectively. The recorded balance of goodwill is reviewed for possible impairments on an annual basis and at any other time if events occur 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; 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, we assess each reporting unit 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 managements 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 2004 no goodwill impairment charges were recorded, however during 2003 the Group recorded an impairment charge of CHF 1.5 billion, which is further described in note 16 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. Periodically, management 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 our control. Substantial variance of actual results from estimated future taxable profits, or changes in our 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, 2004 and 2003, 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, 2004 and 2003 included gross deferred tax assets of CHF 10.3 billion and CHF 10.5 billion, respectively, and gross deferred tax liabilities of CHF 6.0 billion and CHF 6.1 billion, respectively. Due to uncertainty concerning our ability to generate the necessary amount and mix of taxable income in future periods, we recorded a valuation allowance against our deferred tax assets in the amount of CHF 1,543 million and CHF 1,653 million as of December 31, 2004 and 2003, respectively, which related primarily to deferred tax assets on net operating loss carryforwards.

For further information on deferred tax assets, refer to note 31 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 it’s 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 Company 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 to the amount of pension expense recorded in future years.

As of December 31, 2004, the Group's Swiss defined benefit pension plans accounted for 81% of the projected benefit obligations while the international defined benefit pension plans accounted for 19% of the project benefit obligation. The annual amount contributed to the Swiss plans and international plans over the last three years averaged CHF 469 million and CHF 383 million, respectively. In 2004, contributions of CHF 402 million were made to the Swiss plans and CHF 542 million were made to the international plans. The Group expects to make combined contributions to the Swiss and international plans of CHF 613 million in 2005.

As of December 31, 2004 the projected benefit obligations of the Group's total defined benefit pension plans include an amount related to future salary increases of CHF 1,086 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 amounted to CHF 720 million for 2004.

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 since 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 calculated value of assets.

At December 31, 2004 the Swiss plans' assets were allocated 13.5% to equities, 33.1% to debt securities, 26.4% to insurance, 13.1% to real estate, 10.2% to liquidity and 3.7% to alternative investments. The allocation of the Swiss plans' assets at December 31, 2003 were 9.9% to equities, 31.9% to debt securities, 27.1% to insurance, 13.9% to real estate, 13.7% to liquidity and 3.5% to alternative investments.

The plan assets for the international plans at December 31, 2004, were allocated 43.6% to equities, 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 plan assets for the international plans at December 31, 2003 were allocated 41.4% to equities, 20.0% to debt securities, 27.3% to insurance, 2.5% to real estate, 4.3% to liquidity and 4.5% to alternative investments. The year-end allocations are within the plans' target ranges.

For the year ended December 31, 2004, if the expected rate of return had been increased by 1%, net pension expense for the Swiss plans would have decreased by CHF 146 million, and the net pension expense for the international plans would have decreased by CHF 26 million. If the expected rate of return had been decreased by 1%, net pension expense for the Swiss plans would have increased by CHF 146 million, and the net pension expense for the international plans would have increased by CHF 26 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. For the year ended December 31, 2004, a 1% decline in the discount rate for the Swiss plans would have resulted in an increase in benefit obligations of CHF 109 million, and a 1% increase in the discount rate would have resulted in a decrease in benefit obligations of CHF 49 million. For the year ended December 31, 2004 a 1% decline in the discount rate for the international plans would have resulted in an increase in benefit obligations of CHF 84 million and a 1% increase in the discount rate would have resulted in a decrease in benefit obligations of CHF 56 million.

Unrecognized actuarial losses are amortized to expense over the average remaining service period of active employees expected to receive benefits of the plan. The expense associated with the amortization of unrecognized net actuarial losses for the years ended December 31, 2004 and 2003 was CHF 42 million and CHF 32 million, respectively. The amortization of unrecognized actuarial losses for the year ending December 31, 2005, which is assessed at the beginning of the plan year, is expected to be CHF 60 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 2005. During 2004 and 2003, the challenging conditions in the financial markets resulted in lower than expected returns on plan assets. As a result, the difference between the expected and actual return on plan assets contributed to an increase in net unrecognized actuarial losses for the Group's plans of approximately CHF 341 million in 2004 and CHF 177 million in 2003.

For further information with respect to the Group's pension benefits, refer to note 34 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 also be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we 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 accordance with the terms of the Sale and Purchase Agreement (SPA) between XL Insurance (Bermuda) Limited (XL or the purchaser) and Winterthur Swiss Insurance (Winterthur) for Winterthur International, Winterthur is required to participate with the purchaser in a review for any adverse development of loss and unearned premium reserves during a three-year post-completion seasoning period, which expired on June 30, 2004. This seasoning process will result in a balancing payment being due to the purchaser.

The provision recorded by Winterthur at December 31, 2004 for this sale-related contingency, net of pre-payments to and risks retained by XL amounted to CHF 623 million (USD 550 million). The provision, which reflects the adverse development of CHF 737 million (USD 651 million) included in Winterthur's submitted Seasoned Net Reserve Amount (SNRA), is based on an extensive analysis of data recently provided by XL. Winterthur utilized leading third-party claims, actuarial and legal specialists to assist in estimating the reserves required for this liability. On the basis of facts known, Credit Suisse Group believes that the currently recorded provision is adequate to cover the contingencies related to this transaction.

