

**Financial Statements**  
**2Q 07**

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

## Financial Statements

# 2Q 07

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# Condensed Consolidated Financial Statements – unaudited

## Consolidated statements of income (unaudited)

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Consolidated statements of income (CHF million)</b>									
Interest and dividend income	16,619	14,692	13,110	13	27	31,311	24,427	28	
Interest expense	(14,370)	(12,603)	(11,244)	14	28	(26,973)	(20,895)	29	
Net interest income	2,249	2,089	1,866	8	21	4,338	3,532	23	
Commissions and fees	5,242	4,977	4,425	5	18	10,219	8,659	18	
Trading revenues	3,810	3,216	1,371	18	178	7,026	4,779	47	
Other revenues	1,736	1,338	1,126	30	54	3,074	2,743	12	
<b>Net revenues</b>	<b>13,037</b>	<b>11,620</b>	<b>8,788</b>	<b>12</b>	<b>48</b>	<b>24,657</b>	<b>19,713</b>	<b>25</b>	
<b>Provision for credit losses</b>	<b>(20)</b>	<b>53</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>33</b>	<b>(51)</b>	<b>–</b>	
Compensation and benefits	5,409	4,950	3,697	9	46	10,359	8,170	27	
General and administrative expenses	1,619	1,532	1,352	6	20	3,151	2,974	6	
Commission expenses	642	609	551	5	17	1,251	1,094	14	
Total other operating expenses	2,261	2,141	1,903	6	19	4,402	4,068	8	
<b>Total operating expenses</b>	<b>7,670</b>	<b>7,091</b>	<b>5,600</b>	<b>8</b>	<b>37</b>	<b>14,761</b>	<b>12,238</b>	<b>21</b>	
<b>Income from continuing operations before taxes, minority interests and extraordinary items</b>	<b>5,387</b>	<b>4,476</b>	<b>3,178</b>	<b>20</b>	<b>70</b>	<b>9,863</b>	<b>7,526</b>	<b>31</b>	
Income tax expense	863	822	502	5	72	1,685	1,217	38	
Minority interests	1,335	925	804	44	66	2,260	2,095	8	
<b>Income from continuing operations before extraordinary items</b>	<b>3,189</b>	<b>2,729</b>	<b>1,872</b>	<b>17</b>	<b>70</b>	<b>5,918</b>	<b>4,214</b>	<b>40</b>	
Income from discontinued operations, net of tax	0	0	286	–	(100)	0	572	(100)	
Extraordinary items, net of tax	0	0	0	–	–	0	(24)	100	
<b>Net income</b>	<b>3,189</b>	<b>2,729</b>	<b>2,158</b>	<b>17</b>	<b>48</b>	<b>5,918</b>	<b>4,762</b>	<b>24</b>	
<b>Basic earnings per share (CHF)</b>									
<b>Income from continuing operations before extraordinary items</b>	<b>3.00</b>	<b>2.56</b>	<b>1.68</b>	<b>17</b>	<b>79</b>	<b>5.56</b>	<b>3.76</b>	<b>48</b>	
Income from discontinued operations, net of tax	0.00	0.00	0.26	–	(100)	0.00	0.51	(100)	
Extraordinary items, net of tax	0.00	0.00	0.00	–	–	0.00	(0.02)	100	
<b>Net income</b>	<b>3.00</b>	<b>2.56</b>	<b>1.94</b>	<b>17</b>	<b>55</b>	<b>5.56</b>	<b>4.25</b>	<b>31</b>	
<b>Diluted earnings per share (CHF)</b>									
<b>Income from continuing operations before extraordinary items</b>	<b>2.82</b>	<b>2.42</b>	<b>1.61</b>	<b>17</b>	<b>75</b>	<b>5.24</b>	<b>3.60</b>	<b>46</b>	
Income from discontinued operations, net of tax	0.00	0.00	0.25	–	(100)	0.00	0.49	(100)	
Extraordinary items, net of tax	0.00	0.00	0.00	–	–	0.00	(0.02)	100	
<b>Net income</b>	<b>2.82</b>	<b>2.42</b>	<b>1.86</b>	<b>17</b>	<b>52</b>	<b>5.24</b>	<b>4.07</b>	<b>29</b>	

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (unaudited)

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	Ytd	YoY
<b>Assets (CHF million)</b>							
Cash and due from banks	36,569	27,578	29,040	32,879	33	26	11
Interest-bearing deposits with banks	2,838	5,572	8,128	6,103	(49)	(65)	(53)
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	339,361	326,473	319,048	328,155	4	6	3
of which reported at fair value	160,658	137,411	-	-	17	-	-
Securities received as collateral, at fair value	23,912	34,406	32,385	29,875	(31)	(26)	(20)
Trading assets, at fair value	552,321	515,050	450,780	439,119	7	23	26
of which encumbered	161,149	162,181	141,404	152,589	(1)	14	6
Investment securities	18,544	19,185	21,394	21,737	(3)	(13)	(15)
of which reported at fair value	18,268	18,912	20,622	21,026	(3)	(11)	(13)
of which encumbered	7,390	3,738	54	102	98	-	-
Other investments	21,783	21,258	20,478	19,405	2	6	12
of which reported at fair value	19,931	19,383	17,887	17,618	3	11	13
Net loans	224,222	212,831	208,127	198,294	5	8	13
of which reported at fair value	21,154	17,317	-	-	22	-	-
allowance for loan losses	1,372	1,449	1,484	1,736	(5)	(8)	(21)
Premises and equipment	6,133	6,040	5,990	5,706	2	2	7
Goodwill	11,094	11,043	11,023	10,977	0	1	1
Other intangible assets	506	492	476	521	3	6	(3)
of which reported at fair value	217	204	181	195	6	-	-
Assets of discontinued operations held-for-sale	0	0	0	174,991	-	-	(100)
Other assets	177,891	179,759	149,087	136,800	(1)	19	30
of which reported at fair value	48,104	52,073	11,265	9,236	(8)	-	-
of which encumbered	23,487	29,426	26,426	28,955	(20)	(11)	(19)
<b>Total assets</b>	<b>1,415,174</b>	<b>1,359,687</b>	<b>1,255,956</b>	<b>1,404,562</b>	<b>4</b>	<b>13</b>	<b>1</b>

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated balance sheets (unaudited)

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	Ytd	YoY
<b>Liabilities and shareholders' equity (CHF million)</b>							
Due to banks	117,020	120,972	97,514	82,908	(3)	20	41
of which reported at fair value	5,138	4,406	–	–	17	–	–
Customer deposits	342,318	328,325	290,864	294,436	4	18	16
of which reported at fair value	6,532	3,806	–	–	72	–	–
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	291,930	284,464	288,444	282,701	3	1	3
of which reported at fair value	137,878	125,734	–	–	10	–	–
Obligation to return securities received as collateral, at fair value	23,912	34,406	32,385	29,875	(31)	(26)	(20)
Trading liabilities, at fair value	243,351	216,972	198,422	212,465	12	23	15
Short-term borrowings	27,471	27,722	21,556	21,779	(1)	27	26
of which reported at fair value	11,143	9,336	2,764	2,586	19	–	–
Long-term debt	160,876	155,892	147,832	142,737	3	9	13
of which reported at fair value	106,222	101,997	44,709	42,906	4	–	–
Liabilities of discontinued operations held-for-sale	0	0	0	168,058	–	–	(100)
Other liabilities	147,955	131,284	120,035	115,995	13	23	28
of which reported at fair value	24,359	20,670	14,916	11,920	18	–	–
Minority interests	16,492	15,646	15,318	14,726	5	8	12
<b>Total liabilities</b>	<b>1,371,325</b>	<b>1,315,683</b>	<b>1,212,370</b>	<b>1,365,680</b>	<b>4</b>	<b>13</b>	<b>0</b>
Common shares	608	607	607	624	0	0	(3)
Additional paid-in capital	24,259	24,780	24,817	24,553	(2)	(2)	(1)
Retained earnings	34,912	34,206	32,306	27,080	2	8	29
Treasury shares, at cost	(11,189)	(10,502)	(9,111)	(9,018)	7	23	24
Accumulated other comprehensive income/(loss)	(4,741)	(5,087)	(5,033)	(4,357)	(7)	(6)	9
<b>Total shareholders' equity</b>	<b>43,849</b>	<b>44,004</b>	<b>43,586</b>	<b>38,882</b>	<b>0</b>	<b>1</b>	<b>13</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,415,174</b>	<b>1,359,687</b>	<b>1,255,956</b>	<b>1,404,562</b>	<b>4</b>	<b>13</b>	<b>1</b>
<b>Additional share information</b>							
Par value (CHF)	0.50	0.50	0.50	0.50	0	0	0
Authorized shares (million)	1,413.3	1,413.3	1,413.3	1,447.4	0	0	(2)
Issued shares (million)	1,215.9	1,215.5	1,214.9	1,247.9	0	0	(3)
Repurchased shares (million)	(169.4)	(167.0)	(152.4)	(160.3)	1	11	6
Shares outstanding (million)	1,046.5	1,048.5	1,062.5	1,087.6	0	(2)	(4)

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of changes in shareholders' equity (unaudited)

	Common shares	Additional paid-in capital	Retained earnings	Treasury shares, at cost	Accumu- lated other comprehen- sive income	Total share- holders' equity	Number of common shares outstanding
<b>6M07 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>607</b>	<b>24,817</b>	<b>32,306</b>	<b>(9,111)</b>	<b>(5,033)</b>	<b>43,586</b>	<b>1,062,467,061</b> <sup>1</sup>
Net income	–	–	5,918	–	–	5,918	–
Cumulative effect of accounting changes, net of tax	–	–	(829)	–	10	(819) <sup>2</sup>	–
Other comprehensive income, net of tax	–	–	–	–	282	282	–
Issuance of common shares	1	43	–	–	–	44	995,655
Issuance of treasury shares	–	(25)	–	17,128	–	17,103	195,928,526
Repurchase of treasury shares	–	–	–	(20,369)	–	(20,369)	(233,132,103) <sup>3</sup>
Share-based compensation, net of tax	–	(313)	–	1,163	–	850	20,173,268
Derivatives indexed to own shares <sup>4</sup>	–	(263)	–	–	–	(263)	–
Cash dividends paid	–	–	(2,483)	–	–	(2,483)	–
<b>Balance at end of period</b>	<b>608</b>	<b>24,259</b>	<b>34,912</b>	<b>(11,189)</b>	<b>(4,741)</b>	<b>43,849</b>	<b>1,046,432,407</b> <sup>5</sup>
<b>6M06 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>624</b>	<b>24,639</b>	<b>24,584</b>	<b>(5,823)</b>	<b>(1,906)</b>	<b>42,118</b>	<b>1,125,360,183</b>
Net income	–	–	4,762	–	–	4,762	–
Cumulative effect of accounting changes, net of tax	–	–	60	–	–	60	–
Other comprehensive income/(loss), net of tax	–	–	–	–	(2,451)	(2,451)	–
Issuance of common shares	–	6	–	–	–	6	141,332
Issuance of treasury shares	–	(31)	–	9,768	–	9,737	137,703,573
Repurchase of treasury shares	–	–	–	(13,621)	–	(13,621)	(191,632,093)
Share-based compensation, net of tax	–	(61)	–	658	–	597	16,047,551
Cash dividends paid	–	–	(2,326)	–	–	(2,326)	–
<b>Balance at end of period</b>	<b>624</b>	<b>24,553</b>	<b>27,080</b>	<b>(9,018)</b>	<b>(4,357)</b>	<b>38,882</b>	<b>1,087,620,546</b>

<sup>1</sup> At par value CHF 0.50 each, fully paid, net of 152,394,952 treasury shares. In addition to the treasury shares, a maximum of 198,476,240 unissued shares (conditional and authorized capital) were available for issuance without further approval of the shareholders. <sup>2</sup> Includes CHF 187 million related to SFAS 157, CHF (1,003) million related to SFAS 159, CHF (13) million related to FIN 48 and CHF 10 million reclassified from accumulated other comprehensive income as a result of SFAS 159, all net of tax. <sup>3</sup> Includes 26,074,000 shares repurchased in connection with Credit Suisse Group's share buyback programs. <sup>4</sup> The Group has purchased certain call options on its own shares to economically hedge all or a portion of the Leverage Units element of the Incentive Share Units (ISU) granted to the employees during 1Q07. In accordance with EITF 00-19, these call options are designated as equity instruments and, as such, are initially recognized in shareholders' equity at their fair values and not subsequently remeasured. <sup>5</sup> At par value CHF 0.50 each, fully paid, net of 169,425,261 treasury shares, of which 53,789,000 shares have been approved at the Annual General Meeting on May 4, 2007, for cancellation which took place in 3Q07. In addition to the remaining treasury shares of 115,636,261, a maximum of 197,435,597 unissued shares (conditional and authorized capital) were available for issuance without further approval of the shareholders.

