ABERDEEN ASIA-PACIFIC INCOME FUND INC
Form 497
March 01, 2013

PROSPECTUS SUPPLEMENT
(To Prospectus dated February 28, 2013)

Aberdeen Asia-Pacific Income Fund, Inc.

Up to 25,000,000 Shares of Common Stock

Aberdeen Asia-Pacific Income Fund, Inc. ("Fund") has entered into a sales agreement (the "sales agreement") with JonesTrading Institutional Services LLC ("JonesTrading") relating to the shares of its common stock ("Shares") offered by this Prospectus Supplement and the accompanying Prospectus. In accordance with the terms of the sales agreement, the Fund may offer and sell up to 25,000,000 of its Shares, par value $0.01 per share, from time to time through JonesTrading as its agent for the offer and sale of the Shares. As of February 15, 2013, there are 20,162,820 Shares remaining under the sales agreement. As of February 15, 2013, the Fund had offered and sold 4,837,180 Shares pursuant to the sales agreement. Under the Investment Company Act of 1940, as amended (the "1940 Act"), the Fund may not sell any Shares at a price below the current net asset value of such Shares, exclusive of any distributing commission or discount. The Fund is a non-diversified, closed-end management investment company with a leveraged capital structure that commenced operations on April 24, 1986. The Fund's principal investment objective is to seek current income. The Fund may also achieve incidental capital appreciation. There can be no assurance that the Fund will achieve its investment objectives.

The Fund's currently outstanding Shares are, and the Shares offered by this Prospectus Supplement and the accompanying Prospectus will be, subject to notice of issuance, listed on the NYSE MKT under the symbol "FAX." The last reported sale price of the Shares, as reported by the NYSE MKT on February 15, 2013, was $7.81 per Share. The net asset value of the Shares at the close of business on February 15, 2013, was $7.65 per Share.

Sales of the Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions that are deemed to be "at the market" as defined in Rule 415 under the Securities Act of 1933, as amended (the "1933 Act"), including sales made directly on the NYSE MKT or sales made to or through a market maker other than on an exchange.

JonesTrading will be entitled to compensation of up to 300 basis points of the gross sales price per share for any Shares sold under the sales agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and JonesTrading from time to time. In connection with the sale of the Shares on the Fund's behalf, JonesTrading may be deemed to be an "underwriter" within the meaning of the 1933 Act and the compensation of JonesTrading may be deemed to be underwriting commission or discounts.

You should review the information set forth under "Risks and Special Considerations" on page 38 of the accompanying Prospectus before investing in the Shares.

Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is March 1, 2013

You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. This Prospectus Supplement and the accompanying Prospectus set forth certain information about the Fund that a prospective investor should carefully consider before deciding whether to invest in the Shares. This Prospectus Supplement, which describes the specific terms of this offering including the method of distribution, also adds to and updates information contained in the accompanying Prospectus and the documents incorporated by reference into the accompanying Prospectus. The accompanying Prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this Prospectus Supplement and the accompanying Prospectus, you should rely on the information contained in this Prospectus Supplement. Neither the Fund nor JonesTrading have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus is accurate only as of the respective dates on their front covers, regardless of the time of delivery of this Prospectus Supplement, the accompanying Prospectus, or the sale of the Shares. The Fund's business, financial condition, results of operations and prospects may have changed since those dates.

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Prospectus Supplement

Prospectus

You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest and retain them for future reference. A Statement of Additional Information, dated February 28, 2013 ("SAI"), as supplemented from time to time, containing additional information about the Fund, has been filed with the Securities and Exchange Commission ("SEC") and is incorporated by reference in its entirety into this Prospectus Supplement. You may request a free copy of the SAI or request other information about the Fund (including the Fund's annual and semi-annual reports to shareholders) or make shareholder inquiries by calling 1-866-839-5205, emailing InvestorRelations@aberdeen-asset.com or by writing to the Fund at 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103. The Fund's SAI, as well as the annual and semi-annual reports to shareholders, are also available at the Fund's website at www.aberdeenfco.com. You may also obtain copies of these documents (and other information regarding the Fund) from the SEC's website (http://www.sec.gov).

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the SAI contain "forward-looking statements." Forward-looking statements can be identified by the words "may," "will," "intend," "expect," "estimate," "continue," "plan," "anticipate," and similar terms and the negative of such terms. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Fund's actual results are the performance of the portfolio of securities the Fund holds, the price at which the Shares will trade in the public markets and other factors discussed in the Fund's periodic filings with the SEC.

Although the Fund believes that the expectations expressed in the forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in such forward-looking statements. The Fund's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the "Risks and Special Considerations" section of the accompanying Prospectus. All forward-looking statements contained in or incorporated by reference into this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for the Fund's ongoing obligations under the federal securities laws, it does not intend, and it undertakes no obligation, to update any forward-looking statements. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the SAI are excluded from the safe harbor protection provided by Section 27A of the 1933 Act.

PROSPECTUS SUPPLEMENT SUMMARY

The following information is only a summary. You should consider the more detailed information contained in this Prospectus Supplement, the accompanying Prospectus, dated February 28, 2013, and the SAI, dated February 28, 2013, especially the information under "Risks and Special Considerations" on page 38 of the accompanying Prospectus.

The Fund The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation.

The Fund's Shares are listed for trading on the NYSE MKT under the symbol "FAX." As of February 15, 2013, the net assets of the Fund were $2,034,695,976 and the Fund had outstanding 265,812,924 Shares. The last reported sale price of the Fund's Shares, as reported by the NYSE MKT on February 15, 2013 was $7.81 per Share. The net asset value of the Fund's Shares at the close of business on February 15, 2013 was $7.65 per Share. See "Description of Shares" in the accompanying Prospectus.

The Fund's principal investment objective is to seek current income. The Fund may also achieve incidental capital appreciation. There can be no assurance that the Fund's investment objectives will be achieved. The Fund's investment objectives are fundamental and may not be changed without the approval of the holders of a majority of the outstanding voting securities.

To achieve its investment objectives, the Fund normally invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in Asian debt securities, Australian debt securities and New Zealand debt securities, as defined below. This 80% investment policy is non-fundamental and may be changed by the Fund's Board of Directors (the "Board of Directors" or the "Board") upon 60 days prior written notice to shareholders.

Investment Manager, Investment Adviser and Sub-Adviser The Fund's investment manager is Aberdeen Asset Management Asia Limited (the "Investment Manager"), the Fund's investment adviser is Aberdeen Asset Management Limited (the "Investment Adviser") and the Fund's sub-adviser is Aberdeen Asset Managers Limited (the "Sub-Adviser"). The Investment Manager is a Singapore corporation located at 21 Church Street, #01-01 Capital Square Two, Singapore 049480. The Investment Manager manages the Fund's investments and makes investment decisions on behalf of the Fund. The Investment Adviser is an Australian corporation located at Level 6, 201 Kent Street, Sydney, NSW 2000, Australia. The Investment Adviser makes recommendations to the Investment Manager as to the specific portfolio securities to be purchased, retained or sold by the Fund and will provide or obtain such research and statistical data as may be necessary in connection therewith, and the selection of and the placement of orders with brokers and dealers to execute portfolio transactions on behalf of the Fund. The Sub-Adviser is a United

Kingdom corporation located at Bow Bells House, 1 Bread Street, London, England, EC4M 9HH. The Sub-Adviser provides sub-advisory services to the Fund, in accordance with the Fund's stated investment objectives, policies and limitations and subject to the supervision of the Board of Directors, and manages the portion of the Fund's assets allocated to it by the Investment Manager. Each of the Investment Manager, the Investment Adviser and the Sub-Adviser is a registered investment adviser under the Investment Advisers Act of 1940, as amended.

Each of the Investment Manager, the Investment Adviser, and the Sub-Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen PLC"), which is the parent company of an asset management group managing approximately $306.7 billion in assets as of December 31, 2012 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen's Terrace, Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as "Aberdeen." Aberdeen PLC was formed in 1983 and was first listed on the London Stock Exchange in 1991. See "Management of the Fund The Investment Manager, the Investment Adviser and the Sub-Adviser" in the accompanying Prospectus.

The Offering The Fund, the Investment Manager, the Investment Adviser and the Sub-Adviser entered into a sales agreement with JonesTrading relating to the Shares offered by this Prospectus Supplement and the accompanying Prospectus. In accordance with the terms of the sales agreement, the Fund may offer and sell up to 25,000,000 of its Shares, par value $0.01 per share, from time to time through JonesTrading as its agent for the offer and sale of the Shares. As of February 15, 2013, there are 20,162,820 Shares remaining under the sales agreement. As of February 15, 2013, the Fund had offered and sold 4,837,180 Shares pursuant to the sales agreement, resulting in proceeds (net of all fees and commissions) of $37,747,031.62

The Shares are listed for trading on the NYSE MKT under the symbol "FAX." The last reported sale price of the Shares, as reported on the NYSE MKT on February 15, 2013 was $7.81 per Share.

Sales of the Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be "at the market" as defined in Rule 415 under the 1933 Act, including sales made directly on the NYSE MKT or sales made to or through a market maker other than on an exchange. See "Plan of Distribution" in this Prospectus Supplement. The Shares may not be sold through agents, underwriters or dealers without delivery or deemed delivery of a prospectus and a prospectus supplement describing the method and terms of the offering of the Fund's securities. Under the 1940 Act, the Fund may not sell any Shares at a price below the current net asset value of such Shares, exclusive of any distributing commission or discount.

Use of Proceeds The Fund intends to invest substantially all of the net proceeds of this offering in accordance with its investment objectives and policies. Proceeds will be invested within approximately 60 days of receipt by the Fund. See "Use of Proceeds" in this Prospectus Supplement.

Risks and Special Considerations See "Risks and Special Considerations" beginning on page 38 of the accompanying Prospectus for a discussion of factors you should consider carefully before deciding to invest in the Shares.

DISTRIBUTIONS

It is the Fund's policy to continue to meet the requirements of the Code applicable to regulated investment companies and to distribute substantially all of its taxable net income and capital gains, if any, to shareholders.

It is the Fund's current policy to pay distributions from net investment income supplemented by net realized foreign exchange gains, net realized short-term capital gains and return of capital distributions if necessary, on a monthly basis. The Fund will also declare and pay distributions at least annually from net realized gains on investment transactions and net realized foreign exchange gains, if any. Dividends and distributions to shareholders are recorded on the ex-dividend date.

The amounts of the last four distributions paid by the Fund are as set out below:

Payment Date	**Distribution per Common Share**	
October 12, 2012	$	0.035
November 16, 2012	$	0.035
December 14, 2012	$	0.035
January 11, 2013	$	0.035

On January 10, 2013 and February 11, 2013, the Fund announced that it will pay on February 15, 2013 and March 15, 2013, a distribution of $0.035 per share to all shareholders of record as of January 31, 2013 and February 28, 2013, respectively.

SUMMARY OF FUND EXPENSES

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)	1.50%(1)
Offering Expenses (as a percentage of offering price)	0.18%
Dividend Reinvestment and Cash Purchase Plan Fees(2)	
Annual Operating Expenses (as a percentage of average net assets attributable to the Fund's Common Stock)	
Management Fee(3)	0.65%
Interest Payments on Borrowed Funds(4)	0.31%
Other Expenses(5)(6)	0.31%
Total Annual Operating Expenses	1.27%

(1) Represents the estimated commission with respect to the Shares being sold in this offering, which the Fund will pay to JonesTrading in connection with the sales of Shares effected by JonesTrading in this offering. While JonesTrading is entitled to a commission of up to 3% of the gross sales price for Shares sold, with the exact amount to be agreed upon by the parties, the Fund has assumed, for purposes of this offering, that JonesTrading will receive a commission of 1.50% of such gross sales price. This is the only sales load to be paid in connection with this offering. There is no guarantee that there will be any sales of the Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. Actual sales of the Shares under this Prospectus Supplement and the accompanying Prospectus, if any, may be less than as set forth under "Capitalization" below. In addition, the price per share of any such sale may be greater or less than the price set forth under "Capitalization" below, depending on market price of the Shares at the time of any such sale.

(2) If you participate in the Dividend Reinvestment and Direct Stock Purchase Plan sponsored and administered by Computershare Trust Company, N.A. ("Computershare"), you will be subject to any fees imposed by Computershare.

(3) The management agreement provides the Investment Manager with a fee, payable monthly, at the following annual rates: 0.65% of the Fund's average weekly Managed Assets up to $200 million, 0.60% of the Fund's average weekly Managed Assets between $200 million and $500 million, 0.55% of the Fund's average

weekly Managed Assets between $500 million and $900 million, 0.50% of the Fund's average weekly Managed Assets between $900 million and $1.75 billion and 0.45% of Managed Assets in excess of $1.75 billion. "Managed Assets" of the Fund means total assets of the Fund, including any form of investment leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to investment leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing through a credit facility or the issuance of debt securities), (ii) the issuance of preferred stock or other similar preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Fund's investment objectives and policies, and/or (iv) any other means.

(4) The Fund may use leverage through borrowings. The Fund currently borrows under a credit facility.

(5) "Other Expenses" have been estimated for the current fiscal year.

(6) Includes an administration fee of 0.102% of Managed Assets attributable to the Fund's Shares.

Example

An investor would pay the following expenses on a $1,000 investment in the Fund, assuming a 5% annual return:

One Year	Three Years	Five Years	Ten Years
$ 30	$ 56	$ 85	$ 168

The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Shares of the Fund. The "Example" assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above table and example and the assumption in the example of a 5% annual return are required by regulations of the SEC that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Shares.

The example should not be considered a representation of past or future expenses, and the Fund's actual expenses may be greater than or less than those shown. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

USE OF PROCEEDS

Sales of the Shares, if any, under this Prospectus Supplement and the accompanying Prospectus may be made in negotiated transactions or transactions that are deemed to be "at the market" as defined in Rule 415 under the 1933 Act, including sales made directly on the NYSE MKT or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of the Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. Actual sales, if any, of the Shares under this Prospectus Supplement and the accompanying Prospectus may be less than as set forth in this paragraph. In addition, the price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of the Shares at the time of any such sale. As a result, the actual net proceeds the Fund receives may be more or less than the amount of net proceeds estimated in this Prospectus Supplement. Assuming the sale of 21,002,125 Shares (the number of Shares remaining under the sales agreement as of January 31, 2013) offered under this Prospectus Supplement and the accompanying Prospectus, at the last reported sale price of $7.86 per share for the Shares on the NYSE MKT as of January 31, 2013, the Fund estimates that the net proceeds of this offering will be approximately $162,295,952 after deducting the estimated sales load and the estimated offering expenses payable by the Fund.

The Fund intends to invest substantially all of the net proceeds of this offering in accordance with its investment objectives and policies within approximately 60 days after completion of the offering. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

CAPITALIZATION

The Fund may offer and sell up to 25,000,000 of its Shares, par value $0.01 per share, from time to time through JonesTrading as its agent for the offer and sale of the Shares under this Prospectus Supplement and the accompanying Prospectus. As of January 31, 2013, there are 21,002,125 Shares remaining under the sales agreement. There is no guarantee that there will be any sales of the Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. The table below assumes that the Fund will sell 21,002,125 Shares (the number of Shares remaining under the sales agreement as of January 31, 2013), at a price of $7.86 per share (the last reported sale price per share of the Shares on the NYSE MKT on January 31, 2013). Actual sales, if any, of the Shares under this Prospectus Supplement and the accompanying Prospectus may be less than as set forth in the table below. In addition, the price per share of any such sale may be greater or less than $7.86, depending on the market price of the Shares at the time of any such sale. To the extent that the market price per share of the Shares, less applicable commissions, on any given day is less than the net asset value per share on such day, the Fund will instruct JonesTrading not to make any sales on such day.

The following table sets forth the capitalization of the Fund (i) on an actual basis as of October 31, 2012 (audited), (ii) on an actual basis as of January 31, 2013, and (iii) on a pro forma basis as adjusted to reflect the assumed sale of 21,002,125 Shares (the number of Shares remaining under the sales agreement as of January 31, 2013) at $7.86 per share (the last reported sale price per share of the Shares on the NYSE MKT on January 31, 2013), in an offering under this Prospectus Supplement and the accompanying Prospectus.

	As of October 31, 2012 (audited) Actual	**As of January, 2013 (unaudited) Actual**	**Pro Forma (unaudited) As Adjusted**
Common stock, par value $.01 per share, 400,000,000 shares authorized (262,617,345 shares issued and outstanding as of October 31, 2012; 264,973,619 shares issued and outstanding as of January 31, 2013; 285,975,744 shares as adjusted)(1)	$ 2,626,173	$ 2,649,736	$ 2,859,757
Paid-in capital in excess of par	1,649,626,801	1,668,025,901	1,830,111,832
Distributions in excess of net investment income	(5,423,924)	(15,171,651)	(15,171,651)
Accumulated net realized loss from investments, interest rate swaps and futures contracts	(175,367,115)	(163,111,165)	(163,111,165)
Net unrealized appreciation on investments, futures contracts and interest rate swaps	154,788,717	128,781,261	128,781,261
Accumulated net realized foreign exchange gains	377,011,635	382,194,461	382,194,461
Net unrealized foreign exchange and forward foreign	39,074,221	38,955,972	38,955,972

currency contract gains			
	$2,042,336,508	$2,042,324,515	$2,204,619,467

(1) From January 31, 2013 through February 15, 2013, 839,305 Shares have been offered and sold by the Fund pursuant to the sales agreement resulting in aggregate proceeds (net of all fees and expenses) of $7,511,088.

PLAN OF DISTRIBUTION

Under the sales agreement among the Fund, the Investment Manager, the Investment Adviser, the Sub-Adviser and JonesTrading, upon written instructions from the Fund, JonesTrading will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell, as the Fund's agent, the Shares under the terms and subject to the conditions set forth in the sales agreement. JonesTrading's sales efforts will continue until the Fund instructs JonesTrading to suspend sales. The Fund will instruct JonesTrading as to the amount of Shares to be sold by JonesTrading. The Fund may instruct JonesTrading not to sell Shares if the sales cannot be effected at or above the price designated by the Fund in any instruction. The Fund or JonesTrading may suspend the offering of Shares upon proper notice and subject to other conditions.

JonesTrading will provide written confirmation to the Fund no later than the opening of the trading day on the NYSE MKT immediately following the trading day on which Shares are sold under the sales agreement. Each confirmation will include the number of shares sold on the preceding day, the net proceeds to the Fund and the compensation payable by the Fund to JonesTrading in connection with the sales.

The Fund will pay JonesTrading commissions for its services in acting as agent in the sale of Shares. JonesTrading will be entitled to compensation of up to 300 basis points of the gross sales price per share of any Shares sold under the sales agreement, with the exact amount of such compensation to be mutually agreed upon by the Fund and JonesTrading from time to time. The Fund has also agreed to pay the reasonable fees and expenses of counsel for JonesTrading in connection with the transactions contemplated under the sales agreement (provided such fees and expenses shall not exceed $25,000). There is no guarantee that there will be any sales of the Shares pursuant to this Prospectus Supplement and the accompanying Prospectus. Actual sales, if any, of the Shares under this Prospectus Supplement and the accompanying Prospectus may be less than as set forth in this paragraph. In addition, the price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of the Shares at the time of any such sale. Assuming 21,002,125 Shares (the number of Shares remaining under the sales agreement as of January 31, 2013) offered hereby are sold at a market price of $7.86 per share (the last reported sale price for the Shares on the NYSE MKT on January 31, 2013), the Fund estimates that the total expenses for the offering, including reimbursable expenses payable to JonesTrading as described above and excluding compensation payable to JonesTrading under the terms of the sales agreement, would be approximately $304,600.

Settlement for sales of Shares will occur on the third business day (or such earlier day as is industry practice for regular-way trading) following the date on which such sales are made, or on some other date that is agreed upon by the Fund and JonesTrading in connection with a particular transaction, in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

In connection with the sale of the Shares on the Fund's behalf, JonesTrading may, and will with respect to sales effected in an "at the market" offering, be deemed to be an "underwriter" within the meaning of the 1933 Act, and the compensation of JonesTrading may be deemed to be underwriting commissions or discounts. The Fund has agreed to provide indemnification and contribution to JonesTrading against certain civil liabilities, including liabilities under the 1933 Act. The Fund has also agreed to reimburse JonesTrading for other specified expenses.

The offering of the Shares pursuant to the sales agreement will terminate upon the earlier of (1) the sale of all Shares subject to the sales agreement or (2) termination of the sales agreement. The sales agreement may be terminated by the Fund in its sole discretion at any time by giving notice to JonesTrading. In addition, JonesTrading may terminate the sales agreement under the circumstances specified in the sales agreement and in its sole discretion at any time following a period of 12 months from the date of the sales agreement by giving notice to the Fund.

The principal business address of JonesTrading is 780 Third Avenue, 3rd Floor, New York, New York 10017.

LEGAL MATTERS

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, counsel to the Fund, in connection with the offering of the shares of common stock. Willkie Farr & Gallagher LLP will rely as to matters of Maryland law on the opinion of Venable LLP, 750 E. Pratt Street, Suite 900, Baltimore, Maryland 21202.

ADDITIONAL INFORMATION

This Prospectus Supplement and the accompanying Prospectus constitute part of a Registration Statement filed by the Fund with the SEC under the 1933 Act and the 1940 Act. This Prospectus Supplement and the accompanying Prospectus omit certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC's web site (http://www.sec.gov).

BASE PROSPECTUS

$375,000,000

ABERDEEN ASIA-PACIFIC INCOME FUND, INC.

Shares of Common Stock

Aberdeen Asia-Pacific Income Fund, Inc. ("Fund," "we," "us" or "our") is a non-diversified, closed-end management investment company with a leveraged capital structure that commenced operations on April 24, 1986. The Fund's principal investment objective is to seek current income. The Fund may also achieve incidental capital appreciation.

We may offer, from time to time, in one or more offerings, including through rights offerings, our shares of common stock, par value $0.01 per share ("Shares"). Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a "Prospectus Supplement"). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Shares.

Our Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. We may not sell any of our Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.

Our Shares are listed on the NYSE MKT LLC ("NYSE MKT") under the symbol "FAX." The last reported sale price of our Shares, as reported by the NYSE MKT on December 31, 2012, was $7.74 per Share. The net asset value of our Shares at the close of business on December 31, 2012, was $7.75 per Share.

Investment in the Shares involves certain risks and special considerations, including risks associated with currency fluctuations. The Fund also has authority to borrow to finance investments and to issue preferred stock. Both practices entail risks. Investing in the Fund's common stock and preferred stock, if any, may be speculative and involve a high degree of risk and should not constitute a complete investment program. For a discussion of these and other risks, see "Risks and Special Considerations."

Shares of closed-end investment companies frequently trade at a discount to their net asset value. If the Fund's Shares trade at a discount to its net asset value, the risk of loss may increase for purchasers in a public offering. See "Risks and Special Considerations-Net Asset Value Discount."

Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

This Prospectus, together with any Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus and applicable Prospectus Supplement, which contain important information, before deciding whether to invest in the Shares. You should retain the Prospectus and Prospectus Supplement for future reference. A Statement of Additional Information ("SAI"), dated February 28, 2013, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. The Table of Contents for the SAI is on page 64 of this Prospectus. You may call 1-800-522-5465, email InvestorRelations@aberdeen-asset.com or write to the Fund at 1735 Market

Street, 32nd Floor, Philadelphia, Pennsylvania 19103 to obtain, free of charge, copies of the SAI and the Fund's annual and semi-annual reports to shareholders, as well as to obtain other information about the Fund and to make shareholder inquiries. The Fund's SAI, as well as the annual and semi-annual reports to shareholders, are also available on the Fund's website at www.aberdeenfax.com. The SEC maintains a website at http://www.sec.gov that contains the SAI, material incorporated by reference into the Fund's registration statement and additional information about the Fund.

Our Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

Prospectus dated February 28, 2013

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You should rely only on the information contained in, or incorporated by reference into, this Prospectus and any related Prospectus Supplement in making your investment decisions. The Fund has not authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not making an offer to sell the Shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this Prospectus and any Prospectus Supplement is accurate only as of the dates on their covers. The Fund's business, financial condition and prospects may have changed since the date of its description in this Prospectus or the date of its description in any Prospectus Supplement.

PROSPECTUS SUMMARY

The following information is only a summary. You should consider the more detailed information contained in the Prospectus and in any related Prospectus Supplement and in the SAI before purchasing Shares, especially the information under "Risks and Special Considerations" on page 38 of the Prospectus.

The Fund   The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation. See "The Fund."

The Fund's Shares are listed for trading on the NYSE MKT under the symbol "FAX." As of December 31, 2012, the net assets of the Fund were $2,037,902,081 and the Fund had outstanding 263,032,220 Shares. The last reported sale price of the Fund's Shares, as reported by the NYSE MKT on December 31, 2012 was $7.74 per Share. The net asset value of the Fund's Shares at the close of business on December 31, 2012 was $7.75 per Share. See "Description of Shares."

The Offering   We may offer, from time to time, in one or more offerings, including through rights offerings, up to $375,000,000 of our Shares on terms to be determined at the time of the offering. The Shares may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. The offering price of our Shares will not be less than the net asset value of our Shares at the time we make the offering, exclusive of any underwriting commissions or discounts. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our Shares. Our Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.

Use of Proceeds   We intend to use the net proceeds from the sale of our Shares primarily to invest in accordance with our investment objectives and policies. Proceeds will be invested within approximately 60 days of receipt by the Fund. See "Use of Proceeds."

Investment Objectives   The Fund's principal investment objective is to seek current income. The Fund may also achieve incidental capital appreciation. There can be no assurance that the Fund's investment objectives will be achieved. The Fund's investment objectives are fundamental and may not be changed without the approval of the holders of a majority of the outstanding voting securities. See "Investment Objectives."

Investment Policies To achieve its investment objectives, the Fund normally invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in Asian debt securities, Australian debt securities and New Zealand debt securities, as defined below. This 80% investment policy is non-fundamental and may be changed by the Fund's Board of Directors (the "Board of Directors" or the "Board") upon 60 days prior written notice to shareholders.

The investment policies of the Fund under the section below entitled "Fundamental Investment Policies" are fundamental and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. The remainder of the Fund's investment policies are non-fundamental (applies to all policies except the policies under the "Fundamental Investment Policies" section) and may be changed with Board approval.

Fundamental Investment Policies

The Fund may invest up to 80% of its total assets, plus the amount of any borrowings for investment purposes, in "Asian debt securities," which include: (1) debt securities of Asian Country (as defined below) issuers, including securities issued by Asian Country governmental entities, as well as by banks, companies and other entities which are located in Asian Countries, whether or not denominated in an Asian Country currency; (2) debt securities of other issuers denominated in, or linked to, the currency of an Asian Country, including securities issued by supranational issuers, such as The World Bank and derivative debt securities that replicate, or substitute for, the currency of an Asian Country; (3) debt securities issued by entities which, although not located in an Asian Country, derive at least 50% of their revenues from Asian Countries or have at least 50% of their assets located in Asian Countries; and (4) debt securities issued by a wholly-owned subsidiary of an entity located in an Asian Country, provided that the debt securities are guaranteed by the parent entity located in the Asian Country. With reference to items (3) and (4) above, Asian debt securities may be denominated in an Asian Country currency or in Australian, New Zealand or U.S. dollars. The maximum country exposure to any one Asian Country (other than Korea) is limited to 20% of the Fund's total assets and the maximum currency exposure to any one Asian Country currency (other than Korea) is limited to 10% of the Fund's total assets. The maximum country exposure for Korea is limited to 40% of the Fund's total assets, and the maximum currency exposure for Korea is limited to 25% of the Fund's total assets.

"Asian Countries" (each, an "Asian Country") include China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam, Sri Lanka, Kazakhstan and Mongolia, and such other countries on the Asian continent approved for investment by the Board of Directors upon the recommendation of Aberdeen Asset Management Asia Limited, the Fund's investment manager ("AAMAL" or the "Investment Manager").

At least 20% of the Fund's total assets will be invested in "Australian debt securities," which include: (1) debt securities of Australian issuers, including securities issued by Australian governmental entities, as well as by banks, companies and other entities which are located in Australia, whether or not denominated in the Australian dollar; (2) debt securities of other issuers denominated in, or linked to, the Australian dollar, including securities issued by supranational issuers, such as The World Bank and derivative debt securities that replicate, or substitute for, the Australian dollar; (3) debt securities issued by entities which, although not located in Australia, derive at least 50% of their revenues from Australia or have at least 50% of their assets located in Australia; and (4) debt securities issued by a wholly-owned subsidiary of an entity located in Australia, provided that the debt securities are guaranteed by the parent entity located in Australia. With reference to items (3) and (4) above, Australian debt securities may be denominated in Australian, New Zealand or U.S. dollars.

The Fund may also invest in "New Zealand debt securities," which include: (1) debt securities of New Zealand issuers, including securities issued by New Zealand governmental entities, as well as by banks, companies and other entities which are located in New Zealand, whether or not denominated in the New Zealand dollar; (2) debt securities of other issuers, denominated in, or linked to, the New Zealand dollar, including securities issued by supranational issuers, such as The World Bank and derivative debt securities that replicate, or substitute for, the New Zealand dollar; (3) debt securities issued by entities which, although not located in New Zealand, derive at least 50% of their revenues from New Zealand or have at least 50% of their assets located in New Zealand; and (4) debt securities issued by a wholly-owned subsidiary of an entity located in New Zealand, provided that the debt securities are guaranteed by the parent entity located in New Zealand. With reference to items (3) and (4) above, New Zealand debt securities may be denominated in Australian, New Zealand or U.S. dollars. The maximum country exposure for New Zealand is limited to 35% of the Fund's total assets, and the maximum currency exposure for New Zealand is limited to 35% of the Fund's total assets.

During periods when, in the Investment Manager's, Aberdeen Asset Management Limited's, the Fund's investment adviser (the "Investment Adviser"), or Aberdeen Asset Managers Limited's, the Fund's sub-adviser (the "Sub-Adviser") (collectively, the "Advisers") judgment, economic conditions warrant a temporary defensive investment policy, the Fund may temporarily invest up to 100% of its assets in U.S. debt securities.

In order to accommodate investment in Asian markets, the Fund may invest up to 35% of its total assets in Asian debt securities rated below BBB- by Standard & Poor's, a division of The McGraw-Hill Companies ("S&P") or Baa3 by Moody's Investor Services, Inc. ("Moody's") (also known as "junk bonds"), or judged by the Advisers to be below investment grade at the time of investment, provided that, with the approval of the Board of Directors, the ratings of other recognized rating services may be used. The Fund may invest up to 35% of its total assets in Asian debt securities that may be deemed to be illiquid.

The Fund may invest up to 10% of its total assets in securities rated by S&P or Moody's, or judged by the Advisers to be, below B- at the time of investment, provided that, with the approval of the Board of Directors, the ratings of other recognized ratings services may be used.

The Fund may enter into repurchase agreements with banks and broker-dealers pursuant to which the Fund may acquire a security for a relatively short period (usually no more than a week) subject to the obligations of the seller to repurchase and the Fund to resell such security at a fixed time and price. The Fund will enter into repurchase agreements only with parties who meet creditworthiness standards approved by the Board of Directors, i.e., banks or broker-dealers which have been determined by the Advisers to present no serious risk of becoming involved in bankruptcy proceedings within the period contemplated by the repurchase transaction.