The amount payable to XL for the SNRA is ultimately subject to an assessment by the Independent Actuary designated in the SPA, who will determine which of the estimates submitted by the two parties is closest to the amount which the Independent Actuary believes to be the correct amount, and that estimate will be conclusively deemed to be the relevant SNRA. This process is ongoing and, consequently, the ultimate resolution of this matter could result in a further significant increase in the required provision for the Winterthur International sale-related contingencies. Winterthur and XL submitted in February 2005 their respective determinations of the SNRA to the Independent Actuary. The current difference between the two positions under review by the Independent Actuary is CHF 1,029 million (USD 909 million).

In addition to the SPA, Winterthur has several other agreements, including retrocession agreements with XL, which could result in payments to XL.

Furthermore, XL submitted in the fourth quarter of 2004 the first details of its claims relating to alleged breach of warranties in connection with the 2001 sale. With the assistance of outside counsel, Winterthur has evaluated these claims and on the basis of facts known, believes that the currently recorded provisions are adequate to cover the contingencies related to this litigation and any other agreements with XL.

The Group also entered into a profit and loss sharing agreement with the purchaser of Churchill. 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 of a subsidiary of Churchill. 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 being performed twice each year.

Financial Accounting Standards Board, or FASB, Interpretation No. 45, "Guarantor's Accounting and Disclosure

Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or 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 37 of the Notes to the consolidated financial statements.

Credit Suisse First Boston has issued an indemnity contract to the CSFB Pension fund to cover existing obligations to employees' for life insurance in the event of a catastrophe, which is defined as the death of more than one employee attributable directly or indirectly to one originating cause. Effective December 15, 2004, this contract covers employees in certain locations to the extent that in the event of the death of an employee, the employees' families will receive a certain percentage of the employee's salary as a lump sum payment. Prior to July 2004, the pension fund was able to obtain third party insurance coverage for the entire potential obligation, however currently only part of the insurance can be syndicated out to third-party insurers as the office location involved is classified as higher risk due to its physical location. The full potential obligation covered under the indemnity contract issued to the pension fund trustees, amounted to CHF 2.2 billion at December 31, 2004. The obligation to cover this liability will exist from the perspective of CSFB since the life insurance coverage payout is a stated clause in the affected employee contracts. CSFB is not paid any cash for the issued indemnity and no provisions have been recorded in this respect as no event has been identified, the occurrence of which is regarded as reasonably likely.

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, or SFAS, No.140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No.125," or SFAS140, 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 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 statement of income. The Group engages in these securitization activities to meet the needs of clients as part of our fixed income activities, to earn fees and to sell financial assets. These securitization activities do not provide a material source of our liquidity, capital resources or credit risk or market risk support. See note 38 of the Notes to the consolidated financial statements, which includes quantitative information on our securitization activities and retained interests.

Variable Interest Entities

FIN 46R "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51", 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, 2004, 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 variable interest entities, 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 advisor 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 39 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 2004 reflecting mainly an increase in long-term debt obligations from CHF 89.7 billion in 2003 to CHF 106.3 billion 2004. The main driver was an increase in senior debt issued in order to fund the issuance of structured products in Credit Suisse and Credit Suisse First Boston. Similarly, short-term contractual obligations increased from CHF 443.8 billion in 2003 to CHF 490.4 billion in 2004, reflecting an increase in time deposits in Credit Suisse First Boston in order to meet increased funding requirements.

See note 37 of the Notes to the consolidated financial statements for additional information relating to guarantees and commitments.

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

	Payments due by period				
December 31, 2004, in CHF m	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt obligations	13,619	26,634	27,517	38,491	**106,261**
Capital lease obligations	2	10	10	206	**228**
Operating lease obligations	675	1,151	954	5,288	**8,068**
Purchase obligations	357	386	26	0	**769**
Total obligations	14,653	28,181	28,507	43,985	**115,326**

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

December 31,	2004	2003
Deposits	**299,341**	261,989
Short-term borrowings	**15,343**	11,497
Brokerage payables	**25,623**	13,983
Trading account liabilities	**150,130**	156,331
Total short-term contractual obligations	**490,437**	443,800

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 over-the-counter (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 which are open 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 their 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, 2004, in CHF bn	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Forward rate agreements	997.5	0.7	1.0	0.5	0.1	0.0
Swaps	9,316.6	154.3	150.3	61.7	2.3	0.6
Options bought and sold (OTC)	1,819.8	16.8	18.7	0.0	0.0	0.0
Futures	582.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	755.3	0.2	0.2	0.0	0.0	0.0
Interest rate products	**13,471.8**	**172.0**	**170.2**	**62.2**	**2.4**	**0.6**
Forwards	870.9	18.5	19.1	23.3	0.6	0.2
Swaps	512.5	25.7	25.5	5.3	2.9	0.9
Options bought and sold (OTC)	367.3	4.9	5.3	0.0	0.0	0.0
Futures	5.2	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	7.6	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**1,763.5**	**49.1**	**49.9**	**28.6**	**3.5**	**1.1**
Forwards	8.6	0.7	2.2	0.0	0.0	0.0
Swaps	1.9	0.1	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	0.0	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	**15.0**	**0.9**	**2.4**	**0.0**	**0.0**	**0.0**
Forwards	33.8	2.5	3.5	0.0	0.0	0.0
Swaps	32.5	1.1	1.8	0.0	0.0	0.0
Options bought and sold (OTC)	248.5	9.9	11.4	0.0	0.0	0.0

Futures	43.9	0.0	0.1	0.0	0.0	0.0
Options bought and sold (traded)						