## Comprehensive income (unaudited)

	in		% change		in		% change	
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY
<b>Comprehensive income (CHF million)</b>								
Net income	3,189	2,729	2,158	17	48	5,918	4,762	24
Other comprehensive income/(loss), net of tax	346	(64)	(1,748)	–	–	282	(2,451)	–
<b>Comprehensive income</b>	<b>3,535</b>	<b>2,665</b>	<b>410</b>	<b>33</b>	<b>–</b>	<b>6,200</b>	<b>2,311</b>	<b>168</b>

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

**Consolidated statements of cash flow (unaudited)**

	in		% change
	6M07	6M06	YoY
<b>Operating activities of continuing operations (CHF million)</b>			
Net income	5,918	4,762	24
(Income)/loss from discontinued operations, net of tax	0	(572)	100
<b>Income from continuing operations</b>	<b>5,918</b>	<b>4,190</b>	<b>41</b>
<b>Adjustments to reconcile net income to net cash provided by/(used in) operating activities of continuing operations (CHF million)</b>			
Impairment, depreciation and amortization	432	564	(23)
Provision for credit losses	33	(51)	–
Deferred tax provision	(32)	321	–
Share of net income from equity method investments	(25)	35	–
Trading assets and liabilities	(39,622)	(15,862)	150
(Increase)/decrease in accrued interest, fees receivable and other assets	(47,415)	(27,109)	75
Increase/(decrease) in accrued expenses and other liabilities	34,201	17,014	101
Other, net	2,513	(1,042)	–
Total adjustments	(49,915)	(26,130)	91
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>(43,997)</b>	<b>(21,940)</b>	<b>101</b>
<b>Investing activities of continuing operations (CHF million)</b>			
(Increase)/decrease in interest-bearing deposits with banks	5,511	(398)	–
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(19,581)	2,712	–
Purchase of investment securities	(281)	(1,885)	(85)
Proceeds from sale of investment securities	531	723	(27)
Maturities of investment securities	2,647	4,331	(39)
Investments in subsidiaries and other investments	(1,726)	(3,421)	(50)
Proceeds from sale of other investments	895	1,338	(33)
(Increase)/decrease in loans	(15,755)	(11,914)	32
Proceeds from sales of loans	285	1,439	(80)
Capital expenditures for premises and equipment and other intangible assets	(612)	(814)	(25)
Proceeds from sale of premises and equipment and other intangible assets	11	19	(42)
Other, net	(23)	300	–
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(28,098)</b>	<b>(7,570)</b>	<b>271</b>

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

## Consolidated statements of cash flow (unaudited) (continued)

	in		% change
	6M07	6M06	YoY
<b>Financing activities of continuing operations (CHF million)</b>			
Increase/(decrease) in due to banks and customer deposits	69,839	27,154	157
Increase/(decrease) in short-term borrowings	6,087	3,498	74
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	2,633	(8,475)	–
Issuances of long-term debt	39,264	52,805	(26)
Repayments of long-term debt	(34,780)	(31,277)	11
Issuances of common shares	44	6	–
Issuances of treasury shares	17,103	9,737	76
Repurchase of treasury shares	(20,369)	(13,621)	50
Dividends paid/capital repayments	(2,490)	(2,340)	6
Other, net	2,520	1,311	92
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>79,851</b>	<b>38,798</b>	<b>106</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>			
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>(227)</b>	<b>(483)</b>	<b>(53)</b>
<b>Net cash provided by/(used in) discontinued operations (CHF million)</b>			
Net cash provided by/(used in) operating activities of discontinued operations	0	(38)	100
Net cash provided by/(used in) investing activities of discontinued operations	0	(3,337)	100
Net cash provided by/(used in) financing activities of discontinued operations	0	(128)	100
<b>Net cash provided by/(used in) discontinued operations</b>	<b>0</b>	<b>(3,503)</b>	<b>100</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>			
<b>Net increase/(decrease) in cash and due from banks</b>	<b>7,529</b>	<b>5,302</b>	<b>42</b>
Cash and due from banks at beginning of period	29,040	27,577	5
<b>Cash and due from banks at end of period</b>	<b>36,569</b>	<b>32,879</b>	<b>11</b>

## Supplemental cash flow information (unaudited)

	in		% change
	6M07	6M06	YoY
<b>Cash paid for income taxes and interest (CHF million)</b>			
Cash paid for income taxes	1,027	1,088	(6)
Cash paid for interest	26,525	20,227	31

The accompanying notes to the unaudited condensed consolidated financial statements are an integral part of these statements.

# Notes to the Condensed Consolidated Financial Statements – unaudited

## Note 1 Summary of significant accounting policies

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### Basis of presentation

The accompanying unaudited Condensed consolidated financial statements of Credit Suisse Group (the Group) are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in Swiss francs (CHF). These Condensed consolidated financial statements should be read in conjunction with the US GAAP Consolidated financial statements and notes thereto for the year ended December 31, 2006, included in the Credit Suisse Group Annual Report 2006. For a description of the Group's significant accounting policies, refer to "Note 1 – Summary of significant accounting policies in the Notes to the consolidated financial statements" of the aforementioned Consolidated financial statements.

Due to the Group's sale of Winterthur, which was completed on December 22, 2006, the results of operations of the Winterthur businesses sold, which were previously reported as a separate segment of the Group, are reflected in income from discontinued operations, net of tax in the Consolidated statements of income for all periods presented through the completion of the sale.

Certain financial information, which is normally included in annual Consolidated financial statements prepared in accordance with US GAAP but not required for interim reporting purposes have been condensed or omitted. Certain reclassifications have been made to the prior period's Consolidated financial statements to conform to the current period's presentation. These Condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the Condensed consolidated financial statements for the periods presented. The presentation of period over period change, the 1Q07 Consolidated statement of income and Consolidated balance sheet, and the 2Q06 Consolidated balance sheet have been added for convenience of the reader and are not a required presentation under US GAAP. The results of operations for interim periods are not indicative of results for the entire year.

In preparing these Condensed consolidated financial statements, management is required to make estimates and assumptions, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed consolidated balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Recently adopted accounting standards

The following provides the most relevant recently adopted accounting standards. For a complete description of recently adopted accounting standards, refer to "Note 2 – Recently issued accounting standards in the Notes to the consolidated financial statements" in the Credit Suisse Group Annual Report 2006.

#### EITF 04-5, FSP SOP 78-9-1 and EITF 96-16

In June 2005, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force (EITF) Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" (EITF 04-5). EITF 04-5 provides a framework for evaluating whether a general partner or a group of general partners controls a limited partnership and therefore should consolidate it. EITF 04-5 states that the presumption of general partner control would be overcome only when the limited partners have substantive "kick-out rights" or "participating rights." These rights would allow a simple majority of the limited partners to dissolve or liquidate the partnership or otherwise remove the general partner "without cause" or effectively participate in significant decisions made in the ordinary course of the partnership business. EITF 04-5 was effective upon ratification for all newly formed limited partnerships and for existing limited partnership agreements that have been modified. The guidance was effective

for the Group with respect to existing unmodified partnerships as of January 1, 2006.

As a result of the ratification of EITF 04-5, EITF Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights" (EITF 96-16) was updated and FASB Staff Position (FSP) No. Statement of Position (SOP) 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5" (FSP SOP 78-9-1) was issued. The amendments to EITF 96-16 were effective on a prospective basis upon issuance, whereas, similar to EITF 04-5, FSP SOP 78-9-1 was effective upon issuance for all new partnerships formed and for existing partnership agreements modified after June 29, 2005, and was effective for the Group with respect to existing unmodified partnerships as of January 1, 2006.

The changes to EITF 96-16 and the provisions of EITF 04-5 and FSP SOP 78-9-1 in effect during 2005 did not have a material impact on the Group's financial condition, results of operations or cash flows. As of January 1, 2006, the Group increased its assets and liabilities by CHF 8.2 billion, primarily due to the consolidation of certain unmodified private equity partnerships which existed prior to June 29, 2005.

#### **SFAS 155**

In February 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140" (SFAS 155). Under SFAS 155, hybrid financial instruments which contain embedded derivatives that would otherwise require bifurcation may be accounted for at fair value, with changes in fair value recognized in the Consolidated statements of income. The fair value designation may be applied on an instrument-by-instrument basis; however, the election to apply fair value accounting is irrevocable. SFAS 155 is effective for those instruments acquired or issued on or after an entity's fiscal year beginning after September 15, 2006, with early adoption permitted as of the beginning of a fiscal year for which an entity has not previously issued interim financial statements. SFAS 155 allows limited retrospective application for existing bifurcated hybrid financial instruments. The Group elected to early adopt SFAS 155 as of January 1, 2006, and the impact of adoption was an increase to the Group's consolidated retained earnings of CHF 33 million, which included gross gains after tax of CHF 119 million and gross losses after tax of CHF 86 million, and a corresponding decrease to the Group's consolidated liabilities of CHF 33 million.

#### **FIN 48**

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 addresses the accounting for uncertainty in income tax positions by prescribing a consistent recognition threshold and measurement attribute for income tax positions taken or expected to be taken in an income tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

FIN 48 requires a two-step process in evaluating income tax positions. In the first step, an enterprise determines whether it is more likely than not that an income tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions meeting the more-likely-than-not recognition threshold are then measured to determine the amount of benefit eligible for recognition in the financial statements. Each income tax position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 as of January 1, 2007 resulted in a decrease in beginning retained earnings of CHF 13 million. For further information on uncertainty in income tax positions, refer to "Note 16 – Tax."

#### **SFAS 158**

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158). SFAS 158 requires an employer to:

- (i) recognize in the statement of financial condition the funded status of a defined benefit plan on a prospective basis;
- (ii) recognize as a component of other comprehensive income, net of tax, the actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS No. 87, "Employers' Accounting for Pensions" (SFAS 87) or No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS 106). Amounts recognized in accumulated other comprehensive income (AOCI), including gains or losses, prior service costs or credits and transition assets or obligations remaining from the initial application of SFAS 87 and SFAS 106, are to be adjusted as they are subsequently recognized as a component of net periodic benefit cost;

- (iii) measure the defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial condition; and
- (iv) disclose in the notes to the financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits and transition asset or obligation.

SFAS 158 recognition provisions associated with the funded status of a defined benefit plan are effective as of the end of the fiscal year ending after December 15, 2006. The provision to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial condition is effective for fiscal years ending after December 15, 2008, with early adoption permitted.

The cumulative effect of the Group adopting the recognition provisions of SFAS 158 as of December 31, 2006, was an after-tax decrease in AOCI and consolidated net assets of CHF 1.8 billion. The Group did not early adopt the measurement date provisions and is evaluating the impact of those provisions for adoption in 2008.

#### **SFAS 157**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures for instruments carried at fair value. The statement applies only to fair value measurements which are already required or permitted by other accounting standards. It eliminates the EITF Issue No. 02-3 "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3) guidance which prohibits the recognition of gains or losses at the inception of derivative transactions whose fair value is estimated based upon unobservable market data. SFAS 157 also eliminates the use of blockage factors on instruments that are quoted in active markets by brokers, dealers and investment companies that have been applying the applicable American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guides. SFAS 157 also requires the Group to consider its own credit spreads when measuring the fair value of liabilities. The Group adopted the provisions of SFAS 157 on January 1, 2007. As a result of this adoption, the Group reported an increase in opening retained earnings of CHF 187 million, net of tax. For further information on fair values, refer to "Note 21 – Fair value of financial instruments."

#### **SFAS 159**

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (SFAS 159). SFAS 159 creates an alternative measurement treatment for certain financial assets and financial liabilities that permits fair value to be used for initial and subsequent measurement with changes in fair value recognized in earnings. The availability of this alternative measurement treatment is referred to as the fair value option. The statement also provides for additional financial statement presentation and disclosures relating to the alternative measurement treatment. The Group adopted the provisions of SFAS 159 on January 1, 2007. As a result of adoption and election of certain existing instruments under the fair value option, the Group reported a decrease in opening retained earnings of CHF 1,003 million, net of tax. For further information on fair values, refer to "Note 21 – Fair value of financial instruments."

### **Standards to be adopted in future periods**

#### **FSP FIN 39-1**

In April 2007, the FASB issued FSP No. FIN 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). FSP FIN 39-1 permits a reporting entity that is a party to a master netting agreement to offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments that have been offset under the same master netting agreement. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007. This FSP is required to be applied retrospectively for all financial statements presented unless it is impracticable to do so. The Group is currently evaluating the impact of adopting FSP FIN 39-1.

#### **FSP FIN 46(R)-7**

In May 2007, the FASB issued FSP No. FIN 46(R)-7, "Application of FASB Interpretation No. 46(R) to Investment Companies" (FSP FIN 46(R)-7). FSP FIN 46(R)-7 addresses the application of FIN 46(R), "Consolidation of Variable Interest Entities – an interpretation of ARB No. 51" (FIN 46(R)), by an entity that accounts for its investments in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide *Investment Companies* (Investment Company Guide). The guidance in FSP FIN 46(R)-7 states that these investments are not subject to consolidation according to the requirements of FIN 46(R). FSP FIN 46(R)-7 follows the transition guidance of SOP 07-1, "Clarification of the Scope of the Audit and Accounting Guide *Investment Companies* and Accounting by Parent Companies and Equity Method

Investors for Investments in Investment Companies" (SOP 07-1). The Group is currently evaluating the impact of adopting FSP FIN 46(R)-7.

#### SOP 07-1

In June 2007, the Accounting Standard Executive Committee (AcSEC) of the AICPA issued SOP 07-1. SOP 07-1 provides guidance on how to determine whether an entity is within the scope of the Investment Company Guide. SOP 07-1 provides further guidance for entities that are investment companies under the SOP and addresses whether the specialized Invest-

ment Company accounting should be retained by the parent company on consolidation or by an investor that has the ability to exercise significant influence and applies the equity method of accounting.