Non-Fundamental Investment Policies

A maximum of 20% of the Fund's total assets in Asian debt securities can be denominated in any combination of Yen, Euro and British pounds.

The Fund may invest up to 10% of the Fund's total assets in secondary market bank loans, up to 10% of the Fund's total assets in convertible securities and other hybrid securities, and up to 10% of the Fund's total assets in asset-backed securities.

The Fund currently utilizes and in the future expects to continue to utilize leverage through borrowings or through other transactions, such as reverse repurchase agreements, which have the effect of leverage. The Fund may also utilize leverage through the issuance of debt securities or preferred stock, although it has no current intention to do so. The Fund may use leverage up to 33 1/3% of its total assets (including the amount obtained through leverage). The Fund generally will not utilize leverage if it anticipates that the Fund's leveraged capital structure would result in a lower return to shareholders than that obtainable over time with an unleveraged capital structure. Use of leverage creates an opportunity for increased income and capital appreciation for shareholders but, at the same time, creates special risks, and there can be no assurance that a leveraging strategy will be successful during any period in which it is employed. See "Use of Leverage."

Consistent with its investment objectives, the Fund may invest in a broad array of financial instruments and securities in which the value of the instrument or security is "derived" from the performance of an underlying asset or a "benchmark" such as a security index, an interest rate or a foreign currency ("derivatives"). The Fund may use derivatives to manage currency, interest rate and credit risk and as a substitute for physical securities. The Fund may use interest rate swaps to hedge the Fund's liability with respect to its leverage. There is no limit on the amount of interest rate swap transactions that may be entered into by the Fund. Derivative debt securities that replicate, or substitute for, the currency of a particular country will be counted toward the limitations applicable with respect to issuers in that country. The Fund may invest in over-the-counter or exchange traded derivatives. The Fund may invest in derivatives up to the limits allowed under the 1940 Act. The following guidelines apply with respect to the Fund's derivative investments:

(a) The Fund will only use counterparty institutions rated A- or better by recognized international rating agencies, except with respect to Korean futures. In Korea, brokerage houses with Korean futures exchanges require deposits into margin accounts, and in many cases, these accounts are with unrated entities.

(b) A maximum of 7.5% of the Fund's total assets may be invested in a derivative transaction with any single counterparty.

(c) A maximum of 20% of the Fund's total assets may have exposure to currency-linked notes.

(d) A maximum of 10% of the Fund's total assets may be at risk to any single counterparty (aggregate interest rate, currency and credit derivatives).

(e) Exchange-traded derivatives may only be traded on regulated derivative exchanges and a maximum of 35% of the Fund's total assets may have exposure to exchange-traded derivatives.

(f) The Fund's maximum gross exposure (long plus short positions) to derivatives traded on the Sydney Futures Exchange is 20% of its total assets and the maximum net exposure (long positions minus short positions) to derivatives traded on the Sydney Futures Exchange is 15% of the Fund's total assets.

(g) A maximum of 20% of the Fund's total assets may have exposure to derivatives traded on the Chicago Board of Trade.

(h) A maximum of 7% of the Fund's total assets may have exposure to derivatives traded on any one Asian Futures Exchanges.

See "Derivatives" in the "Portfolio Securities" section for further information.

The Fund may invest in securities issued by investment companies registered as such under the 1940 Act and unregistered, private funds (each, an "acquired company"), subject to the limitations below (which are to be applied immediately after the acquisition of such securities).

The Fund may not acquire securities issued by an acquired company:

- if the value of such securities exceeds 3% of the total outstanding voting stock of the acquired company;

- if the aggregate value of such securities would exceed 5% of the value of the total assets of the Fund; or

- if the aggregate value of such securities, together with all other acquired company securities in the Fund's portfolio, would exceed 10% of the value of the total assets of the Fund.

As a non-diversified company, there is no investment restriction on the percentage of the Fund's assets that may be invested at any time in the securities of any single issuer. However, the Fund intends to limit its investments in the securities of any single issuer, except for securities issued or guaranteed as to payment of principal and interest by Australian, New Zealand or Asian Country governmental entities, to 5% of its total assets at the time of purchase. The Fund may invest without limitation in securities of Australian governmental entities and intends to invest at least 25% of its assets in securities of Australian governmental entities. The Fund may, at the time of purchase, invest up to 24.9% of its total assets in New Zealand governmental securities and Korea governmental securities. The Fund also may, at the time of purchase, invest up to 15% of its total assets in governmental securities of any one Asian Country (other than Korea). The Fund intends to invest in a variety of debt securities, with differing issuers, maturities and interest rates, and to comply with the diversification and other requirements of the U.S. Internal Revenue Code of 1986, as amended (the "Code") applicable to regulated investment companies so that the Fund will not be subject to U.S. federal income taxes on its net investment income. The average U.S. dollar weighted maturity of the Fund's portfolio is not expected to exceed 10 years.

Investment Restrictions   In addition to the Fund's fundamental investment policies set out above, the Fund has certain investment restrictions that may not be changed without approval by a majority of the Fund's outstanding voting securities. These restrictions concern issuance of senior securities, borrowing, lending, concentration, underwriting and real estate. See "Investment Restrictions."

Use of Leverage   As provided in the Investment Company Act of 1940, as amended (the "1940 Act"), and subject to certain exceptions, the Fund may issue debt with the condition that immediately after issuance the value of its total assets, less certain ordinary course liabilities, exceeds 300% of the amount of the debt outstanding.

Thus, as noted above, the Fund may use leverage in the form of borrowings in an amount up to 33 1/3% of the Fund's total assets (including the proceeds of such leverage). The Fund seeks a leverage ratio, based on a variety of factors including market conditions and the Advisers' market outlook, where the rate of return, net of applicable Fund expenses, on the Fund's investment portfolio investments purchased with leverage exceeds the costs associated with such leverage.

The Fund, as of December 31, 2012, is leveraged through borrowings from a credit facility in the amount of $600,000,000 or 23% of the Fund's total assets (including the proceeds of such leverage). The Fund's asset coverage ratio as of December 31, 2012 was 440%. See "Risks and Special Considerations Leverage Risk" for a brief description of the Fund's credit agreement with a syndicate of banks led by The Bank of Nova Scotia.

Following the completion of an offering, the Fund may increase the amount of leverage outstanding. The Fund may engage in additional borrowings in order to maintain the Fund's desired leverage ratio. Leverage creates a greater risk of loss, as well as a potential for more gain, for the common stock than if leverage were not used. Interest on borrowings may be at a fixed or floating rate, and the interest at a floating rate generally will be based on short-term rates. The costs associated with the Fund's use of leverage, including the issuance of such leverage and the payment of dividends or interest on such leverage, will be borne entirely by the holders of common stock. As long as the rate of return, net of applicable Fund expenses, on the Fund's investment portfolio investments purchased with leverage exceeds the costs associated with such leverage, the Fund will generate more return or income than will be needed to pay such costs. In this event, the excess will be available to pay higher dividends to holders of common stock. Conversely, if the Fund's return on such assets is less than the cost of leverage and other Fund expenses, the return to the holders of the common stock will diminish. To the extent that the Fund uses leverage, the net asset value and market price of the common stock and the yield to holders of common stock will be more volatile. The Fund's leveraging strategy may not be successful. See "Use of Leverage" and "Risks and Special Considerations Leverage Risk."

Risks (See generally "Risks and Special Considerations" for more information on these and other risks) The value of the Fund's assets, as well as the market price of its shares, will fluctuate. You can lose money on your investment. Investing in the Fund involves other risks, including the following:

- *General.* The Fund is a non-diversified, closed-end investment company designed primarily as a long-term investment and not as a trading tool. The Fund invests primarily in fixed income securities. An investment in the Fund's common stock may be speculative and involves a high degree of risk. The Fund should not constitute a complete investment program. Due to the uncertainty in all investments, there can be no assurance that the Fund will achieve its investment objectives.

• *Investment and Market Risk.* An investment in the Fund's Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably, and these fluctuations are likely to have a greater impact on the value of the Shares during periods in which the Fund utilizes a leveraged capital structure. If the current global economic downturn continues into a prolonged recession or deteriorates further, the ability of issuers of the corporate fixed-income securities and other securities in which the Fund invests to service their obligations could be materially and adversely affected. The value of the securities in which the Fund invests will affect the value of the Shares. Your Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

• *Asian-Pacific Region Risk.* Parts of the Asian-Pacific region may be subject to a greater degree of economic, political and social instability than is the case in the United States and Europe. Some Asian-Pacific countries can be characterized as emerging markets or newly industrialized and may experience more volatile economic cycles than developed countries. The developing nature of securities markets in many countries in the Asian-Pacific region may lead to a lack of liquidity while some countries have restricted the flow of money in and out of the country. Some countries in Asia-Pacific have historically experienced political uncertainty, corruption, military intervention and social unrest.

Additionally, the Fund may be more volatile than a fund which is broadly diversified geographically. Focusing on a single geographical region involves increased currency, political, regulatory and other risks. Market swings in the targeted geographical region (Asia-Pacific) likely will have a greater effect on portfolio performance than they would in a more geographically diversified fixed income fund.

• *Australian Risk.* Because the Fund invests a significant portion of its assets in Australian securities, the Fund is particularly vulnerable to loss in the event of adverse political, economic, financial and other developments that affect Australia, including fluctuations of Australian currency versus the U.S. dollar. Also, Australia is located in a part of the world that has historically been prone to natural disasters such as drought and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Australian economy.

• *Credit Risk.* Investments in debt securities expose the Fund to credit risk. Credit risk is the risk that one or more of the Fund's investments in debt securities or other instruments will decline in price, or fail to pay interest, liquidation value or principal when due, because the issuer of the obligation or the issuer of a reference security experiences an actual or perceived decline in its financial status. Credit risk is influenced by changes in general economic and political conditions and changes in the financial condition of the issuers. During periods of economic downturn or rising interest rates, issuers of securities with a low credit rating may experience financial weakness that could affect their ability to make payments of interest and principal.

• *Interest Rate Risk.* Generally, when market interest rates rise, the prices of debt obligations fall, and vice versa. Interest rate risk is the risk that debt obligations and other instruments in the Fund's portfolio will decline in value because of increases in market interest rates. This risk may be particularly acute when market interest rates are at low levels. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. During periods of rising interest rates, the average life of certain types of securities may be extended due to slower than expected payments. This may lock in a below market yield, increase the security's duration and reduce the security's value. The Fund's use of leverage will tend to increase interest rate risk.

Investments in floating rate debt instruments, although generally less sensitive to interest rate changes than longer duration fixed rate instruments, may nevertheless decline in value in response to rising interest rates if, for example, the rates at which they pay interest do not rise as much, or as quickly, as market interest rates in general. Conversely, floating rate instruments will not generally increase in value if interest rates decline. Inverse floating rate debt securities may also exhibit greater price volatility than a fixed rate debt obligation with similar credit quality. To the extent the Fund holds floating rate instruments, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the net asset value of the Fund's common shares.

• *Foreign Securities Risk.* Investing in foreign securities involves certain special considerations that are not typically associated with investments in the securities of U.S. issuers. Foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards and may have policies that are not comparable to those of domestic issuers. As a result, there may be less information available about foreign issuers than about domestic issuers. Securities of some foreign issuers may be less liquid and more volatile than securities of comparable domestic issuers. There is generally less government supervision and regulation of securities markets, brokers and issuers than in the United States. In addition, with respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, political and social instability, or diplomatic developments, which could affect the value of investments in those countries. The costs of investing in foreign countries frequently are higher than the costs of investing in the United States. Although the Advisers endeavor to achieve the most favorable execution costs in portfolio transactions, trading costs in non-U.S. securities markets are generally higher than trading costs in the United States.

Investments in securities of foreign issuers often will be denominated in foreign currencies. Accordingly, the value of the Fund's assets, as measured in U.S. dollars, may be affected favorably or unfavorably by changes in currency exchange rates and in exchange control regulations. The Fund may incur costs in connection with conversions between various currencies. See "Risks and Special Considerations Foreign Currency Risk."

The Fund generally holds its foreign securities and cash in foreign banks and securities depositories approved by State Street Bank and Trust Company, the Fund's Foreign Custody Manager (as that term is defined in Rule 17f-5 under the 1940 Act). Some foreign banks and securities depositories may be recently organized or new to the foreign custody business. There may be limited or no regulatory oversight over their operations. Also, the laws of certain countries may put limits on the Fund's ability to recover its assets if a foreign bank, depository or issuer of a security, or any of their agents, goes bankrupt. In addition, it is often more expensive for the Fund to buy, sell and hold securities in certain foreign markets than in the United States. The increased expense of investing in foreign markets reduces the amount the Fund can earn on its investments and typically results in a higher operating expense ratio for the Fund than for investment companies invested only in the United States.

Certain foreign governments levy withholding or other taxes on dividend and interest income. Although in some countries a portion of these taxes are recoverable, the non-recovered portion of foreign withholding taxes will reduce the income received from investments in such countries.

From time to time, the Fund may have invested in certain sovereign debt obligations that are issued by, or certain companies that operate in or have dealings with, countries that become subject to sanctions or embargoes imposed by the U.S. government and the United Nations and/or countries identified by the U.S. government as state sponsors of terrorism. Investments in such countries may be adversely affected because, for example, the credit rating of the sovereign debt security may be lowered due to the country's instability or unreliability or the company may suffer damage to its reputation if it is identified as a company which operates in, or has dealings with, such countries. As an investor in such companies, the Fund will be indirectly subject to those risks.

• *Developing and Emerging Markets Risk.* Investing in the securities of issuers located in developing and emerging market countries (and to a certain extent non-U.S. developed market countries) involves special considerations not typically associated with investing in the securities of U.S. issuers and other developed market issuers, including heightened risks of expropriation and/or nationalization, armed conflict, confiscatory taxation, restrictions on transfers of assets, lack of uniform accounting and auditing standards, difficulties in dividend withholding reclaims procedures, less publicly available financial and other information and potential difficulties in enforcing contractual obligations.

The economies of individual developing and emerging market countries may differ favorably or unfavorably from the United States economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments of many developing and emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country.

Accordingly, government actions could have a significant effect on economic conditions in a developing or emerging market country and on market conditions, prices and yields of securities in the Fund's portfolio. Moreover, the economies of developing and emerging market countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. Many developing and emerging market economies are considered to be more politically volatile than the developed markets. Investments in securities of issuers in countries other than the U.S. may involve greater political risk, including in some countries, the possibility of nationalization of assets, expropriation or confiscatory taxation, restrictions on repatriation, and the establishment of foreign exchange controls, political changes, government regulation, overburdened and obsolete or unseasoned financial systems, environmental problems, less developed legal systems, economic or social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Fund's investments in those countries. Central authorities also tend to exercise a high degree of control over the economies and in many cases have ownership over core productive assets.

The legal systems in many developing and emerging market countries are less developed than those in more developed countries, with the administration of laws and regulations often subject to considerable discretion. Non-U.S. markets may offer less protection to investors than U.S. or other developed markets. It also may be difficult to obtain and enforce a judgment in a court outside of the United States.

Adequate public information on non-U.S. issuers may not be available, and it may be difficult to secure information regarding corporate actions on a timely basis. In general, there is less overall governmental supervision and regulation of securities exchanges, brokers, and listed companies than in the United States or other developed market countries.

Due to their strong reliance on international trade, most developing and emerging market economies tend to be sensitive both to economic changes in their own region and to changes affecting their major trading partners. These include changes in growth, inflation, foreign exchange rates, current account positions, government policies, taxation and tariffs.

Investments in developing and emerging market countries may entail purchasing securities issued by or on behalf of entities that are insolvent, bankrupt, in default or otherwise engaged in an attempt to reorganize or reschedule their obligations or in entities that have little or no proven credit rating or credit history. In any such case, the issuer's poor or deteriorating financial condition may increase the likelihood that the Fund will experience losses or diminution in available gains due to bankruptcy, insolvency or fraud.

• *Foreign Currency Risk.* The Fund may invest all of its assets in debt securities which are denominated in currencies other than the U.S. dollar. Currency exchange rates can fluctuate significantly over short periods and can be subject to unpredictable changes based on a variety of factors including political developments and currency controls by governments. A change in the value of a currency in which a security is denominated against the U.S. dollar will generally result in a change in the U.S. dollar value of the Fund's assets.

The currencies of developing and emerging markets, in particular, have experienced periods of steady declines or even sudden devaluations relative to the U.S. dollar. Some developing and emerging market currencies may not be internationally traded or may be subject to strict controls by local governments, resulting in undervalued or overvalued currencies. Some developing and emerging markets have experienced balance of payment deficits and shortages in foreign exchange reserves. Governments have responded by restricting currency conversions. Future restrictive exchange controls could prevent or restrict a company's ability to make dividend or interest payments in the original currency of an obligation (often U.S. dollars). In addition, even though the currencies of some developing and emerging markets may be convertible into U.S. dollars, the conversion rates may be artificial to their actual market values.

• *Sovereign Debt Risk.* Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves.

• *Corporate Debt Risk.* The Fund may invest in debt securities of non-governmental issuers. Like all debt securities, corporate debt securities generally represent an issuer's obligation to repay to the investor (or lender) the amount borrowed plus interest over a specified time period. A typical corporate bond specifies a fixed date when the amount borrowed (principal) is due in full, known as the maturity date, and specifies dates when periodic interest (coupon) payments will be made over the life of the security.

Corporate debt securities come in many varieties and may differ in the way that interest is calculated, the amount and frequency of payments, the type of collateral, if any, and the presence of special features (*e.g.*, conversion rights). The Fund's investments in corporate debt securities may include, but are not limited to, senior, junior, secured and unsecured bonds, notes and other debt securities, and may be fixed rate, floating rate, zero coupon and inflation linked, among other things.

Prices of corporate debt securities fluctuate and, in particular, are subject to several key risks including, but not limited to, interest rate risk, credit risk, prepayment risk and spread risk. The market value of a corporate bond may be affected by the credit rating of the corporation, the corporation's performance and perceptions of the corporation in the market place. There is a risk that the issuers of the corporate debt securities in which the Fund may invest may not be able to meet their obligations on interest or principal payments at the time called for by an instrument.

• *Below Investment Grade Securities Risk.* Among other things, investment in securities which are rated below investment grade requires skilled credit analysis and reduces the overall credit quality of the Fund's portfolio.

Investments in securities rated below investment grade are subject to greater market fluctuations and risk of loss of income and principal than investments in securities with investment grade credit ratings. The former will generally provide higher yields due to the higher premiums required by investors for taking the associated credit risk.

• *Leverage Risk.* The Fund currently has a bank loan to finance investments as a form of leverage. The Fund also has authority to issue preferred stock or engage in reverse repurchase agreements to finance investments. Leverage would exaggerate the effects of both currency fluctuations and of market downturns or upturns on the net asset value and market value of the Fund's common stock, as well as on distributions to holders of common stock. Leverage can also increase the volatility of the Fund's net asset value, and expenses related to leverage can reduce the Fund's income. In the case of leverage, if Fund assets decline in value so that legal asset coverage requirements for any borrowings or preferred stock would not be met, the Fund may be prevented from paying distributions, which could jeopardize its qualification for pass-through tax treatment, make it liable for excise taxes and/ or force it to sell portfolio securities at an inopportune time.

As noted above, the Fund currently leverages through borrowings from a credit facility. The Fund has entered into a revolving credit agreement (the "Credit Agreement") with a syndicate of banks led by The Bank of Nova Scotia (collectively, the "Syndicates") to borrow up to $600,000,000. Such borrowings constitute financial leverage. The Credit Agreement contains customary covenant, negative covenant and default provisions, including covenants that limit the Fund's ability to incur additional debt or consolidate or merge into or with any person, other than as permitted, or sell, lease or otherwise transfer, directly or indirectly, all or substantially all of its assets. The covenants also impose on the Fund asset coverage requirements, fund composition requirements and limits on certain investments, such as illiquid investments, which are more stringent than those imposed on the Fund by the 1940 Act, as well as the Fund's policies. In addition, the Fund agreed not to purchase assets not contemplated by the investment policies and restrictions in effect when the Credit Agreement became effective. The covenants or guidelines could impede the Advisers from fully managing the Fund's portfolio in accordance with the Fund's investment objectives and policies. Furthermore, non-compliance with such covenants or the occurrence of other events could lead to the cancellation of the loan facility. The Fund may not incur additional debt from any other party, except for in limited circumstances (e.g., in the ordinary course of business). The covenants include a requirement that the Fund maintain net assets of no less than $1 billion. Such restrictions shall apply only so long as the Credit Agreement remains in effect.

The Fund must comply with investment quality, diversification and other guidelines established by the credit facility. The Fund does not anticipate that such guidelines will have a material adverse effect on the Fund's common stockholders or its ability to achieve its investment objectives. The Fund may also consider alternatives measures of obtaining leverage in the future. See "Use of Leverage," and also "Leverage Risk" in the "Risks and Special Considerations" section, for further information.

• *Liquidity Risk.* While the Fund ordinarily invests in debt securities for which there is an active secondary market, the Fund may invest in debt securities for which there is no established secondary market. The securities markets that exist in developing and emerging market countries are substantially smaller, less developed, less liquid and more volatile than the securities markets of the United States and other more developed countries. In addition, the markets for below investment grade securities may be substantially smaller, less developed, less liquid and more volatile than the markets for prime rated securities, which may make obtaining accurate market quotations for financial reporting purposes and for calculating net asset values more difficult. Market quotations on many non-U.S. debt and sub-investment grade securities may only be available from a limited number of dealers and may not necessarily represent firm bids from those dealers or prices for actual sales. The Fund may not be able readily to dispose of illiquid securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. Illiquid securities generally trade at a discount.

• *Bank Loans Risk.* Bank loans are generally subject to legal or contractual restrictions on resale. Bank loans are not currently listed on any securities exchange or automatic quotation system. As a result, there may not be a recognized, liquid public market for bank loan interests and it may be difficult for the Fund to value bank loans. Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. The borrower may be in financial distress or may default or have a right to borrow additional cash from the owners of direct debt. If the Fund does not receive scheduled interest or principal payments on such indebtedness, the Fund's share price and yield could be adversely affected. Direct debt instruments may involve a risk of insolvency of the lending bank or intermediary. In addition, there may be fewer legal protections for owners of direct debt than conventional debt securities. If the Fund acquires a participation interest in a loan, the Fund may not be able to control the exercise of any remedies that the lender would have under the loan. In addition, the Fund normally will have to rely on the participating lender to demand and receive payments in respect of the loans, and to pay those amounts on to the Fund; the Fund will be subject to the risk that the lender may be unwilling or unable to do so. In such a case, the Fund would not likely have any rights against the borrower directly.

• *Convertible Securities Risk.* The Fund may invest in convertible securities, which include bonds, debentures, notes, preferred stocks and other securities that entitle the holder to acquire common stock or other equity securities of the same or a different issuer. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all debt securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. Convertible securities also tend to reflect the market price of the underlying stock in varying degrees, depending on the relationship of such market price to the conversion price in the terms of the convertible security. Convertible securities rank senior to common stock in an issuer's capital structure and consequently entail less risk than the issuer's common stock.

• *Asset-Backed Securities Risk.* Payment of interest and repayment of principal on asset-backed securities is largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. Asset-backed security values may also be affected by the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables and any entities providing the credit enhancement. In addition, the underlying assets are subject to prepayments that shorten the securities' weighted average maturity and may lower their return.

• *Derivatives Risk.* The primary risk of derivatives is the same as the risk of the underlying asset, namely that the value of the underlying asset may increase or decrease. Adverse movements in the value of the underlying asset can expose the Fund to losses. In addition, risks in the use of derivatives include:

• an imperfect correlation between the price of derivatives and the movement of the securities prices, interest rates or currency exchange rates being hedged or replicated;

• the possible absence of a liquid secondary market for any particular derivative at any time;

• the potential loss if the counterparty to the transaction does not perform as promised;

• the possible need to defer closing out certain positions to avoid adverse tax consequences, as well as the possibility that derivative transactions may result in acceleration of gain, deferral of losses or a change in the character of gain realized;

• the risk that the financial intermediary "manufacturing" the over-the-counter derivative, being the most active market maker and offering the best price for repurchase, will not continue to create a credible market in the derivative;

• because certain derivatives are "manufactured" by financial institutions, the risk that the Fund may develop a substantial exposure to financial institution counterparties; and

• the risk that a full and complete appreciation of the complexity of derivatives and how future value is affected by various factors including changing interest rates, exchange rates and credit quality is not attained.

There is no guarantee that derivatives will provide successful results and any success in their use depends on a variety of factors including the ability of the Advisers to predict correctly the direction of interest rates, securities prices, currency exchange rates and other factors.

The Fund may use interest rate swaps to hedge up to 100% of its leverage. A significant type of risk associated with interest rate swaps is the risk that the counterparty may default or file for bankruptcy, in which case the Fund would bear the risk of loss of the amount expected to be received under the swap agreement. There can be no assurance that the Fund will have an interest rate swap in place at any given time, nor can there be any assurance that, if an interest rate swap is in place, it will be successful in hedging the Fund's interest rate risk with respect to the Fund's leverage. See "Derivatives Risk" in the "Risks and Special Considerations" section for further information.

• *Hedging Strategy Risk.* Certain of the investment techniques that the Fund may employ for hedging will expose the Fund to additional or increased risks.

There may be an imperfect correlation between changes in the value of the Fund's portfolio holdings and hedging positions entered into by the Fund, which may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. In addition, the Fund's success in using hedge instruments is subject to the Advisers' ability to predict correctly changes in the relationships of such hedge instruments to the Fund's portfolio holdings, and there can be no assurance that the Advisers' judgment in this respect will be accurate. Consequently, the use of hedging transactions might result in a poorer overall performance for the Fund, whether or not adjusted for risk, than if the Fund had not hedged its portfolio holdings.

The Advisers are under no obligation to engage in any hedging strategies, and may, in their discretion, choose not to engage in hedging strategies. Even if the Advisers desire to hedge some of the Fund's risks, suitable hedging transactions may not be available or, if available, attractive. A failure to hedge may result in losses to the value of the Fund's investments.

• *Counterparty Risk.* The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased or sold by the Fund. Recently, several broker-dealers and other financial institutions have experienced extreme financial difficulty, sometimes resulting in bankruptcy of the institution. Although the Investment Manager monitors the creditworthiness of the Fund's counterparties, there can be no assurance that the Fund's counterparties will not experience similar difficulties, possibly resulting in losses to the Fund. If a counterparty becomes bankrupt, or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

• *Inflation Risk.* Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Fund's common stock and dividends can decline.

• *Management Risk.* The Advisers' judgment about the attractiveness, relative value or potential appreciation of a particular security or investment strategy may prove to be incorrect.

• *Current Economic Conditions Credit Crisis Liquidity and Volatility Risk.* The markets for credit instruments, including fixed income securities, have experienced periods of extreme illiquidity and volatility since the latter half of 2007. Tightening of credit conditions occurred just as a record amount of corporate bonds (as measured by transaction volume) were scheduled to enter the markets in the third quarter of 2007. This imbalance has caused a significant dislocation in the markets, marked by sharply widened credit spreads, delayed high yield bond offerings and a general reduction in liquidity. General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have also resulted in significant valuation uncertainties in a variety of debt securities, including certain fixed income securities. In addition, during 2008, several major dealers of fixed income securities exited the market via acquisition or bankruptcy. These conditions resulted, and in many cases continue to result in greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. During times of reduced market liquidity the Fund may not be able to sell securities readily at prices reflecting the values at which the securities are carried on the Fund's books. Sales of large blocks of securities by market participants, such as the Fund, that are seeking liquidity can further reduce security prices in an illiquid market. These market conditions may make valuation of some of the Fund's securities uncertain and/or result in sudden and significant valuation increases or decreases in its holdings. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Shares.

Furthermore, because of the current conditions in the credit markets across the globe, issuers of fixed income securities may be subject to increased costs associated with incurring debt, tightening underwriting standards and reduced liquidity for the loans they make, the securities they purchase and the securities they issue. The worsening general economic conditions have materially and adversely impacted the broader financial and credit markets and have reduced the availability of debt and equity capital for the market as a whole.

A number of countries in Europe have experienced severe economic and financial difficulties. Many non-governmental issuers, and even certain governments, have defaulted on, or been forced to restructure, their debts; many other issuers have faced difficulties obtaining credit or refinancing existing obligations; financial institutions have in many cases required government or central bank support, have needed to raise capital, and/or have been impaired in their ability to extend credit; and financial markets in Europe and elsewhere have experienced extreme volatility and declines in asset values and liquidity. These difficulties may continue, worsen or spread within and outside of Europe. Whether or not the Fund invests in securities of issuers located in Europe or with significant exposure to European issuers or countries, these events could negatively affect the value and liquidity of the Fund's investments.

These developments have adversely affected the broader economy, and may continue to do so, which in turn may adversely affect the ability of issuers of securities owned by the Fund to make payments of principal and interest when due, lead to lower credit ratings and increased defaults. Such developments could, in turn, reduce the value of securities owned by the Fund and adversely affect the net asset value of the Fund's common stock. Extraordinary steps have been taken by the governments of several leading economic countries to combat the current economic crisis. The impact of these measures is not yet known and cannot be predicted.

• *Government Intervention in Financial Markets Risk.* The recent instability in the financial markets has led the U.S. government and foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. U.S. federal and state governments and foreign governments, their regulatory agencies or self-regulatory organizations may take additional actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable. Issuers of corporate fixed income securities might seek protection under the bankruptcy laws. Legislation or regulation may also change the way in which the Fund itself is regulated. Such legislation or regulation could limit or preclude the Fund's ability to achieve its investment objectives. The Advisers will monitor developments and seek to manage the Fund's portfolio in a manner consistent with achieving the Fund's investment objectives, but there can be no assurance that it will be successful in doing so.

• *Conflicts of Interest Risk.* The Investment Manager's, the Investment Adviser's and the Sub-Adviser's advisory fees are based on net assets plus the amount of any borrowings for investment purposes. Consequently, the Advisers will benefit from an increase in the Fund's net assets resulting from an offering. In addition, a Director who is an "interested person" (as such term is defined under the 1940 Act) of the Fund or a portfolio manager of the Fund could benefit indirectly from this offering because of such affiliations.

• *Net Asset Value Discount.* Shares of the Fund, a closed-end investment company, may trade in the market at a discount from their net asset value.

• *Distribution Rate.* It is the Fund's current policy to pay distributions on a monthly basis. If the Fund's investments do not generate sufficient income, the Fund may be required to liquidate a portion of its portfolio to fund these distributions, and therefore a portion or all of such distributions may represent a reduction of the shareholders' principal investment. Such liquidation might be at a time when independent investment judgment would not dictate such action, increasing the Fund's overall portfolio turnover (and related transaction costs) and making it more difficult for the Fund to achieve its investment objectives.

• *Non-Diversification Risk.* As a "non-diversified" investment company, the Fund can invest more of its assets in fewer issuers than an investment company that is "diversified," exposing the Fund to greater risk. The Fund, however, intends to comply with the diversification requirements imposed by the Code, for qualification as a regulated investment company.