SOP 07-1 has additional disclosure requirements for parent companies and equity method investors that have retained Investment Company accounting in the financial statements of the parent or the equity method investor.

SOP 07-1 is effective for fiscal years beginning on or after December 15, 2007 with early adoption permitted. The Group is currently evaluating the impact of adopting SOP 07-1.

## Note 2 Business developments

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### Divestitures

Effective December 22, 2006, the Group sold Winterthur to AXA S.A. for cash consideration of CHF 12.3 billion. As part of the sale agreement, AXA S.A. repaid approximately CHF 1.1 billion of debt outstanding between the Group and Winterthur. As a result of the completed sale, a net capital gain on the sale of CHF 1,817 million was recognized. The Group did not provide any indemnification in respect of Winterthur's insurance reserves in the sale agreement.

The results of operations of the businesses sold are reflected in income from discontinued operations, net of tax in the Consolidated statements of income for all periods presented through the completion of the sale.

No income from discontinued operations was recognized in 2Q07 and 1Q07. In 2Q06 and 6M06 income from discontinued operations, net of tax was CHF 286 million and CHF 572 million, respectively.

## Note 3 Segment reporting

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### Overview

The Group is a global financial services company domiciled in Switzerland. The Group's business consists of three segments: Investment Banking, Private Banking and Asset Management. The three segments are complemented by Shared Services, which provides support in the areas of finance, operations, including human resources, legal and compliance, risk management and information technology.

The segment information reflects the Group's reportable segments as follows:

- Investment Banking offers investment banking and securities products and services to corporate, institutional and government clients around the world. Its products and services include debt and equity underwriting, sales and trading, mergers and acquisitions advice, divestitures, corporate sales, restructuring and investment research.
- Private Banking offers comprehensive advice and a broad range of wealth management solutions, including pension

planning, life insurance products, tax planning and wealth and inheritance advice, which is tailored to the needs of high-net-worth individuals worldwide. In Switzerland, it supplies banking products and services to high-net-worth, corporate and retail clients.

- Asset Management offers integrated investment solutions and services to institutions, governments and private clients globally. It provides access to the full range of investment classes, ranging from money market, fixed income, equities and balanced products, to alternative investments such as real estate, hedge funds, private equity and volatility management.

Corporate Center includes parent company operations such as Group financing, expenses for projects sponsored by the Group and certain expenses that have not been allocated to the segments, as well as all gains and losses recorded as a result of applying the fair value option to our own debt. In addi-

tion, Corporate Center includes consolidation and elimination adjustments required to eliminate intercompany revenues and expenses.

Minority interest-related revenues and expenses resulting from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues and expenses are reported as minorities without significant economic interest. The consolidation of these entities does not affect net income as the amounts recorded in net revenues and total operating expenses are offset by corresponding amounts reported as minority interests. In addition, our tax expense is not affected by these revenues and expenses.

### Revenue sharing and cost allocation

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

The aim of revenue-sharing and cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions.

Corporate services and business support in finance, operations, including human resources, legal and compliance, risk management and information technology are provided by the Shared Services area. Shared Services costs are allocated to the segments and Corporate Center based on their requirements and other relevant measures.

### Funding

The Bank lends funds to its operating subsidiaries and affiliates on both a senior and subordinated basis, as needed, the latter typically to meet capital requirements, or as desired by management to capitalize on opportunities. Capital is distributed to the segments considering factors such as regulatory capital requirements, utilized economic capital and the historic and future potential return on capital. Transfer pricing, using market rates, is used to record interest income and expense in each of the segments for this capital and funding.

### Taxes

The Group's segments are managed and reported on a pre-tax basis.

### Net revenues and income from continuing operations before taxes

			in		% change				in		% change	
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY				
<b>Net revenues (CHF million)</b>												
Investment Banking	7,538	6,582	4,436	15	70	14,120	10,193	39				
Private Banking	3,353	3,366	2,913	0	15	6,719	6,023	12				
Asset Management	853	776	675	10	26	1,629	1,431	14				
Corporate Center	(41)	(55)	23	(25)	–	(96)	41	–				
Minority Interests without Significant Economic Interest	1,334	951	741	40	80	2,285	2,025	13				
<b>Net revenues</b>	<b>13,037</b>	<b>11,620</b>	<b>8,788</b>	<b>12</b>	<b>48</b>	<b>24,657</b>	<b>19,713</b>	<b>25</b>				
<b>Income from continuing operations before taxes, minority interests and extraordinary items (CHF million)</b>												
Investment Banking	2,502	1,990	1,287	26	94	4,492	2,851	58				
Private Banking	1,381	1,439	1,123	(4)	23	2,820	2,431	16				
Asset Management	299	257	27	16	–	556	261	113				
Corporate Center	(96)	(110)	13	(13)	–	(206)	(20)	–				
Minority Interests without Significant Economic Interest	1,301	900	728	45	79	2,201	2,003	10				
<b>Income from continuing operations before taxes, minority interests and extraordinary items</b>	<b>5,387</b>	<b>4,476</b>	<b>3,178</b>	<b>20</b>	<b>70</b>	<b>9,863</b>	<b>7,526</b>	<b>31</b>				

## Total assets

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	YTD	YoY
<b>Total assets (CHF million)</b>							
Investment Banking	1,204,397	1,146,956	1,046,557	1,017,006	5	15	18
Private Banking	359,903	342,254	340,741	316,391	5	6	14
Asset Management	23,929	23,016	20,448	18,767	4	17	28
Corporate Center <sup>1</sup>	(190,124)	(168,857)	(167,794)	37,268	13	13	–
Minority Interests without Significant Economic Interest	17,069	16,318	16,004	15,130	5	7	13
<b>Total assets</b>	<b>1,415,174</b>	<b>1,359,687</b>	<b>1,255,956</b>	<b>1,404,562</b>	<b>4</b>	<b>13</b>	<b>1</b>

<sup>1</sup> Includes CHF 175.0 billion of assets in 2Q06 related to the Winterthur segments which were reported as separate segments prior to June 30, 2006.

## Note 4 Net interest income

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Net interest income (CHF million)</b>									
Loans	2,131	2,047	1,848	4	15	4,178	3,573	17	
Investment securities	187	189	163	(1)	15	376	325	16	
Trading assets	6,458	5,482	4,788	18	35	11,940	8,831	35	
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	5,929	5,316	5,034	12	18	11,245	9,378	20	
Other	1,914	1,658	1,277	15	50	3,572	2,320	54	
Interest and dividend income	16,619	14,692	13,110	13	27	31,311	24,427	28	
Deposits	(4,168)	(3,704)	(2,938)	13	42	(7,872)	(5,581)	41	
Short-term borrowings	(286)	(218)	(162)	31	77	(504)	(281)	79	
Trading liabilities	(2,689)	(2,098)	(2,077)	28	29	(4,787)	(3,493)	37	
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(5,436)	(4,831)	(4,619)	13	18	(10,267)	(8,684)	18	
Long-term debt	(1,204)	(1,243)	(1,074)	(3)	12	(2,447)	(2,172)	13	
Other	(587)	(509)	(374)	15	57	(1,096)	(684)	60	
Interest expense	(14,370)	(12,603)	(11,244)	14	28	(26,973)	(20,895)	29	
<b>Net interest income</b>	<b>2,249</b>	<b>2,089</b>	<b>1,866</b>	<b>8</b>	<b>21</b>	<b>4,338</b>	<b>3,532</b>	<b>23</b>	

Note 5 **Commissions and fees**

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Commissions and fees (CHF million)</b>									
Lending business	661	647	452	2	46	1,308	781	67	
Investment and portfolio management	1,510	1,445	1,314	4	15	2,955	2,575	15	
Other securities business	61	56	37	9	65	117	97	21	
Fiduciary	1,571	1,501	1,351	5	16	3,072	2,672	15	
Underwriting	717	615	721	17	(1)	1,332	1,322	1	
Brokerage	1,429	1,487	1,276	(4)	12	2,916	2,708	8	
Underwriting and brokerage	2,146	2,102	1,997	2	7	4,248	4,030	5	
Other customer services	864	727	625	19	38	1,591	1,176	35	
<b>Commissions and fees</b>	<b>5,242</b>	<b>4,977</b>	<b>4,425</b>	<b>5</b>	<b>18</b>	<b>10,219</b>	<b>8,659</b>	<b>18</b>	

Note 6 **Other revenues**

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Other revenues (CHF million)</b>									
Minority Interests without Significant Economic Interest	1,336	938	731	42	83	2,274	1,963	16	
Loans held-for-sale	(15)	2	31	–	–	(13)	39	–	
Long-lived assets held-for-sale	9	6	2	50	350	15	3	400	
Equity method investments	23	29	12	(21)	92	52	58	(10)	
Other investments	259	263	308	(2)	(16)	522	538	(3)	
Other	124	100	42	24	195	224	142	58	
<b>Other revenues</b>	<b>1,736</b>	<b>1,338</b>	<b>1,126</b>	<b>30</b>	<b>54</b>	<b>3,074</b>	<b>2,743</b>	<b>12</b>	

Note 7 **Provision for credit losses**

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Provision for credit losses (CHF million)</b>									
Allowance for loan losses	(13)	57	2	–	–	44	(49)	–	
Provisions for lending-related and other exposures	(7)	(4)	8	75	–	(11)	(2)	450	
<b>Provision for credit losses</b>	<b>(20)</b>	<b>53</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>33</b>	<b>(51)</b>	<b>–</b>	

Note 8 **Compensation and benefits**

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Compensation and benefits (CHF million)</b>									
Salaries and bonuses	4,877	4,473	3,242	9	50	9,350	7,275	29	
Social security	325	247	234	32	39	572	482	19	
Other	207	230	221	(10)	(6)	437	413	6	
<b>Compensation and benefits</b>	<b>5,409</b>	<b>4,950</b>	<b>3,697</b>	<b>9</b>	<b>46</b>	<b>10,359</b>	<b>8,170</b>	<b>27</b>	

Note 9 **General and administrative expenses**

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>General and administrative expenses (CHF million)</b>									
Occupancy expenses	223	219	210	2	6	442	421	5	
IT, machinery, etc.	119	125	128	(5)	(7)	244	249	(2)	
Provisions and losses	39	(17)	(371)	-	-	22	(319)	-	
Travel and entertainment	146	146	174	0	(16)	292	319	(8)	
Professional services	537	495	536	8	0	1,032	1,048	(2)	
Depreciation of property and equipment	199	217	200	(8)	(1)	416	406	2	
Amortization and impairment of other intangible assets	8	8	140	0	(94)	16	154	(90)	
Other	348	339	335	3	4	687	696	(1)	
<b>General and administrative expenses</b>	<b>1,619</b>	<b>1,532</b>	<b>1,352</b>	<b>6</b>	<b>20</b>	<b>3,151</b>	<b>2,974</b>	<b>6</b>	

Note 10 **Earnings per share**

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Net income (CHF million)</b>									
<b>Income from continuing operations before extraordinary items</b>	<b>3,189</b>	<b>2,729</b>	<b>1,872</b>	17	70	<b>5,918</b>	<b>4,214</b>	40	
Income from discontinued operations, net of tax	0	0	286	–	(100)	0	572	(100)	
Extraordinary items, net of tax	0	0	0	–	–	0	(24)	100	
<b>Net income</b>	<b>3,189</b>	<b>2,729</b>	<b>2,158</b>	17	48	<b>5,918</b>	<b>4,762</b>	24	
<b>Net income available for common shares for basic earnings per share</b>	<b>3,189</b>	<b>2,729</b>	<b>2,158</b>	17	48	<b>5,918</b>	<b>4,762</b>	24	
<b>Net income available for common shares for diluted earnings per share</b>	<b>3,189</b>	<b>2,729</b>	<b>2,158</b>	17	48	<b>5,918</b>	<b>4,762</b>	24	
<b>Weighted-average shares outstanding (million)</b>									
<b>Weighted-average shares outstanding for basic earnings per share</b>	<b>1,063.6</b>	<b>1,066.2</b>	<b>1,113.0</b>	0	(4)	<b>1,064.9</b>	<b>1,120.5</b>	(5)	
Dilutive share options and warrants	12.6	13.5	14.1	(7)	(11)	13.1	15.9	(18)	
Dilutive share awards	54.5	50.0	32.9	9	66	52.3	33.2	58	
<b>Weighted-average shares outstanding for diluted earnings per share <sup>1</sup></b>	<b>1,130.7</b>	<b>1,129.7</b>	<b>1,160.0</b>	0	(3)	<b>1,130.3</b>	<b>1,169.6</b>	(3)	
<b>Basic earnings per share (CHF)</b>									
<b>Income from continuing operations before extraordinary items</b>	<b>3.00</b>	<b>2.56</b>	<b>1.68</b>	17	79	<b>5.56</b>	<b>3.76</b>	48	
Income from discontinued operations, net of tax	0.00	0.00	0.26	–	(100)	0.00	0.51	(100)	
Extraordinary items, net of tax	0.00	0.00	0.00	–	–	0.00	(0.02)	100	
<b>Net income</b>	<b>3.00</b>	<b>2.56</b>	<b>1.94</b>	17	55	<b>5.56</b>	<b>4.25</b>	31	
<b>Diluted earnings per share (CHF)</b>									
<b>Income from continuing operations before extraordinary items</b>	<b>2.82</b>	<b>2.42</b>	<b>1.61</b>	17	75	<b>5.24</b>	<b>3.60</b>	46	
Income from discontinued operations, net of tax	0.00	0.00	0.25	–	(100)	0.00	0.49	(100)	
Extraordinary items, net of tax	0.00	0.00	0.00	–	–	0.00	(0.02)	100	
<b>Net income</b>	<b>2.82</b>	<b>2.42</b>	<b>1.86</b>	17	52	<b>5.24</b>	<b>4.07</b>	29	

<sup>1</sup> Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the diluted earnings per share calculation above) but could potentially dilute earnings per share in the future were 21.8 million, 18.0 million, 38.1 million, 19.9 million and 35.3 million for 2Q07, 1Q07, 2Q06, 6M07 and 6M06, respectively.

Note 11 **Trading assets and liabilities**

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	YtD	YoY
<b>Trading assets (CHF million)</b>							
Debt securities	237,939	234,095	214,276	210,979	2	11	13
Equity securities <sup>1</sup>	202,582	188,735	149,684	146,221	7	35	39
Derivative instruments	79,921	59,910	58,152	56,934	33	37	40
Other	31,879	32,310	28,668	24,985	(1)	11	28
<b>Trading assets</b>	<b>552,321</b>	<b>515,050</b>	<b>450,780</b>	<b>439,119</b>	<b>7</b>	<b>23</b>	<b>26</b>
<b>Trading liabilities (CHF million)</b>							
Short positions	170,181	161,693	139,786	152,350	5	22	12
Derivative instruments	73,170	55,279	58,636	60,115	32	25	22
<b>Trading liabilities</b>	<b>243,351</b>	<b>216,972</b>	<b>198,422</b>	<b>212,465</b>	<b>12</b>	<b>23</b>	<b>15</b>

<sup>1</sup> Including convertible bonds.

Note 12 **Loans**

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	YtD	YoY
<b>Loans (CHF million)</b>							
Banks	26	24	24	0	8	8	–
Commercial	44,975	43,974	44,253	42,585	2	2	6
Consumer	85,083	83,983	82,133	80,928	1	4	5
Public authorities	1,299	1,261	1,263	1,294	3	3	0
Lease financings	3,202	3,250	3,360	3,069	(1)	(5)	4
Switzerland	134,585	132,492	131,033	127,876	2	3	5
Banks	10,652	8,904	8,940	7,223	20	19	47
Commercial	62,830	57,564	55,424	51,311	9	13	22
Consumer	16,326	13,884	13,073	12,437	18	25	31
Public authorities	1,063	1,087	905	1,019	(2)	17	4
Lease financings	123	322	228	127	(62)	(46)	(3)
Foreign	90,994	81,761	78,570	72,117	11	16	26
<b>Gross loans</b>	<b>225,579</b>	<b>214,253</b>	<b>209,603</b>	<b>199,993</b>	<b>5</b>	<b>8</b>	<b>13</b>
Net (unearned income)/deferred expenses	15	27	8	37	(44)	88	(59)
Allowance for loan losses	(1,372)	(1,449)	(1,484)	(1,736)	(5)	(8)	(21)
<b>Net loans</b>	<b>224,222</b>	<b>212,831</b>	<b>208,127</b>	<b>198,294</b>	<b>5</b>	<b>8</b>	<b>13</b>
<b>Impaired loan portfolio (CHF million)</b>							
<b>Gross impaired loans</b>	<b>1,745</b>	<b>1,867</b>	<b>2,131</b>	<b>2,560</b>	<b>(7)</b>	<b>(18)</b>	<b>(32)</b>
of which with a specific allowance	1,525	1,587	1,802	2,076	(4)	(15)	(27)
of which without a specific allowance	220	280	329	484	(21)	(33)	(55)

	in			% change		in			% change
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY	
<b>Allowance for loan losses (CHF million)</b>									
<b>Balance at beginning of period</b>	<b>1,449</b>	<b>1,484</b>	<b>2,054</b>	(2)	(29)	<b>1,484</b>	<b>2,241</b>	(34)	
Change in accounting <sup>1</sup>	0	(61)	0	100	–	(61)	0	–	
Discontinued operations	0	0	(48)	–	100	0	(51)	100	
Net additions charged to statements of income	(13)	57	2	–	–	44	(49)	–	
Gross write-offs	(91)	(50)	(278)	82	(67)	(141)	(463)	(70)	
Recoveries	24	20	21	20	14	44	63	(30)	
Net write-offs	(67)	(30)	(257)	123	(74)	(97)	(400)	(76)	
Provisions for interest	1	(2)	20	–	(95)	(1)	31	–	
Foreign currency translation impact and other adjustments, net	2	1	(35)	100	–	3	(36)	–	
<b>Balance at end of period</b>	<b>1,372</b>	<b>1,449</b>	<b>1,736</b>	(5)	(21)	<b>1,372</b>	<b>1,736</b>	(21)	
of which a specific allowance	954	1,036	1,382	(8)	(31)	954	1,382	(31)	
of which an inherent credit loss allowance	418	413	354	1	18	418	354	18	

<sup>1</sup> Related to the adoption of SFAS 159.

## Note 13 Other assets and liabilities

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	YtD	YoY
<b>Other assets (CHF million)</b>							
Cash collateral on derivative instruments	19,349	14,596	14,917	14,022	33	30	38
Derivative instruments used for hedging	1,232	1,530	2,220	1,785	(19)	(45)	(31)
Brokerage receivables	67,782	59,568	49,223	42,622	14	38	59
Assets held-for-sale	55,811	72,564	53,346	49,438	(23)	5	13
of which loans	55,560	72,374	53,178	49,302	(23)	4	13
of which real estate	251	190	168	136	32	49	85
Interest and fees receivable	10,506	9,936	8,817	8,888	6	19	18
Deferred tax assets	5,329	5,403	5,317	5,222	(1)	0	2
Prepaid expenses	668	651	477	437	3	40	53
Other	17,214	15,511	14,770	14,386	11	17	20
<b>Other assets</b>	<b>177,891</b>	<b>179,759</b>	<b>149,087</b>	<b>136,800</b>	(1)	19	30
<b>Other liabilities (CHF million)</b>							
Cash collateral on derivative instruments	35,192	26,920	24,283	22,849	31	45	54
Derivative instruments used for hedging	244	624	970	1,282	(61)	(75)	(81)
Brokerage payables	50,841	44,858	33,185	33,424	13	53	52
Provisions <sup>1</sup>	1,864	1,899	2,104	2,237	(2)	(11)	(17)
Restructuring liabilities	2	3	3	4	(33)	(33)	(50)
Interest and fees payable	27,268	29,254	29,256	32,862	(7)	(7)	(17)
Current and deferred tax liabilities	4,322	4,159	3,750	3,559	4	15	21
Other	28,222	23,567	26,484	19,778	20	7	43
<b>Other liabilities</b>	<b>147,955</b>	<b>131,284</b>	<b>120,035</b>	<b>115,995</b>	13	23	28

<sup>1</sup> Includes provisions for off-balance sheet risk of CHF 58 million, CHF 64 million, CHF 140 million and CHF 123 million in 2Q07, 1Q07, 4Q06 and 2Q06, respectively.

Note 14 **Long-term debt**

	end of				% change		
	2Q07	1Q07	4Q06	2Q06	QoQ	YtD	YoY
<b>Long-term debt (CHF million)</b>							
Senior	141,640	137,561	129,919	124,906	3	9	13
Subordinated	19,236	18,331	17,913	17,831	5	7	8
<b>Long-term debt</b>	<b>160,876</b>	<b>155,892</b>	<b>147,832</b>	<b>142,737</b>	<b>3</b>	<b>9</b>	<b>13</b>

Note 15 **Accumulated other comprehensive income**

	Gains/(losses) on cash flow hedges	Cumulative translation adjustments	Unrealized gains/ (losses) on securities	Minimum pension liability adjustment	Actuarial gains/ (losses)	Net prior service cost/ (credit)	Accumul- ated other comprehen- sive income
<b>6M07 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>(42)</b>	<b>(2,878)</b>	<b>114</b>	<b>0</b>	<b>(2,110)</b>	<b>(117)</b>	<b>(5,033)</b>
Increase/(decrease)	10	277	(2)	0	0	(39)	246
Decrease due to equity method investments	(18)	0	0	0	0	0	(18)
Reclassification adjustments, included in net income	(1)	0	(4)	0	46	13	54
Adoption of SFAS 159, net of tax	6	0	4	0	0	0	10
<b>Balance at end of period</b>	<b>(45)</b>	<b>(2,601)</b>	<b>112</b>	<b>0</b>	<b>(2,064)</b>	<b>(143)</b>	<b>(4,741)</b>
<b>6M06 (CHF million)</b>							
<b>Balance at beginning of period</b>	<b>77</b>	<b>(2,497)</b>	<b>1,156</b>	<b>(642)</b>	<b>0</b>	<b>0</b>	<b>(1,906)</b>
Increase/(decrease)	(177)	(991)	(1,114)	0	0	0	(2,282)
Reclassification adjustments, included in net income	(2)	(19)	(148)	0	0	0	(169)
<b>Balance at end of period <sup>1</sup></b>	<b>(102)</b>	<b>(3,507)</b>	<b>(106)</b>	<b>(642)</b>	<b>0</b>	<b>0</b>	<b>(4,357)</b>

<sup>1</sup> Accumulated other comprehensive income related to discontinued operations totalled CHF (968) million as of June 30, 2006.

**Note 16 Tax**

Credit Suisse adopted the provisions of FIN 48 on January 1, 2007. As a result of FIN 48, an increase in the liability for unrecognized tax benefits of approximately CHF 13 million was recognized as a reduction to the January 1, 2007 balance of retained earnings. The total amount of unrecognized tax benefits, as of January 1, 2007, was CHF 1,485 million.

Included in the January 1, 2007 balance were tax positions of CHF 16 million, for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. On January 1, 2007, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was CHF 1,412 million.

Credit Suisse continues to recognize interest and penalties accrued relating to unrecognized tax benefits as current income taxes in income tax expense. Approximately CHF 298 million was accrued as of January 1, 2007 for the payment of

interest and penalties, net of any tax benefit associated with the payment of these amounts.

Credit Suisse is currently subject to ongoing tax audits and inquiries with the tax authorities in a number of jurisdictions, including the United States (US), the United Kingdom (UK) and Switzerland. Although the timing of the completion of these audits is uncertain, it is reasonably possible that some of these audits and inquiries will be resolved within 12 months of the adoption date of January 1, 2007. However, quantification of an estimate of the range of the reasonable possible change in unrecognized tax benefits cannot be made at this time.

Credit Suisse remains open to examination from either federal, state, provincial or similar local jurisdictions from the following years onward in these major countries: Japan – 2005; Switzerland – 2004; the UK – 1997; and the US – 1993.

**Note 17 Employee share-based compensation and other benefits****Share-based compensation**

The Group's share-based compensation is an important part of the overall compensation package for select employees and senior executives. Share-based compensation is designed to promote employee retention and align the interests of employees and shareholders. The majority of share-based compensation is granted as part of the annual incentive performance bonus subsequent to the fiscal year to which the incentive performance bonus relates. Share-based compensation is generally subject to restrictive features such as vesting, forfeiture and blocking rules. For further information on share-based compensation plans and the related fair value assumptions, refer to "Note 24 – Employee share-based compensation and other benefits in the Notes to the consolidated financial statements" in the Credit Suisse Group Annual Report 2006.

**Compensation expense**

Compensation expense in any year includes a variable compensation expense for that year's discretionary cash performance bonus and fixed expenses for share-based awards granted in prior years. Recognition in the Consolidated statements of income of expense relating to awards granted in prior years is dependent primarily upon the vesting period, which is

determined by the plan, retirement eligibility of employees, moratorium periods and certain other terms.

Total compensation expense for share-based compensation recognized in the Consolidated statements of income in compensation and benefits was CHF 1,247 million and CHF 836 million in the first six months of 2007 and 2006, respectively. As of June 30, 2007, the total estimated unrecognized compensation expense related to non-vested share-based compensation of CHF 2,932 million will be recognized over the remaining weighted-average requisite service period of 1.8 years.

The Group generally repurchases its own shares in the open market to satisfy these obligations but can also issue new shares out of available conditional capital. Through June 30, 2007, the Group delivered approximately 20.2 million shares to employees. The Group expects to repurchase approximately 28 million shares during 2007 in connection with its share-based compensation.

**Credit Suisse Incentive Share Unit**

In January 2007, as part of the 2006 remuneration process, the Group aligned its share-based compensation plans and introduced ISUs. Previously granted awards will continue to settle under their original terms and are not affected by the

ISU. An ISU is a unit that is similar to shares, but offers additional upside depending on the development of the Credit Suisse Group share price. For each ISU granted, the employee will receive at least one Credit Suisse Group share. In addition, the leverage component can deliver additional upside, which will be determined by the monthly average Credit Suisse Group share price over the three-year period following the grant. Each ISU will vest at a rate of one-third of a share per year over three years, with the potential additional shares vesting on the third anniversary of the grant date, depending on the development of the leverage component.

On January 23, 2007, the Group granted 26.7 million ISUs. The compensation expense recognized during the first six months of 2007 related to ISUs was CHF 576 million. The estimated unrecognized compensation expense related to ISUs as of June 30, 2007, was CHF 1,795 million and will be recognized over a period of three years, subject to the early retirement rules. None of the ISUs were vested as of June 30, 2007.