• *Anti-takeover Charter Provisions.* The Fund's charter and bylaws contain several provisions that may be regarded as "anti-takeover" because they have the effect of maintaining continuity of management. See "Certain Provisions of the Maryland General Corporation Law and the Charter and Bylaws."

• *Repurchase Agreements Risk.* These transactions involve risks in the event of counterparty default or insolvency.

• *Securities Lending Risk.* In connection with its loans of portfolio securities, the Fund may be exposed to the risk of delay in recovery of the loaned securities or possible loss of rights in the collateral should the borrower become insolvent. The Fund also bears the risk of loss on the investment of cash collateral. There is also the risk that, in the event of default by the borrower, the collateral might not be sufficient to cover any losses incurred by the Fund. There can be no assurance that the return to the Fund from a particular loan, or from its loans overall, will exceed the related costs and any related losses.

• *Tax Risk.* The Fund may invest in securities of which the federal income tax treatment may not be clear or may be subject to recharacterization by the Internal Revenue Service (the "IRS"). It could be more difficult for the Fund to comply with the United States tax requirements applicable to regulated investment companies, or with other tax requirements applicable to foreign investors, if the tax characterization of the Fund's investments or the tax treatment of the income from such investments were successfully challenged by the IRS. See "Taxation."

Investment Manager, Investment Adviser and Sub-Adviser The Fund's investment manager is Aberdeen Asset Management Asia Limited, the Fund's investment adviser is Aberdeen Asset Management Limited and the Fund's sub-adviser is Aberdeen Asset Managers Limited. The Investment Manager is a Singapore corporation located at 21 Church Street, #01-01 Capital Square Two, Singapore 049480. The Investment Manager manages the Fund's investments and makes investment decisions on behalf of the Fund. The Investment Adviser is an Australian corporation located at Level 6, 201 Kent Street, Sydney, NSW 2000, Australia. The Investment Adviser makes recommendations to the Investment Manager as to the overall structure of the Fund's portfolio, including asset allocation advice and general advice on investment strategy relating to the Fund's overall investment objectives and the selection of and the placement of orders with brokers and dealers to execute portfolio transactions on behalf of the Fund. The Sub-Adviser is a United Kingdom limited company located at Bow Bells House, 1 Bread Street, London, England, EC4M 9HH. The Sub-Adviser provides sub-advisory services to the Fund, in accordance with the Fund's stated investment objectives, policies and limitations and subject to the supervision of the Board of Directors, and manages the portion of the Fund's assets allocated to it by the Investment Manager. Each of the Investment Manager, the Investment Adviser and the Sub-Adviser is a registered investment adviser under the Advisers Act.

Each of the Investment Manager, the Investment Adviser, and the Sub-Adviser is a wholly-owned subsidiary of Aberdeen Asset Management PLC ("Aberdeen PLC"), which is the parent company of an asset management group managing approximately $306.7 billion in assets as of December 31, 2012 for a range of pension funds, financial institutions, investment trusts, unit trusts, offshore funds, charities and private clients, in addition to U.S. registered investment companies. The registered offices of Aberdeen PLC are located at 10 Queen's Terrace, Aberdeen, Scotland AB 10 1 YG. Aberdeen PLC, its affiliates and subsidiaries are referred to collectively herein as "Aberdeen." Aberdeen PLC was formed in 1983 and was first listed on the London

Stock Exchange in 1991. See "Management of the Fund The Investment Manager, the Investment Adviser and the Sub-Adviser."

The Fund pays the Investment Manager a fee at the annual rate of 0.65% of the Fund's average weekly Managed Assets (defined below) up to $200 million, 0.60% of Managed Assets between $200 million and $500 million, 0.55% of Managed Assets between $500 million and $900 million, 0.50% of Managed Assets between $900 million and $1.75 billion, and 0.45% of Managed Assets in excess of $1.75 billion, computed based upon Managed Assets determined weekly and payable at the end of each calendar month. For purposes of this calculation, "Managed Assets" of the Fund shall mean total assets of the Fund, including any form of investment leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to investment leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing through a credit facility or the issuance of debt securities), (ii) the issuance of preferred stock or other similar preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Fund's investment objectives and policies, and/or (iv) any other means. During periods in which the Fund is utilizing leverage, the advisory fee payable to the Investment Manager will be higher than if the Fund did not utilize a leveraged capital structure because the fee is calculated as a percentage of the Managed Assets, including those purchased with leverage. The Fund is currently utilizing leverage.

The Investment Manager pays the fees of the Investment Adviser. These fees are computed at the annual rate of 0.25% of the Fund's average weekly Managed Assets up to $1,200 million and 0.20% of such assets in excess of $1,200 million, computed based upon the value of the Managed Assets determined weekly and payable at the end of each calendar month.

The Investment Manager pays the fees of the Sub-Adviser. The Sub-Adviser receives an annual total fee of $100,000, payable in monthly increments.

Portfolio Managers The Fund is managed by the Asian Fixed Income Team. The following persons have the most significant responsibility for the day-to-day management of the Fund's portfolio Anthony Michael, Head of Fixed Income Asia; Adam McCabe, Senior Portfolio Manager/Deputy Head of Asian Fixed Income; Kenneth Akintewe, Portfolio Manager; Thu HaChow, Senior Investment Manager Fixed Income Asia; and Nick Bishop, Senior Investment Manager. See "Management of the Fund Portfolio Management."

Administrator Aberdeen Asset Management Inc. (the "Administrator"), 1735 Market Street, 32nd Floor, Philadelphia, PA 19103, is the administrator for the Fund. The Administrator is a subsidiary of Aberdeen PLC and an affiliate of the Investment Manager, the Investment Adviser and the

Sub-Adviser. The Fund pays the Administrator a fee at an annual rate equal to 0.125% of the Fund's average weekly Managed Assets between $0 to $1 billion, 0.10% between $1 billion and $2 billion, and 0.075% in excess of $2 billion, computed based upon the value of the Managed Assets determined at the end of each week. See "Management of the Fund Administrator."

Sub-Administrator State Street Bank and Trust Company ("State Street"), One Heritage Drive, North Quincy, MA 02171, is the sub-administrator for the Fund and certain other affiliated funds.

Custodian State Street acts as the Fund's custodian. See "Management of the Fund Custodian."

Transfer Agent Computershare Trust Company, N.A., ESPP/SOP, 250 Royall Street, Canton, MA 02021 ("Computershare"), serves as the Fund's stock transfer agent and dividend paying agent. See "Management of the Fund Transfer Agent."

Dividends and Distributions It is the Fund's current policy to pay distributions from net investment income supplemented by net realized foreign exchange gains, net realized short-term capital gains and return of capital distributions, if necessary, on a monthly basis. A return of capital to a shareholder represents a return of a portion of the shareholder's original investment in the Fund. The Fund will also declare and pay distributions at least annually from net realized gains on investment transactions and net realized foreign exchange gains, if any. Dividends and distributions to shareholders are recorded on the ex-dividend date.

Dividend Reinvestment and Direct Stock Purchase Plan Computershare sponsors and administers a Dividend Reinvestment and Direct Stock Purchase Plan (the "Plan"), which is available to shareholders. Additional information about the Plan and a brochure that includes the terms and conditions of the Plan may be obtained at www.computershare.com/buyaberdeen or by calling Computershare at 1-800-647-0584. For both purchases and reinvestment purposes, shares acquired through the Plan will be purchased in the open market at the current share price and cannot be issued directly by the Fund.

Taxation Withholding and/or other taxes may apply in the countries in which the Fund invests, which will reduce the Fund's cash return in those countries. The Fund intends to elect, when eligible, to "pass-through" to the Fund's shareholders the ability to claim (subject to limitations) a deduction or credit for the amount of foreign income and similar taxes paid by the Fund. Tax considerations for an investor in the Fund are summarized under "Taxation." See also "Risks and Special Considerations."

SUMMARY OF FUND EXPENSES

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)(1)	%
Offering Expenses (as a percentage of offering price)(1)	%
Dividend Reinvestment and Cash Purchase Plan Fees(2)	
Annual Operating Expenses (as a percentage of average net assets attributable to the Fund's common stock)	
Management Fee(3)	0.67%
Interest Payments on Borrowed Funds(4)	0.37%
Other Expenses(5)(6)	0.34%
Total Annual Operating Expenses	1.38%

(1) If the Shares are sold to or through underwriters, the Prospectus Supplement will set forth any applicable sales load and the estimated offering expenses.

(2) If you participate in the Plan sponsored and administered by Computershare, you will be subject to any fees imposed by Computershare.

(3) The management agreement provides the Investment Manager with a fee, payable monthly, at the following annual rates: 0.65% of the Fund's average weekly Managed Assets up to $200 million, 0.60% of the Fund's average weekly Managed Assets between $200 million and $500 million, 0.55% of the Fund's average weekly Managed Assets between $500 million and $900 million, 0.50% of the Fund's average weekly Managed Assets between $900 million and $1.75 billion and 0.45% of Managed Assets in excess of $1.75 billion.

(4) The Fund may use leverage through borrowings. The Fund currently borrows under a credit facility.

(5) "Other Expenses" have been estimated for the current fiscal year.

(6) Includes an administration fee of 0.14% of Managed Assets attributable to the Fund's common stock.

Example

An investor would pay the following expenses on a $1,000 investment in the Fund, assuming a 5% annual return:

One Year	Three Years	Five Years	Ten Years
$ 14	$ 44	$ 76	$ 166

The above table and example are intended to assist investors in understanding the various costs and expenses directly or indirectly associated with investing in Shares of the Fund. The "Example" assumes that all dividends and other distributions are reinvested at net asset value and that the percentage amounts listed in the table above under Total Annual Operating Expenses remain the same in the years shown. The above table and example and the assumption in the example of a 5% annual return are required by regulations of the Securities and Exchange Commission (the "SEC") that are applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's Shares. For more complete descriptions of certain of the Fund's costs and expenses, see "Management of the Fund" and "Expenses."

The example should not be considered a representation of past or future expenses, and the Fund's actual expenses may be greater than or less than those shown. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance. Information is shown for the Fund's last ten fiscal years ended October 31, 2012. Certain information reflects financial results for a single Fund Share. The following information has been audited by KPMG LLP, independent registered public accounting firm for the Fund, for the fiscal years ended October 31, 2012, 2011, 2010 and 2009, and by another independent registered public accounting firm for the fiscal years prior to the fiscal year ended October 31, 2009, each of whose reports thereon were unqualified. The report of KPMG LLP, together with the financial statements of the Fund, are included in the Fund's October 31, 2012 Annual Report, and are incorporated by reference into the SAI, which is available upon request.

	For the Year Ended October 31,					
	2012	**2011**	**2010**	**2009**	**2008**	**2007**
Per Share Operating Performance(a):						
Net asset value per common share, beginning of year	$ 7.48	$ 7.27	$ 6.53	$ 4.91	$ 6.99	$ 6.46
Net investment income	0.36	0.39	0.37	0.35	0.42	0.44
Net realized and unrealized gains/(losses) on investments, interest rate swaps, futures contracts and foreign currency transactions	0.36	0.24	0.79	1.73	(2.03)	0.63
Dividends to preferred shareholders from net investment income					(0.06)	(0.12)
Total from investment	0.72	0.63	1.16	2.08	(1.67)	0.95

operations applicable to common shareholders						
Distributions to common shareholders from:						
Net investment income	(0.42)	(0.42)	(0.42)	(0.38)	(0.42)	(0.26)
Tax return of capital				(0.09)		(0.16)
Total distributions	(0.42)	(0.42)	(0.42)	(0.47)	(0.42)	(0.42)
Effect of Fund shares repurchased				0.01	0.01	
Net asset value per common share, end of year	$ 7.78	$ 7.48	$ 7.27	$ 6.53	$ 4.91	$ 6.99
Market value, end of year	$ 7.90	$ 6.93	$ 6.90	$ 6.04	$ 4.18	$ 6.29
Total Investment Return Based on(b):						
Market value	20.47%	6.59%	21.73%	58.26%	(28.40)%	10.18%
Net asset value	9.92%(g)	9.20%	18.63%	45.66%	(24.32)%	15.62%

	For the Year Ended October 31,					
	2012	2011	2010	2009	2008	2007
Ratio to Average Net Assets Applicable to Common Shareholders/Supplementary Data(c):						
Net assets applicable to common shareholders, end of year(000 omitted)	$2,042,337	$1,951,739	$1,897,181	$1,703,352	$1,284,318	$1,853,448
Average net assets applicable to common shareholders (000 omitted)	$1,965,038	$1,937,986	$1,753,665	$1,457,521	$1,741,105	$1,763,579
Net operating expenses	1.38%	1.49%	1.89%	2.20%	1.85%(d)	1.24%(d)
Net operating expenses without reimbursement	1.38%	1.49%	1.89%	2.22%(e)		
Net operating expenses, excluding interest expense	1.01%	1.05%	1.19%	1.37%	1.22%	1.24%
Net investment income	4.85%	5.30%	5.44%	6.40%	5.51%	4.80%
Portfolio turnover	38%	72%	67%	68%	58%	32%
Senior securities (loan facility) outstanding (000	$ 600,000	$ 600,000	$ 600,000	$ 600,000	$ 520,000	

omitted)						
Senior securities (preferred stock) outstanding (000 omitted)						$ 600,000
Asset coverage ratio on revolving credit facility at year end(f)	440%	425%	416%	384%	347%	
Asset coverage per $1,000 on revolving credit facility at year end	$ 4,404	$ 4,253	$ 4,162	$ 3,839	$ 3,470	
Asset coverage ratio on preferred stock at year end(f)						409%
Asset coverage per share on preferred stock at year end						$ 102,227

(a) Based on average shares outstanding.

(b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(c) Ratios calculated on the basis of income, expenses and preferred share dividends applicable to both the common and preferred shares relative to the average net assets of common shareholders. For each of the years ended October 31, 2012, 2011, 2010, 2009, 2008 and 2007 the ratios of net investment income before preferred stock dividends to average net assets of common shareholders were 4.85%, 5.30%, 5.44%, 6.40%, 6.44% and 6.65%, respectively.

(d) Includes expenses of both preferred and common stock.

(e) In 2009, the Fund filed a non-routine proxy to consider approval of a new sub-advisory agreement among the Fund, Investment Manager, and Sub-Adviser. The Fund and the Investment Manager agreed to each bear equal responsibility with respect to the costs of soliciting proxies associated with the non-routine item.

(f) Asset coverage ratio is calculated by dividing net assets plus the amount of any borrowings, including Auction Market Preferred Stock, for investment purposes by the amount of any borrowings.

(g) The total return shown above includes the impact of financial statement rounding of the NAV per share.

	For the Year Ended October 31,			
	2006	2005	2004	2003
Per share operating performance(1):				
Net asset value per common share, beginning of year	$ 6.32	$ 6.42	$ 6.10	$ 5.06
Net investment income	0.40	0.41	0.36	0.40
Net realized and unrealized gains/(losses) on investments, swaps, futures contracts and foreign currency transactions	0.27	(0.02)	0.41	1.09
Dividends to preferred shareholders from:				
Net investment income	(0.11)	(0.07)	(0.03)	(0.03)
Total from investment operations applicable to common shareholders	0.56	0.32	0.74	1.46
Distributions to common shareholders from:				
Net investment income	(0.37)	(0.36)	(0.37)	(0.31)
Tax return of capital	(0.05)	(0.06)	(0.05)	(0.11)
Total distributions	(0.42)	(0.42)	(0.42)	(0.42)
Increase resulting from Fund share repurchase				
Net asset value per common share, end of year	$ 6.46	$ 6.32	$ 6.42	$ 6.10
Market value, end of year	$ 6.10	$ 5.76	$ 6.34	$ 6.03
Total investment return based on(3):				
Market value	13.43%	(2.93)%	12.58%	53.64%
Net asset value	9.48%	5.18%	12.69%	30.55%
Ratio to average net assets applicable to common shareholders/supplementary data(4):				
Net assets applicable to common shareholders, end of year (000 omitted)	$1,712,017	$1,675,651	$1,700,459	$1,613,979
	1,689,100	1,749,085	1,654,712	1,496,312

Average net assets applicable to common shareholders (000 omitted)				
Operating expenses(5)	1.22%	1.22%	1.30%	1.45%
Net investment income	4.65%	5.11%	5.22%	6.51%
Portfolio turnover	21%	16%	13%	37%
Senior securities (preferred stock) outstanding (000 omitted)	$ 600,000	$ 600,000	$ 600,000	$ 600,000
Asset coverage on preferred stock at year end	385%	379%	384%	369%

(1) Based upon average shares outstanding.

(2) Less than $0.005 per share.

(3) Total investment return is calculated assuming a purchase of common stock on the first day and a sale on the last day of each period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions.

(4) Ratios calculated on the basis of income, expenses and preferred share dividends applicable to both the common and preferred shares relative to the average net assets of common shareholders. Ratios of net investment income before preferred stock dividends to average net assets of common shareholders are 6.35%, 6.16%, 5.74%, and 7.08%, respectively.

(5) Includes expenses of both preferred and common stock.

USE OF PROCEEDS

The Fund anticipates that it will be able to invest substantially all of the net proceeds of an offering in accordance with its investment objectives and policies within approximately 60 days after completion of the offering. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments. Following the completion of an offering, the Fund may increase the amount of leverage outstanding.

THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund is designed for investors seeking current income and incidental capital appreciation by experienced professional management of a portfolio of fixed income securities of issuers in Asian-Pacific debt securities. An investment in the Fund may not be appropriate for all investors and should not be considered to be a complete investment program. An investment in the Fund involves risks that you should consider before purchasing Shares. See "Risks and Special Considerations." The Fund's principal office is located at 1735 Market Street, 32nd Floor, Philadelphia, Pennsylvania 19103.

DESCRIPTION OF SHARES

The Fund, which was incorporated under the laws of the State of Maryland on March 14, 1986, is authorized to issue 500,000,000 shares, $0.01 par value per share, which are divided into two classes: 400,000,000 shares of common stock and 100,000,000 shares of Preferred Stock. As of the date of this Prospectus, the Fund does not have any shares of preferred stock outstanding and the Board of Directors has no present intention to issue shares of preferred stock. All references to "stock" or "shares" herein refer to common stock, unless otherwise indicated. Each share of common stock has equal voting, dividend, distribution and liquidation rights. The Shares outstanding are, and, when issued, the Shares offered by this Prospectus will be, fully paid and non-assessable. Shares are not redeemable and have no preemptive, conversion or cumulative voting rights. The number of Shares outstanding as of December 31, 2012 was 263,032,220.

The Fund's outstanding Shares are, and, when issued, the Shares offered by this Prospectus will be, publicly held and listed and traded on the NYSE MKT. The Fund determines its net asset value on a daily basis. The following table sets forth, for the quarters indicated, the highest and lowest daily closing prices on the NYSE MKT per share of common stock, and the net asset value per share and the premium to or discount from net asset value, on the date of each of the high and low market prices. The table also sets forth the number of Shares traded on the NYSE MKT during the respective quarters.

	NAV per Share on Date of Market Price(1)		**NYSE MKT Market Price per Share(2)**		**Premium/(Discount) on Date of Market Price(3)**		**Trading**
During Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**	**Volume(4)**
January 31, 2011	$ 7.39	$ 7.24	$ 7.12	$ 6.56	(3.65)%	(9.39)%	8,229,673
April 30, 2011	$ 7.75	$ 7.20	$ 7.34	$ 6.62	(5.29)%	(8.06)%	7,199,508
July 31, 2011	$ 7.76	$ 7.58	$ 7.79	$ 6.98	0.39%	(7.92)%	7,635,242
	$ 7.80	$ 6.88	$ 7.74	$ 6.28	(0.77)%	(8.72)%	10,648,487

October 31, 2011							
January 31, 2012	$ 7.56	$ 7.18	$ 7.66	$ 6.74	1.32%	(6.13)%	6,636,470
April 30, 2012	$ 7.63	$ 7.45	$ 7.68	$ 7.24	0.66%	(2.82)%	4,813,623
July 31, 2012	$ 7.72	$ 7.28	$ 7.95	$ 7.24	2.98%	(0.55)%	4,390,746
October 31, 2012	$ 7.79	$ 7.68	$ 7.97	$ 7.75	2.31%	0.91%	4,956,394

(1) Based on the Fund's computations.

(2) Source: The NYSE NYSE MKT Equities.

(3) Based on the Fund's computations.

(4) Source: Bloomberg.

On December 31, 2012, the per Share net asset value was $7.75 and the per Share market price was $7.74, representing a 0.13% discount from such net asset value.

The Fund's Shares have traded in the market below, at and above net asset value since the commencement of the Fund's operations. The Investment Manager cannot determine the reasons why the Fund's Shares trade at a premium to or discount from net asset value, nor can the Fund predict whether its Shares will trade in the future at a premium to or discount from net asset value, or the level of any premium or discount. Shares of closed-end investment companies frequently trade at a discount from net asset value.

The following information regarding the Fund's authorized shares is as of December 31, 2012.

Title of Class	**Amount Authorized**	**Amount Held by Fund for its own Account**	**Amount Outstanding Exclusive of Amount held by Fund**
Common Stock .		400,000,000	263,032,220
Preferred Stock .		100,000,000	0

INVESTMENT OBJECTIVES

The Fund's principal investment objective is to seek current income. The Fund may also achieve incidental capital appreciation. There can be no assurance that the Fund's investment objectives will be achieved. The Fund's investment objectives are fundamental and may not be changed without the approval of the holders of a majority of the outstanding shares of the Fund's stock. A majority of the outstanding shares, as defined by the 1940 Act, means the affirmative vote of the lesser of (i) 67% of the relevant shares represented at a meeting at which more than 50% of such shares are represented, or (ii) more than 50% of the relevant shares.

INVESTMENT POLICIES

To achieve its investment objectives, the Fund normally invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in Asian debt securities, Australian debt securities and New Zealand debt securities, as defined below. This 80% investment policy is a non-fundamental policy of the Fund and may be changed by the Board of Directors upon 60 days prior written notice to shareholders.

The investment policies of the Fund under the section below entitled "Fundamental Investment Policies" are fundamental and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. The remainder of the Fund's investment policies are non-fundamental (applies to all policies except the policies under the "Fundamental Investment Policies" section) and may be changed with Board approval.

<u>Fundamental Investment Policies</u>

The Fund may invest up to 80% of its total assets, plus the amount of any borrowings for investment purposes, in "Asian debt securities," which include: (1) debt securities of Asian Country issuers, including securities issued by Asian Country governmental entities, as well as by banks, companies and other entities which are located in Asian Countries, whether or not denominated in an Asian Country currency; (2) debt securities of other issuers denominated in, or linked to, the currency of an Asian Country, including securities issued by supranational issuers, such as The World Bank and derivative debt securities that replicate, or substitute for, the currency of an Asian Country; (3) debt securities issued by entities which, although not located in an Asian Country, derive at least 50% of their revenues from Asian Countries or have at least 50% of their assets located in Asian Countries; and (4) debt securities issued by a wholly-owned subsidiary of an entity located in an Asian

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Country, provided that the debt securities are guaranteed by the parent entity located in the Asian Country. With reference to items (3) and (4) above, Asian debt securities may be denominated in an Asian Country currency or in Australian, New Zealand or U.S. dollars. The maximum country exposure to any one Asian Country (other than Korea) is limited to 20% of the Fund's total assets and the maximum currency exposure to any one Asian Country currency (other than Korea) is limited to 10% of the Fund's total assets. The maximum country exposure for Korea is limited to 40% of the Fund's total assets, and the maximum currency exposure for Korea is limited to 25% of the Fund's total assets.

"Asian Countries" (each, an "Asian Country") include China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam, Sri Lanka, Kazakhstan and Mongolia, and such other countries on the Asian continent approved for investment by the Board of Directors upon the recommendation of the Investment Manager.

At least 20% of the Fund's total assets will be invested in "Australian debt securities," which include: (1) debt securities of Australian issuers, including securities issued by Australian governmental entities, as well as by banks, companies and other entities which are located in Australia, whether or not denominated in the Australian dollar; (2) debt securities of other issuers denominated in, or linked to, the Australian dollar, including securities issued by supranational issuers, such as The World Bank and derivative debt securities that replicate, or substitute for, the Australian dollar; (3) debt securities issued by entities which, although not located in Australia, derive at least 50% of their revenues from Australia or have at least 50% of their assets located in Australia; and (4) debt securities issued by a wholly-owned subsidiary of an entity located in Australia, provided that the debt securities are guaranteed by the parent entity located in Australia. With reference to items (3) and (4) above, Australian debt securities may be denominated in Australian, New Zealand or U.S. dollars.

The Fund may also invest in "New Zealand debt securities," which include: (1) debt securities of New Zealand issuers, including securities issued by New Zealand governmental entities, as well as by banks, companies and other entities which are located in New Zealand, whether or not denominated in the New Zealand dollar; (2) debt securities of other issuers, denominated in, or linked to, the New Zealand dollar, including securities issued by supranational issuers, such as The World Bank and derivative debt securities that replicate, or substitute for, the New Zealand dollar; (3) debt securities issued by entities which, although not located in New Zealand, derive at least 50% of their revenues from New Zealand or have at least 50% of their assets located in New Zealand; and (4) debt securities issued by a wholly-owned subsidiary of an entity located in New Zealand, provided that the debt securities are guaranteed by the parent entity located in New Zealand. With reference to items (3) and (4) above, New Zealand debt securities may be denominated in Australian, New Zealand or U.S. dollars. The maximum country exposure for New Zealand is limited to 35% of the Fund's total assets, and the maximum currency exposure for New Zealand is limited to 35% of the Fund's total assets.

During periods when, in the Advisers' judgment, economic conditions warrant a temporary defensive investment policy, the Fund may temporarily invest up to 100% of its assets in U.S. debt securities.

In order to accommodate investment in Asian markets, the Fund may invest up to 35% of its total assets in Asian debt securities rated below BBB- by S&P or Baa3 by Moody's (also known as "junk bonds"), or judged by the Adviseally from a decline in investment income, largely because the segment realized substantial net losses in connection with the sale of equity securities and also recognized substantial other-than-temporary impairments on its remaining equity investment portfolio. Our Credit Suisse First Boston business unit enjoyed a successful turnaround from a loss in 2002, while focusing on profitability and cost discipline, and also benefited from lower credit provisions as a result of a continued improvement in the credit markets. In 2002, the business unit had performed poorly, principally as a result of difficult market conditions, including a stable low interest rate environment and difficult equity markets, and a net outflow of assets at CSFB Financial Services, partially offset by decreased operating expenses. With respect to the segments within the business unit, key developments (on a management reporting basis) included the following:

- Institutional Securities reported a segment profit of CHF 1,258 million for 2003, a substantial improvement over the segment loss of CHF 1,289 million for 2002, resulting primarily from a significant decline in valuation adjustments, provisions and losses and also from lower personnel costs and other operating expenses, which related to the implementation of our efficiency measures. The segment loss reported by Institutional Securities in 2002 represented a slight improvement from a segment loss of CHF 1,366 million in 2001, due principally to tax benefits, extraordinary income and the cumulative effect of a change in accounting principle relating to deferred tax assets, partially offset by a substantial increase in valuation adjustments, provisions and losses.

- CSFB Financial Services had a segment loss of CHF 84 million for 2003, a significant improvement over the segment loss of CHF 547 million for 2002. This improvement resulted principally from the sale of Pershing and our interest in a Japanese online broker in 2003. The segment loss reported by CSFB Financial Services in 2002 increased versus the segment loss of CHF 117 million in 2001, due principally to an extraordinary loss in 2002 relating to the sale of Pershing.

Given the Group's return to profitability in 2003, we believe that we are well positioned to compete successfully in our primary markets. While our businesses remain tied to fluctuations and risks in the capital markets, our objectives for the coming year are to improve revenues while maintaining a disciplined approach to costs, to grow our market share and to make further progress toward our goal of sustained profitability.

Credit Suisse Group

Credit Suisse Group is a global financial services company domiciled in Switzerland. In 2003, the activities of Credit Suisse Group were structured into two main business units as described in "Item 4 – Information on the Company."

The following table shows our consolidated income statement:

Year ended December 31, in CHF m	2003	2002	2001
Interest and dividend income	**28,364**	32,200	45,961
Interest expense	**(16,637)**	(21,191)	(35,872)
Net interest income	**11,727**	11,009	10,089
Commissions and fees	**12,948**	15,344	18,992
Trading revenues	**3,528**	3,443	9,728
Realized gains/(losses) from investment securities, net	**1,536**	(4,207)	(563)
Insurance net premiums earned	**21,823**	22,307	22,159
Other revenues	**(56)**	(510)	(231)
Total noninterest revenues	**39,779**	36,377	50,085
Net revenues	**51,506**	47,386	60,174
Policyholder benefits, claims and dividends	**22,885**	19,274	21,756
Provision for credit losses	**615**	2,504	1,672
	23,500	21,778	23,428

Total benefits, claims and credit losses			
Insurance underwriting, acquisition and administration expenses	**4,542**	4,909	5,078
Banking compensation and benefits	**11,042**	13,495	18,177
Other expenses	**9,010**	11,421	14,285
Goodwill impairment	**1,510**	0	0
Restructuring charges	**138**	32	74
Total operating expenses	**26,242**	29,857	37,614
Income/(loss) from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**1,764**	(4,249)	(868)
Income tax expense/(benefit)	**(13)**	(109)	(206)
Dividends on preferred securities for consolidated entities	**133**	133	96
Minority interests, net of tax	**(31)**	(193)	146
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**1,675**	(4,080)	(904)
Income/(loss) from discontinued operations, net of tax	**(346)**	(447)	122
Extraordinary items, net of tax	**7**	18	0
Cumulative effect of accounting changes, net of tax	**(566)**	61	123
Net income/(loss)	**770**	(4,448)	(659)

Year ended December 31, 2003 compared to year ended December 31, 2002

Credit Suisse Group reported net income of CHF 770 million for the year ended December 31, 2003, compared to a net loss of CHF 4,448 million in 2002. Net income for 2003 reflects a CHF 346 million loss from discontinued operations resulting from various divestitures in 2003, most significantly Churchill Insurance Group in the UK, Republic Financial Services in the US, Winterthur's operations in Italy and Credit Suisse First Boston's clearing and execution platform, Pershing.

Net revenues increased CHF 4,120 million, or 8.7%, to CHF 51,506 million in 2003 compared to 2002. This reflects an increase in realized gains/(losses) from investment securities offset partly by a decrease in commissions and fees as a result of lower levels of market activity.

Policyholder benefits, claims and dividends increased CHF 3,611 million, or 18.7%, to CHF 22,885 million in 2003 compared to 2002. This increase was mainly a result of a CHF 4,254 million increase in the provision for future dividends to policyholders which was primarily a result of higher investment income and a change in German tax legislation, offset by a decrease of CHF 643 million in policyholder benefits and claims expenses due to continued selective underwriting and lower natural catastrophes in the non-life business, offset by an increase in death and other benefits incurred in the life business. The changes in German tax law allowed life and health insurance companies to deduct impairments and realized losses on equity for tax purposes. In addition, a retroactive deduction of 80% of all impairments since 2001 was also allowed.

Provision for credit losses decreased CHF 1,889 million, or 75.4%, to CHF 615 million in 2003 reflecting an improved credit environment, loan repayments and loan sales.

Total operating expenses decreased CHF 3,615 million, or 12.1%, in 2003 compared to 2002, mainly reflecting the continued focus on efficiency improvements and the impact of foreign exchange movements. Insurance underwriting, acquisition and administration expenses decreased CHF 367 million, or 7.5%, to CHF 4,542 million mainly as a result of a strict underwriting policy and reduced expenses as well as the continued streamlining of the business portfolio through divestitures. Banking compensation and benefits decreased CHF 2,453 million, or 18.2%, primarily as a result of a decrease in salaries and bonuses due to headcount reductions. Other expenses decreased CHF 2,411 million, or 21.1%, primarily due to a decrease in provisions and losses as a result of lower discretionary expenses and litigation provisions. As a result of the changing environment in the life and pensions business in 2003, the Group identified an excess of the carrying amount of goodwill over its implied fair value, and recorded an impairment charge of CHF 1,510 million. Restructuring charges of CHF 138 million were recorded in 2003, mainly reflecting the reorganization plan within the Life & Pensions and Insurance segments to create a unified management structure.

A cumulative effect of accounting changes, net of tax benefit of CHF 566 million was recorded in 2003 mainly related to the early adoption of Statement of Position 03-1, “Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts” and the adoption of Financial Accounting Standards Board Interpretation No. 46. For additional information, see notes 1, 2 and 40 of the notes to the consolidated financial statements.

Income tax increased CHF 96 million from 2002 to a benefit of CHF 13 million in 2003. The increase was a result of a change in German tax laws, enacted in December 2003, allowing for the deductibility of impairments and realized losses on equity, partially offset by a decrease in other non-deductible expenses.

Year ended December 31, 2002 compared to year ended December 31, 2001

The Group reported a net loss of CHF 4,448 million for the year ended December 31, 2002, compared to a net loss of CHF 659 million in 2001, with a decline in both revenues and expenses. The net loss for 2002 reflects a loss of CHF 447 million reported in discontinued operations mainly from the disposal of Pershing LLC.

Net revenues decreased CHF 12,788 million, or 21.3%, in 2002 to CHF 47,386 million, compared to 2001. This decrease reflects lower commissions and fees and trading revenues as a result of the lower levels of market activity and significantly increased realized losses from investment securities.

Policyholder benefits, claims and dividends decreased CHF 2,482 million, or 11.4%, to CHF 19,274 million, compared to 2001. This decrease was mainly a result of a decrease in the provision for future dividends to policyholders reflecting reduced participation rates and the lower investment performance as a result of the decline in the global equity markets.

Provision for credit losses increased CHF 832 million, or 49.8%, in 2002 to CHF 2,504 million primarily due to additional credit provisions related to a change in estimate of the risk of loss inherent in the portfolio of non-impaired loans and commitments and increased reserves related to the non-continuing real estate portfolio.

Total operating expenses decreased CHF 7,757 million, or 20.6%, in 2002 compared to 2001 mainly reflecting continued focus on cost containment. Insurance underwriting, acquisition and administration expenses decreased CHF 169 million, or 3.3%, to CHF 4,909 million mainly reflecting improvements in the claims experience and the implementation of cost saving initiatives. Banking compensation and benefits decreased CHF 4,682 million, or 25.8%, as a result of a decrease in salaries and bonuses primarily due to the impact of reduced headcount and lower incentive compensation. Other expenses decreased CHF 2,864 million, or 20.0%, primarily due to decreases in discretionary expenses, most significantly commission expenses and professional services. Restructuring charges of CHF 32 million were recorded in 2002 related to the insurance business, efforts to refocus on private banking clients and severance payments at Credit Suisse First Boston.

A cumulative effect of accounting changes, net of tax of CHF 61 million was recorded in 2002 in respect of the adoption of SFAS No. 141, “Business Combinations”. For additional information, see notes 2 and 16 of the notes to the consolidated financial statements.

Income tax increased CHF 97 million from 2001 to a benefit of CHF 109 million in 2002. The increase was mainly a result of an increase in non-deductible expenses.

Reconciliation of segment reporting in accordance with management reporting principles to consolidated reporting in accordance with US GAAP

As noted above, effective January 1, 2004, the Group adopted US GAAP as its primary accounting standard, and the Group’s consolidated results are presented in this Form 20-F on a US GAAP basis. US GAAP, however, requires the Group to present its segment results on the basis of the management reporting principles used in 2003, which were based on Swiss GAAP.

The following tables provides a reconciliation of net revenues and net income of the Group’s operating segments and the Corporate Center under the Group’s management reporting principles to the consolidated financial statements prepared in accordance with US GAAP:

	Net revenues [1]			Net income/(loss) [2]		
Year ended December 31, in CHF m	2003	2002	2001	2003	2002	2001
Private Banking	**5,921**	6,071	6,998	**1,870**	1,516	2,260
Corporate & Retail Banking	**3,131**	3,147	3,159	**554**	394	385
Life & Pensions	**1,451**	1,349	2,503	**475**	(1,307)	535
Insurance	**3,389**	1,585	3,236	**1,263**	(783)	506
Institutional Securities	**12,766**	14,479	20,097	**1,258**	(1,289)	(1,366)
CSFB Financial Services	**1,524**	3,050	3,790	**(84)**	(547)	(117)
Corporate Center	**(88)**	(966)	(116)	**(275)**	(1,202)	(459)
Total segment reporting	**28,094**	28,715	39,667	**5,061**	(3,218)	1,744
Adjustments	**23,412**	18,671	20,507	**(4,291)**	(1,230)	(2,403)
Credit Suisse Group	**51,506**	47,386	60,174	**770**	(4,448)	(659)

1) Corresponds to operating income in the segment income statements.
2) Corresponds to segment results in the segment income statements.

The following discussion describes the significant adjustments to net revenues and net income of the Group’s operating segments and the Corporate Center under the management reporting principles to the consolidated financial statements prepared in accordance with US GAAP.

Net revenue reclassification adjustments

Adjustments to net revenues include various classification differences between operating income at the segment level and net revenues in the consolidated statements of income. The primary reclassifications included in the adjustments to net revenues are discussed below.

Reclassifications relating to the Life & Pensions and Insurance segments include:

- Reclassification of CHF 24.3 billion, CHF 24.2 billion and CHF 25.9 billion for the years ended December 31, 2003, 2002 and 2001, respectively, of policyholder benefits, claims and dividends, which are netted against operating income at the segment level but are presented gross in the consolidated statements of income.

- Reclassification of CHF 1.1 billion, CHF –0.1 billion and CHF –0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively, of realized gains/(losses) from divestitures, which are included in operating income at the segment level but are presented as discontinued operations in the consolidated statements of income.

Reclassifications relating to the Institutional Securities segment include expenses related to certain redeemable preferred securities of CHF 0.1 billion, CHF 0.1 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively, which are netted against operating income at the segment level but are included in dividends on preferred securities in the consolidated statements of income.

Valuation and income recognition adjustments

The primary valuation and income recognition differences resulting in adjustments between operating income and segment result for segment reporting and net revenues and net income in the consolidated statements of income are discussed below (amounts specified are all before tax).

Accounting for business combination with “Winterthur” Swiss Insurance Company

The Group accounted for the merger of Credit Suisse Group and “Winterthur” Swiss Insurance Company as a pooling of interests under the management reporting principles, whereas in the Group’s consolidated financial statements, this merger was accounted for as a purchase with Credit Suisse Group as the acquiror. Accordingly, for segment reporting (in the Life & Pensions and Insurance segments) the carrying values of assets and liabilities of Winterthur were combined at historical values, whereas for the consolidated financial statements, the initial carrying values of assets and liabilities of Winterthur were recorded at fair value on the acquisition date and goodwill was recorded for the excess of the consideration paid over the fair value of the net assets acquired. The total adjustments to net income attributable to Winterthur purchase accounting were decreases of CHF 3.9 billion, CHF 0.8 billion and CHF 2.1 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The total adjustments to net revenues attributable to Winterthur purchase accounting were decreases of CHF 0.8 billion, CHF 0.9 billion and CHF 2.5 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The goodwill impairment and the goodwill write-off from the Italian insurance operations and Churchill did not impact the management basis.

The following table sets forth details on the purchase accounting adjustments resulting from the business combination with “Winterthur” Swiss Insurance Company:

	Net income/(loss)		
Year ended December 31, in CHF m	2003	2002	2001
Investments	**(906)**	(928)	(2,558)
Life insurance			
Deferred policy acquisition costs	**251**	217	37
Present value of future profits	**(331)**	(333)	(225)

Technical provisions	**47**	348	344
Goodwill	**(1,509)**	(228)	(388)
Retirement benefits	**12**	5	(5)
Taxation	**377**	135	698
Discontinued operations	**(1,854)**	0	0
Other	**0**	0	21
Total purchase accounting adjustments	**(3,913)**	(784)	(2,076)

Other business combinations and disposals

Differences in the basis of certain assets and liabilities between management reporting principles and US GAAP result in differences in the carrying amount of goodwill and intangible assets and, accordingly, in realized gains/losses upon disposition of assets and liabilities. Furthermore, under management reporting principles, goodwill and intangibles are amortized over their expected lives, whereas in the Group's consolidated financial statements, intangible assets with indefinite lives and goodwill for the years ended December 31, 2003 and 2002 are no longer amortized.

Adjustments to net income attributable to business combinations and disposals were increases of CHF 0.8 billion and CHF 0.7 billion in 2003 and 2002, respectively, and a decrease of CHF 0.6 billion in 2001. Adjustments to net revenues attributable to business combinations and disposals (including reclassifications in connection with discontinued operations) were decreases of CHF 5.3 billion, CHF 7.7 billion and CHF 7.8 billion in 2003, 2002 and 2001, respectively.

Insurance liabilities

Adjustments to net income for the year ended December 31, 2003 include a decrease of CHF 0.4 billion, which is primarily a result of the adoption of SOP 03-01 reflected in the consolidated financial statements but not in the segment results. This adoption resulted in a decrease in net revenues of CHF 0.1 billion for the year ended December 31, 2003.

Derivatives

Under management reporting principles, trading derivatives are recorded on the balance sheet at fair value. Realized and unrealized gains and losses from derivatives classified as trading are reported in net trading income. Realized and unrealized gains and losses from derivatives classified as hedging instruments are recognized in income on the same basis as the underlying item being hedged with any difference in fair value recorded in Other Assets or Other Liabilities. Management reporting principles also allow the use of internal derivatives in hedging transactions without requiring that a corresponding trade be executed externally. For purposes of the Group's consolidated financial statements, all derivatives are recognized as assets or liabilities in the balance sheet at fair value. The recognition of the changes in fair value depends upon the intended use and designation of the derivative. If the derivative instrument is not a hedge, then changes in fair value are recognized in earnings. If the derivative instrument qualifies as a hedge, depending on the nature of the hedge, changes in fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings or recognized in other comprehensive income. The total adjustments to net income attributable to derivatives, including with respect to accounting for internal derivatives that do not meet hedging criteria were a decrease of CHF 17 million in 2003 and increases of CHF 0.2 billion and CHF 1.0 billion in 2002 and 2001, respectively. The total adjustments to net revenues attributable to derivatives, including with respect to accounting for internal derivatives that do not meet hedging criteria were increases of CHF 0.3 billion, CHF 0.6 billion and CHF 1.2 billion in 2003, 2002 and 2001, respectively.

General provisions

Under management reporting principles, certain valuation and other reserves not permitted under SFAS 5 were recorded in the segment results but are reversed in the Group's consolidated financial statements in accordance with US GAAP. Such adjustments, among others, include a reserve for general banking risks, restructuring provisions that are economically necessary or legally required and other reserves. In accordance with Swiss banking regulations, the reserve for general banking risks is disclosed as a separate component of shareholders' equity. Changes to this equity component are disclosed as an extraordinary item in the income statement of the segment to which they relate. These extraordinary items are reversed in the Group's consolidated financial statements in accordance with US GAAP.

Adjustments to net income include decreases of CHF 0.2 billion, CHF 0.6 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively, to reverse the impact of these items included in the segment results. This treatment of provisions resulted in a decrease in net revenues of CHF 0.6 billion for the year ended December 31, 2002, and insignificant adjustments to net revenues for the years ended December 31, 2003 and 2001.

Other

Other valuation and income recognition adjustments to net income include:

- Timing differences for the recognition of gains and losses on investment securities. Related adjustments to net income were decreases of CHF 0.2 billion, CHF 0.2 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively;
- Capitalization of certain costs related to the acquisition and development of internal use software in the Group's consolidated financial statements, which were expensed for management reporting purposes in years prior to 2002. Related adjustments to net income were decreases of CHF 0.2 billion and CHF 0.3 billion and an increase of CHF 0.3 billion for the years ended December 31, 2003, 2002 and 2001, respectively;
- Recognition of additional accruals in the consolidated financial statements for defined benefit pension plans which are treated as defined contribution pension plans for management reporting purposes. Related adjustments to net income were increases of CHF 0.3 billion, CHF 0.3 billion and CHF 0.3 billion for the years ended December 31, 2003, 2002 and 2001, respectively;
- Elimination of dividend and interest income on own shares and bonds in the consolidated financial statements which are included as investments for management reporting purposes. Related adjustments to net income were decreases of CHF 15 million and CHF 0.3 billion for the years ended December 31, 2003 and 2001, respectively, and an increase of CHF 0.3 billion for the year ended December 31, 2002;
- Elimination of differences in the treatment of transfers of financial assets between the consolidated financial statements and management reporting. Related adjustments to net income were decreases of CHF 15 million, CHF 0.3 billion and CHF 0.1 billion for the years ended December 31, 2003, 2002 and 2001, respectively;
- Tax impact, where applicable, of adjustments noted above. Related adjustments to net income were decreases of CHF 0.4 billion, CHF 0.3 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively; and
- Other insignificant adjustments.

Credit Suisse Financial Services

Credit Suisse Financial Services is a leading provider of comprehensive financial services in Europe and other selected markets. Under the main brands Credit Suisse and Winterthur, it offers investment and lending products, and financial advisory services, including insurance and life and pension solutions, for private and corporate clients. For the periods under discussion, Credit Suisse Financial Services was comprised of the Private Banking, Corporate & Retail Banking, Life & Pensions and Insurance segments. For information relating to services provided, refer to "Information on the Company – Credit Suisse Financial Services."

On September 1, 2003, Credit Suisse First Boston transferred its securities and treasury execution platform in Switzerland to Credit Suisse Financial Services. It also transferred its Private Client Services UK business from CSFB Financial Services to Private Banking. The results for all periods presented have been restated to reflect these transfers.

Private Banking

Private Banking is one of the world's largest private banking organizations, with branches in Switzerland and numerous international markets and provides comprehensive wealth management products and services to high-net-worth clients through a network of relationship managers and specialists.

The following table outlines the results of the Private Banking segment: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Net interest income	**1,351**	1,374	1,674
Net commission and service fee income	**3,847**	4,121	4,443
Net trading income	**670**	515	788
Other ordinary income	**53**	61	93
Operating income	**5,921**	6,071	6,998
Personnel expenses	**2,193**	2,311	2,394
Other operating expenses	**1,130**	1,370	1,405
Operating expenses	**3,323**	3,681	3,799
Gross operating profit	**2,598**	2,390	3,199
Depreciation of non-current assets	**218**	285	205
Amortization of acquired intangible assets and goodwill	**29**	110	31
Valuation adjustments, provisions and losses	**69**	78	55
Profit before extraordinary items, cumulative effect of change in accounting principle and taxes	**2,282**	1,917	2,908
Extraordinary income/(expenses), net	**125**	44	12
Cumulative effect of change in accounting principle	**0**	64	0
Taxes	**(522)**	(494)	(640)
Net profit before minority interests	**1,885**	1,531	2,280
Minority interests	**(15)**	(15)	(20)

Segment result	**1,870**	1,516	2,260
Increased/(decreased) credit-related valuation adjustments [2]	**(37)**	1	(25)

[1] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services and the transfer of Credit Suisse First Boston's Private Client Services UK business from CSFB Financial Services to Private Banking as well as the realignment of the private client business. The latter entailed moving certain client segments in Switzerland from Private Banking to Corporate & Retail Banking.
[2] Increased/(decreased) credit-related valuation adjustments taken at the Group level resulting from the difference between the statistical and actual credit provisions.

The following table shows key information for Private Banking: [1]

Year ended December 31	2003	2002	2001
Cost/income ratio	**59.8%**	65.3%	57.2%
Average allocated capital in CHF m	**2,931**	2,507	2,390
Pre-tax margin	**40.7%**	33.4%	41.7%
Fee income/operating income	**65.0%**	67.9%	63.5%
Net new assets in CHF bn	**17.9**	19.1	34.9
Growth in assets under management	**9.9%**	(10.5%)	2.2%
of which net new assets	**3.8%**	3.7%	6.9%
of which market movement and structural effects	**6.0%**	(14.2%)	(6.0%)
of which acquisitions/(divestitures)	**–**	0.1%	1.3%
Gross margin [2]	**121.3 bp**	121.5 bp	136.0 bp
of which asset-driven	**78.7 bp**	81.8 bp	-
of which transaction-driven	**38.4 bp**	35.0 bp	-
of which other	**4.2 bp**	4.7 bp	-
Net margin [3]	**38.6 bp**	30.6 bp	44.3 bp

December 31	2003	2002	2001
Assets under management in CHF bn	**511.7**	465.7	520.1
Number of employees (full-time equivalents)	**11,850**	12,967	12,739

[1] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services and the transfer of Credit Suisse First Boston's Private Client Services UK business from CSFB Financial Services to Private Banking as well as the realignment of the private client business. The latter entailed moving certain client segments in Switzerland from Private Banking to Corporate & Retail Banking.
[2] Operating income/average assets under management.
[3] Segment result before minority interests/average assets under management.

The following table outlines selected balance sheet data for Private Banking: [1)]

December 31, in CHF m	2003	2002	2001
Total assets	**178,533**	171,126	177,165
Due from customers	**32,779**	36,164	34,504
Mortgages	**26,318**	22,935	20,904

[1)] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services and the transfer of Credit Suisse First Boston's Private Client Services UK business from CSFB Financial Services to Private Banking as well as the realignment of the private client business. The latter entailed moving certain client segments in Switzerland from Private Banking to Corporate & Retail Banking.

Year ended December 31, 2003 compared to year ended December 31, 2002

Private Banking reported a segment profit of CHF 1,870 million for 2003, up 23.4% compared to 2002. Operating income amounted to CHF 5,921 million, down 2.5% compared to 2002. This decrease in operating income was mainly attributable to lower net commission and service fee income as a result of the lower average asset base in 2003, partially offset by higher net trading income due to increased volumes.

Operating expenses amounted to CHF 3,323 million in 2003, down 9.7% compared to 2002. Personnel expenses decreased 5.1% to CHF 2,193 million, mainly due to decreased headcount. Other operating expenses declined CHF 240 million, or 17.5%, to CHF 1,130 million as a result of efficiency measures. Private Banking recorded a cost/income ratio of 59.8%, down 5.5 percentage points compared with 2002.

Depreciation of non-current assets decreased CHF 67 million, or 23.5%, in 2003, primarily related to lower expenses resulting from the refocusing of the European private banking initiative compared to 2002. Amortization of acquired intangible assets and goodwill decreased CHF 81 million, or 73.6%, in 2003 reflecting the same level as reported in 2001, also mainly related to lower amortization charges resulting from the refocusing of the European private banking initiative and the goodwill write-off on a participation in 2002.

Extraordinary income/(expenses) increased CHF 81 million primarily due to the sale of a minority investment in 2003, which had an impact of CHF 106 million before tax.

Private Banking measures overall performance based on growth in net new assets and gross margin on average assets under management. Both the growth in net new assets of 3.8% as well as the gross margin on average assets under management of 121.3 basis points remained virtually unchanged in 2003 compared to 2002. A key factor influencing Private Banking’s result was the amount of assets under management. At the end of 2003, assets under management were CHF 511.7 billion, up CHF 46.0 billion, or 9.9%, compared to year-end 2002. Assets under management benefited mainly from stronger equity markets, as well as inflows of net new assets, which totaled CHF 17.9 billion in 2003.

Year ended December 31, 2002 compared to year ended December 31, 2001

Private Banking reported a segment profit of CHF 1,516 million for 2002, a decrease of CHF 744 million, or 32.9%, over 2001. Operating income decreased CHF 927 million, or 13.2%, in 2002. Net interest income decreased CHF 300 million, or 17.9%, mainly due to the low interest rate environment. Net commission and service fee income decreased CHF 322 million, or 7.2%, in 2002 principally as a result of lower transaction volume due to investor passivity and reduced asset-based income.

Operating expenses decreased CHF 118 million, or 3.1%, in 2002. Personnel expenses decreased CHF 83 million, or 3.5%, mainly due to headcount reductions and a decline in performance-related bonuses. Other operating expenses declined CHF 35 million, or 2.5%, as a result of cost saving measures.

Depreciation of non-current assets increased CHF 80 million, or 39.0%, primarily as a result of increased capital expenditures related to the European private banking initiative. Amortization of acquired intangible assets and goodwill increased CHF 79 million in 2002 mainly due to the refocusing of the European private banking initiative, as well as the write-off of goodwill on a participation.

Valuation adjustments, provisions and losses increased CHF 23 million, or 41.8%, in 2002. This increase was principally the result of higher legal and credit provisions.

Extraordinary income/(expenses), net increased CHF 32 million in 2002. This was primarily related to a realized gain on the sale of a participation of CHF 29 million.

Growth in net new assets decreased 3.2 percentage points to 3.7% and gross margin on average assets under management decreased 14.5 basis points to 121.5 basis points in 2002. Assets under management decreased CHF 54.4 billion, or 10.5%, as of December 31, 2002. Of this decrease, CHF 73.9 billion was attributable to market movements and structural effects. The decrease was partially offset by an increase in net new assets of CHF 19.1 billion and acquisitions of CHF 0.4 billion.

Corporate & Retail Banking

Corporate & Retail Banking serves both corporate and retail clients through a multi-channel approach, with a focus on Switzerland.

The following table outlines the result of the Corporate & Retail Banking segment: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Net interest income	**2,070**	2,142	2,212
Net commission and service fee income	**661**	693	654
Net trading income	**305**	273	262
Other ordinary income	**95**	39	31
Operating income	**3,131**	3,147	3,159
Personnel expenses	**1,242**	1,250	1,324
Other operating expenses	**755**	943	902
Operating expenses	**1,997**	2,193	2,226
Gross operating profit	**1,134**	954	933
Depreciation of non-current assets	**106**	108	100
	11	23	12

Amortization of acquired intangible assets and goodwill			
Valuation adjustments, provisions and losses	**305**	312	328
Profit before extraordinary items, cumulative effect of change in accounting principle and taxes	**712**	511	493
Extraordinary income/(expenses), net	**2**	4	13
Cumulative effect of change in accounting principle	**1**	2	0
Taxes	**(158)**	(122)	(120)
Net profit before minority interests	**557**	395	386
Minority interests	**(3)**	(1)	(1)
Segment result	**554**	394	385
Increased/(decreased) credit-related valuation adjustments [2]	**119**	119	47

[1] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services as well as the realignment of the private client business. The latter entailed moving certain client segments in Switzerland from Private Banking to Corporate & Retail Banking.
[2] Increased/(decreased) credit-related valuation adjustments taken at the Group level resulting from the difference between the statistical and actual credit provisions.

The following table shows key information for Corporate & Retail Banking: [1]

Year ended December 31	2003	2002	2001
Cost/income ratio	**67.2%**	73.1%	73.6%
Return on average allocated capital	**11.4%**	7.8%	7.9%
Average allocated capital in CHF m	**4,880**	5,036	4,892
Pre-tax margin	**22.8%**	16.4%	16.0%
Personnel expenses/operating income	**39.7%**	39.7%	41.9%
Net interest margin	**212 bp**	215 bp	[2]
Loan growth	**(1.3%)**	(1.0%)	[2]
Net new assets in CHF bn	**(1.4)**	(3.6)	2.1

December 31	2003	2002	2001
Deposit/loan ratio	**67.3%**	64.2%	67.0%
Assets under management in CHF bn	**70.0**	70.3	82.6
Number of employees (full-time equivalents)	**8,479**	9,281	9,654

Number of branches	**214**	223	227

1) Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services as well as the realignment of the private client business. The latter entailed moving certain client segments in Switzerland from Private Banking to Corporate & Retail Banking.
2) Net interest margin and loan growth as previously reported were 226 bp and –1.4%, respectively. Due to the realignment, these numbers are not comparable to subsequent periods.

The following table outlines selected balance sheet data for Corporate & Retail Banking: 1)

December 31, in CHF m	2003	2002	2001
Total assets	**96,252**	94,757	100,613
Due from customers	**24,396**	28,048	30,732
Mortgages	**59,688**	57,165	55,383
Due to customers in savings and investment deposits	**28,590**	27,081	26,964
Due to customers, other	**28,034**	27,611	30,731

1) Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services as well as the realignment of the private client business. The latter entailed moving certain client segments in Switzerland from Private Banking to Corporate & Retail Banking.

Year ended December 31, 2003 compared to year ended December 31, 2002

Corporate & Retail Banking reported a segment profit of CHF 554 million, an increase of CHF 160 million, or 40.6%, compared with 2002, primarily as a result of decreased operating expenses.

Operating income in 2003 was CHF 3,131 million, almost unchanged compared to 2002. An increase in net trading income resulting from increased client trading activity was offset by lower net commission and service fee income, primarily as a result of the lower average asset base and lower transaction volumes.

Operating expenses declined to CHF 1,997 million in 2003, down 8.9% compared with the previous year. Personnel expenses remained stable, whereas other operating expenses declined 19.9% compared to 2002, to CHF 755 million, as a result of cost reductions.

Actual net credit-related valuation allowances and provisions amounted to CHF 398 million for 2003, CHF 119 million above the statistical credit-related valuation adjustments. This deviation was due to one major default in the corporate credit business in Switzerland, which was partly offset by the release of valuation allowances in the recovery portfolio no longer required.

Corporate & Retail Banking recorded a net asset outflow of CHF 1.4 billion in 2003 compared to a net asset outflow of CHF 3.6 billion in 2002. This net asset outflow was attributable to shifts from time deposit accounts of corporate clients to transaction accounts that do not qualify as assets under management. Assets under management amounted to CHF 70.0 billion as of year-end 2003, down CHF 0.3 billion compared to year-end 2002.

Corporate & Retail Banking measures overall performance based on return on average allocated capital, which increased from 7.8% in 2002 to 11.4% in 2003. The segment's second key performance indicator – its cost/income ratio – improved to 67.2% for 2003, a decrease of 5.9 percentage points compared to 2002.

Year ended December 31, 2002 compared to year ended December 31, 2001

The Corporate & Retail Banking segment reported a segment profit of CHF 394 million, an increase of CHF 9 million, or 2.3%, from 2001, primarily as a result of decreased personnel expenses.

Operating income decreased CHF 12 million, or 0.4%, in 2002. Net interest income decreased CHF 70 million, or 3.2%, in 2002, primarily as a result of the negative impact of the lower interest rate environment. Net commission and service fee income increased CHF 39 million, or 6.0%, in 2002, mainly due to increased transaction prices and account-based services.

Total operating expenses decreased CHF 33 million, or 1.5%, in 2002. Personnel expenses decreased CHF 74 million, or 5.6%, primarily due to a reduced headcount. This amount was partially offset by an increase in other operating expenses of CHF 41 million, or 4.5%, due to increased expenses for information technology projects and marketing.

Valuation adjustments, provisions and losses based on statistically expected losses decreased CHF 16 million, or 4.9%, in 2002. Actual credit provisions were CHF 119 million above the statistical valuation adjustment due to anticipated liquidation of certain credit positions. However, the risk profile of the credit portfolio improved in 2002 as a result of a continued focus on credit risk management.

Assets under management decreased CHF 12.3 billion, or 14.9%, in 2002. Net asset outflows accounted for CHF 3.6 billion of the overall decrease. The outflow of assets was mainly attributable to volatility in the account balances of corporate clients.

Corporate & Retail Banking measures overall performance based on the return on average allocated capital. The return on average allocated capital decreased from 7.9% in 2001 to 7.8% in 2002. The segment's cost/income ratio improved slightly to 73.1% for 2002, a decrease of 0.5 percentage points compared to 2001.

Life & Pensions

Life & Pensions provides life and pension products for private and corporate clients through multiple distribution channels.

The following table outlines the result of the Life & Pensions segment: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Gross premiums written	**17,273**	19,019	17,413
Reinsurance ceded	**(87)**	(40)	(210)
Net premiums written	**17,186**	18,979	17,203
Change in provision for unearned premiums	**(1)**	(4)	(15)

Net premiums earned	**17,185**	18,975	17,188
Death and other benefits incurred	**(16,243)**	(14,692)	(12,167)
Change in provision for future policyholder benefits (technical)	**(2,486)**	(5,750)	(6,572)
Change in provision for future policyholder benefits (separate account) [2]	**(1,718)**	1,730	1,115
Dividends to policyholders incurred, net	**(1,661)**	1,758	(287)
Policy acquisition costs (including change in DAC/PVFP)	**(854)**	(716)	(556)
Administration costs	**(1,119)**	(1,463)	(1,312)
Investment income general account	**5,351**	1,438	4,766
Investment income separate account [2]	**1,718**	(1,730)	(1,115)
Interest received and paid	**(117)**	(92)	(139)
Interest on bonuses credited to policyholders	**(155)**	(146)	(135)
Other income/(expenses), net	**(142)**	74	(53)
Amortization of acquired intangible assets and goodwill	**(30)**	(29)	(43)
Net profit/(loss) before cumulative effect of change in accounting principle and taxes	**(271)**	(643)	690
Cumulative effect of change in accounting principle	**0**	72	0
Taxes	**719**	(786)	(153)
Net profit/(loss) before minority interests	**448**	(1,357)	537
Minority interests	**27**	50	(2)
Segment result	**475**	(1,307)	535

[1] The presentation of segment results differs from the presentation of the banking segments as it reflects the way the insurance business is managed, which is in line with peers in the insurance industry.
[2] This represents the market impact for separate account (or unit-linked) business, where the investment risk is borne by the policyholder.

The following table shows key information for Life & Pensions: [1]

Year ended December 31	2003	2002	2001
Expense ratio [1]	**11.4%**	11.5%	10.7%
Growth in gross premiums written	**(9.2%)**	9.2%	12.7%
Return on invested assets (excluding separate account business)			
Current income	**4.1%**	3.9%	4.3%
	1.1%	(2.5%)	0.5%

Realized gains/losses and other income/expenses			
Total return on invested assets [2]	**5.2%**	1.4%	4.8%
Net new assets in CHF bn [3]	**0.0**	3.4	5.0
Total sales in CHF m [4]	**20,454**	22,790	22,505

December 31	2003	2002	2001
Assets under management in CHF bn [5]	**113.3**	110.8	115.2
Technical provisions in CHF m	**107,929**	105,939	108,326
Number of employees (full-time equivalents)	**7,193**	7,815	7,755

[1] Operating expenses (i.e. policy acquisition costs and administration costs)/gross premiums written
[2] Total return on invested assets includes depreciation on real estate and investment expenses as well as investment income and realized gains and losses.
[3] Based on change in technical provisions for traditional business, adjusted for technical interests, net inflow of separate account business and change in off-balance sheet business such as funds.
[4] Includes gross premiums written and off-balance sheet sales.
[5] Based on savings-related provisions for policyholders plus off-balance sheet assets.