### Incentive Share Unit activities

in 6M07		ISU
<b>Number of share awards (million)</b>		
<b>Balance at beginning of period</b>		<b>0.0</b>
Granted		26.7
Settled		(0.1)
Forfeited		(0.5)
<b>Balance at end of period</b>		<b>26.1</b>

### Performance Incentive Plan

As part of its annual incentive performance bonus process for 2004 and 2005, the Group granted Performance Incentive Plan (PIP) units during 2005 (PIP I) and 2006 (PIP II), respectively. PIP units are long-term retention incentive awards requiring continued employment with the Group, subject to restrictive covenants and cancellation provisions, and vest evenly over a five-year period. Each PIP unit will settle for a specified number of Credit Suisse Group registered shares subsequent to the fifth anniversary of the grant date based on

the achievement of: i) earnings performance as compared to predefined targets; and ii) share price performance compared to predefined targets and share price performance relative to peers.

The compensation expense recognized during the first six months of 2007 related to PIP I and PIP II was CHF 241 million. The estimated unrecognized compensation expense related to PIP I and PIP II as of June 30, 2007, was CHF 454 million. None of the PIP units were deliverable as of June 30, 2007.

### Performance Incentive Plan activities

in 6M07		PIP II	PIP I
<b>Number of share awards (million)</b>			
<b>Balance at beginning of period</b>		<b>6.3</b>	<b>12.4</b>
Granted		0.0	0.0
Settled		0.0	0.0
Forfeited		0.0	0.0
<b>Balance at end of period</b>		<b>6.3</b>	<b>12.4</b>
of which vested		1.4	5.3
of which unvested		4.9	7.1

## Shares

In addition to the PIP, the Group's share-based compensation in prior years has included three different types of share awards: phantom shares; longevity premium awards (LPA); and special awards. These share awards entitle the holder to receive one Credit Suisse Group registered share subject to continued employment with the Group, restrictive covenants and cancellation provisions and generally vest between zero and three years.

The compensation expense recognized in the first six months of 2007 related to shares awarded under phantom share, LPA and special awards was CHF 430 million. The

estimated unrecognized compensation expense related to these awards as of June 30, 2007 was CHF 683 million.

## Share options

Options were a substantial component of the Group's share-based program prior to 2004. The Group has discontinued the practice of issuing options and the majority of the original grants have since vested. Share options were granted with an exercise price equal to the market price of Credit Suisse Group's shares on the date of grant and expire after ten years.

## Note 18 Pension

The calculation of the expected contribution for 2007 was revised, resulting in an increase in anticipated contributions. As of June 30, 2007, CHF 584 million of contributions have been made, including approximately CHF 340 million as a

special contribution. The Group expects to contribute CHF 169 million to the defined benefit plans and to other post-retirement defined benefit plans during the remainder of the year.

	in		% change		in		% change	
	2Q07	1Q07	2Q06	QoQ	YoY	6M07	6M06	YoY
<b>Total pension costs (CHF million)</b>								
Service costs on benefit obligation	80	80	94	0	(15)	160	169	(5)
Interest costs on benefit obligation	139	139	123	0	13	278	246	13
Expected return on plan assets	(184)	(184)	(172)	0	7	(368)	(345)	7
Amortization of unrecognized transition obligation/(asset)	0	0	0	–	–	0	(1)	100
Amortization of prior service cost	10	7	8	43	25	17	16	6
Amortization of unrecognized (gains)/losses	32	32	37	0	(14)	64	67	(4)
<b>Net periodic pension costs</b>	<b>77</b>	<b>74</b>	<b>90</b>	<b>4</b>	<b>(14)</b>	<b>151</b>	<b>152</b>	<b>(1)</b>
Settlement (gains)/losses	0	0	(5)	–	100	0	(5)	100
Curtailment (gains)/losses	0	0	(1)	–	100	0	(9)	100
<b>Total pension costs</b>	<b>77</b>	<b>74</b>	<b>84</b>	<b>4</b>	<b>(8)</b>	<b>151</b>	<b>138</b>	<b>9</b>

Note 19 **Guarantees and commitments**

**Guarantees**

end of	Total gross amount	Total net amount <sup>1</sup>	Carrying value	Collateral received
<b>2Q07 (CHF million)</b>				
Credit guarantees and similar instruments	10,646	8,903	12	5,739
Performance guarantees and similar instruments	13,016	11,022	150	3,901
Securities lending indemnifications	47,372	47,372	0	47,372
Derivatives	949,371	949,371	11,125	– <sup>2</sup>
Other guarantees	4,252	4,252	3	1,634
<b>Total guarantees</b>	<b>1,024,657</b>	<b>1,020,920</b>	<b>11,290</b>	<b>58,646</b>
<b>4Q06 (CHF million)</b>				
Credit guarantees and similar instruments	10,308	7,909	8	4,966
Performance guarantees and similar instruments	11,131	9,925	162	3,145
Securities lending indemnifications	36,834	36,834	0	36,834
Derivatives	680,329	680,329	5,211	– <sup>2</sup>
Other guarantees	3,511	3,511	3	1,496
<b>Total guarantees</b>	<b>742,113</b>	<b>738,508</b>	<b>5,384</b>	<b>46,441</b>

<sup>1</sup> Total net amount is computed as the gross amount less any participations. <sup>2</sup> Collateral for derivatives accounted for as guarantees is not considered significant.

Guarantees provided by the Group are broadly classified as follows: credit guarantees and similar instruments, performance guarantees and similar instruments, securities lending indemnifications, derivatives and other guarantees. For a detailed description of guarantees, refer to "Note 28 – Guarantees and commitments in the Notes to the consolidated financial statements" in the Credit Suisse Group Annual Report 2006.

Deposit-taking banks in Switzerland and certain other European countries are required to ensure the payout of privileged deposits in case of specified restrictions or compulsory liquidation of a deposit-taking bank. Upon occurrence of a payout event, the Group's contribution will be calculated based on its share of privileged deposits in proportion to total privileged deposits. These deposit insurance guarantees are reflected in other guarantees in the table above. The Group believes that the likelihood of having to pay under these agreements is remote.

**Disposal-related contingencies and other indemnifications**

The Group has certain guarantees for which its maximum contingent liability cannot be quantified. These guarantees are not reflected in the table above and are discussed below.

**Disposal-related contingencies**

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

**Other indemnifications**

The Group provides indemnifications to certain counterparties in connection with its normal operating activities, for which it is not possible to estimate the maximum amount that it could be obligated to pay. As a normal part of issuing its own securities, the Group typically agrees to reimburse holders for additional tax withholding charges or assessments resulting from changes in applicable tax laws or the interpretation of those laws. Securities that include these agreements to pay additional amounts generally also include a related redemption or call provision if the obligation to pay the additional amounts

results from a change in law or its interpretation and the obligation cannot be avoided by the issuer taking reasonable steps to avoid the payment of additional amounts. Since such potential obligations are dependent on future changes in tax laws, the related liabilities the Group may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Group does not expect any potential liabilities in respect of tax gross-ups to be material.

The Group is a member of numerous securities exchanges and clearing houses and may, as a result of its membership arrangements, be required to perform if another member defaults. The Group has determined that it is not possible to estimate the maximum amount of these obligations and believes that any potential requirement to make payments under these arrangements is remote.

## Other commitments

end of	Total gross amount	Total net amount <sup>1</sup>	Collateral received
<b>2Q07 (CHF million)</b>			
Irrevocable commitments under documentary credits	5,535	4,875	2,430
Loan commitments	257,454	256,565	174,473
Forward reverse repurchase agreements	15,786	15,786	15,786
Other commitments	6,020	6,020	226
<b>Total other commitments</b>	<b>284,795</b>	<b>283,246</b>	<b>192,915</b>
<b>4Q06 (CHF million)</b>			
Irrevocable commitments under documentary credits	5,365	4,984	2,710
Loan commitments	233,083	231,771	139,189
Forward reverse repurchase agreements	5,697	5,697	5,697
Other commitments	4,966	4,966	159
<b>Total other commitments</b>	<b>249,111</b>	<b>247,418</b>	<b>147,755</b>

<sup>1</sup> Total net amount is computed as the gross amount less any participations.

Other commitments of the Group are broadly classified as follows: irrevocable commitments under documentary credits, loan commitments, forward reverse repurchase agreements and other commitments. For a detailed description of off-bal-

ance sheet commitments, refer to "Note 28 – Guarantees and commitments in the Notes to the consolidated financial statements" in the Credit Suisse Group Annual Report 2006.

## Note 20 Variable interest entities

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

As a normal part of its business, the Group engages in transactions with entities that are considered VIEs. These transactions include selling or purchasing assets, acting as a counterparty in derivative transactions and providing liquidity,

credit or other support. Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investment opportunities, and as part of these activities, the Group may retain interests in VIEs. In general, investors in consolidated VIEs do not have recourse to the Group in the event of a default, except where a guarantee was provided to the investors or where the Group is the counterparty to a derivative transaction involving VIEs.

As of June 30, 2007, the Group consolidated all VIEs for which it is the primary beneficiary under FIN 46(R). Net income was unaffected, as offsetting minority interests were recorded in the Consolidated statements of income.

The Group's involvement with VIEs may be broadly grouped into three primary categories: collateralized debt obligations (CDO), commercial paper (CP) conduits and financial intermediation. For further information on the Group's policy

on consolidation of VIEs and the nature of the Group's involvement with these entities, refer to "Note 1 – Summary of significant accounting policies, Note 2 – Recently issued accounting standards and Note 29 – Transfers and servicing of financial assets in the Notes to the consolidated financial statements" in the Credit Suisse Group Annual Report 2006.

	2Q07	end of 4Q06	% change YoY
<b>Total assets of consolidated VIEs (CHF million)</b>			
Collateralized debt obligations	8,196	6,539	25
Commercial paper conduits	1	1	0
Financial intermediation	15,599	15,006	4
<b>Total assets of consolidated VIEs</b>	<b>23,796</b>	<b>21,546</b>	<b>10</b>
<b>Total assets of non-consolidated VIEs (CHF million)</b>			
Collateralized debt obligations	20,791	15,636	33
Commercial paper conduits	9,616	7,038	37
Financial intermediation	81,719	90,538	(10)
<b>Total assets of non-consolidated VIEs</b>	<b>112,126</b>	<b>113,212</b>	<b>(1)</b>

### Collateralized debt obligations

As part of its structured finance business, the Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization.

The Group has consolidated all CDO VIEs for which it is the primary beneficiary, resulting in the inclusion by the Group of approximately CHF 8.2 billion and CHF 6.5 billion of assets and liabilities of these VIEs as of June 30, 2007 and December 31, 2006, respectively. The beneficial interests issued by these VIEs are payable solely from the cash flows of the related collateral, and the creditors of these VIEs do not have recourse to the Group in the event of default.

The Group also retains certain debt and equity interests in open CDO VIEs that are not consolidated because the Group is not the primary beneficiary. The Group's exposure in these CDO transactions typically consists of the interests retained in connection with its underwriting or market-making activities. The Group's maximum loss exposure is generally equal to the carrying value of these retained interests, which are reported as trading assets and carried at fair value and totaled CHF 2.9 billion and CHF 1.7 billion as of June 30, 2007 and December 31, 2006, respectively.

### Commercial paper conduits

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for several CP conduits. The Group does not sell assets to the CP conduits and does not have any ownership interest in the CP conduits. The Group's commitments to CP conduits consist of obligations under liquidity and credit enhancement agreements.

As of June 30, 2007, the Group's maximum loss exposure to non-consolidated CP conduits was CHF 15.5 billion, which consisted of CHF 9.5 billion of funded assets and the CP conduits' commitments to purchase CHF 6.0 billion of additional assets. As of December 31, 2006, the Group's maximum loss exposure was CHF 12.5 billion.

The Group believes that the likelihood of incurring a loss equal to this maximum exposure is remote because the assets held by the CP conduits, after giving effect to related asset-specific credit enhancement primarily provided by the clients, must be classified as investment grade when acquired by the CP conduits.

## Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The investors typically retain the risk of loss on such transactions, 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. The Group's maximum loss exposure to non-consolidated VIEs related to financial intermediation activities was CHF 18.5 billion and CHF 19.1 billion as of June 30, 2007 and December 31, 2006, respectively, which represents the notional amount of any guarantees from the Group and the fair value of all other Group interests held, rather than the amount of total assets of the VIEs. Further, the Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, including hedging strategies, and the risk of loss that is retained by investors.

## Note 21 Fair value of financial instruments

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange traded and certain over-the-counter (OTC) derivative instruments, most CDOs, most mortgage-backed and asset-backed securities, certain residential mortgage whole loans and listed equity securities.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These instruments include certain high-yield debt securities, distressed debt securities, certain CDOs, certain OTC derivatives, certain mortgage-backed and asset-backed securities, non-traded equity securities and private equity and other long-term investments. Valuation techniques for certain of these instruments are described in greater detail below.

The Group has availed itself of the simplification in accounting offered under the fair value option, primarily in the Investment Banking and Asset Management segments. This has been accomplished generally by electing the fair value option, both at initial adoption and for subsequent transactions, on items impacted by the hedge accounting require-

ments of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). That is, for instruments for which there was an inability to achieve hedge accounting and we are economically hedged, we have elected the fair value option for the instrument where we were unable to achieve SFAS 133 hedge accounting. Likewise, where we manage an activity on a fair value basis but previously have been unable to achieve fair value accounting, we have utilized the fair value option to align our risk management accounting to our financial reporting.