The following table outlines Life & Pensions' breakdown of gross premiums written by market unit:

Year ended December 31, in CHF m	2003	2002[1]	2001
Switzerland	**8,482**	9,719	8,340
Germany	**2,677**	2,861	2,815
United Kingdom	**2,355**	2,338	2,088
Rest of Europe and Overseas	**3,759**	4,101	4,170
Gross premiums written	**17,273**	19,019	17,413

[1] Certain reclassifications have been made to conform to the current presentation.

Year ended December 31, 2003 compared to year ended December 31, 2002

Life & Pensions reported a segment profit of CHF 475 million in 2003, compared with a segment loss of CHF 1,307 million in 2002. The CHF 1,782 million increase was primarily due to higher investment income, which resulted from better performing investment markets and reduced administration costs. In addition, the segment profit for 2003 includes an after-tax gain of CHF 57 million from the divestiture of Winterthur Italy.

In 2003, Life & Pensions' gross premiums written declined by CHF 1,746 million, or 9.2%, compared to 2002. Adjusted for divestitures and exchange rate impacts, gross premiums written decreased CHF 496 million, or 2.9%. The decline in reported premium volumes was due to large increases in single premiums during 2002 and lower customer demand for individual life products as a result of adapting the business to market conditions in 2003.

Death and other benefits incurred increased CHF 1,551 million, or 10.6%, in 2003. In the Swiss market unit, death and other benefits incurred increased CHF 156 million, or 1.6%, in 2003. This increase was predominantly due to surrenders related to the announcement of the new employee benefit model, and higher disability claims. In addition, approximately CHF 600 million of surrenders in the individual life business resulted from the maturity of policies underwritten in 1998 before the introduction of stamp tax. In the German market unit, death and other benefits incurred increased CHF 1,157 million, or 72.8%, in 2003, driven by the cancellation of a significant group contract and the maturity of tax advantaged policies written in earlier years.

Change in provision for future policyholder benefits (technical) decreased CHF 3,264 million, or 56.8%, in 2003 compared to 2002, in line with the development of net premiums earned and benefits paid.

Dividends to policyholders incurred, net, increased CHF 3,419 million in 2003 compared to 2002. Dividends paid to policyholders decreased CHF 364 million, or 30.5%, as a result of reduced participation rates in 2002, primarily in Switzerland and Germany. This decrease was offset by an increase in the provision for future dividends to policyholders of CHF 3,783 million, due to higher investment results, the impact of German tax law changes and a refinement of the calculation methodology of the deferred bonus reserve.

Policy acquisition costs (including the change in deferred policy acquisition costs (DAC)/present value of future profits (PVFP)) increased CHF 138 million, or 19.3%, in 2003. In the German market unit, policy acquisition costs increased CHF 103 million due to additional write-downs of DAC and PVFP and higher commissions. The Swiss market unit had higher DAC amortization due to lower expectations for long-term investment returns.

Administration costs decreased CHF 344 million, or 23.5%, in 2003. This improvement was mainly due to ongoing efficiency measures and the impact of one-time expenses in 2002 relating to information technology.

The expense ratio improved only marginally by 0.1 percentage point to 11.4% in 2003, from 11.5% in 2002, due to lower gross premiums written of CHF 1,746 million and lower administration costs of CHF 344 million, partly offset by an increase in policy acquisition costs of CHF 138 million.

Investment income general account increased CHF 3,913 million in 2003 compared to 2002. This increase was primarily due to the significant decrease of other-than-temporary impairments as a result of improvements in the equity market and a reduced equity position.

Other income/(expenses), net, decreased CHF 216 million from income of CHF 74 million in 2002 to an expense of CHF 142 million in 2003. In 2003, other expenses included software write-downs, restructuring costs and a foreign exchange loss.

In 2003, Winterthur announced the introduction of its new model for the regulated Swiss employee benefit scheme, which became effective January 1, 2004. This model, which has become known as the “Winterthur Model”, adapted the regulated employee benefit insurance system in Switzerland to reflect current economic realities, particularly low investment yields, as well as developments in terms of life expectancy by changing the contractual relationships between the insurer and the insured. Although the Life & Pensions segment remains exposed to the volatility of the financial markets due to the nature of its business, the implementation of the new employee benefit model should partially mitigate the impact of market volatility by providing more flexibility in the way policyholder bonuses are set.

On March 24, 2004, the Swiss government passed amendments to the Life Insurance Ordinance that provide for a mandatory allocation of profits from the regulated employee benefit business in Switzerland to be provided to policyholders. The amended ordinance requires that subject to the level of the investment result of the employee benefit business, a minimum of 90% of gross contributions or, in certain cases, 90% of net contributions be distributed to policyholders (the legal quote). This legislation impacts the determination of the provision for future dividends to policyholders in the Life & Pensions segment of the Group. In addition to the ongoing allocation to policyholders in respect of this business, initial provisions reflecting this legislation were recorded in the first quarter of 2004 and amounted to CHF 117 million, with an after-tax impact of CHF 91 million.

Year ended December 31, 2002 compared to year ended December 31, 2001

Life & Pensions reported a segment loss of CHF 1,307 million in 2002, compared with a segment profit of CHF 535 million in 2001. The CHF 1,842 million decrease was due in part to a CHF 3,328 million, or 69.8%, decline in investment income general account. After adjustment for provision for future dividends to policyholders, deferred policy acquisition costs and taxes, the decline in investment income negatively impacted the segment result by CHF 1,591 million. Also in 2002, Life & Pensions finalized the divestiture of its Paris-based and Austrian operations and acquired the business of Premier Life Ltd., Luxembourg and the portfolio of Premier Life Ltd., Bermuda.

Despite the unfavorable economic environment, Life & Pensions experienced growth in gross premiums written of CHF 1,606 million, or 9.2%, in 2002. Adjusted for acquisitions, divestitures and exchange rate impacts, gross premiums written increased CHF 1,718 million, or 10.4%. Premium growth was achieved due to strong performance in almost all core markets and the launch of new products throughout the year.

Death and other benefits incurred increased CHF 2,525 million, or 20.8%, in 2002. Adjusted for the impact of acquisitions and divestitures, death and other benefits incurred increased CHF 2,877 million, or 24.4%. In Switzerland, an increase of CHF 2,868 million, or 40.5%, was mainly due to high surrenders and other benefits paid in group life, primarily due to selective underwriting and renewals. In addition, increased disability benefits paid and strengthened disability claim reserves reflected the economic environment and the changed assumptions of future long-term investment returns. The remaining increase was mainly due to higher surrenders and maturities in most other markets.

Change in provision for future policyholder benefits (technical) decreased CHF 822 million, or 12.5%, in 2002 compared to 2001, in line with the development of net premiums earned and benefits paid.

Dividends to policyholders incurred, net, changed by CHF 2,045 million from an expense of CHF 287 million in 2001 to income of CHF 1,758 million in 2002. The dividends paid to policyholders decreased CHF 256 million, or 17.7%, compared with 2001, reflecting the reduced participation rates, primarily in Switzerland and Germany. However, the change in provision for future dividends to policyholders resulted in income of CHF 1,789 million, primarily in countries with legal or contractual terms for which the allocation to provision for future dividends to policyholders is directly linked to the underlying investment result. The primary impact was in Germany with an increase of CHF 2,139 million from income of CHF 278 million in 2001 to income of CHF 2,417 million in 2002, due to the negative performance of the investment income.

Policy acquisition costs (including the change in DAC/PVFP) increased CHF 160 million, or 28.8%, in 2002, primarily due to additional write-downs of DAC of CHF 204 million in Switzerland, Germany, Spain and Italy and of PVFP of CHF 88 million in the United Kingdom, Germany and Japan. These write-downs reflected the reduced expectations of future investment returns.

Administration costs increased CHF 151 million, or 11.5%, in 2002. Adjusted for the impact of acquisitions and divestitures, administration costs increased CHF 198 million. This was primarily due to additional software write-downs in Switzerland and Central and Eastern Europe and other items.

Investment income general account decreased CHF 3,328 million, or 69.8%, in 2002. Adjusted for the impact of acquisitions and divestitures, investment income general account decreased CHF 3,204 million, or 69.0%. As a result of the significant decline in the global equity markets, Life & Pensions recognized CHF 2,971 million of other-than-temporary impairments on the equity investment portfolio.

Other income/(expenses) increased CHF 127 million from an expense of CHF 53 million in 2001 to income of CHF 74 million in 2002. This amount included a realized gain on the sale of the Paris-based branch and a gain on foreign exchange of CHF 28 million in 2002 compared to a loss of CHF 45 million in 2001.

The accounting principle to allow for the recognition of deferred tax assets on net operating loss carry-forwards was adopted in 2002. As a result of this change, a positive cumulative effect of CHF 72 million was recognized in 2002.

Insurance

Insurance provides non-life insurance to private and small and medium-sized corporate customers through a range of distribution channels.

The following table outlines the result of the Insurance segment: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Gross premiums written	**16,212**	18,391	18,412
Reinsurance ceded	**(939)**	(1,150)	(1,572)
Net premiums written	**15,273**	17,241	16,840
Change in provision for unearned premiums and in provision for future policyholder benefits (health care business)	**(703)**	(1,538)	(1,833)
Net premiums earned	**14,570**	15,703	15,007
Claims and annuities incurred, net	**(10,646)**	(11,749)	(11,509)
Dividends to policyholders incurred, net	**(499)**	106	(311)
Policy acquisition costs (including change in DAC/PVFP)	**(2,433)**	(2,529)	(2,391)
Administration costs	**(1,633)**	(1,959)	(1,944)
Underwriting result, net	**(641)**	(428)	(1,148)
Net investment income	**1,240**	(10)	2,217
Interest received and paid	**(156)**	(106)	(98)
Other income/(expenses), net	**809**	(349)	(165)
Amortization of acquired intangible assets and goodwill	**(32)**	(36)	(30)
Net operating profit/(loss) before cumulative effect of change in accounting principle and taxes	**1,220**	(929)	776
Cumulative effect of change in accounting principle	**0**	128	0
Taxes	**38**	(99)	(224)
	1,258	(900)	552

Net profit/(loss) before minority interests			
Minority interests	**5**	117	(46)
Segment result	**1,263**	(783)	506

1) The presentation of segment results differs from the presentation of the banking segments as it reflects the way the insurance business is managed, which is in line with peers in the insurance industry.

The following table shows key information for Insurance:

Year ended December 31	2003	2002	2001
Combined ratio (excluding dividends to policyholders)	**101.0%**	103.4%	105.6%
Claims ratio 1)	**73.1%**	74.8%	76.7%
Expense ratio 2)	**27.9%**	28.6%	28.9%
Return on invested assets (excluding separate account business)			
Current income	**3.9%**	4.2%	4.6%
Realized gains/losses and other income/expenses	**(0.1%)**	(4.3%)	2.3%
Total return on invested assets 3)	**3.8%**	(0.1%)	6.9%

December 31	2003	2002	2001
Assets under management in CHF bn	**25.8**	30.7	30.5
Technical provisions in CHF m	**22,196**	28,745	27,738
Number of employees (full-time equivalents)	**13,673**	24,315	22,197

1) Claims and annuities incurred, net/net premiums earned.
2) Operating expenses (i.e. policy acquisition costs and administration costs)/net premiums earned.
3) Total return on invested assets includes depreciation on real estate and investment expenses as well as investment income and realized gains and losses.

The following table outlines Insurance's breakdown of gross premiums written by market unit:

Year ended December 31, in CHF m	2003	2002 1)	2001 1)
Switzerland	**3,197**	2,925	2,736
Germany	**2,657**	2,523	2,497
United Kingdom	**3,416**	5,001	3,758
Rest of Europe and Overseas	**6,942**	7,942	9,421

Gross premiums written	**16,212**	18,391	18,412

[1)] Certain reclassifications have been made to conform to the current presentation.

Year ended December 31, 2003 compared to year ended December 31, 2002

Insurance reported a segment profit of CHF 1,263 million in 2003 compared with a segment loss of CHF 783 million in 2002. The CHF 2,046 million increase was primarily due to a gain of CHF 1.7 billion arising from divestitures, partially offset by provisions related to the sales in the amount of CHF 451 million and certain provisions related to the current and former international business portfolio in the amount of CHF 444 million. The result was also impacted by a significant improvement in investment income, lower administration costs and the positive development of the underwriting result before dividends to policyholders incurred, mainly due to tariff increases.

Insurance measures underwriting performance based on the combined ratio. In 2003, the combined ratio improved by 2.4 percentage points to 101.0%. The ratio mainly benefited from the continued implementation of tariff increases across all major markets, a strict underwriting policy, reduced expenses and the continued streamlining of the business portfolio through divestitures. In addition, a lower level of losses resulting from natural catastrophes was reported in 2003.

In 2003, the Insurance segment's gross premiums written decreased CHF 2,179 million, or 11.8%, mainly due to impact of divestitures. Adjusted for divestitures and exchange rate impacts, gross premiums written increased CHF 521 million, or 5%, due to tariff increases and organic growth.

Change in provision for unearned premiums and in provision for future policyholder benefits (health) decreased CHF 835 million, or 54.3%, in 2003 compared to 2002 as a result of lower net premiums written and a higher amount of policies with an inception date in the first half of the year.

Net claims and annuities incurred decreased CHF 1,103 million, or 9.4%, in 2003, mainly due to continued selective underwriting and lower losses from natural catastrophes. Combined with tariff increases, this led to a claims ratio improvement of 1.7 percentage points to 73.1% in 2003 from 74.8% in 2002. This development was mainly a result of the improved non-motor claims ratio, which decreased by 8.0 percentage points to 62.5% in 2003 from 70.5% in 2002 due to fewer large European claims. Dividends to policyholders incurred, net, increased CHF 605 million from income of CHF 106 million in 2002 to an expense of CHF 499 million in 2003, mostly arising from the German market unit. The increase was due to higher investment results, the impact of German tax law changes and a refinement of the calculation methodology of the deferred bonus reserve.

Policy acquisition costs (including the change in DAC/PVFP) decreased CHF 96 million, or 3.8% in 2003. The expense ratio improved to 27.9% in 2003, down 0.7 percentage points compared to 2002 primarily as a result of lower administration costs relative to net premiums earned.

Net investment income increased CHF 1,250 million in 2003. This increase was mainly attributable to the significant decrease in impairments and lower realized losses due to improved market conditions.

Other income/(expenses), net, increased CHF 1,158 million from an expense of CHF 349 million in 2002 to income of CHF 809 million in 2003. This increase was primarily due to a gain of CHF 1.7 billion arising from divestitures, partially offset by provisions related to the sales in the amount of CHF 451 million and certain provisions related to the current and former international business portfolio in the amount of CHF 348 million. In addition, exchange rate variations resulted in a net currency gain and restructuring expenses were recognized in 2003, reflecting the reorganization plan across all market units.

Year ended December 31, 2002 compared to year ended December 31, 2001

Insurance reported a segment loss of CHF 783 million in 2002 compared with a segment profit of CHF 506 million in 2001. This decrease was primarily the result of other-than-temporary impairments on investments and the realization of losses from reducing the equity exposure of the investment portfolio. In 2002, Insurance finalized the divestitures of the Paris-based and Austrian operations. In 2001, Insurance acquired the non-life insurance operations of CGU in Belgium and entered into a strategic alliance with AMP Pearl and entered into an alliance with Prudential plc to underwrite and administer branded general insurance business in the United Kingdom. Also in 2001, Insurance sold Winterthur International to XL Capital Ltd.

The net underwriting result improved CHF 720 million, or 62.7%, in 2002, reflecting continuing improvements in the claims experience and the implementation of cost saving initiatives as well as a reduction in dividends to policyholders as a direct result of the realization of investment losses in 2002.

At December 31, 2002, the combined ratio was 103.4%, an improvement of 2.2 percentage points compared to 2001, benefiting from an improved claims ratio and the implementation of cost saving initiatives.

Gross premiums written decreased CHF 21 million in 2002. Excluding the effect of the acquisitions and divestitures discussed above and exchange rate impacts, gross premiums written increased CHF 1,466 million, or 9.5%, mainly attributable to an increase in tariff rates. The sale of Winterthur International and the combined sales of the Paris-based and Austrian operations led to a reduction in gross premiums of CHF 2,072 million. These reductions were in part offset by increases in premiums of CHF 830 million from the strategic alliance with Prudential plc and approximately CHF 230 million from the acquisition of CGU in Belgium.

Change in provision for unearned premiums and in provision for future policyholder benefits (health) decreased CHF 295 million, or 16.1%, in 2002 compared to 2001 as a result of a different mix of contract inception dates and reinsurance ceded.

Claims and annuities incurred, net increased CHF 240 million, or 2.1%, in 2002 principally as a result of business growth. However, net premiums earned increased at a higher rate than claims, which led to an improvement in the claims ratio from 76.7% in 2001 to 74.8% in 2002. The greatest improvement was reported in North America due to the one-time reserve strengthening of accident and health business in 2001, reduced catastrophe losses, tariff increases and a reduction in the number of claims.

Dividends to policyholders incurred, net decreased CHF 417 million, or 134.1%, to income of CHF 106 million in 2002. This decrease was mainly due to the decline in the global equity markets, which resulted in the realization of losses on investments through either sale or other-than-temporary impairments. These losses directly affected the amount of dividends payable to policyholders and led to a reversal of the provision for future dividends to policyholders in the German health business, where the amount of dividends to policyholders incurred was income of CHF 209 million in 2002 compared to an expense of CHF 193 million in 2001.

Policy acquisition costs (including the change in DAC/PVFP) increased CHF 138 million, or 5.8%, in 2002, mainly as a result of growth in business with our alliance partners in the United Kingdom. Overall, the expense ratio improved from 28.9% in 2001 to 28.6% in 2002 due to premium growth and as a result of the aforementioned factors, with the businesses in Germany, Spain, Switzerland and North America contributing the most to this improvement.

Net investment income decreased CHF 2,227 million in 2002 to a loss of CHF 10 million. The result reflected the recognition of CHF 891 million of impairments on investment securities for other-than-temporary decline in the market value below the cost value, primarily as a result of the decline in the global equity markets, compared to CHF 130 million in 2001. In addition, in 2002, Insurance sold a significant portfolio of equity securities in an effort to minimize exposure to further declines in the equity markets, which resulted in an increase in realized net losses of

CHF 1,232 million.

Other income/(expenses), net, decreased CHF 184 million, or 111.5%, to an expense of CHF 349 million in 2002. The sale of Winterthur International and the Paris-based operations resulted in a loss of CHF 141 million and CHF 35 million, respectively. Also, restructuring expenses, primarily in Italy, Spain and Bermuda, were recognized in 2002 and exchange rate fluctuations resulted in a net currency loss.

Investments for Life & Pensions and Insurance

The following table illustrates the net investment income by investment type and investment return:

Yearr ended December 31, in CHF m	2003	2002	2001
Investment income	**5,375**	5,096	5,607
Realized gains and losses	**1,730**	(3,183)	1,876
Depreciation on real estate	**(152)**	(153)	(153)
Investment expenses	**(362)**	(332)	(348)
Net investment income, general account	**6,591**	1,428	6,982
Investment income, separate account [1]	**1,718**	(1,730)	(1,114)
Net investment income	**8,309**	(302)	5,868
of which Life & Pensions	**7,069**	(292)	3,651
of which Insurance	**1,240**	(10)	2,217
Return on invested assets (exluding separate account business):			
Current income	**4.1%**	4.0%	4.4%
Other than current income/(expenses), net	**0.8%**	(2.9%)	1.0%
Total [2]	**4.9%**	1.1%	5.4%

[1] Includes investment income/(loss) and realized gains and losses on separate account business.
[2] Total investment return includes depreciation on real estate and investment expenses as well as investment income and realized gains and losses.

The following table shows a breakdown of Life & Pensions' and Insurance's investment portfolio:

December 31, in CHF bn	2003	2002	2001
Debt securities	**79.9**	76.9	68.4
Equity securities	**5.6**	9.1	22.6
Mortgage loans	**11.1**	10.2	9.8
Loans	**4.4**	4.3	4.6
Real estate	**7.2**	7.4	7.5
Other investments	**5.0**	7.1	3.8
Investments, general account	**113.2**	115.0	116.7
Investments, separate account [1]	**14.4**	11.6	12.2

Investments	**127.6**	126.6	128.9
of which Life & Pensions	**104.8**	99.0	101.3
of which Insurance	**22.8**	27.6	27.6

1) Amounts exclude separate account business of SLC Pooled Pensions Limited.

Investment portfolios are managed within a defined process and set of guidelines in order to meet diversification, credit quality, yield and liquidity requirements of policy liabilities. Investments include debt instruments, such as government bonds, loans and mortgage loans, real estate, equities and alternative assets. The weighting of asset classes within the investment portfolios is determined by the Investment Committee, which meets regularly.

Net investment income from the general account increased CHF 5,163 million in 2003. This increase in net investment income was primarily due to the CHF 4,913 million increase in net realized gains and losses to CHF 1,730 million impacted mainly by a significant decline in other-than-temporary impairments, which decreased from CHF 3,887 million in 2002 to CHF 607 million in 2003. This was mainly due to the reduced equity position. The strategy to reduce equity exposure to further declines in equity markets began in 2002 and continued in 2003.

Net realized gains and losses also increased due to realizations on the sale of sovereign bonds and the purchase of corporate bonds. Exchange gains realized on fixed income securities and higher returns on corporate bonds also contributed positively to the improved 2003 investment result. In the latter part of 2003 a significant portion of the net realized gain resulted from the sale of real estate.

Investment income from separate account increased CHF 3,448 million in 2003 mainly due to the improved financial markets.

Overall, equity securities decreased CHF 3.1 billion in 2003, excluding the impact related to divestitures of CHF 0.4 billion. As a consequence of the equity securities sales, the proportion of investments held in equities decreased to 4.9% as of December 31, 2003, from 7.9% as of December 31, 2002. Excluding the impact related to divestitures of CHF 9.9 billion, debt securities (in the general account) increased CHF 12.8 billion, or 19.1%, in 2003.

Credit Suisse First Boston

Credit Suisse First Boston serves global institutional, corporate, government and high-net-worth clients in its role as a financial intermediary. Credit Suisse First Boston’s businesses include securities underwriting, sales and trading, financial advisory services, lending, investment research, private equity investments, brokerage services and asset management products and services. For the periods under discussion, Credit Suisse First Boston was comprised of the operations of the Institutional Securities segment and the CSFB Financial Services segment. For information relating to services provided by Credit Suisse First Boston and a reorganization of operations effective January 1, 2004, refer to “Item 4 – Information on the Company – Credit Suisse First Boston.” The following discussion and analysis has been prepared on the basis of the segment structure in place for the year ended December 31, 2003.

Although the amounts for Credit Suisse First Boston and its segments are presented in Swiss francs, the US dollar is Credit Suisse First Boston’s functional currency. The depreciation of the US dollar against the Swiss franc in 2003 had a negative effect on Credit Suisse First Boston’s 2003 results when translated into Swiss francs.

On September 1, 2003, Credit Suisse First Boston transferred its securities and treasury execution platform in Switzerland to Credit Suisse Financial Services. In 2003, it also transferred its Private Client Services UK business from CSFB Financial Services to Private Banking. The results for all periods presented have been restated to reflect these transfers.

Institutional Securities

The Institutional Securities segment of Credit Suisse First Boston provides securities underwriting, financial advisory, lending and capital raising services and sales and trading for users and suppliers of capital globally. Although reorganized with effect from January 1, 2004, for the periods discussed below Institutional Securities was operated and managed through three divisions:

- Fixed Income, which underwrites, trades and distributes fixed income financial instruments and offers derivatives and risk management products;
- Equity, which underwrites, trades and distributes equity and equity-related products, including listed and over-the-counter derivatives and risk management products, and engages in securities lending and borrowing; and
- Investment Banking, which serves a broad range of users and suppliers of capital, provides financial advisory and securities underwriting and placement services and, through the private equity group, makes privately negotiated equity investments and acts as an investment advisor for private equity funds.

Operating income for the Institutional Securities segment consists primarily of realized and unrealized net trading gains, net interest income from trading and lending activities, fee-based earnings from capital market activities, commissions on customer transactions and gains and losses on private equity investments. The results of certain non-continuing legacy activities are recorded within Other.

For divisional reporting of operating income, equity capital market underwriting fees are shared between the Investment Banking and Equity divisions, and debt capital market underwriting fees are shared between the Investment Banking and Fixed Income divisions. In 2002 and 2003, corporate derivatives income was shared among the Investment Banking, Fixed Income and Equity divisions based upon client relationships. Income from corporate lending is shared among the Investment Banking, Fixed Income and Equity divisions.

Beginning in 2002, a portion of the Fixed Income division's fund-linked product revenue was attributed to the Equity division, and beginning in 2003, certain fund-linked product revenues were shared between the Fixed Income division of the Institutional Securities segment and the Credit Suisse Asset Management business of the CSFB Financial Services segment.

In 2003, certain legacy private equity investments, including investments in mature third-party leverage buyout funds reported in the Investment Banking division, were transferred to Other. The operating income of the Investment Banking and Other divisions were reclassified for all periods presented. These assets were managed together with the pre-existing non-continuing portfolios held for disposition and reported in Other.

The following table outlines the result of the Institutional Securities segment: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Fixed Income	**6,183**	6,525	9,409

Equity	**3,516**	4,379	6,299
Investment Banking	**3,346**	4,899	5,100
Other	**(279)**	(1,324)	(711)
Operating income	**12,766**	14,479	20,097
Personnel expenses	**6,885**	8,742	13,201
Other operating expenses	**2,999**	3,690	5,007
Operating expenses	**9,884**	12,432	18,208
Gross operating profit	**2,882**	2,047	1,889
Depreciation of non-current assets	**514**	609	779
Amortization of acquired intangible assets and goodwill	**669**	766	825
Valuation adjustments, provisions and losses	**363**	3,579	1,859
Profit/(loss) before extraordinary items, cumulative effect of change in accounting principle and taxes	**1,336**	(2,907)	(1,574)
Extraordinary income/(expenses), net	**34**	379	(1)
Cumulative effect of change in accounting principle	**318**	246	0
Taxes	**(430)**	993	210
Net profit/(loss) before minority interests	**1,258**	(1,289)	(1,365)
Minority interests	**0**	0	(1)
Segment result	**1,258**	(1,289)	(1,366)
Increased/(decreased) credit-related valuation adjustments [2]	**–**	–	194

[1] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services. In 2003 Credit Suisse Group applied mandatory changes in Swiss Federal Banking Commission guidelines. Prior periods are not required to be adjusted.
[2] Increased/(decreased) credit-related valuation adjustments taken at the Group level resulting from the difference between the statistical and actual credit provisions.

The following table shows key information for Institutional Securities: [1]

Year ended December 31	2003	2002	2001
Cost/income ratio	**81.5%**	90.1%	94.5%
Average allocated capital in CHF m	**11,410**	13,706	14,040
Pre-tax margin	**13.2%**	(15.8%)	(7.8%)
Personnel expenses/operating income	**53.9%**	60.4%	65.7%

December 31	2003	2002	2001

Number of employees (full-time equivalents)	**15,739**	16,018	18,557

[1)] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services.

The following table outlines selected balance sheet data for Institutional Securities: [1)]

December 31, in CHF m	2003	2002	2001
Total assets	**588,783**	573,628	626,065
Total assets in USD m	**476,477**	412,623	364,992
Due from banks	**194,817**	193,944	194,943
of which securities lending and reverse repurchase agreements	**143,196**	152,221	156,616
Due from customers	**113,823**	114,191	114,034
of which securities lending and reverse repurchase agreements	**62,252**	56,851	55,833
Mortgages	**12,234**	14,825	16,348
Securities and precious metals trading portfolios	**186,130**	157,320	196,092
Due to banks	**292,550**	281,510	322,063
of which securities borrowing and repurchase agreements	**104,855**	112,733	128,148
Due to customers, other	**111,844**	109,980	108,448
of which securities borrowing and repurchase agreements	**71,843**	66,864	62,114

[1)] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services.

The following table shows details of selected active private equity investment data:

Year ended December 31, in CHF m	2003	2002	2001
Net gains (realized and unrealized gains/losses) in CHF m	**173**	4	(339)
Management and performance fees in CHF m	**228**	333	385

December 31, in CHF bn	2003	2002	2001
Book value in CHF bn	**1.2**	1.3	1.6
Fair value in CHF bn	**1.3**	1.4	1.7

Year ended December 31, 2003 compared to year ended December 31, 2002

Institutional Securities reported a segment profit of CHF 1,258 million in 2003, compared with a segment loss of CHF 1,289 million in 2002, primarily due to a significant decline in valuation adjustments, provisions and losses and lower operating expenses, principally personnel costs. Institutional Securities measures performance based on pre-tax margin. For 2003, pre-tax margin was 13.2%, an increase of 29.0 percentage points from 2002.

In 2003, the operating income of Institutional Securities was CHF 12,766 million, a decrease of 11.8% from CHF 14,479 million in 2002. The decline was due primarily to weaker Equity and Investment Banking results, reflecting difficult market conditions, particularly during the early part of the year, continued low merger and acquisition volume, a CHF 981 million gain on the sale of a private equity investment in 2002, and the impact of a lower US dollar versus Swiss franc exchange rate on results managed in US dollars, partially offset by improved results in the legacy portfolio.

Operating income from Fixed Income decreased CHF 342 million, or 5.2%, in 2003, compared with 2002. The decrease was principally due to an unfavorable exchange rate impact, which offset a year-to-year increase in operating income in US dollars. In 2003, a low interest rate environment fueled demand for high yield and structured products, and in 2002, the division had particularly strong results in Brazil, partially offset by a write-down of notes issued by National Century Financial Enterprises, Inc., or NCFE. Operating income from Equity decreased CHF 863 million, or 19.7%, in 2003 compared with 2002. The decline was principally due to a decrease in the cash business, particularly in the United States, which was adversely impacted by declines in volume, general margin compression and a decrease in equity new issuance activity during the early part of 2003, partially offset by improvements in the convertibles business. The Equity division, which manages its results in US dollars, was also negatively affected by an unfavorable foreign exchange rate impact. Operating income from Investment Banking decreased CHF 1,553 million, or 31.7%, in 2003 compared with 2002, primarily as a result of a CHF 981 million gain from the sale of the strategic investment in Swiss Re recorded in 2002 and decreased mergers and acquisitions and equity new issuance fees in 2003, partially offset by an increase in lending results.

For divisional reporting of operating income, equity capital market underwriting fees were shared between the Investment Banking and Equity divisions and debt capital market underwriting fees were shared between the Investment Banking and Fixed Income divisions.

The following table sets forth a breakdown of such fees: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Equity capital markets	**897**	1,260	1,922
Debt capital markets	**1,160**	1,023	1,082

1) Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services.

The operating loss in the Other division decreased CHF 1,045 million, from an operating loss of CHF 1,324 million in 2002 to an operating loss of CHF 279 million in 2003. Other includes the results of investments and transactions that are not associated with any particular division in the Institutional Securities segment, including the legacy portfolio and unallocated interest income. The improvement was primarily due to the positive performance in the legacy portfolio in 2003 compared to losses resulting from write-downs in 2002 and a decline in interest associated with the acquisition of DLJ due to lower interest rates. The net exposure, including unfunded commitments, of the non-continuing legacy portfolio was CHF 2,706 million as of December 31, 2003, a decrease of CHF 1,508 million from December 31, 2002.

Operating expenses decreased CHF 2,548 million, or 20.5%, in 2003, compared with 2002 principally due to an unfavorable foreign exchange rate impact. On a US dollar basis, operating expenses decreased 8.1% due mainly to decreased headcount, a decline in amortization of retention awards due to the substantial completion of DLJ retention awards in June 2003, lower severance-related costs, and other cost containment efforts. Personnel expenses decreased CHF 1,857 million, or 21.2%, to CHF 6,885 million, and other operating expenses, which reflected reduced discretionary expenses, including professional fees, technology and occupancy costs, decreased CHF 691 million, or 18.7%, to CHF 2,999 million.

In 2003, Credit Suisse First Boston introduced a three-year vesting period for future share awards in line with its long-term service and retention strategy and industry practice. As a result of the change, Credit Suisse First Boston increased the amount of compensation deferred in the form of share awards and replaced performance-based plans and share option awards with share awards. In 2003, Credit Suisse First Boston (in the Institutional Securities and CSFB Financial Services segments on a combined basis) deferred CHF 1,179 million of compensation in the form of share awards into future periods, compared to CHF 1,356 million awarded in 2002 that was deferred or otherwise not expensed (in the case of share option awards).

Depreciation of non-current assets decreased CHF 95 million, or 15.6%, compared with 2002, primarily due to reduced capital expenditures and leasehold improvements and the impact of a lower US dollar/Swiss franc exchange rate.

Amortization of acquired intangible assets and goodwill decreased CHF 97 million, or 12.7%, compared with 2002, primarily due to the depreciation of the US dollar against the Swiss franc during 2003.

Valuation adjustments, provisions and losses decreased CHF 3,216 million to CHF 363 million in 2003 primarily due to significant charges in 2002: 2002 included a pre-tax charge of CHF 234 million, or CHF 193 million after tax, related to the provision for the agreement in principle with various US regulators involving research analyst independence and the allocation of IPO shares to corporate executive officers and a CHF 702 million pre-tax charge, or CHF 456 million after tax, for private litigation involving research analyst independence, certain IPO allocation practices, Enron and other related litigation. Also, 2002 included a CHF 202 million provision related to excess office facilities. Additionally, 2003 reflects a significantly better credit environment than 2002, the release of credit provisions, and fewer reserves related to impaired and non-impaired loans and the legacy real estate portfolio. Impaired loans at December 31, 2003, decreased CHF 3,623 million, or 66.1%, compared to December 31, 2002. Non-performing loans at December 31, 2003, decreased CHF 2,326 million, or 65.2%, compared with December 31, 2002. These decreases were due in part to higher write-offs in 2003 and to real estate loans held-for-sale, previously presented on the basis of lower of cost or market, net of related credit provisions, and now no longer reported within impaired loans. Real estate loans of CHF 752 million were included in impaired loans as of December 31, 2002.

Extraordinary income, net, decreased to CHF 34 million in 2003 from CHF 379 million in 2002. Extraordinary income in 2003 related to the disposal of assets. Extraordinary income in 2002 primarily related to the CHF 382 million release of a portion of the Group's reserve for general banking risks recorded within the Institutional Securities segment to offset the after-tax impact of a provision for the risk of loss inherent in the portfolio of non-impaired loans and commitments. As described above under " – Credit Suisse Group – Reconciliation of segment reporting in accordance with management reporting principles to consolidated results in accordance with US GAAP," this income is reversed in the Group's consolidated income statement under US GAAP.

During 2003, Institutional Securities applied changes to its management reporting principles resulting from mandatory changes in Swiss GAAP – most significantly for the accounting for derivatives. These changes resulted in the discontinuation of hedge accounting treatment for certain credit default and interest rate swaps. As a result, changes in the fair value of these swaps were reflected in operating income, including gains on credit default swaps, which offset credit losses reflected in valuation adjustments, provisions and losses. The implementation of these changes for 2003 reduced operating income by CHF 199 million, increased valuation adjustments, provisions and losses by CHF 197 million, reduced taxes by CHF 7 million as well as had a cumulative positive effect related to prior periods of CHF 318 million, or CHF 186 million net of tax, in total reducing segment profit by CHF 85 million.

A cumulative effect of changes in accounting principles of CHF 246 million was reported in 2002 with respect to previous periods, relating to the recognition of deferred tax assets on net operating losses. The change led to the recognition of tax benefits of CHF 826 million during 2002.

Year ended December 31, 2002 compared to year ended December 31, 2001

Institutional Securities reported a segment loss of CHF 1,289 million in 2002 compared with a segment loss of CHF 1,366 million in 2001. At December 31, 2002, the pre-tax margin was -15.8%, a decrease of 8.0 percentage points from December 31, 2001.

In 2002, Institutional Securities operating income was CHF 14,479 million, a decrease of 28.0% from CHF 20,097 million in 2001, due to declines in the Fixed Income and Equity divisions and write-downs related to certain non-continuing real estate and distressed assets in the legacy asset portfolio reported within Other.

Operating income from Fixed Income decreased CHF 2,884 million, or 30.7%, in 2002, compared with 2001. The decrease was primarily attributable to a decline in the developed markets interest rate products business, which operated in a more favorable environment of interest rate reduction in 2001 compared with a more stable interest rate environment in 2002. Operating income from the interest rate products business decreased due to a reduction in proprietary trading. Credit products business also decreased partly due to a loss associated with notes issued by affiliates of NCFE in the principal amount of USD 258 million (CHF 359 million) held by Institutional Securities for its own account, which were written down by USD 214 million (CHF 332 million) to 17% of their principal amount. Approximately one-half of the write-down was recorded through operating income and the other half was recorded through valuation adjustments, provisions and losses. Additionally, leverage and bank finance activity declined due to a decrease in high-yield bond underwritings and average loan inventory and a write-down of telecommunications positions. The division was adversely impacted by the corporate derivatives revenue sharing agreement instituted with the Equity and Investment Banking divisions in 2002.

In 2002, the equity market was challenging, with reduced volumes in US new issuances, depressed trading volumes and reduced commission margins in the cash customer business. Operating income from Equity decreased CHF 1,920 million, or 30.5%, in 2002 compared with 2001. The derivatives business fell most significantly in convertible instruments, adversely impacted by corporate defaults, widening spreads, declines in the telecommunications and energy sectors and reduced new issuance activity, and in index arbitrage, due to low market volatility and reduced activity. In addition, the over-the-counter business reflected reduced client activity and option volatility and lower underlying stock prices.

Operating income from Investment Banking decreased CHF 201 million, or 3.9%, in 2002 compared with 2001. With the exception of the private equity business and the beneficial impact of a new revenue-sharing arrangement with the Fixed Income and Equity divisions for certain derivative transactions, the decrease in Investment Banking was spread broadly across most business lines in the division. The most significant decline was attributable to merger and acquisition fee income, generally consistent with the 30% global reduction in merger and acquisition transactions. Offsetting these declines was an increase in operating income from private equity due to increased gains on the sales of investments, including a CHF 981 million gain from the sale of the strategic investment in Swiss Re, and reduced write-downs of investments. The entire investment in Swiss Re has been sold.

Compared to 2001, the operating loss in the Other division increased CHF 613 million, to an operating loss of CHF 1,324 million in 2002, primarily as a result of losses associated with the legacy portfolio held for disposition partially offset by a decline in interest associated with the acquisition of DLJ due to lower interest rates. The net exposure, including unfunded commitments, of the non-continuing legacy portfolio was CHF 4.2 billion as of December 31, 2002, a decrease of CHF 4.8 billion from December 31, 2001. The aggregate amount of 2002 charges related to the legacy business totaled CHF 1.7 billion, of which CHF 1.4 billion was charged against operating income and CHF 240 million was reported in valuation adjustments, provisions and losses.

Operating expenses decreased CHF 5,776 million, or 31.7%, in 2002, compared with 2001. Year-on-year, headcount decreased 13.7%, or approximately 2,500, as a result of management's steps to align more closely the size of the business to market conditions and to bring the cost structure in line with competitors. Personnel expenses decreased CHF 4,459 million, or 33.8%, to CHF 8,742 million, primarily due to the impact of reduced headcount and lower incentive compensation and restructuring and severance-related costs. Other operating expenses decreased CHF 1,317 million, or 26.3%, to CHF 3,690 million, primarily as a result of reduced discretionary costs, including travel and entertainment, professional services such as consulting, recruiting and advertising fees, and market data services. The reduction in operating expenses also reflected cost reduction initiatives and lower business volumes.

Depreciation of non-current assets decreased CHF 170 million, or 21.8%, compared with 2001, primarily due to reduced capital expenditures and leasehold improvements and a reduction in office facilities.

Amortization of acquired intangible assets and goodwill decreased CHF 59 million, or 7.2%, compared with 2001, primarily due to the depreciation of the US dollar against the Swiss franc during 2002.

Valuation adjustments, provisions and losses increased CHF 1,720 million, or 92.5%, to CHF 3,579 million in 2002 compared with 2001. The increase was primarily related to higher credit provisions. Corporate credit provisions increased 50.0%, and included a CHF 530 million provision related to a change in estimate for the risk of loss inherent in the portfolio of non-impaired loans and commitments.

Non-continuing real estate lending credit provisions increased to CHF 241 million in 2002 compared with a net release of provisions of CHF 64 million in 2001. At December 31, 2002 and 2001, credit reserves related to the proprietary real estate business totaled approximately CHF 355 million and CHF 559 million, respectively, and aggregate credit reserves related to loans outstanding totaled CHF 2,803 million at December 31, 2002.

Additionally, 2002 included a pre-tax charge of CHF 234 million charge, or CHF 193 million after tax, related to the provision for the agreement in principle with various US regulators involving research analyst independence and the allocation of IPO shares to corporate executive officers and a CHF 702 million pre-tax charge, or CHF 456 million after tax, for private litigation involving research analyst independence, certain IPO allocation practices and Enron and other related litigation. The years 2002 and 2001 include a provision of CHF 202 million and CHF 174 million, respectively, related to excess office facilities. The year 2001 includes a pre-tax charge of CHF 169 million for a settlement with the SEC and NASDR regarding investigations into certain IPO allocation practices.

Extraordinary income, net, was CHF 379 million in 2002 compared to extraordinary expenses, net of CHF 1 million in 2001. Extraordinary income in 2002 related to the release of a portion of the Group's reserve for general banking risks as described above.

A cumulative effect of change in accounting principle of CHF 246 million was reported in 2002 with respect to previous periods, reflecting the change in accounting principle relating to the recognition of deferred tax assets on net operating losses. The change in accounting principle led to a reduction in taxes of CHF 826 million in 2002.

CSFB Financial Services

The CSFB Financial Services segment provides international asset management services to institutional, mutual fund and private investors through its asset management business, which operates under the main brand name Credit Suisse Asset Management, and financial advisory services to high-net-worth individuals and corporate investors through Private Client Services. Its main sources of operating income are asset-based fee income and transaction fees from its investment advisory business.

On May 1, 2003, CSFB Financial Services sold its clearing and execution platform, Pershing, to The Bank of New York Company, Inc.

The following table outlines the results of the CSFB Financial Services segment: [1)]

Year ended December 31, in CHF m	2003	2002	2001
Net interest income	**54**	317	537
Net commission and service fee income	**1,318**	2,575	3,046
Net trading income	**140**	166	254
Other ordinary income	**12**	(8)	(47)
Operating income	**1,524**	3,050	3,790
Personnel expenses	**862**	1,640	2,136
Other operating expenses	**435**	935	1,308
Operating expenses	**1,297**	2,575	3,444
Gross operating profit	**227**	475	346
Depreciation of non-current assets	**37**	142	178
Amortization of acquired intangible assets and goodwill	**421**	537	630
Valuation adjustments, provisions and losses	**35**	23	79
Profit/(loss) before extraordinary items, cumulative effect of change in accounting principle and taxes	**(266)**	(227)	(541)
Extraordinary income/(expenses), net	**134**	(134)	(14)
Cumulative effect of change in accounting principle	**0**	8	0
Taxes	**48**	(194)	438
Segment result	**(84)**	(547)	(117)

[1)] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services and the transfer of Credit Suisse First Boston's Private Client Services UK business from CSFB Financial Services to Private Banking. In 2003 Credit Suisse Group applied mandatory changes in Swiss Federal Banking Commission guidelines. Prior periods are not required to be adjusted.

Year ended December 31, 2003 compared to year ended December 31, 2002

In 2002, CSFB Financial Services recorded a pre-tax extraordinary loss of CHF 134 million, or CHF 390 million after tax, related to the sale of Pershing. The 2002 operating income and operating expenses of Pershing, which was sold in

May 2003, were CHF 1,332 million and CHF 1,031 million, respectively. The 2003 net result of Pershing reported in operating income was CHF 20 million. In November 2003, CSFB Financial Services sold its 50% interest in a Japanese online broker, reporting extraordinary income of CHF 134 million, or CHF 96 million net of tax. As a result of these divestitures, the results of the CSFB Financial Services segment may not be fully comparable between periods.

CSFB Financial Services measures business performance based on assets under management, discretionary assets under management and net new assets. Assets under management fell CHF 28.1 billion, or 5.8%, while discretionary assets under management decreased CHF 1.3 billion, or 0.4%, and a net asset outflow of CHF 15.7 billion resulted during 2003.

The following table shows key information for CSFB Financial Services: [1)]

Year ended December 31	2003	2002	2001
Cost/income ratio	**87.5%**	89.1%	95.6%
Average allocated capital in CHF m	**529**	939	998
Pre-tax margin	**(8.7%)**	(11.6%)	(14.6%)
Personnel expenses/operating income	**56.6%**	53.8%	56.4%
Net new assets Credit Suisse Asset Management in CHF bn (discretionary) [2)]	**(14.8)**	(31.3)	9.2
Net new assets Private Client Services in CHF bn	**(0.9)**	8.0	15.8
Growth in assets under management [2)]	**(5.8%)**	(24.2%)	1.7%
Growth in discretionary assets under management – Credit Suisse Asset Management [2)]	**(0.2%)**	(23.5%)	1.1%
of which net new assets [2)]	**(5.3%)**	(8.6%)	2.6%
of which market movement and structural effects	**5.1%**	(14.9%)	(8.8%)
of which acquisitions/(divestitures)	**–**	–	7.3%
Growth in net new assets Private Client Services	**(1.3%)**	8.6%	15.3%

December 31	2003	2002	2001
Assets under management in CHF bn [2)]	**454.1**	482.2	636.4
of which Credit Suisse Asset Management [2)]	**392.9**	412.8	508.8
of which Private Client Services	**61.2**	67.5	93.0
Discretionary assets under management in CHF bn [2)]	**295.7**	297.0	393.4
of which Credit Suisse Asset Management [2)]	**278.1**	278.7	364.2
of which mutual funds distributed	**110.0**	106.5	132.4
of which Private Client Services	**17.6**	18.3	29.2
	158.4	185.2	243.0

Advisory assets under management in CHF bn [2]			
Number of employees (full-time equivalents)	**2,602**	6,783	8,068

[1] Comparative figures have been restated to reflect the transfer of the securities and treasury execution platform of Credit Suisse First Boston in Switzerland to Credit Suisse Financial Services and the transfer of Credit Suisse First Boston's Private Client Services UK business from CSFB Financial Services to Private Banking.
[2] Credit Suisse Asset Management figures for Assets under management and Net new assets include assets managed on behalf of other entities within Credit Suisse Group.

Operating income was CHF 1,524 million in 2003, a decrease of 50.0% compared to 2002. Excluding Pershing, 2003 operating income decreased 12.5% compared with 2002 mainly as a result of lower revenues due to reduced sales staff and client balances at Private Client Services and the impact of a lower US dollar/Swiss franc exchange rate at Credit Suisse Asset Management. Net commission and service fee income decreased CHF 1,257 million, or 48.8%, and net interest income decreased CHF 263 million, or 83.0%, from 2002 primarily due to the Pershing sale. The segment loss was CHF 84 million in 2003, an increase of CHF 463 million compared to 2002 resulting primarily from the 2002 loss on the sale of Pershing and the extraordinary gain in 2003 on the sale of the 50% interest in a Japanese online broker offset in part by the decline in results in 2003 because of the Pershing sale.

Operating expenses decreased CHF 1,278 million, or 49.6%, with personnel expenses declining CHF 778 million, or 47.4%, and other operating expenses declining CHF 500 million, or 53.5%, in 2003 primarily as a result of the sale of Pershing, cost reduction measures and a decline in the amortization of retention awards due to the substantial completion of the DLJ retention awards in June 2003. Excluding the effect of the Pershing sale, there was an 8.2% reduction in headcount and a decrease in operating expenses of CHF 247 million, or 16.0%, compared with 2002.

Depreciation of non-current assets decreased CHF 105 million, or 73.9%, compared with 2002 due primarily to the sale of Pershing.

Amortization of acquired intangible assets and goodwill decreased CHF 116 million, or 21.6%, to CHF 421 million primarily due to the sale of Pershing in 2003, offset in part by a CHF 270 million pre-tax, or CHF 176 million after-tax, impairment of acquired intangible assets associated with the high-net-worth asset management business in 2003.

In 2003, Credit Suisse Asset Management’s assets under management decreased CHF 19.9 billion, or 4.8%, to CHF 392.9 billion. Of the decline in assets under management, CHF 24.4 billion was attributable to changes in reporting, predominately to conform to the new SFBC definitions. Excluding these changes, assets under management increased by CHF 4.5 billion, due to CHF 21.0 billion of market performance gains, mostly offset by a CHF 14.8 billion net outflow of assets and CHF 1.7 billion of foreign exchange declines. In 2003, Credit Suisse Asset Management’s discretionary assets under management decreased CHF 0.6 billion, or 0.2%, to CHF 278.1 billion while discretionary mutual funds distributed increased CHF 3.5 billion, or 3.3%, to CHF 110.0 billion. Private Client Services assets under management decreased CHF 6.3 billion, or 9.3%, to CHF 61.2 billion. Of the decline in assets under management, CHF 3.9 billion was attributable to a change in the definition of assets under management, CHF 7.8 billion to foreign exchange declines and CHF 0.9 billion to a net outflow of assets, which was partially offset by CHF 5.3 billion of market performance gains and CHF 1.0 billion from the Volaris acquisition. Private Client Services discretionary assets under management decreased CHF 0.7 billion, or 3.8%, to CHF 17.6 billion.

Year ended December 31, 2002 compared to year ended December 31, 2001

In 2002, CSFB sold its CSFB *direct* business in the United States and the United Kingdom and its brokerage service subsidiary Autranet Inc. The combined operating income and operating expenses of these operations were CHF 255 million and CHF 363 million, respectively, in 2001. Assets under management for CSFB *direct* totaled CHF 34.6 billion as of December 31, 2001. On December 7, 2001, CSFB Financial Services acquired SLC Asset Management Limited, SLC Pooled Pensions Limited and Sun Life of Canada Unit Managers Limited, the principal UK asset management subsidiaries of Sun Life Financial Services of Canada Inc, referred to collectively as SLCAM. The companies are asset management companies with contracts for the management of the insurance assets (including property) of their former affiliate, Sun Life Assurance Company of Canada (U.K.) Limited and third-party institutional and retail funds. The 2002 results include for the first time the full-year contribution of SLCAM. As a result of the acquisitions and dispositions noted above, the results between periods may not be fully comparable.

CSFB Financial Services reported a CHF 547 million segment loss in 2002, a CHF 430 million decline versus the CHF 117 million segment loss in 2001, reflecting reduced operating income and a CHF 134 million pre-tax, or CHF 390 million after tax, loss on the sale of Pershing, partially offset by lower operating expenses. As a result of negative economic and market conditions and performance issues, assets under management fell CHF 154.2 billion, or 24.2%, while discretionary assets under management decreased CHF 96.4 billion, or 24.5%, and a net asset outflow of CHF 23.3 billion resulted during 2002.

Operating income was CHF 3,050 million in 2002, a decrease of 19.5% compared to 2001, reflecting a net outflow of assets under management at Credit Suisse Asset Management, a decline in major market indices globally, lower trading volumes, an overall decline in customer debit balances at Pershing and Private Client Services and the sale of CSFB *direct* and Autranet in 2002. Net commission and service fee income decreased CHF 471 million, or 15.5%, and net interest income decreased CHF 220 million, or 41.0%.

Operating expenses decreased CHF 869 million, or 25.2%, with personnel expenses declining CHF 496 million, or 23.2%, and other operating expenses declining CHF 373 million, or 28.5%, in 2002, primarily as a result of the sales of CSFB *direct* and Autranet and cost reduction measures, including a 16.0% headcount reduction, and lower restructuring and severance-related costs.

Amortization of acquired intangible assets and goodwill decreased CHF 93 million, or 14.8%, to CHF 537 million, primarily due to the sale of CSFB *direct* and Autranet.

In 2002, a pre-tax extraordinary loss of CHF 134 million, or CHF 390 million after tax, related to the sale of Pershing was recorded.

In 2002, Credit Suisse Asset Management's assets under management decreased CHF 96.0 billion, or 18.9%, to CHF 412.8 billion. Of the decline in assets under management, CHF 47.1 billion was attributabed to foreign exchange movements, CHF 17.6 billion was related to market and performance declines and CHF 31.3 billion was attributed to a net outflow of assets. In 2002, Credit Suisse Asset Management's discretionary assets under management decreased CHF 85.5 billion, or 23.5%, to CHF 278.7 billion, while discretionary mutual funds distributed decreased CHF 25.9 billion to CHF 106.5 billion. Private Client Services' assets under management decreased CHF 25.5 billion, or 27.4%, to CHF 67.5 billion. Of the decline in assets under management, CHF 14.6 billion was attributable to foreign exchange movements and CHF 18.9 billion to market declines, partially offset by CHF 8.0 billion from net new asset inflows.

Corporate Center

The results presented as Corporate Center include our parent company operations including Group financing initiatives and income and expense items related to centrally managed, own-use real estate, mainly comprised of bank premises within Switzerland. In addition, it includes consolidation adjustments and adjustments to segment accounts related to management reporting principles as described in note 5 of the notes to the consolidated financial statements.

The following table outlines the result of the Corporate Center:

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**(88)**	(966)	(116)
Personnel expenses	**237**	176	109
Other operating expenses	**(246)**	(423)	(288)
Operating expenses	**(9)**	(247)	(179)
Gross operating profit/(loss)	**(79)**	(719)	63
Depreciation of non-current assets	**364**	371	405
Amortization of acquired intangible assets and goodwill	**(5)**	(2)	(8)
Valuation adjustments, provisions and losses	**7**	318	55
Profit/(loss) before extraordinary items, cumulative effect of change in accounting principle and taxes	**(445)**	(1,406)	(389)
Extraordinary income/(expenses), net	**100**	182	(8)
Taxes	**131**	77	(56)
Net profit/(loss) before minority interests	**(214)**	(1,147)	(453)
Minority interests	**(61)**	(55)	(6)
Segment result	**(275)**	(1,202)	(459)

Typically, the Corporate Center reports negative operating income. A comparison of the gross operating profit/(loss) is discussed, as it is more meaningful than discussing operating income and operating expenses on a gross basis.

Year ended December 31, 2003 compared to year ended December 31, 2002

The gross operating loss was CHF 79 million in 2003 compared to a gross operating loss of CHF 719 million in 2002. This decrease compared to the prior year was primarily due to the recognition of significantly lower valuations of investments held at the Corporate Center, which had a negative impact of CHF 838 million on the Corporate Center's 2002 gross operating loss.

Valuation adjustments, provisions and losses decreased CHF 311 million, or 97.8%, in 2003 compared to 2002. This decrease was primarily due to a charge recorded in 2002 related to an adjustment in the method of estimating inherent losses related to lending activities in the Institutional Securities segment.

In 2003, extraordinary income/(expenses), net decreased CHF 82 million, or 45.1%, to income of CHF 100 million, primarily as a result of the 2002 release from the reserve for general banking risks recorded as extraordinary income at the Corporate Center which is reversed in the Group's consolidated income statement in accordance with US GAAP.

Year ended December 31, 2002 compared to year ended December 31, 2001

Gross operating loss was CHF 719 million in 2002 compared to a gross operating profit of CHF 63 million in 2001. This was primarily due to the income statement recognition of significantly lower valuations of investments held at the Corporate Center, which had a negative effect on the gross operating loss of the Corporate Center of CHF 838 million.

Depreciation of non-current assets decreased CHF 34 million, or 8.4%, in 2002 primarily as a result of lower depreciation on own-use real estate. Valuation adjustments, provisions and losses increased CHF 263 million in 2002 compared to 2001. This increase primarily resulted from a charge recorded in 2002 related to an adjustment in the method of estimating inherent losses related to lending activities in the Institutional Securities segment.

Extraordinary income/(expenses), net increased CHF 190 million from an expense of CHF 8 million in 2001 to income of CHF 182 million in 2002, primarily as a result of the release from the reserve for general banking risks recorded as extraordinary income at the Corporate Center, which is reversed in the Group's consolidated income statement in accordance with US GAAP.

Critical Accounting Policies

In order to prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), we must make estimates and assumptions based on judgment and available information. The reported amounts of assets and liabilities and revenues and expenses are affected by these estimates and assumptions. Actual results could differ from these estimates, and the differences could be material.

Our significant accounting policies and a discussion of new accounting pronouncements are disclosed in notes 1 and 2 of the notes to the consolidated financial statements. We believe that the critical accounting policies discussed below involve the most complex judgments and assessments. We believe that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent, reasonable and consistently applied.

Fair value

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

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

Valuation process

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

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

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

Controls over the fair valuation process

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

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

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

For further discussion of our risk management policies and procedures, refer to “Item 11 – Quantitative Disclosure about Market Risk.”

Trading assets

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

The majority of our positions in debt securities consists of federal government debt obligations of Switzerland, cantonal or local governmental entities or other countries and investment-grade corporate debt securities, and also includes mortgage-backed or other asset-backed securities, all of which are issued in both developed and emerging markets. For debt securities for which market prices are not available, the valuation is based on yields reflecting the perceived risk of the issuer or country rating and the maturity of the security, recent disposals in the market or other modeling techniques, which may involve judgment. As of December 31, 2003 and 2002, the fair value of debt securities included in *Trading assets* was CHF 114.8 billion and CHF 99.3 billion, respectively.

Commercial mortgage whole loans and certain residential mortgage whole loans held-for-sale are carried at the lower of aggregate cost or fair value. Values of residential and commercial mortgage-backed securities and other asset-backed securities are generally available through quoted market prices, which are often based on market information of the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Values of residential and commercial mortgage-backed securities and other asset-backed securities that are not based on quoted market prices or prices at which similarly structured and collateralized securities trade between dealers and to and from customers are valued using valuation models incorporating prepayment scenarios and Monte Carlo simulations. As of December 31, 2003 and 2002, the fair value of residential and commercial mortgage-backed securities and other asset-backed securities included in *Trading assets* was CHF 36.0 billion and CHF 40.2 billion, respectively.

Collateralized debt obligations (CDOs) and collateralized bond obligations (CBOs) are structured securities based on underlying portfolios of asset-backed securities, certain residential and mortgage securities, high-yield and investment grade corporate bonds, leveraged loans and other debt obligations. These instruments are split into various structured tranches, and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Values are derived subjectively, using valuation models to calculate the internal rate of return of the estimated cash flows. As of December 31, 2003 and 2002, the fair value of CDOs and CBOs included in *Trading assets* was CHF 0.9 billion and CHF 0.9 billion, respectively.

Valuations of money market instruments are generally based on market prices or market parameters, and therefore require less judgment. As of December 31, 2003 and 2002, the fair value of money market instruments included in *Trading assets* was CHF 10.7 billion and CHF 16.8 billion, respectively.

The majority of our positions in equities are traded on public stock exchanges, for which daily quoted market prices are available. Preferred shares are equity instruments that usually have a defined dividend and are traded publicly either OTC or on recognized exchanges. Fair values of preferred shares are determined by their yield and the subordination relative to the issuer’s other credit obligations. As of December 31, 2003 and 2002, the fair value of equities included in *Trading assets* was CHF 52.0 billion and CHF 23.7 billion, respectively.

Convertible bonds are generally valued using direct pricing sources; however we hold positions in a small number of convertible bonds for which no direct prices are available. For such convertible bonds, we typically use a subjective approach to valuation using internal and external models, for which the key input parameters include stock price, dividend rates, credit spreads, foreign exchange rates, prepayment rates, and equity market volatility. As of December 31, 2003 and 2002, the fair value of convertible bonds included in *Trading assets* was CHF 11.6 billion and CHF 9.2 billion, respectively.

The fair values of positions in separately managed funds, which include debt and equity securities, are determined on a regular basis by independent fund administrators. As valuations are not provided on a daily basis, models are used to estimate changes in fair value between such determination dates. As of December 31, 2003 and 2002, the fair value of positions in separately managed funds included in *Trading assets* was CHF 2.7 billion and CHF 7.2 billion, respectively.

Our positions in derivatives held for trading purposes include both OTC and exchange-traded derivatives. The fair value of exchange-traded derivatives is typically derived from the observable exchange price and/or observable market parameters. Our primary exchange-traded derivatives include futures and certain option agreements. OTC derivatives include forwards, swaps and options on foreign exchange, interest rates, equities and credit instruments. Fair values for OTC derivatives are determined on the basis of internally developed proprietary models using various input parameters. The input parameters include those characteristics of the derivative that have a bearing on the economics of the instrument and market parameters. In well-established derivatives markets, the Black-Scholes model is widely used to calculate the fair value of many types of options.

The determination of the fair value of many derivatives involves limited subjectivity because the required input parameters are observable in the marketplace. The pricing of these instruments is referred to as "direct." For other more complex derivatives, subjectivity relating to the determination of input parameters reduces price transparency. The pricing of these instruments is referred to as "indirect." Specific areas of subjectivity include estimating long-dated volatility assumptions on OTC option transactions and recovery rate assumptions for credit derivative transactions. Uncertainty of pricing assumptions and liquidity are also considered as part of the valuation process. Under US GAAP, we do not recognize a dealer profit (unrealized gain at inception of a derivative transaction) unless the valuation underlying the unrealized gain is evidenced by (a) quoted market prices in an active market, (b) observable prices of other current market transactions or (c) other observable data supporting a valuation technique.

As of December 31, 2003 and 2002, the fair value of our positions in derivatives held for trading purposes included in *Trading assets* was CHF 51.8 billion and CHF 53.0 billion, respectively. Substantially all of the replacement values of these instruments were derived using direct pricing. For further information on the fair value of derivatives as of December 31, 2003 and 2002, see "Derivatives" in this section and note 37 of the notes to the consolidated financial statements.