### Fair value hierarchy

Financial instruments recorded in the Group's Consolidated balance sheets at fair value have been categorized based upon the relative reliability of the fair value measures in accordance with SFAS 157 (the fair value hierarchy).

The levels of the fair value hierarchy are defined as follows in SFAS 157:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in

markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers or in which little information is publicly available; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3: Inputs that are unobservable for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Group's own data. The Group's own data used to develop

unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The Group records net open positions at bid prices if long, or at ask prices if short, unless the Group is a market maker in such positions in which case mid pricing is utilized. Fair value measurements are not adjusted for transaction costs.

Prior to January 1, 2007, net costs of originating or acquiring mortgage loans held-for-sale were recognized as part of the initial loan carrying value, with any subsequent change in fair value being recognized as a component of trading revenues. For such loans where the fair value option has been elected, net costs are now recognized on a gross basis as fee income and/or expense.

## Quantitative disclosures of fair values

### Fair value of assets and liabilities measured at fair value on a recurring basis

end of 6M07	Quoted prices in active markets for identical assets or liabilities (level1)	Significant other observable inputs (level 2)	Significant unobser- vable inputs (level 3)	Impact of netting <sup>1</sup>	<b>Total at fair value</b>
<b>Assets (CHF million)</b>					
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	0	160,658	0	0	160,658
Securities received as collateral	21,616	2,296	0	0	23,912
Trading assets	274,953	507,025	46,772	(276,429)	552,321
Investment securities	16,883	1,374	11	0	18,268
Other investments	596	3,136	16,199	0	19,931
Loans	0	20,570	584	0	21,154
Other intangible assets	0	217	0	0	217
Other assets	2,980	44,462	709	(47)	48,104
<b>Total assets at fair value</b>	<b>317,028</b>	<b>739,738</b>	<b>64,275</b>	<b>(276,476)</b>	<b>844,565</b>
<b>Liabilities (CHF million)</b>					
Due to banks	0	5,138	0	0	5,138
Customer deposits	0	6,532	0	0	6,532
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	0	137,878	0	0	137,878
Obligations to return securities received as collateral	21,616	2,296	0	0	23,912
Trading liabilities	156,314	349,233	14,268	(276,464)	243,351
Short-term borrowings	0	10,639	504	0	11,143
Long-term debt	0	74,001	32,221	0	106,222
Other liabilities	0	24,371	0	(12)	24,359
<b>Total liabilities at fair value</b>	<b>177,930</b>	<b>610,088</b>	<b>46,993</b>	<b>(276,476)</b>	<b>558,535</b>

<sup>1</sup> Derivative contracts are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

### Fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

6M07	Derivatives, net investments	Private equity investments	Other	Total
<b>Assets (CHF million)</b>				
<b>Balance at beginning of period</b>	<b>189</b>	<b>14,953</b>	<b>10,712</b>	<b>25,854</b>
Net gains/(losses) (realized/unrealized) included in net income	1,008	2,521	1,441	4,970
Purchases, sales, issuances and settlements	1,916	(1,207)	11,058	11,767
Transfers in and/or out of level 3	1,967	(68)	5,708	7,607
<b>Balance at end of period</b>	<b>5,080</b>	<b>16,199</b>	<b>28,919</b>	<b>50,198</b>
<b>Liabilities (CHF million)</b>				
<b>Balance at beginning of period</b>	–	–	<b>27,939<sup>1</sup></b>	<b>27,939</b>
Net (gains)/losses (realized/unrealized) included in net income	–	–	265	265
Purchases, sales, issuances and settlements	–	–	8,938	8,938
Transfers in and/or out of level 3	–	–	(4,226)	(4,226)
<b>Balance at end of period</b>	–	–	<b>32,916<sup>1</sup></b>	<b>32,916</b>

<sup>1</sup> Includes primarily structured notes.

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

in 6M07	Trading revenues	Other revenues
<b>Gains and losses on assets and liabilities (CHF million)</b>		
Net gains/(losses) included in net income for the period	2,379	2,326
Changes in unrealized gains or losses relating to assets and liabilities still held as of the reporting date	1,038	781

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within level 3. As a result, the unrealized gains and losses for assets and liabilities within level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

We employ various economic hedging techniques in order to manage risks, including risks in level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in levels 1 and/or 2. The realized and unrealized gains and losses for assets and liabilities in level 3 presented in the table above do not reflect the related realized or unrealized gains and losses arising on economic hedging instruments classified in levels 1 and/or 2.

### Qualitative disclosures of valuation techniques

#### Trading assets and trading liabilities

##### Money market instruments

Traded money market instruments include instruments such as bankers' acceptances, certificates of deposit, commercial papers, book claims, treasury bills and other rights, which are held for trading purposes. Valuations of money market instruments are generally based on observable inputs.

##### Trading securities

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

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

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

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

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

#### **Derivatives**

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

The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace. Other, more complex derivatives use unobservable inputs. Specific unobservable inputs include long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. Uncertainty of pricing inputs and liquidity are also considered as part of the valuation process.

#### **Other trading assets**

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

#### **Investment securities**

Investment securities recorded at fair value include debt and equity securities. These debt and equity securities are quoted in active or inactive markets. These instruments include government and corporate bonds.

#### **Other investments**

The Group's other investments include hybrid instruments, private equity and other alternative capital investments.

Private equity and other long-term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. Private equity investments and other long-term investments consist of both publicly traded securities and private securities. Publicly traded investments that are restricted or that are not quoted in active markets are valued based upon quotes with appropriate adjustments for liquidity or trading restrictions. Private securities 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 analyses.

Internally-managed funds include partnerships and related direct investments for which the Group acts as the fund's advisor and makes investment decisions. Internally-managed funds principally invest in private securities and, to a lesser extent, publicly traded securities and fund of funds partnerships. The fair value of investments in internally-managed fund of funds partnerships is based on the valuation received from the underlying fund manager and is reviewed by us. The fair value of investments in other internally-managed funds is based on the Group's valuation. Balances for internally-managed funds also include amounts relating to the consolidation of private equity funds under EITF 04-5 and FIN 46(R). A substantial portion of the investments held by the private equity funds consolidated primarily under EITF 04-5 and FIN 46(R) is reflected in level 3. Funds managed by third parties include investments in funds managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund and is reviewed by us.

**Loans**

The Group's loans include consumer, mortgage, corporate and emerging market loans. The fair value of corporate and emerging market loans within the Investment Banking segment is based on quoted prices, where available. Where quoted prices are not available, fair values are calculated using implied credit spreads derived from credit default swaps for the specific borrower. Where credit default swaps for a particular borrower are not available, a matrix of similar entity implied credit spreads from credit default swaps is constructed to derive an implied credit spread for that particular borrower. Alternatively, fair value is determined utilizing unobservable inputs and a discounted cash flow analysis. Consumer, mortgage and corporate loans within the Private Banking segment are not held at fair value.

**Short-term borrowings and long-term debt**

The Group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable) and vanilla debt. The fair value of these debt instruments is based on quoted prices, where available. Where quoted prices are not available, fair values are calculated using yield curves for similar maturities, taking into consideration the impact of the Group's own credit spread on these instruments.

**Other assets and other liabilities**

The Group's other assets and liabilities include mortgage loans held in conjunction with securitization activities and assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125)" (SFAS 140). The fair value of mortgage loans held in conjunction with securitization activities is determined on a whole-loan basis or on an "as-if" securitized basis depending on the principal market in which the loans will be transacted. Whole-loan valuations are calculated using yield curves for similar maturities for similar loans using discounted cash flow analyses. "As-if" securitized loans valuations are calculated using inputs consistent with similar securitized loans with quoted prices. The fair value of assets and liabilities of VIEs and mortgage securitizations that do not meet the criteria for sale treatment under SFAS 140 is determined based on the quoted prices for securitized bonds, where available, or on cash flow analyses for securitized bonds when quoted prices are not available.

**Fair value option**

Upon adoption of SFAS 159, the Group elected fair value for certain of its financial statement captions as follows:

**Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions**

The Group has elected to account for structured resale agreements and most matched book resale agreements held as of January 1, 2007 and those entered into after January 1, 2007 at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing resale agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

**Other investments**

The Group has elected to account for certain equity method investments held as of January 1, 2007 and certain of those entered into after January 1, 2007 at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. Certain similar instruments, such as those relating to equity method investments in strategic relationships, for example, the Group's ownership interest in certain clearance organizations, which were eligible for the fair value option, were not elected due to the strategic relationship.

**Net loans**

The Group has elected to account for substantially all Investment Banking commercial loans and loan commitments and certain Investment Banking emerging market loans held as of January 1, 2007 and those entered into after January 1, 2007 at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. Additionally, recognition on a fair value basis eliminates the mismatch that currently exists due to the economic hedging the Group employs to manage these loans. Certain similar loans, such as project finance, lease finance, cash collateralized and bridge loans, which were eligible for the fair value option, were not elected due to the lack of currently available infrastructure to fair value such loans and/or the inability to economically hedge such loans. Additionally, the Group elected not to account for loans granted by its Private Banking segment at fair value, including domestic consumer lending, mortgages, corporate loans, etc., as these loans are not managed on a fair value basis.

**Other assets**

The Group did not elect the fair value option for loans held-for-sale as of January 1, 2007 as the current carrying values are deemed appropriate. The Group elected the fair value option for new loans entered into subsequent to January 1, 2007 due to the short period over which such loans are held and the intention to sell such loans in the near term. Other assets also include assets of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under SFAS 140. The Group did not elect the fair value option for such assets existing as of January 1, 2007 due to the operational effort to change accounting for existing items reflected in the Group's Consolidated financial statements. The fair value option was elected for these types of transactions entered into after January 1, 2007.

**Due to banks**

The Group elected the fair value option for certain time deposits associated with its emerging markets activities entered into after January 1, 2007.

**Customer deposits**

The Group's customer deposits include fund-linked deposits. The Group elected the fair value option for these fund-linked deposits as of January 1, 2007 and those entered into after January 1, 2007. Fund-linked products are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes.

**Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions**

The Group has elected to account for structured repurchase agreements and most matched book repurchase agreements held as of January 1, 2007 and those entered into after January 1, 2007 at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed more appropriate for reporting purposes. The Group did not elect the fair value option for firm financing repurchase agreements as these agreements are generally overnight agreements which approximate fair value, but which are not managed on a fair value basis.

**Short-term borrowings**

The Group's short-term borrowings include hybrid debt instruments with embedded derivative features. Some of these embedded derivative features create bifurcatable debt instruments. The Group elected the fair value option for some of these instruments as of January 1, 2006 in accordance with the provisions of SFAS 155. New bifurcatable debt instruments which were entered into in 2006 are carried at fair

value in accordance with SFAS 155. Some hybrid debt instruments do not result in bifurcatable debt instruments. The adoption of SFAS 159 permits the Group to elect fair value accounting for non-bifurcatable hybrid debt instruments (and bifurcatable non-financial debt instruments). With the exception of certain bifurcatable hybrid debt instruments which the Group did not elect to account for at fair value upon adoption of SFAS 155, the Group has elected to account for all hybrid debt instruments held as of January 1, 2007 and hybrid debt instruments originated after January 1, 2007 at fair value. These activities are managed on a fair value basis; thus, fair value accounting is deemed appropriate for reporting purposes. There are two main populations of similar instruments for which fair value accounting was not elected. The first relates to the lending business transacted by the Group's Private Banking segment, which includes structured deposits and similar investment products. These are managed on a bifurcated or accrual basis; thus, fair value accounting is not considered appropriate. The second is where the instruments were or will be maturing in the near term and their fair value will be realized at that time.

**Long-term debt**

The Group's long-term debt includes hybrid debt instruments with embedded derivative features as described above in "Short-term borrowings." The Group's long-term debt also includes debt issuances managed by its central Treasury department that do not contain derivative features (vanilla debt). The Group actively manages the interest rate risk on these instruments with derivatives; in particular, fixed-rate debt is hedged with receive-fixed, pay-floating interest rate swaps. The Group has availed itself of the simplification objective of the fair value option to elect fair value for this fixed-rate debt and will no longer be required to maintain hedging documentation to achieve a similar financial reporting outcome.

**Other liabilities**

Other liabilities include liabilities of VIEs and mortgage securitizations which do not meet the criteria for sale treatment under SFAS 140. The Group did not elect the fair value option for such liabilities existing as of January 1, 2007 due to the operational effort to change accounting for existing items reflected in the Group's Consolidated financial statements. The Group did elect the fair value option for these types of transactions entered into after January 1, 2007.

**Cumulative effect adjustment to opening retained earnings due to adoption of fair value option**

as of January 1, 2007	Carrying value prior to adoption	Net gains/ (losses)	Fair value after adoption
<b>Balance sheet items (CHF million)</b>			
Other investments	34	1	35
Loans	13,694	78	13,772
Other assets	1,313	2	1,315
Due to banks and customer deposits	(229)	(21)	(250)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions, net	(43,102)	(5)	(43,107)
Short-term borrowings	(2,543)	1	(2,542)
Long-term debt	(52,691)	(1,168)	(53,859)
Other liabilities	(211)	(286)	(497)
<b>Pre-tax cumulative effect of adoption of the fair value option</b>		<b>(1,398)</b>	
Deferred taxes		395	
<b>Cumulative effect of adoption of the fair value option (charge to retained earnings)</b>		<b>(1,003)</b>	

**Gains and losses on financial instruments**

in 6M07	Net gains/(losses)
<b>Financial instruments (CHF million)</b>	
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	7,112 <sup>1</sup>
Trading loans	106 <sup>1</sup>
of which related to credit risk	21
Other investments	33 <sup>2</sup>
Loans	593 <sup>1</sup>
of which related to credit risk	(26)
Other assets	825 <sup>1</sup>
of which related to credit risk	123
Due to banks and customer deposits	(79) <sup>1</sup>
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(6,018) <sup>1</sup>
Short-term borrowings	(232) <sup>1</sup>
Long-term debt	(2,817) <sup>2</sup>
of which related to credit risk	(93)
Other liabilities	(5) <sup>2</sup>
of which related to credit risk	(5)

<sup>1</sup> Primarily recognized in net interest income.    <sup>2</sup> Primarily recognized in trading revenues.

Interest income and expense are calculated based on contractual rates specified in the transactions. Interest income and expense are recorded in the Consolidated statements of income depending on the nature of the instrument and related market convention. When interest is included as a component of the change in the instrument's fair value, interest is included in trading revenues. Otherwise, it is included in interest and dividend income or interest expense. Dividend income is recognized separately from trading revenues.

The impacts of credit risk on debt securities held as assets presented in the table above have been calculated as the com-

ponent of the total change in fair value excluding the impact of changes in base or risk-free interest rates. The impacts of changes in own credit risk on liabilities presented in the table above have been calculated as the difference between the fair values of those instruments as of the reporting date and the theoretical fair values of those instruments calculated by using the yield curve prevailing at the end of the reporting period, adjusted up or down for changes in our own credit spreads from the transition date to the reporting date.

### Difference between the aggregate fair value and the aggregate unpaid principal balances of loans and financial instruments

end of 6M07	Aggregate fair value	Aggregate unpaid principal	Difference
<b>Loans (CHF million) <sup>1</sup></b>			
Non-accrual loans	147	395	(248)
<b>Financial instruments (CHF million)</b>			
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	160,658	160,516	142
Loans	21,154	20,988	166
Other assets	33,425	33,993	(568)
Due to banks and customer deposits	(6,454)	(6,461)	7
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(137,878)	(137,668)	(210)
Short-term borrowings	(11,143)	(11,242)	99
Long-term debt	(106,222)	(102,080)	(4,142)
Other liabilities	(5,739)	(5,915)	176

<sup>1</sup> There were no non-performing loans 90 days or more past due which were carried at fair value.

## Note 22 **Subsidiary guarantee information**

On March 26, 2007, the Group and the Bank issued full, unconditional and several guarantees of Credit Suisse (USA), Inc.'s outstanding SEC-registered debt securities. In accordance with the guarantees, if Credit Suisse (USA), Inc. fails to make any timely payment under the agreements governing such debt securities, the holders of the debt securities may

demand payment from either the Group or the Bank, without first proceeding against Credit Suisse (USA), Inc. The guarantee from the Group is subordinated to senior liabilities. Credit Suisse (USA), Inc. is an indirect, wholly-owned subsidiary of the Group.

## **Condensed consolidating statements of income**

in 2Q07	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	<b>Credit Suisse (the Bank)</b>	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	<b>Credit Suisse Group</b>
<b>Condensed consolidating statements of income (CHF million)</b>						
Interest and dividend income	7,271	9,111	16,382	98	139	16,619
Interest expense	(7,052)	(7,304)	(14,356)	(127)	113	(14,370)
Net interest income	219	1,807	2,026	(29)	252	2,249
Commissions and fees	1,506	3,378	4,884	5	353	5,242
Trading revenues	1,227	2,585	3,812	1	(3)	3,810
Other revenues	1,454	320	1,774	3,205	(3,243)	1,736
<b>Net revenues</b>	<b>4,406</b>	<b>8,090</b>	<b>12,496</b>	<b>3,182</b>	<b>(2,641)</b>	<b>13,037</b>
<b>Provision for credit losses</b>	<b>0</b>	<b>(23)</b>	<b>(23)</b>	<b>0</b>	<b>3</b>	<b>(20)</b>
Compensation and benefits	1,848	3,388	5,236	53	120	5,409
General and administrative expenses	327	1,314	1,641	(68)	46	1,619
Commission expenses	112	479	591	5	46	642
Total other operating expenses	439	1,793	2,232	(63)	92	2,261
<b>Total operating expenses</b>	<b>2,287</b>	<b>5,181</b>	<b>7,468</b>	<b>(10)</b>	<b>212</b>	<b>7,670</b>
<b>Income from continuing operations before taxes, minority interests and extraordinary items</b>	<b>2,119</b>	<b>2,932</b>	<b>5,051</b>	<b>3,192</b>	<b>(2,856)</b>	<b>5,387</b>
Income tax expense	241	601	842	3	18	863
Minority interests	1,201	235	1,436	0	(101)	1,335
<b>Income from continuing operations before extraordinary items</b>	<b>677</b>	<b>2,096</b>	<b>2,773</b>	<b>3,189</b>	<b>(2,773)</b>	<b>3,189</b>
<b>Net income</b>	<b>677</b>	<b>2,096</b>	<b>2,773</b>	<b>3,189</b>	<b>(2,773)</b>	<b>3,189</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of income

in 2Q06	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	Credit Suisse (the Bank)	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Condensed consolidating statements of income (CHF million)</b>						
Interest and dividend income	5,702	7,164	12,866	82	162	13,110
Interest expense	(5,397)	(5,783)	(11,180)	(130)	66	(11,244)
Net interest income	305	1,381	1,686	(48)	228	1,866
Commissions and fees	1,405	2,705	4,110	3	312	4,425
Trading revenues	485	852	1,337	(17)	51	1,371
Other revenues	831	345	1,176	2,188	(2,238)	1,126
<b>Net revenues</b>	<b>3,026</b>	<b>5,283</b>	<b>8,309</b>	<b>2,126</b>	<b>(1,647)</b>	<b>8,788</b>
<b>Provision for credit losses</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>10</b>
Compensation and benefits	1,319	2,224	3,543	29	125	3,697
General and administrative expenses	(91)	1,486	1,395	(60)	17	1,352
Commission expenses	112	401	513	2	36	551
Total other operating expenses	21	1,887	1,908	(58)	53	1,903
<b>Total operating expenses</b>	<b>1,340</b>	<b>4,111</b>	<b>5,451</b>	<b>(29)</b>	<b>178</b>	<b>5,600</b>
<b>Income from continuing operations before taxes, minority interests and extraordinary items</b>	<b>1,686</b>	<b>1,162</b>	<b>2,848</b>	<b>2,155</b>	<b>(1,825)</b>	<b>3,178</b>
Income tax expense	308	155	463	(3)	42	502
Minority interests	775	59	834	0	(30)	804
<b>Income from continuing operations before extraordinary items</b>	<b>603</b>	<b>948</b>	<b>1,551</b>	<b>2,158</b>	<b>(1,837)</b>	<b>1,872</b>
Income from discontinued operations, net of tax	0	0	0	0	286	286
<b>Net income</b>	<b>603</b>	<b>948</b>	<b>1,551</b>	<b>2,158</b>	<b>(1,551)</b>	<b>2,158</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of income

in 6M07	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	Credit Suisse (the Bank)	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Condensed consolidating statements of income (CHF million)</b>						
Interest and dividend income	13,793	17,018	30,811	203	297	31,311
Interest expense	(13,389)	(13,528)	(26,917)	(253)	197	(26,973)
Net interest income	404	3,490	3,894	(50)	494	4,338
Commissions and fees	3,061	6,447	9,508	11	700	10,219
Trading revenues	2,329	4,674	7,003	2	21	7,026
Other revenues	2,533	652	3,185	5,938	(6,049)	3,074
<b>Net revenues</b>	<b>8,327</b>	<b>15,263</b>	<b>23,590</b>	<b>5,901</b>	<b>(4,834)</b>	<b>24,657</b>
<b>Provision for credit losses</b>	<b>0</b>	<b>28</b>	<b>28</b>	<b>0</b>	<b>5</b>	<b>33</b>
Compensation and benefits	3,662	6,364	10,026	104	229	10,359
General and administrative expenses	660	2,538	3,198	(128)	81	3,151
Commission expenses	220	921	1,141	6	104	1,251
Total other operating expenses	880	3,459	4,339	(122)	185	4,402
<b>Total operating expenses</b>	<b>4,542</b>	<b>9,823</b>	<b>14,365</b>	<b>(18)</b>	<b>414</b>	<b>14,761</b>
<b>Income from continuing operations before taxes, minority interests and extraordinary items</b>	<b>3,785</b>	<b>5,412</b>	<b>9,197</b>	<b>5,919</b>	<b>(5,253)</b>	<b>9,863</b>
Income tax expense	507	1,124	1,631	1	53	1,685
Minority interests	2,082	309	2,391	0	(131)	2,260
<b>Income from continuing operations before extraordinary items</b>	<b>1,196</b>	<b>3,979</b>	<b>5,175</b>	<b>5,918</b>	<b>(5,175)</b>	<b>5,918</b>
<b>Net income</b>	<b>1,196</b>	<b>3,979</b>	<b>5,175</b>	<b>5,918</b>	<b>(5,175)</b>	<b>5,918</b>

in 6M06

<b>Condensed consolidating statements of income (CHF million)</b>						
Interest and dividend income	10,909	13,065	23,974	152	301	24,427
Interest expense	(10,221)	(10,531)	(20,752)	(246)	103	(20,895)
Net interest income	688	2,534	3,222	(94)	404	3,532
Commissions and fees	2,610	5,392	8,002	6	651	8,659
Trading revenues	1,354	3,285	4,639	(31)	171	4,779
Other revenues	2,182	639	2,821	4,788	(4,866)	2,743
<b>Net revenues</b>	<b>6,834</b>	<b>11,850</b>	<b>18,684</b>	<b>4,669</b>	<b>(3,640)</b>	<b>19,713</b>
<b>Provision for credit losses</b>	<b>0</b>	<b>(44)</b>	<b>(44)</b>	<b>0</b>	<b>(7)</b>	<b>(51)</b>
Compensation and benefits	2,837	5,019	7,856	53	261	8,170
General and administrative expenses	282	2,813	3,095	(152)	31	2,974
Commission expenses	211	801	1,012	2	80	1,094
Total other operating expenses	493	3,614	4,107	(150)	111	4,068
<b>Total operating expenses</b>	<b>3,330</b>	<b>8,633</b>	<b>11,963</b>	<b>(97)</b>	<b>372</b>	<b>12,238</b>
<b>Income from continuing operations before taxes, minority interests and extraordinary items</b>	<b>3,504</b>	<b>3,261</b>	<b>6,765</b>	<b>4,766</b>	<b>(4,005)</b>	<b>7,526</b>
Income tax expense	488	521	1,009	4	204	1,217
Minority interests	2,007	155	2,162	0	(67)	2,095
<b>Income from continuing operations before extraordinary items</b>	<b>1,009</b>	<b>2,585</b>	<b>3,594</b>	<b>4,762</b>	<b>(4,142)</b>	<b>4,214</b>
Income from discontinued operations, net of tax	0	0	0	0	572	572
Extraordinary items, net of tax	0	(24)	(24)	0	0	(24)
<b>Net income</b>	<b>1,009</b>	<b>2,561</b>	<b>3,570</b>	<b>4,762</b>	<b>(3,570)</b>	<b>4,762</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

end of 2Q07	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	Credit Suisse (the Bank)	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Assets (CHF million)</b>						
Cash and due from banks	5,105	32,991	38,096	54	(1,581)	36,569
Interest-bearing deposits with banks	51,045	(48,011)	3,034	0	(196)	2,838
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	206,280	132,760	339,040	0	321	339,361
Securities received as collateral	27,811	(3,758)	24,053	0	(141)	23,912
Trading assets	175,347	375,492	550,839	0	1,482	552,321
Investment securities	0	17,416	17,416	29	1,099	18,544
Other investments	16,992	4,390	21,382	45,340	(44,939)	21,783
Net loans	976	203,536	204,512	8,703	11,007	224,222
Premises and equipment	900	4,691	5,591	0	542	6,133
Goodwill	775	9,183	9,958	0	1,136	11,094
Other intangible assets	273	226	499	0	7	506
Other assets	48,874	128,030	176,904	413	574	177,891
<b>Total assets</b>	<b>534,378</b>	<b>856,946</b>	<b>1,391,324</b>	<b>54,539</b>	<b>(30,689)</b>	<b>1,415,174</b>
<b>Liabilities and shareholders' equity (CHF million)</b>						
Due to banks	1,071	134,314	135,385	5,334	(23,699)	117,020
Customer deposits	0	315,327	315,327	0	26,991	342,318
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	250,342	41,685	292,027	0	(97)	291,930
Obligation to return securities received as collateral	27,811	(3,758)	24,053	0	(141)	23,912
Trading liabilities	66,176	176,449	242,625	0	726	243,351
Short-term borrowings	50,188	(29,106)	21,082	0	6,389	27,471
Long-term debt	52,765	105,564	158,329	4,802	(2,255)	160,876
Other liabilities	52,227	93,692	145,919	554	1,482	147,955
Minority interests	14,474	10,778	25,252	0	(8,760)	16,492
<b>Total liabilities</b>	<b>515,054</b>	<b>844,945</b>	<b>1,359,999</b>	<b>10,690</b>	<b>636</b>	<b>1,371,325</b>
<b>Total shareholders' equity</b>	<b>19,324</b>	<b>12,001</b>	<b>31,325</b>	<b>43,849</b>	<b>(31,325)</b>	<b>43,849</b>
<b>Total liabilities and shareholders' equity</b>	<b>534,378</b>	<b>856,946</b>	<b>1,391,324</b>	<b>54,539</b>	<b>(30,689)</b>	<b>1,415,174</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating balance sheets