Investment securities recorded at fair value

Investment securities recorded at fair value include debt and equity securities classified as available-for-sale. The majority of debt and equity securities are quoted on public exchanges or liquid OTC markets where the determination of fair value involves relatively little judgment. These instruments include government and corporate bonds held for asset and liability management or other medium-term business strategies. As discussed in note 1 of the notes to the consolidated financial statements, recognition of an impairment loss on investment securities is recorded if a decline in fair value below carrying value is considered to be other than temporary. The risks inherent in the assessment methodology for impairments include the risk that market factors may differ from our expectations, that we may decide to sell a security for unforeseen liquidity needs, or that the credit assessment or equity characteristics may change from our original assessment.

As of December 31, 2003 and 2002, the fair value of debt and equity securities classified as available-for-sale included in *Investment securities* was CHF 88.4 billion and CHF 101.3 billion, respectively. Refer to "Item 11 – Quantitative Disclosure About Market Risk" for a discussion of the Group's market risk exposure and risk management.

Other assets and liabilities recorded at fair value

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

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

The following table sets forth the fair value of our private equity investments by category:

	2003		2002	
December 31, in CHF m	Fair value	Percent of total	Fair value	Percent of total
	1,699	**53.7%**	1,337	40.2%

Credit Suisse First Boston-managed funds				
Direct investments	**174**	**5.5%**	135	4.1%
Funds managed by third parties	**1,292**	**40.8%**	1,849	55.7%
Total	**3,165**	**100.0%**	3,321	100.0%

Credit Suisse First Boston-managed funds are partnerships and related direct investments for which Credit Suisse First Boston acts as the fund's advisor and makes investment decisions. Credit Suisse First Boston-managed funds principally invest in private securities and, to a lesser extent, publicly traded securities and fund of fund partnerships. The fair value of our investments in Credit Suisse First Boston-managed fund of funds partnerships is based on the valuation received from the underlying fund manager. Direct investments are generally debt and equity securities that are not made through or "side by side" with Credit Suisse First Boston-managed funds and consist of public and private securities. Funds managed by third parties are investments by Credit Suisse First Boston as a limited partner in a fund managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund.

The held-for-sale loan portfolio primarily includes residential and commercial mortgage loans that are either purchased or originated with a sole intent to securitize. Other loans held-for-sale are recorded in *Other assets* and are carried at the lower of cost or fair value. The commercial real estate loans are valued using origination spreads, incorporating loan-to-value ratios, debt service coverage ratios, geographic location, prepayment protection, and current yield curves. In addition, current written offers or contract prices are considered in the valuation process. As of December 31, 2003 and 2002, the carrying amount of positions included in *Loans held-for-sale* totaled CHF 8.8 billion and CHF 10.0 billion, respectively.

Provisions from the insurance business

Future policyholder benefits

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

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

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

Claims reserves

A liability for unpaid claims, including estimates of costs for claims relating to reinsured events that have occurred but have not been reported and a liability for claim adjustments expenses is accrued for when insured events occur. The liability for unpaid claims is derived from best estimate assumptions and appropriate actuarial methods. The liability for unpaid claims is based on the estimated ultimate cost of settling claims, using past experience adjusted for current and expected future trends and any other factors that would modify past experience.

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

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

Deferred policy acquisition costs (DAC)

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

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

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

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

For further information on DAC as of December 31, 2003 and 2002, see note 21 of the notes to the consolidated financial statements.

Present value of future profits (PVFP)

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

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

For further information on PVFP as of December 31, 2003 and 2002, see note 18 of the notes to the consolidated financial statements.

Contingencies and loss provisions

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

Litigation contingencies

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

Allowances and provisions for losses

As a normal part of our business, we are exposed to credit risks through our lending relationships, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, we generally incur a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty’s obligation. We maintain allowances for loan losses, as discussed in notes 1 and 14 of the consolidated financial statements, which we consider adequate to absorb credit losses existing at the balance sheet date. These allowances are for probable credit losses inherent in existing exposures and credit exposures specifically identified as impaired.

Inherent loan loss allowance

The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain probable inherent loss. The loan valuation allowance is established by analyzing historical and current default probabilities, historical recovery assumptions, and internal risk ratings. During 2003, we refined the inherent loss reserving methodology applied to the Institutional Securities segment to provide more weight to the effects of the current economic environment on its credit portfolio than was used previously. The refined methodology for this segment adjusts the rating-specific default probabilities to incorporate not only historic third-party data over a period but also those implied from current quoted credit spreads. During 2002, we adjusted our method of estimating inherent losses related to our credit exposures. This adjustment resulted from a continued deterioration in the credit markets and was made to better reflect our estimate of probable credit losses.

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

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

Specific loan loss allowances

We make provisions for specific credit losses on impaired loans based on regular and detailed analysis of each loan in the portfolio. Our analysis includes an estimate of the realizable value of any collateral, the costs associated with obtaining repayment and realization of any such collateral, the counterparty’s overall financial condition, resources and payment record, the extent of the Group’s other commitments to the same counterparty and prospects for support from any financially responsible guarantors. For further information on specific loan loss allowances, refer to notes 1 and 14 of the notes to the consolidated financial statements.

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

For loan portfolio disclosures, valuation adjustment disclosures and certain other information relevant to the evaluation of credit risk and credit risk management, refer to “Item 11 – Quantitative Disclosure about Market Risk.”

Goodwill impairments

As a result of acquisitions, the Group has recorded goodwill as an asset on its consolidated balance sheet, the most significant components of which relate to the acquisitions of DLJ and Winterthur. Goodwill was CHF 12.3 billion as of December 31, 2003. We review the recorded balance of goodwill for possible impairments on an annual basis and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable. Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a reporting unit or significant portion of a reporting unit will be sold or otherwise disposed; results of testing for recoverability of a significant asset group within a reporting unit; and recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

For the purpose of testing goodwill for impairment, we assess each reporting unit individually. Reporting units equal the Group's operating segments. If the fair value of a reporting unit exceeds its carrying value, there is no goodwill impairment. Factors considered in determining fair value of reporting units include, among other things, an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in our share price and those of our competitors; estimates of our future earnings potential; and the level of interest rates.

Estimates of our future earnings potential and that of our reporting units involves considerable judgment, including our view on future changes in market cycles, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the Group's segments could cause us to record a goodwill impairment charge in the future.

During 2003, the Group recorded an impairment charge of CHF 1.5 billion, which is further described in note 16 of the notes to the consolidated financial statements.

Deferred tax asset valuation allowances

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

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

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

As of December 31, 2003, the Group had deferred tax assets resulting from temporary differences and from net operating losses that could reduce taxable income in future periods. The consolidated balance sheets as of December 31, 2003 and 2002 include deferred tax assets of CHF 11,363 million and CHF 14,227 million, respectively, and deferred tax liabilities of CHF 6,960 million and CHF 10,926 million, respectively. Due to uncertainty concerning our ability to generate the necessary amount and mix of taxable income in future periods, we recorded a valuation allowance against our deferred tax assets in the amount of CHF 1,653 million and CHF 1,931 million as of December 31, 2003 and 2002, respectively, which related primarily to deferred tax assets on net operating loss carryforwards.

For further information on deferred tax assets, refer to note 32 of the notes to the consolidated financial statements.

Pension plans

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

As of December 31, 2003, the four largest of the Group's defined benefit pension plans (two in Switzerland, one in the United Kingdom and one in the United States) accounted for 84% of the projected benefit obligations and 87% of the plan assets of its total defined benefit pension plans. The annual amount contributed to these main plans over the last four years averaged CHF 522 million. In 2003, we made contributions of CHF 556 million to these main plans. We expect our 2004 contributions to these main plans to be CHF 690 million, the increase being due to several large one-off contributions.

The projected benefit obligations of the Group's total defined benefit pension plans include an amount related to future salary increases of CHF 1,321 million. On the basis of the accumulated benefit obligation, which is defined as the projected benefit obligation less the amount related to future salary increases, the under-funded status of the plans amounted to CHF 885 million for 2003.

We are required to estimate the expected return on plan assets, which is then used to compute pension cost recorded in the consolidated statements of income. Estimating future returns on plan assets is particularly subjective since the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. During 2002 and 2001, global capital market developments resulted in poor returns on certain of the plans' assets. As a result, the difference between the expected and actual return on plan assets contributed to an increase in net unrecognized actuarial losses for the Group's plans of approximately CHF 1,305 million in 2002 and CHF 1,850 million in 2001.

Unrecognized actuarial losses are amortized to expense over the average remaining service period of active employees expected to receive benefits of the plan, which is an average of 13.4 years for the Group at the end of 2003. The expense associated with the amortization of unrecognized net actuarial losses for the years ended December 31, 2003 and 2002 was CHF 32 million and CHF 11 million, respectively. The amortization of unrecognized actuarial losses for the year ending December 31, 2004, which is assessed at the beginning of the plan year, is expected to be CHF 39 million. The amount by which the return on plan assets exceeds/does not exceed our estimate of the expected return on those assets further reduce/increase the amount of net unrecognized actuarial losses, resulting in a higher or lower amount of amortization expense in periods after 2004. For further information with respect to our pension benefits, refer to note 34 of the notes to the consolidated financial statements.

Off-Balance Sheet Arrangements

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

Guarantees

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

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

In accordance with the terms of the Sale and Purchase Agreement (SPA) for Winterthur International, the Group is required to participate with the purchaser in a review for any adverse development of loss and unearned premium reserves during a three year post-completion seasoning period, which expires on June 30, 2004. This seasoning process may result in a balancing payment being due to the purchaser. The current provision for this sale related contingency is based on an estimate prepared by an external independent actuary, which was performed based upon data provided by the purchaser as of December 31, 2002. The Group has not received sufficient additional data related to developments subsequent to December 31, 2002 to update its current estimate of the sale related contingency. The Group expects to receive updated data from the purchaser in the third quarter of 2004, in connection with the settlement of the reserve seasoning; the evaluation of such data could result in an increase in the reserves for the Winterthur International sales related contingencies, and the amount of such a change could be significant. The eventual settlement of the reserve seasoning will be determined with the assistance of an independent actuary should the Group and the purchaser disagree on the final amount due under the SPA.

The Group also entered into a profit and loss sharing agreement with the purchaser of Churchill. In accordance with the terms of the SPA for Churchill, the Group is required to reimburse the purchaser for a proportion of any losses in one line of business of a subsidiary of Churchill. Profits in this one line of business are shared under similar terms. The amount payable or receivable under the provisions of the Churchill SPA is determined based primarily on actuarial valuations, which are updated and settled quarterly, with an independent actuarial valuation of the provisions being performed twice each year.

Financial Accounting Standards Board, or FASB, Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45, requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of guaranteed obligations for guarantees issued or amended after December 31, 2002. The recognition of these liabilities did not have a material effect on our financial position or results of operations. For disclosure of our estimable maximum payment obligations under certain guarantees and related information, see note 38 of the notes to the consolidated financial statements.

Retained or Contingent Interests in Assets Transferred to Unconsolidated Entities

The Group originates and purchases commercial and residential mortgages for the purpose of securitization. The Group sells these mortgage loans to qualified special purpose entities (QSPEs) that are not consolidated by the Group. These QSPEs issue securities that are backed by the assets transferred to the QSPEs and pay a return based on the returns of those assets. Investors in these mortgage-backed securities typically have recourse to the assets in the QSPE. The investors and the QSPEs have no recourse to the Group's assets. The Group is an underwriter of, and makes a market in, these securities.

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

The Group may retain interests in these securitized assets in connection with its underwriting and market-making activities. Retained interests in securitized financial assets are included at fair value in trading assets in the consolidated balance sheet. Any changes in the fair value of these retained interests are recognized in the consolidated statement of income. The Group engages in these securitization activities to meet the needs of clients as part of our fixed income activities, to earn fees and to sell financial assets. These securitization activities do not provide a material source of our liquidity, capital resources or credit risk or market risk support. See note 39 of the notes to the consolidated financial statements, which includes quantitative information on our securitization activities and retained interests.

Variable Interest Entities

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

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

The Group acts as the administrator and provider of liquidity and credit enhancement facilities for several commercial paper conduit vehicles (CP conduits). These CP conduits purchase assets, primarily receivables, from clients and provide liquidity through the issuance of commercial paper backed by these assets. The clients provide credit support to investors of the CP conduits in the form of over-collateralization and other asset-specific enhancements as described below. The Group does not sell assets to the CP conduits and does not have any ownership interest in the CP conduits. Several CP conduits were restructured and combined in 2003 and the combined CP conduit transferred the risk relating to a majority of its expected losses to a third party.

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

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. These activities include the use of VIEs to structure various fund-linked products to provide clients with investment opportunities in alternative investments. In addition, the Group provides financing to client sponsored VIEs, established to purchase or lease certain types of assets. For certain products, structured to provide clients with investment opportunities, a VIE holds underlying investments and issues securities that provide investors with a return based on the performance of those investments. The investors typically retain the risk of loss on such 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.

FIN 46 requires the Group to consolidate all VIEs for which it is the primary beneficiary, defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. In December 2003, the FASB issued a revision of FIN 46, referred to as FIN 46R, to address various implementation issues that had arisen since the issuance of FIN 46 and to provide companies the option to defer the adoption of FIN 46 for certain VIEs to periods ending after March 15, 2004.

As of December 31, 2003, with the exception of certain VIEs that were a subject of the deferral under FIN 46R, the Group consolidated all VIEs for which it is the primary beneficiary under the original provisions of FIN 46 or the revised provisions of FIN 46R. The Group also has interests in VIEs that are not required to be consolidated because it is not the primary beneficiary. See note 40 of the notes to the consolidated financial statements for additional information.

Contractual obligations and other commercial commitments

In connection with its operating activities, the Group enters into certain contractual obligations, as well as commitments to fund certain assets. The following table sets forth future cash payments associated with our contractual obligations on a consolidated basis:

	Payments due by period				
December 31, 2003, in CHF m	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt obligations	9,928	23,702	20,411	35,656	**89,697**
Capital lease obligations	30	49	52	65	**196**
Operating lease obligations	732	1,296	1,082	6,075	**9,185**
Purchase obligations	231	362	167	0	**760**
Other long-term liabilities reflected on the balance sheet	597	345	4	4,315	**5,261**
Total obligations	11,518	25,754	21,716	46,111	**105,099**

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

December 31, in CHF m	2003	2002
Deposits	**261,989**	245,265
Short-term borrowings	**11,497**	10,008
Brokerage payables	**13,983**	19,334
Trading account liabilities	**156,331**	140,398
Total short-term contractual obligations	**443,800**	415,005

Derivatives

The Group enters into derivative contracts to meet a variety of risk management and other financial needs of its counterparties as well as for its own risk management needs, including mitigation of interest rate, foreign currency and credit risk.

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

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

The following table sets forth the distributions, by maturity, of our exposure with respect to over-the-counter derivatives receivables:

December 31, 2003, in CHF bn	Less than 1 year	1 – 5 years	More than 5 years	Positive replacement value
Interest rate products	10.0	63.4	84.8	158.2
Foreign exchange products	27.4	13.4	6.6	47.4
Precious metals products	0.4	0.5	0.3	1.2
Equity/index-related products	3.5	7.4	1.4	12.3
Other products	0.3	3.0	0.8	4.1
Total derivative instruments	41.6	87.7	93.9	223.2
Netting agreements [1]				(170.1)
Total derivative instruments, net positive replacement value [1]				**53.1**

[1] Taking into account legally enforceable netting agreements.

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

Net positive
replacement

December 31, 2003, in CHF bn	value
AAA	15.0
AA	16.5
A	12.1
BBB	5.7
BB or lower	3.8
Total derivative instruments, net positive replacement value	**53.1**

For further information on derivatives, refer to note 37 of the notes to the consolidated financial statements.

Related Party Transactions

As the parent company of three main operating subsidiaries, the Winterthur legal entity, the Credit Suisse legal entity and the Credit Suisse First Boston legal entity, we are involved in significant financing and other transactions, and have significant related party balances, with these entities and their subsidiaries. We enter into those transactions in the ordinary course of our business, and such transactions typically reflect the pricing structure of an unrelated third-party transaction, although this is not achieved in all cases. Such transactions and the related inter-company balances are eliminated upon consolidation.

We also enter into related party transactions with our directors, officers and employees and those of our subsidiaries. For further information relating to these transactions, refer to note 35 of the notes to the consolidated financial statements.

Recently Issued Accounting Standards

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

Liquidity and Capital Resources

Credit Suisse Group Consolidated and Credit Suisse Group Legal Entity

Organization

Although we have operated through separate business units and segments, liquidity and capital needs are addressed according to the four major legal entities: the Winterthur legal entity for the Insurance (renamed Non-Life effective January 1, 2004) and Life & Pensions segments, the Credit Suisse legal entity for the Private Banking and Corporate & Retail Banking segments, the Credit Suisse First Boston legal entity for the Institutional Securities and CSFB Financial Services (renamed Wealth & Asset Management effective January 1, 2004) segments and the Credit Suisse Group legal entity as the holding company of these three subsidiaries. When we refer in this section to Credit Suisse Group, Credit Suisse First Boston, Credit Suisse and Winterthur, we mean the Credit Suisse Group legal entity, the Credit Suisse First Boston legal entity, the Credit Suisse legal entity and the Winterthur legal entity, respectively.

Each of our three main operating subsidiaries finances its operations in a manner consistent with its business mix, capitalization and ratings and in line with its asset and liability and risk management policies. Liquidity and capital management at the business unit level is coordinated at the Group level through several organizational bodies. The Liquidity Management Committee, chaired by the Group CFO, provides a forum to discuss and coordinate liquidity and funding issues and to review funding practices regarding market access, diversification of liabilities and creditor relations. Members of the committee also meet at the end of each year to discuss projected liquidity needs for the upcoming financial year and to set up a globally coordinated issuance strategy. The tactical implementation of this strategy is subsequently refined and updated through the Liquidity Management Committee's regular sessions. The Group Risk Processes and Standards Committee, chaired by the Head of Group Risk Management, monitors liquidity risk and sets the framework for contingency planning, including procedures to ensure that information flows remain timely and uninterrupted and the division of responsibility remains clear. Liquidity contingency plans exist at the legal entity levels. These plans have been designed to be interlinked and to coordinate activity and communication across legal entities. Annually, after the conclusion of the Budget & Outlook Process exercise, projected liquidity and capital needs of each of our businesses are evaluated and taken into consideration in determining Group-wide policies and targets. The Group, as the main interface with capital providers and the ultimate provider of capital to the subsidiaries, defines the appropriate capital base for its three primary legal operating entities and acts as the primary issuer to the external market of capital and those capital instruments that qualify for regulatory Tier 1 capital. The Group CFO and the Group Treasurer participate in the asset liability management of the business units.

Funding sources and strategy

At the Credit Suisse Group consolidated level

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

At the Credit Suisse Group legal entity level

Credit Suisse Group is a holding company whose primary cash requirements result from the payment of dividends to shareholders, the servicing of Group-issued debt, the payment of Corporate Center expenses and, from time to time, the acquisition of new businesses. Generally, Credit Suisse Group does not serve as a financing conduit for those operating subsidiaries that have direct access to external sources of funding. It does, however, issue medium-term and long-term debt for general corporate purposes in Switzerland and through finance subsidiaries for general corporate purposes outside Switzerland. In addition, Credit Suisse Group is the provider of capital and thus is the issuer of most hybrid Tier 1 capital instruments through special purpose subsidiaries. Proceeds from these offerings are typically down-streamed to one of our operating subsidiaries on a matched basis so that the Group has limited currency, interest rate or liquidity risk. Equity investments in subsidiaries are generally funded with equity capital. Double leverage, which compares the amount of equity at the holding company level to the amount of equity investment in subsidiaries, is actively managed and constitutes an integral part of our capital management strategy.

Credit Suisse Group received total dividends of approximately CHF 900 million for the 2003 financial year, compared with CHF 1,590 million for the 2002 financial year and CHF 1,819 million for the 2001 financial year. In 2003, the Group did not have a formal share buy-back program, but does from time to time repurchase shares for the purpose of satisfying its obligations under its employee compensation plans.

In respect of the 2003 financial year, we will make a capital repayment in the amount of CHF 0.50 for each share ranking for dividends, or a total of approximately CHF 600 million. In 2002, the total dividend payment amounted to CHF 120 million. Repayment of share capital for the year ended December 31, 2001 was CHF 2.4 billion.

At December 31, 2003, Credit Suisse Group and its finance subsidiaries had borrowings of CHF 16.1 billion, a decrease of CHF 1.3 billion compared to year-end 2002.

The cost of servicing debt and preferred securities issued by Credit Suisse Group and its finance subsidiaries, after taking swap transactions into consideration, was CHF 711 million in 2003, CHF 677 million in 2002 and CHF 748 million in 2001.

Given the high levels of liquidity at Credit Suisse Group, we chose not to renew the previously outstanding unsecured revolving credit facility with a syndicate of international banks that expired in January 2004.

Credit Suisse Group maintains a shelf registration statement on file with the SEC, which allows it to issue, from time to time, senior and subordinated debt securities, trust preferred securities and warrants to purchase equity, debt or other securities. The shelf registration statement also allows the Group to guarantee securities issued by a finance subsidiary. At June 18, 2004, Credit Suisse Group had USD 2.0 billion available for issuance, representing the full amount of the shelf registration statement.

Factors that may affect liquidity and capital resources

The subsidiaries of Credit Suisse Group are generally subject to legal restrictions on the amount of dividends they can pay. For example, article 675, in conjunction with article 671, of the Swiss Code of Obligations provides that Credit Suisse First Boston, Credit Suisse and Winterthur may pay dividends only if and to the extent: (1) they have earned a profit during a given financial year or previously established reserves for the payment of dividends; (2) the required portion of annual profit has been allocated to reserves as prescribed by law, the articles of association or a resolution of the general meeting of shareholders; and (3) allocation and payment of the dividends has been approved at the general meeting of shareholders. We do not believe that legal or regulatory restrictions constitute a material limitation on the ability of our subsidiaries to pay dividends to Credit Suisse Group. The amount of dividends paid by our operating subsidiaries is determined after considering the expectations for future results and growth of the operating businesses.

Credit ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. These ratings are assigned by rating agencies, which may raise, lower or withdraw their ratings, or publicly announce an intention to raise or lower their ratings at any time. Rating agencies take many factors into consideration in determining a company's rating. Such factors include earnings performance, business mix, market position, ownership, financial strategy, level of capital, risk management policies and practices and management team, in addition to the broader outlook for the Group's industry. The credit ratings assigned to the senior debt of Credit Suisse Group as of May 31, 2004 and our outlooks were as follows:

	Short-Term	Long-Term	Outlook
Fitch	F1+	AA-	Negative (October, 2002)
Moody's	-	Aa3	Stable (November, 2003)
Standard & Poor's	A1	A	Stable (November, 2002)

In addition to those of Credit Suisse Group, each of our principal subsidiaries has its own ratings, which are described below.

Capital resources and capital adequacy

Our capital needs are a function of various factors, including economic, regulatory and market requirements. We define our economic capital requirement as that amount of capital needed to continue to operate our business franchise under extremely adverse conditions. We measure this requirement through the use of internally developed statistically based models designed to quantify potential risk exposure. We are also subject, on a consolidated basis, to regulatory capital requirements and the risk-based capital guidelines which are set forth in the Implementing Ordinance and are issued by the SFBC. We also adhere to the risk-based capital guidelines set forth by the BIS. These guidelines take account of the credit and market risk associated with balance sheet assets as well as certain off-balance sheet transactions. All calculations through December 31, 2003, were performed on the basis of financial reporting under Swiss GAAP, the basis for the capital supervision by the Swiss regulator. As of January 1, 2004, the Group bases its capital adequacy calculations on US GAAP, which is in accordance with the SFBC newsletter 32 (dated December 18, 2003). The SFBC has advised the Group that it may continue to include as Tier 1 capital CHF 2.2 billion of equity from special purpose entities, which are deconsolidated under FIN 46R. For further information about our risk-based capital guidelines, refer to "Item 4 – Information on the Company – Regulation and supervision." The risk and capital position of the insurance business is taken into consideration when calculating the consolidated capital ratios. The methodology for doing so has changed with the effectiveness of the SFBC's 2003 Decree on the capital treatment of Winterthur. According to the new decree, the capital charge for the insurance business will no longer be reflected as an addition to risk-weighted assets but as a reduction to the relevant regulatory capital amounts.

The following table sets forth our consolidated capital and BIS capital ratios:

December 31, in CHF m, except where indicated	2003	2002
Tier 1 capital	**22,287**	17,613
of which preferred securities	**2,167**	2,133
Total capital	**33,207**	28,311
BIS Tier 1 capital ratio	**11.7%**	9.0%
BIS total capital ratio	**17.4%**	14.4%

All calculations through December 31, 2003, on the basis of Swiss GAAP. In 2003, the method for capital treatment of Winterthur was adapted in line with the new requirements defined by the Swiss regulator.

In 2003, the Group issued subordinated debt of CHF 618 million, which qualifies as Lower Tier 2 (subordinated debt with a fixed maturity) for bank regulatory capital purposes.

For details on the components of our consolidated capital structure, refer to note 44 of the notes to the consolidated financial statements.

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

Contractual cash obligations and other commercial commitments

We have contractual obligations to make future payments under long-term bonds and mortgage-backed bonds, medium-term notes, long-term, non-cancelable lease agreements and other long-term obligations. Refer to " – Off balance sheet arrangements" for further information on future cash payments associated with our contractual obligations pursuant to certain medium- and long-term debt operating leases on a consolidated basis as of December 31, 2003.

For information on our off-balance sheet commitments, refer to note 38 of the notes to the consolidated financial statements.

Credit Suisse First Boston Legal Entity

Organization

Credit Suisse First Boston believes that maintaining access to liquidity is fundamental for firms operating in the financial services industry. Credit Suisse First Boston legal entity is both the holding company for the institutional securities and asset management businesses as well as one of the principal operating entities. Credit Suisse First Boston manages liquidity within the business unit while recognizing the constraints of the legal entities comprising the business unit. As a result, Credit Suisse First Boston has established a comprehensive process for the management and oversight of its liquidity, funding and capital strategies. Credit Suisse First Boston's Capital Allocation and Risk Management Committee, or CARMC, has primary oversight responsibility for these functional disciplines. CARMC reviews and approves liquidity management policies and targets and reviews the liquidity position and other key risk indicators.

Credit Suisse First Boston's Corporate Treasury department is responsible for the management of liquidity, long-term funding and capital and for relationships with liability holders and creditor banks. It also maintains regular contact with both rating agencies and regulators on liquidity and capital issues.

Liquidity management

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

Credit Suisse First Boston's liquidity disciplines are segregated into two primary funding franchises:

- The bank funding franchise, including funds raised directly by Credit Suisse First Boston from stable deposit-based core funds and the interbank markets, and

- The non-bank funding franchise, with funds raised by non-bank subsidiaries, principally Credit Suisse First Boston (USA), Inc.

The majority of assets financed by the bank funding franchise, which largely includes assets in Credit Suisse First Boston and its principal regulated broker-dealers and bank subsidiaries, are highly liquid, consisting of securities inventories and collateralized receivables, which fluctuate depending on the levels of proprietary trading and customer business. Collateralized receivables consist primarily of resale agreements and securities borrowed, both of which are secured by government and agency securities, and marketable corporate debt and equity securities. In addition, Credit Suisse First Boston has significant receivables from customers and broker-dealers that turn over frequently. To meet client needs as a securities dealer, Credit Suisse First Boston may carry significant levels of trading inventories. Other assets financed by the bank funding franchise include loans to corporate and other institutional clients, money market holdings and foreign exchange positions that are held directly on Credit Suisse First Boston's own balance sheet.

As part of its investment banking and fixed income markets activities, Credit Suisse First Boston also maintains positions in less liquid assets such as certain mortgage whole loans, distressed securities, high-yield debt securities, asset-backed securities and private equity investments. These assets may be relatively illiquid at times, especially during periods of market stress. Credit Suisse First Boston typically funds a significant portion of less liquid assets, such as private equity investments, with long-term borrowings and shareholders' equity. A large portion of these less liquid assets (with the exception of corporate loans) is financed through the non-bank funding franchise, which also provides most of the regulatory capital (equity and subordinated debt) in Credit Suisse First Boston's broker-dealer and bank subsidiaries.

The principal measure used to monitor the liquidity position at each of the funding franchises of Credit Suisse First Boston is the "liquidity barometer," which estimates the time horizon over which the adjusted market value of unencumbered assets exceeds the aggregate value of maturing unsecured liabilities plus a conservative forecast of contingent obligations. The adjusted market value of unencumbered assets includes a reduction from market value, or "haircut," reflecting the amount that could be realized by pledging an asset as collateral to a third-party lender in a secured funding transaction. Contingent obligations include such things as letters of credit, credit rating-related collateralization requirements, backup liquidity lines provided to asset-backed commercial paper conduits and committed credit facilities to clients that are currently undrawn. Credit Suisse First Boston's objective, as mandated by CARMC, is to ensure that the liquidity barometer for each of the funding franchises is maintained at a sufficient level so as to ensure that, in the event that Credit Suisse First Boston is unable to access unsecured funding, it will have sufficient liquidity for an extended period. Credit Suisse First Boston believes this will enable it to carry out its business plans during extended periods of market stress, while minimizing, to the extent possible, disruptions to its business. Credit Suisse First Boston regularly stress tests its liquidity resources using scenarios designed to represent highly adverse conditions.

The bank funding franchise also has access to significant sources of secondary liquidity through its ability to access the secured funding markets (repurchase agreements, securities loaned and other collateralized financing arrangements), as these markets have proven reliable even in periods of market stress.

In 2004, Credit Suisse First Boston (USA), Inc. chose not to renew its previously outstanding unsecured 364-day USD 1.0 billion revolving credit facility with various banks. Credit Suisse First Boston, through various broker-dealer and bank subsidiaries, has negotiated secured bilateral committed credit arrangements with various third party banks. As of December 31, 2003, Credit Suisse First Boston maintained 3 such credit facilities that collectively totaled USD 1.45 billion (at March 31, 2004 there were 6 facilities totaling USD 2.45 billion). These facilities require Credit Suisse First Boston's various broker-dealer and bank subsidiaries to pledge unencumbered marketable securities to secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the Federal Funds rate or LIBOR and can be used for general corporate purposes. The facilities contain customary covenants that Credit Suisse First Boston believes will not impair its ability to obtain funding. As of December 31, 2003, no borrowings were outstanding under any of the facilities.

Funding sources and strategy

The bank funding franchise's assets are principally funded with a mixture of secured and unsecured funding. Secured funding consists of collateralized short-term borrowings, which include repurchase agreements and securities loaned. Unsecured funding is accessed through Credit Suisse First Boston's substantial and historically stable core deposit base, and through the interbank markets. Additionally, Credit Suisse First Boston issues capital in long-term funding markets to meet regulatory requirements.