end of 4Q06	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	Credit Suisse (the Bank)	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Assets (CHF million)</b>						
Cash and due from banks	2,323	25,542	27,865	9,150	(7,975)	29,040
Interest-bearing deposits with banks	34,059	(30,149)	3,910	1,047	3,171	8,128
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	173,505	145,067	318,572	0	476	319,048
Securities received as collateral	13,489	18,821	32,310	0	75	32,385
Trading assets	150,742	298,680	449,422	0	1,358	450,780
Investment securities	0	20,304	20,304	29	1,061	21,394
Other investments	15,107	5,081	20,188	35,041	(34,751)	20,478
Net loans	780	190,103	190,883	9,860	7,384	208,127
Premises and equipment	820	4,623	5,443	0	547	5,990
Goodwill	752	9,137	9,889	0	1,134	11,023
Other intangible assets	240	235	475	0	1	476
Other assets	47,031	100,472	147,503	497	1,087	149,087
<b>Total assets</b>	<b>438,848</b>	<b>787,916</b>	<b>1,226,764</b>	<b>55,624</b>	<b>(26,432)</b>	<b>1,255,956</b>
<b>Liabilities and shareholders' equity (CHF million)</b>						
Due to banks	159	104,565	104,724	5,870	(13,080)	97,514
Customer deposits	57	280,143	280,200	0	10,664	290,864
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	231,212	57,230	288,442	0	2	288,444
Obligation to return securities received as collateral	13,489	18,821	32,310	0	75	32,385
Trading liabilities	48,103	149,833	197,936	0	486	198,422
Short-term borrowings	24,539	(8,252)	16,287	0	5,269	21,556
Long-term debt	53,127	90,894	144,021	5,738	(1,927)	147,832
Other liabilities	37,887	79,949	117,836	430	1,769	120,035
Minority interests	12,715	6,248	18,963	0	(3,645)	15,318
<b>Total liabilities</b>	<b>421,288</b>	<b>779,431</b>	<b>1,200,719</b>	<b>12,038</b>	<b>(387)</b>	<b>1,212,370</b>
<b>Total shareholders' equity</b>	<b>17,560</b>	<b>8,485</b>	<b>26,045</b>	<b>43,586</b>	<b>(26,045)</b>	<b>43,586</b>
<b>Total liabilities and shareholders' equity</b>	<b>438,848</b>	<b>787,916</b>	<b>1,226,764</b>	<b>55,624</b>	<b>(26,432)</b>	<b>1,255,956</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

in 6M07	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	<b>Credit Suisse (the Bank)</b>	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	<b>Credit Suisse Group</b>
<b>Operating activities of continuing operations (CHF million)</b>						
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>12,209</b>	<b>(51,573)</b>	<b>(39,364)</b>	<b>6,154</b>	<b>(10,787)</b>	<b>(43,997)</b>
<b>Investing activities of continuing operations (CHF million)</b>						
(Increase)/decrease in interest-bearing deposits with banks	(16,880)	17,950	1,070	1,047	3,394	5,511
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(32,145)	12,407	(19,738)	0	157	(19,581)
Purchase of investment securities	0	(28)	(28)	0	(253)	(281)
Proceeds from sale of investment securities	0	511	511	0	20	531
Maturities of investment securities	0	2,473	2,473	0	174	2,647
Investments in subsidiaries and other investments	(99)	(1,505)	(1,604)	(10,310)	10,188	(1,726)
Proceeds from sale of other investments	537	347	884	0	11	895
(Increase)/decrease in loans	(175)	(15,608)	(15,783)	1,093	(1,065)	(15,755)
Proceeds from sales of loans	0	285	285	0	0	285
Capital expenditures for premises and equipment and other intangible assets	(189)	(391)	(580)	0	(32)	(612)
Proceeds from sale of premises and equipment and other intangible assets	0	11	11	0	0	11
Other, net	(72)	32	(40)	5	12	(23)
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(49,023)</b>	<b>16,484</b>	<b>(32,539)</b>	<b>(8,165)</b>	<b>12,606</b>	<b>(28,098)</b>
<b>Financing activities of continuing operations (CHF million)</b>						
Increase/(decrease) in due to banks and customer deposits	856	66,217	67,073	(539)	3,305	69,839
Increase/(decrease) in short-term borrowings	25,352	(20,216)	5,136	0	951	6,087
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	18,251	(15,519)	2,732	0	(99)	2,633
Issuances of long-term debt	625	37,592	38,217	92	955	39,264
Repayments of long-term debt	(4,502)	(28,993)	(33,495)	(1,000)	(285)	(34,780)
Issuance of trust preferred securities	0	22	22	0	(22)	0
Issuances of common shares	0	0	0	43	1	44
Issuances of treasury shares	0	0	0	0	17,103	17,103
Repurchase of treasury shares	0	(287)	(287)	(2,710)	(17,372)	(20,369)
Dividends paid/capital repayments	(132)	204	72	(2,586)	24	(2,490)
Other, net	(968)	3,631	2,663	(101)	(42)	2,520
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>39,482</b>	<b>42,651</b>	<b>82,133</b>	<b>(6,801)</b>	<b>4,519</b>	<b>79,851</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>						
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>114</b>	<b>(113)</b>	<b>1</b>	<b>(284)</b>	<b>56</b>	<b>(227)</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>						
<b>Net increase/(decrease) in cash and due from banks</b>	<b>2,782</b>	<b>7,449</b>	<b>10,231</b>	<b>(9,096)</b>	<b>6,394</b>	<b>7,529</b>
Cash and due from banks at beginning of period	2,323	25,542	27,865	9,150	(7,975)	29,040
<b>Cash and due from banks at end of period</b>	<b>5,105</b>	<b>32,991</b>	<b>38,096</b>	<b>54</b>	<b>(1,581)</b>	<b>36,569</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

## Condensed consolidating statements of cash flows

in 6M06	Credit Suisse (USA), Inc.	Other Credit Suisse subsidiaries <sup>1</sup>	Credit Suisse (the Bank)	Credit Suisse Group parent company	Other Credit Suisse Group subsidiaries <sup>1</sup>	Credit Suisse Group
<b>Operating activities of continuing operations (CHF million)</b>						
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>12,652</b>	<b>(33,222)</b>	<b>(20,570)</b>	<b>4,774</b>	<b>(6,144)</b>	<b>(21,940)</b>
<b>Investing activities of continuing operations (CHF million)</b>						
(Increase)/decrease in interest-bearing deposits with banks	(2,523)	2,824	301	(125)	(574)	(398)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(17,125)	20,039	2,914	0	(202)	2,712
Purchase of investment securities	0	(1,105)	(1,105)	0	(780)	(1,885)
Proceeds from sale of investment securities	0	722	722	0	1	723
Maturities of investment securities	0	3,415	3,415	0	916	4,331
Investments in subsidiaries and other investments	(9,917)	6,117	(3,800)	(2,469)	2,848	(3,421)
Proceeds from sale of other investments	399	529	928	0	410	1,338
(Increase)/decrease in loans	86	(13,409)	(13,323)	(2,663)	4,072	(11,914)
Proceeds from sales of loans	0	1,439	1,439	0	0	1,439
Capital expenditures for premises and equipment and other intangible assets	(177)	(620)	(797)	0	(17)	(814)
Proceeds from sale of premises and equipment and other intangible assets	0	1	1	0	18	19
Other, net	(13)	314	301	51	(52)	300
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(29,270)</b>	<b>20,266</b>	<b>(9,004)</b>	<b>(5,206)</b>	<b>6,640</b>	<b>(7,570)</b>
<b>Financing activities of continuing operations (CHF million)</b>						
Increase/(decrease) in due to banks and customer deposits	1,353	25,284	26,637	1,959	(1,442)	27,154
Increase/(decrease) in short-term borrowings	4,254	(2,290)	1,964	0	1,534	3,498
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	5,043	(13,216)	(8,173)	0	(302)	(8,475)
Issuances of long-term debt	10,933	41,682	52,615	0	190	52,805
Repayments of long-term debt	(2,198)	(26,992)	(29,190)	0	(2,087)	(31,277)
Issuances of common shares	0	0	0	6	0	6
Issuances of treasury shares	0	0	0	0	9,737	9,737
Repurchase of treasury shares	0	(3,958)	(3,958)	(3,508)	(6,155)	(13,621)
Dividends paid/capital repayments	(78)	(2,446)	(2,524)	(2,290)	2,474	(2,340)
Other, net	(2,114)	3,261	1,147	4,176	(4,012)	1,311
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>17,193</b>	<b>21,325</b>	<b>38,518</b>	<b>343</b>	<b>(63)</b>	<b>38,798</b>
<b>Effect of exchange rate changes on cash and due from banks (CHF million)</b>						
<b>Effect of exchange rate changes on cash and due from banks</b>	<b>78</b>	<b>(771)</b>	<b>(693)</b>	<b>3</b>	<b>207</b>	<b>(483)</b>
<b>Net cash provided by/(used in) discontinued operations (CHF million)</b>						
<b>Net cash provided by/(used in) discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,503)</b>	<b>(3,503)</b>
<b>Net increase/(decrease) in cash and due from banks (CHF million)</b>						
<b>Net increase/(decrease) in cash and due from banks</b>	<b>653</b>	<b>7,598</b>	<b>8,251</b>	<b>(86)</b>	<b>(2,863)</b>	<b>5,302</b>
Cash and due from banks at beginning of period	1,161	18,784	19,945	150	7,482	27,577
<b>Cash and due from banks at end of period</b>	<b>1,814</b>	<b>26,382</b>	<b>28,196</b>	<b>64</b>	<b>4,619</b>	<b>32,879</b>

<sup>1</sup> Includes eliminations and consolidation adjustments.

**Note 23 Litigation**

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In accordance with SFAS No. 5, "Accounting for Contingencies", the Group has litigation reserves for private litigation involving Enron, certain initial public offering (IPO) allocation practices, research analyst independence and other related litigation of CHF 1.2 billion (USD 1.0 billion) as of June 30, 2007, after deductions for settlements.

The Group is also involved in a number of other judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. These actions have been brought on behalf of various classes of claimants and, unless otherwise specified, seek damages of material and/or indeterminate amounts. The Group believes, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, are not likely to have a material adverse effect on its financial condition but might be material to operating results for any particular period, depending, in part, upon the operating results for such period.

It is inherently difficult to predict the outcome of many of these matters. In presenting the Consolidated financial statements, management makes estimates regarding the outcome of these matters, records a reserve and takes a charge to income when losses with respect to such matters are probable and can 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, the Group's defenses and its experience in similar cases or proceedings, as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

Further charges or releases of litigation reserves may be necessary in the future as developments in such litigation, claims or proceedings warrant.



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Report of Independent Registered Public Accounting Firm to the Board of Directors of

**Credit Suisse Group, Zurich**

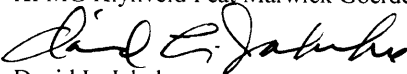
We have reviewed the accompanying condensed consolidated balance sheets of Credit Suisse Group and subsidiaries (the "Group") as of June 30, 2007 and 2006, the related condensed consolidated statements of income and comprehensive income for the three and six month periods ended June 30, 2007 and 2006 and the related condensed consolidated statements of changes in shareholders' equity and cash flow for the six-month periods ended June 30, 2007 and 2006. These condensed consolidated financial statements are the responsibility of the Group's management.

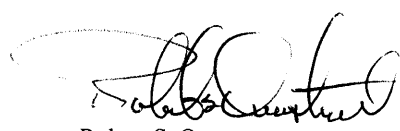
We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2006, and the related consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated March 23, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG Klynveld Peat Marwick Goerdeler SA

  
David L. Jahnke  
Auditor in charge

  
Robert S. Overstreet

Zurich, Switzerland  
July 31, 2007

### Cautionary statement regarding forward-looking information

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

- Our plans, objectives or goals;
- Our future economic performance or prospects;
- The potential effect on our future performance of certain contingencies; and
- Assumptions underlying any such statements.

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

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

- The ability to maintain sufficient liquidity and access capital markets;
- Market and interest rate fluctuations;
- The strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations in particular;
- The ability of counterparties to meet their obligations to us;
- The effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations;

- Political and social developments, including war, civil unrest or terrorist activity;
- The possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- Operational factors such as systems failure, human error, or the failure to implement procedures properly;
- Actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations;
- The effects of changes in laws, regulations or accounting policies or practices;
- Competition in geographic and business areas in which we conduct our operations;
- The ability to retain and recruit qualified personnel;
- The ability to maintain our reputation and promote our brand;
- The ability to increase market share and control expenses;
- Technological changes;
- The timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- Acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- 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 our Form 20-F Item 3 – Key Information – Risk factors.





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