The non-bank funding franchise's assets are also funded with a mixture of secured and unsecured sources. Secured funding consists of collateralized short-term borrowings, while unsecured funding includes principally long-term borrowings and, to a lesser extent, commercial paper. Unsecured liabilities are issued through various debt programs. For information on these debt programs, refer to "Funding Activity Highlights."

Other significant funding sources include financial instruments sold not yet purchased, payables to customers and broker-dealers and shareholders' equity. Short-term funding is generally obtained at rates related to the Federal Funds rate, LIBOR or other money market indices, while long-term funding is generally obtained at fixed and floating rates related to US Treasury securities or LIBOR. Depending upon prevailing market conditions, other borrowing costs are negotiated. Credit Suisse First Boston continually aims to broaden its funding base by geography, investor and funding instrument.

Credit Suisse First Boston lends funds as needed to its operating subsidiaries and affiliates on both a senior and subordinated basis, the latter typically to meet capital requirements in regulated subsidiaries. Credit Suisse First Boston generally tries to ensure that loans to its operating subsidiaries and affiliates have maturities equal to or shorter in tenor than the maturities of its market borrowings. Additionally, Credit Suisse First Boston generally funds investments in subsidiaries with shareholders' equity. To satisfy the Swiss and local regulatory capital needs of its regulated subsidiaries, Credit Suisse First Boston enters into subordinated long-term borrowings. At December 31, 2003, it had consolidated long-term debt of approximately CHF 63 billion, with approximately CHF 12 billion representing subordinated debt.

Certain of Credit Suisse First Boston's subsidiaries enter into various transactions whereby commercial and residential mortgages and corporate bonds are sold to special purpose entities and beneficial interests in those entities are sold to investors. For the year ended December 31, 2003, proceeds and other related cash flows received from new securitizations of commercial mortgages, residential mortgages and bonds aggregated CHF 10.0 billion, CHF 43.6 billion and CHF 17.1 billion, respectively.

Funding Activity Highlights

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

Credit Suisse First Boston (USA), Inc. maintains a USD 15 billion shelf registration statement on file with the SEC, which allows it to issue, from time to time, senior and subordinated debt securities and warrants to purchase such securities. At June 24, 2004, the entire amount was available for issuance.

Credit Suisse First Boston (USA), Inc. has been issuing longer-dated fixed income securities to extend the maturity profile of its debt. For the five months ended May 31, 2004, Credit Suisse First Boston (USA), Inc. issued USD 1.35 billion of 4.70% notes due 2009, USD 1.0 billion of 5.125% notes due 2014, and USD 1.14 billion of medium-term notes under its shelf registration statement. For the year ended December 31, 2003, CSFB (USA), Inc. issued USD 1.0 billion of 5 1/2 % notes due 2013, USD 300 million of 6 1/4 % notes due 2011, USD 1.0 billion of 3 7/8 % notes due 2009 and USD 1.2 billion in medium-term and index-linked notes under its shelf registration statement. In addition, in 2003 Credit Suisse First Boston (USA), Inc. issued USD 1.5 billion in medium-term notes under a USD 5 billion Euromarket program established in July 2001.

During the five months ended May 31, 2004, Credit Suisse First Boston (USA), Inc. repaid approximately USD 825 million of medium-term notes and USD 31 million of structured notes. During the year ended December 31, 2003, approximately USD 3.5 billion of medium-term notes and USD 23 million of structured notes were repaid.

As noted in the previous sections, the bank funding franchises' principal source of unsecured funding is through Credit Suisse First Boston's substantial and historically stable core deposit base, and through the interbank markets. Long-term unsecured funding is provided through the issuance of qualifying regulatory capital in the form of subordinated debt. During the year ended December 31, 2003, CSFB did not issue any new subordinated debt.

Credit ratings

As described above under "— Credit Suisse Group Consolidated and Credit Suisse Group Legal Entity – Credit ratings", the cost and availability of unsecured external funding is generally a function of our credit ratings. Credit ratings are especially important to Credit Suisse First Boston when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter derivatives.

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

The credit ratings assigned to the senior debt of Credit Suisse First Boston bank and Credit Suisse First Boston (USA), Inc. as of May 31, 2004 and their outlooks were as follows:

	Short-Term	Long-Term	Outlook
CSFB			
Fitch	F-1+	AA-	Negative (October, 2002)
Moody's	P-1	Aa3	Stable (November, 2003)
Standard & Poor's	A-1	A+	Stable (December, 2003)
CSFB (USA), Inc.			
Fitch	F-1+	AA-	Negative (October, 2002)
Moody's	P-1	Aa3	Stable (November, 2003)
Standard & Poor's	A-1	A+	Stable (December, 2003)

Capital resources and capital adequacy

Certain of Credit Suisse First Boston's businesses are capital intensive. In addition to normal operating requirements, capital is required to cover financing and regulatory charges on securities inventories, loans and other credit products, private equity investments and investments in fixed assets. Credit Suisse First Boston's overall capital needs are continually reviewed to ensure that its capital base can appropriately support the anticipated needs of its business divisions as well as the regulatory capital requirements of its subsidiaries. Based upon these analyses, CSFB believes that its debt and equity base is adequate for current operating levels.

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

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

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

December 31, in CHF m, except where indicated	2003	2002
Tier 1 capital	**12,062**	10,596
of which preferred securities	**1,025**	1,023
Total capital	**20,968**	19,958
BIS Tier 1 capital ratio	**13.6%**	10.3%
BIS total capital ratio	**23.6%**	19.3%

All calculations through December 31, 2003, on the basis of Swiss GAAP.

Additionally, various subsidiaries engaged in both banking and broker-dealer activities are regulated by the local regulators in the jurisdictions in which they operate. For further information relating to capital ratios, refer to "Item 4 – Information on the Company – Regulation and supervision."

Credit Suisse First Boston's wholly owned subsidiary, Credit Suisse First Boston LLC is a registered broker-dealer, registered futures commission merchant and member firm of the NYSE. As such, it is subject to the NYSE's net capital rule, which conforms to the Uniform Net Capital Rule pursuant to rule 15c3-1 of the Securities Exchange Act of 1934. Under the alternative method permitted by this rule, the required net capital may not be less than two percent of aggregate debit balances arising from customer transactions or four percent of segregated funds, whichever is greater. If a member firm's capital is less than four percent of aggregate debit balances, the NYSE may require the firm to reduce its business. If a member firm's net capital is less than five percent of aggregate debit balances, the NYSE may prevent the firm from expanding its business and declaring cash dividends. At December 31, 2003, Credit Suisse First Boston LLC's net capital of approximately USD 3.5 billion was 59% of aggregate debit balances and in excess of the minimum requirement by approximately USD 3.4 billion. Our OTC Derivatives Dealer, Credit Suisse First Boston Capital LLC, is also subject to the Uniform Net Capital Rule, but calculates its net capital requirements under Appendix F of Rule 15c3-1.

Other subsidiaries of Credit Suisse First Boston are subject to capital adequacy requirements. At December 31, 2003, CSFB and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

For further information on bank regulation, refer to "Item 4 – Information on the Company – Regulation and supervision."

Credit Suisse Legal Entity

Organization

Funding for Credit Suisse is managed by the Division Treasury/ALM and overseen by an Asset and Liability Management Committee, or ALCO, which includes senior executives of the banking business of Credit Suisse as well as one senior risk officer of the Group. The ALCO meets on a monthly basis and reviews the current and prospective funding for Credit Suisse as well as the capital position and balance sheet development. It also monitors the adherence to internal risk limits and to the capital and liquidity ratios set by the guidelines of the SFBC.

The treasury function of Credit Suisse is centrally operated and monitors the daily liquidity and risk profile of Credit Suisse. Limits for interest rate and market risks are established by the ALCO and ultimately approved by the Board of Directors of Credit Suisse. The size of the limits depend on the natural variations of assets and liabilities, net interest income and general market conditions.

Liquidity management

Liquidity management principles applied by Credit Suisse aim to ensure that obligations from the withdrawal of deposits and drawings on committed and uncommitted credit lines can be met at any time. The liquidity position is calculated and monitored on a daily basis for cash management and liquidity planning purposes and is regularly tested against various scenarios as part of a liquidity contingency planning framework. The contingency plan lists a range of internal and market related measurement and monitoring requirements, defines stress levels as well as related early warning signs and ultimately provides a menu of solutions, which the firm's Liquidity Crisis Committee can choose from in the event of a liquidity crisis. A portfolio of liquid fixed income securities, which is segregated and managed to provide for emergency liquidity needs only, is one of the key elements of the liquidity contingency plan. The liquidity portfolio is maintained at a level well beyond regulatory requirements and could provide sufficient liquidity for an extended period in case of distressed market conditions allowing Credit Suisse to pursue its activities according to its business plans.

Funding sources and strategy

The majority of Credit Suisse's assets consist of residential and commercial mortgages and secured and unsecured advances to a wide rage of borrowers including individuals, small- and medium-sized corporate entities and utilities in Switzerland, Swiss public entities and local and regional governments within Switzerland. Generally, these assets are in the form of fixed customer-based term loans and loans callable on demand after a contractual notice period. These assets are well diversified by geography, by customer type and by instrument.

Credit Suisse First Boston and Credit Suisse realigned their trading platforms in Switzerland effective September 1, 2003. This resulted in a balance sheet increase of CHF 23 billion for Credit Suisse, transferring both assets and liabilities from Credit Suisse First Boston to Credit Suisse. Credit Suisse has become the main source of Swiss franc funding within Credit Suisse Group, hence strengthening the entity's position in the Swiss franc inter-bank market with direct access to both secured and unsecured wholesale funding.

Credit Suisse still benefits from a very strong retail and private customer deposit base, which is well diversified across customer categories, funding types and geography. Consistent with the nature of the loan portfolio, the type of instruments include time deposits and deposits callable on demand. While the contractual maturity of such deposits is typically under three months, these deposits have historically shown remarkable stability even under extreme market conditions. Additional sources of funding include short-term inter-company borrowings from Group entities (Credit Suisse First Boston and Winterthur) on a secured and unsecured basis.

Credit Suisse has traditionally issued long-term subordinated debt into the Swiss or European markets to obtain supplementary capital. At December 31, 2003, it had long-term debt (including the current portion) of CHF 5.3 billion, with CHF 3.6 billion representing third-party subordinated debt.

In 2003, Credit Suisse borrowed a total of CHF 618 million from Credit Suisse Group on a subordinated basis.

Credit ratings

The debt ratings of Credit Suisse as of May 31, 2004 and its outlooks were as follows:

	Short-Term	Long-Term	Outlook
Fitch	F1+	AA-	Negative (October, 2002)
Moody's	P1	Aa3	Stable (November, 2003)
Standard & Poor's	A1	A+	Stable (November, 2002)

Customer deposits are generally less sensitive to changes in a bank's credit ratings. We therefore believe that a moderate change in Credit Suisse's ratings would not impair its funding sources.

Capital resources and capital adequacy

As a Swiss bank, Credit Suisse is subject to regulation by the SFBC. These regulations include risk-based capital guidelines set forth in the Implementing Ordinance. Credit Suisse also adheres to the risk-based capital guidelines set forth by the BIS. All calculations through December 31, 2003 were performed on the basis of financial reporting under Swiss GAAP, the basis for the capital supervision by the Swiss regulator. As of January 1, 2004, the Group bases all its capital adequacy calculations on US GAAP, which is in accordance with the SFBC newsletter 32 (dated December 18, 2003). For further information relating to these capital ratios, refer to "Item 4 – Information on the Company – Regulation and supervision."

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

December 31, in CHF m, except where indicated	2003	2002
Tier 1 capital	**7,362**	6,118
Total capital	**10,630**	8,975
BIS Tier 1 capital ratio	**8.2%**	7.4%
BIS total capital ratio	**11.8%**	10.8%

All calculations through December 31, 2003, on the basis of Swiss GAAP.

"Winterthur" Swiss Insurance Company

Organization

The "Winterthur" Swiss Insurance Company, or Winterthur, comprises the insurance and the life and pensions businesses of Credit Suisse Group. Winterthur's treasury operations are the responsibility of the Chief Investment Officer, or CIO, of Winterthur. Local country CIOs and treasurers work within the guidelines set by the head office and report to their head office counterparts.

Liquidity management

Overall liquidity needs are typically met through active day-to-day cash management that seeks to match anticipated cash inflows with budgeted cash requirements. In day-to-day cash management, the liquidity managers take advantage of global cash pooling among the Winterthur's companies. To support this activity, Winterthur maintains close contacts with local and international companies including banks and corporations, where uncommitted lines of credit are in place. In addition, Winterthur's liquidity needs are taken into account in the strategic asset allocation of its investment portfolios, which is based on asset and liability management considerations that track the duration of the assets against the duration of the liabilities. At December 31, 2003, Winterthur's investment assets included CHF 79.9 billion of debt securities, CHF 5.6 billion of equity securities and CHF 5.0 billion of short-term investments. The bond portfolios, which consist predominantly of government securities, are highly liquid. For further information relating to asset allocation, refer to " – Credit Suisse Financial Services – Investments for Life & Pensions and Insurance".

Funding sources and strategy

The principal sources of funds for Winterthur are premiums from the insurance businesses, deposits and charges on policies, investment income, proceeds from the sale and maturity of investments and, to a lesser extent, external borrowings. The liquidity requirements of Winterthur include benefits, surrenders and claims, operating expenses, interest on borrowings, purchases of investments and dividends to Credit Suisse Group.

Winterthur generally has not accessed the debt capital markets on a regular basis. However, the following bonds were outstanding at December 31, 2003:

- Winterthur Capital Ltd.: EUR 500 million aggregate principal amount of bonds, guaranteed by Winterthur, which mature in 2005; and
- Winterthur Insurance: CHF 500 million in bonds, which mature in 2006.

Credit ratings

Rating agencies assign two types of ratings to insurance companies: Insurer Financial Strength, or IFS, ratings and credit ratings.

IFS ratings provide an assessment of the financial strength of a company and its capacity to meet senior obligations to policyholders and contract holders on a timely basis. IFS ratings are assigned to the company itself, and no liabilities or obligations of the insurer are specifically rated unless otherwise stated. Because an insurer's obligation to pay its claim and benefit obligations ranks senior to all other obligations, the IFS rating will typically be the highest rating assigned within the organization. We believe rating agencies consider several factors in determining Winterthur's IFS ratings, including financial strategy, solvency characteristics, level of capital, operating performance, management quality, long-term competitive positioning, risk management policies and a broader outlook for the insurance industry.

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

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

Winterthur's ratings as of May 31, 2004 and its credit rating outlooks were as follows:

	Short-Term	Long-Term	Outlook
A.M. Best	A+	-	-
Fitch IBCA Ltd.	A+	A	Stable (April, 2004)
Moody's	A1	-	Stable (November, 2003)
Standard & Poor's	A	A-	Negative (November, 2002)

Capital resources and solvency capital adequacy

Winterthur's capital view incorporates a combination of regulatory, market and economic requirements; the highest requirement defines the constraint and drives the amount of capital it needs to maintain. Winterthur's overall capital needs are continually reviewed to ensure that its capital base can appropriately support anticipated needs.

The risk and capital position of Winterthur is taken into consideration when calculating the consolidated Credit Suisse Group capital ratios. The economic capital requirement as defined by the Group's internal standards is the economic capital needed to remain solvent and in business even under extreme conditions. While several risk types are considered when deriving Winterthur's economic capital requirements, primary components include the insurance, market and investment risk associated with its business portfolio.

In order to fulfill regulatory requirements, all of Winterthur's insurance companies calculate their solvency on a local country level, generally on an annual basis. Internally, they review their solvency position on a quarterly basis.

For the year ended December 31, 2003 Winterthur calculated its group solvency according to Directive 98/78/EC of the European Parliament and of the Council of October 27, 1998 on the supplementary supervision of insurance undertakings in an insurance group. With effect from January 1, 2004, Winterthur has agreed a new measure of consolidated solvency with the Swiss Federal Office of Private Insurance ("FOPI"). This method is based on the existing EU group solvency approach and the Swiss stand alone solvency regulations, but simplifies the calculation by basing it predominantly on the Winterthur's consolidated US GAAP financial statements. As of year-end 2003, Winterthur Swiss Insurance Company's available solvency capital exceeded the minimum required solvency margin under both calculation methodologies.

Information Required by Industry Guide 6

Selected statistical information regarding the insurance business

The tables below set forth selected statistical information regarding the Group's insurance business extracted from the consolidated financial statements.

Provisions for unpaid losses and loss adjustment expenses from the Insurance business

Loss and loss adjustment expenses, or LAE, are recorded as incurred. Provisions for losses and LAE are comprised of estimates of the amount of reported losses and LAE plus a provision for losses incurred but not reported, or IBNR. Provisions for reported claims are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. These estimates are made by loss adjusters on a case-by-case basis, or case reserves, based on known facts and interpretation of circumstances available at the valuation date. Actuarial techniques are then used to project future trends and to obtain an estimate of the ultimate cost of the reported losses and establish IBNR provisions to recognize the estimated losses and LAE for claims, which have occurred but have not been reported. Management relies on past loss experience adjusted for factors that would modify past loss experience and accepted actuarial techniques to estimate the IBNR provisions. Management periodically reviews the estimates, which may change in light of new information. Any subsequent adjustments are recorded in the period in which they are determined.

The estimation of the provisions for losses and LAE is a complex and dynamic process influenced by various factors. It involves considerable judgment regarding the extrapolation of past claims experience into the future, and interpretations of current and future social attitudes, current and future legislative and judicial attitudes, and other economic, political and social factors. The effects of inflation are implicitly considered through the actuarial techniques employed to estimate provisions. Explicit assumptions on future inflation are used to estimate the ultimate loss to be paid.

Due to the nature of estimating future claims settlements, uncertainty underlies the assumptions inherent in any estimate for provisions. These estimates are reviewed regularly and, as experience develops and new information is available, the provisions are adjusted as necessary. Such adjustments, if any, are reflected in results of operations in the period in which they are determined and are accounted for as changes in estimates. Management believes, based on the information currently available, that the non-life provisions are adequate. However, the process of determining the provisions for losses and LAE involves risks that the actual results will deviate, perhaps substantially, from management's best estimate.

Please refer to note 24 of the notes to the consolidated financial statements for further information on the provisions for losses and LAE.

Loss development tables

The tables at the end of this section set forth the year-end provisions from 1993 through 2003 and the subsequent changes in those provisions, presented on an historical basis for our non-life insurance business.

The data in the tables are presented in accordance with reporting requirements of the SEC. Care must be taken to avoid misinterpretation by those unfamiliar with such information or familiar with other data commonly reported by the insurance industry. The accompanying data are not accident year data, but rather a display of 1993-2003 year-end provisions and the subsequent changes in those provisions.

For example, the “cumulative surplus or deficiency” shown in the accompanying tables for each year represents the aggregate amount by which original estimates of provisions as of the respective year-end have developed in subsequent years. Accordingly, the cumulative deficiency for a year relates only to provisions at that year-end and such amounts are not additive. Expressed another way, if the original provisions at the end of 1993 and each subsequent year until final settlement included CHF 4 million for a loss that is finally settled in 2003 for CHF 5 million, the CHF 1 million deficiency (the excess of the actual settlement of CHF 5 million over the original estimate of CHF 4 million) would be included in the cumulative deficiencies in each of the years 1993-2002 shown in the accompanying table.

Effect of foreign exchange

It should be noted that due to the international scope of the non-life insurance business, changes in foreign exchange rates have a material impact on the movements shown in the tables. For example, the exchange rate movements in 1996 led to a significant increase in the re-estimated provisions. In order to quantify this effect, the tables show the overall surplus/(deficiency) including and excluding the impact of foreign exchange.

Factors contributing to surpluses and deficiencies

The strengthening of provisions for asbestos, pollution and other health hazards resulted in major cumulative deficiencies in net provisions for the years 1993-1996. The deferred gain on the reinsurance of H. S. Weavers as discussed below is reflected as a cumulative surplus on the run-off of years 1993 to 1999. During 1993-1996, a part of this cumulative surplus compensates the considerable strengthening of the provisions for H. S. Weavers.

The strengthening of provisions for Spanish Motor Liability and Medical Malpractice resulted in major cumulative deficiencies in net provisions for the years 1997-2002. Major changes in the claims handling process in Spain resulted in an improvement of the estimates of the case reserves on single bodily injury claims. Spain ceased writing medical malpractice insurance during the year 2002, which reduces the inherent risk in the provisions compared to the past. Management believes the current provisions are adequate.

In the years 1993-1998, General Casualty, one of Winterthur Group’s American non-life operations, contributed to the cumulative surplus on the net provisions. The net provisions held at the end of the years 1999-2002 show cumulative deficiencies at year-end 2003. Those deficiencies were driven by the strengthening of the provisions for Workmen’s Compensation (greater number of large claims than expected, unexpected increase in the mean cost per claim on the smaller claims) and larger costs than expected on claims resulting from excessive snow and ice in November 2000.

The large multinational business portfolio, which was sold to XL Capital effective July 1, 2001, contributed substantially to the adverse development of the net provisions held as at year-end 2000.

Overall, the other market units have contributed to cumulative profits on their net provisions in the years 1995-2002.

H. S. Weavers

H. S. Weavers was an underwriting agent that wrote business on behalf of Winterthur Group through year-end 1983. The agency accepted commercial umbrella and excess casualty business from US companies, and, as a result, had significant exposure to asbestos, pollution and other health hazard claims, including breast implant claims. Provision is only made for health hazards that have resulted in reported claims. No provision has been made for exposures to emerging mass torts, such as electromagnetic fields, for which there is insufficient information available to indicate a liability.

Our Insurance business’s interest in H. S. Weavers is protected by a range of proportional and non-proportional reinsurance contracts arranged by H. S. Weavers, a significant part of which are unlimited by their nature.

This estimation of ultimate loss and loss expense liability for asbestos, pollution and other health hazards is unusually difficult, and a significant amount of uncertainty exists in our estimates. Future unknown events such as jury decisions, court interpretations, legislative actions, social conditions and economic conditions such as inflation will impact the ultimate cost of the claims incurred. It should therefore be expected that the actual emergence of losses and LAE will vary, perhaps materially, from our current estimates.

To limit the exposure from this book of business, Winterthur Group has purchased retroactive reinsurance coverage effective July 1, 2000, from National Indemnity Company, or NICO. Under the agreement, NICO assumes all liabilities under the original contracts, all unallocated loss expense and the right and duty to administer the entire claims handling and reinsurance collections. The reinsurance provides coverage of up to USD 800 million against net losses including deficiencies under existing reinsurance compared to an estimated undiscounted exposure of USD 584 million as of July 1, 2000; therefore, Winterthur Group expects that the reinsurance coverage will protect it from future potential adverse development from this book of business.

As a result of this retroactive reinsurance transaction, Winterthur Group recorded a net deferred gain as of June 30, 2000 in the amount of CHF 404 million. The deferred gain resulted from the carried provision of CHF 954 million, which was net of existing reinsurance of CHF 258 million, exceeding the premium paid of CHF 550 million. The carried provision at June 30, 2000 and the respective premium paid was based on many factors, and is subject to the uncertainties described above. Specifically, the following key variables were considered:

- Range of estimated gross provisions: CHF 700 million to CHF 1,560 million including principally the consideration of policy coverages, the reasonable possibility of unfavorable jury awards and the range of magnitudes of such awards;

- Range of estimated net provisions: CHF 505 million to CHF 1,144 million, after consideration of reinsurance recoveries under treaties with other reinsurers;

- Estimated settlement period: up to a maximum of 40 years, estimated at a mean term of between six and eight years, and payment patterns within this period; and

- Range of discount rates: 6% to 7%.

Management’s best estimate for the provision was determined based on a relative weighting of the factors identified above. Based on an external review performed in August 2003 management updated its estimates as of December 31, 2003 as follows:

- Estimated undiscounted gross provisions of CHF 639 million, within a range of estimated gross provisions between CHF 492 million and CHF 1,052 million; and

- Estimated undiscounted net provisions of CHF 498 million, within a range of estimated net provisions between CHF 377 million and CHF 840 million.

As a result, the deferred gain was reduced by CHF 101 million and CHF 5 million in 2003 and 2002, respectively. The remaining deferred gain amounts to CHF 153 million compared to CHF 277 million in 2003 and 2002, respectively. The remaining deferred gain will be amortized to income over the estimated settlement period.

In the loss development tables, the effect of the deferred gain as of December 31, 2000 has been reflected in the re-estimated net provisions in the diagonal of the year 2000, with the result that the cumulative surplus is increased or the cumulative deficiency is reduced by CHF 381 million for each year presented up to 1999.

Discounted provisions

The data in the accompanying tables sets forth the discounting of certain provisions for annuity-type claims effects. To the extent permitted under the Group accounting policies, certain long-term accident claims are discounted to reflect the time value of money, due to the relatively long time period over which these claims are to be paid. Apparent deficiencies will continue to occur as the discount on these provisions unwinds. The impact of the unwinding of the discount has not been reflected in the accompanying tables. Because of these and other factors, it is difficult to develop a meaningful extrapolation of estimated future redundancies or deficiencies in provisions for losses and LAE from the data in the accompanying tables.

The following table shows the amount of discounted provisions held and discount amounts by country:

	Undiscounted reserves		Discount amounts		Discounted reserves		Discount rate, in %	
December 31, in CHF m	2003	2002	2003	2002	2003	2002	2003	2002
Switzerland	**1,305**	1,204	**495**	457	**810**	747	**3.3**	3.3
Belgium	**2,482**	2,249	**1,336**	1,237	**1,146**	1,012	**3.0**	3.0
Other	**102**	97	**32**	30	**70**	67	**6.0**	6.0
Total	**3,889**	3,550	**1,863**	1,724	**2,026**	1,826	**–**	–

Acquired business

During 2001, Winterthur Group acquired CGU in Belgium. Their provisions are included in the following tables from 2001 onwards.

Divested business

During 1998, Winterthur Group divested its reinsurance operations by selling the US business and by fully reinsuring the part of the Swiss business that was in run-off. Effective July 1, 2000, Winterthur Group sold Republic Insurance Company, one of its US non-life insurance companies, to NICO and thereby eliminated significant exposure to asbestos, pollution and other health hazard risks. Effective July 1, 2001, Winterthur Group sold certain of its international operations to XL Capital Ltd. Winterthur retains an economic risk through June 30, 2004 for the operations sold to XL Capital Ltd.

In 2001, Winterthur Group disposed of Winterthur Swiss Insurance (Asia), Hong Kong and the Czech non-life portfolio, in 2002 of the Paris based and Austrian operations and in 2003 of the non-life operations in UK, Italy, Portugal, Singapore and Republic Underwriters Insurance Company in America. All the data relating to these divested businesses have been excluded from the following tables in accordance with reporting requirements of the SEC except for some of the international portfolios. As they were not managed separately from the remaining local business, they could not be excluded historically from the following tables. Their elimination is reflected as a payment in 2001.

The following table presents an analysis of the development of the consolidated provisions for losses and LAE, net of reinsurance recoverables. Net provisions at December 31 for the period from 1993 through 2003 and the subsequent changes in those provisions are as follows:

December 31, in CHF m	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003

Provisions for unpaid losses and LAE, net	**7,290**	**7,529**	**8,282**	**10,168**	**10,931**	**11,342**	**11,864**	**11,376**	**11,353**	**12,194**	**13,141**
Net paid (cumulative) as of:											
One year later	1,746	1,682	2,140	2,362	2,385	2,611	3,414	3,800	2,407	3,000	
Two years later	2,581	2,629	3,242	3,535	3,663	4,405	5,250	5,034	3,816		
Three years later	3,168	3,245	3,921	4,376	5,021	5,657	6,056	6,005			
Four years later	3,646	3,732	4,523	5,488	5,927	6,249	6,805				
Five years later	4,009	4,186	5,443	6,093	6,356	6,834					
Six years later	4,368	5,014	5,870	6,422	6,833						
Seven years later	5,147	5,338	6,109	6,803							
Eight years later	5,399	5,540	6,394								
Nine years later	5,567	5,776									
Ten years later	5,755										
Net liability re-estimated as of:											
One year later	7,138	7,235	8,879	10,154	10,814	11,536	11,686	11,486	11,172	12,487	
Two years later	6,934	7,715	8,954	10,138	10,811	11,028	11,602	11,632	11,420		
Three years later	7,421	7,922	8,990	10,188	10,442	10,947	11,537	11,898			
Four years later	7,667	8,003	9,091	9,837	10,378	10,889	11,759				
Five years later	7,734	8,145	8,753	9,813	10,341	11,059					
Six years later	7,901	7,821	8,699	9,717	10,479						
Seven years later	7,546	7,784	8,602	9,830							
Eight years later	7,533	7,667	8,676								
Nine years later	7,389	7,712									
Ten years later	7,405										
Cumulative surplus/(deficiency)	**(115)**	**(183)**	**(394)**	**338**	**452**	**283**	**105**	**(522)**	**(67)**	**(293)**	
Cumulative surplus/(deficiency) excluding foreign exchange	(301)	(159)	(8)	306	551	420	(58)	(648)	(257)	(113)	

The following table presents an analysis of the development of the consolidated provisions for losses and LAE, gross of reinsurance recoverables. Gross provisions at December 31 for the period from 1993 through 2003 and the subsequent changes in those provisions are as follows:

December 31, in CHF m	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Provisions for unpaid losses and LAE, gross	**7,813**	**7,996**	**8,887**	**10,878**	**12,103**	**12,586**	**13,651**	**14,071**	**13,731**	**14,094**	**14,719**
Gross paid (cumulative) as of:											
One year later	1,846	1,778	2,284	2,574	2,676	2,780	3,235	5,000	3,078	3,446	
Two years later	2,657	2,731	3,470	3,883	4,022	4,132	5,688	6,453	4,879		
Three years later	3,315	3,470	4,286	4,780	4,904	5,602	6,660	7,683			
Four years later	3,876	4,047	4,924	5,395	5,971	6,321	7,623				
Five years later	4,323	4,543	5,336	6,108	6,510	7,111					
Six years later	4,716	4,847	5,858	6,537	7,172						
Seven years later	4,962	5,290	6,180	7,095							

Eight years later	5,311	5,557	6,496							
Nine years later	5,533	5,824								
Ten years later	5,752									
Gross liability re-estimated as of:										
One year later	7,639	7,731	9,548	11,238	12,048	12,901	13,759	14,746	13,620	14,463
Two years later	7,414	8,249	9,863	11,184	12,074	12,481	13,698	14,381	14,000	
Three years later	7,949	8,666	9,886	11,317	11,938	12,375	13,331	14,630		
Four years later	8,373	8,737	10,098	11,179	11,843	12,047	13,538			
Five years later	8,427	9,021	9,978	11,119	11,511	12,225				
Six years later	8,711	8,950	9,923	10,806	11,628					
Seven years later	8,615	8,903	9,621	10,904						
Eight years later	8,582	8,616	9,553							
Nine years later	8,272	8,515								
Ten years later	8,158									
Cumulative surplus/(deficiency)	**(345)**	**(519)**	**(666)**	**(26)**	**475**	**361**	**113**	**(559)**	**(269)**	**(369)**
Cumulative surplus/(deficiency) excluding foreign exchange	(701)	(634)	(340)	(180)	458	408	(135)	(781)	(581)	(196)

Information Required by Industry Guide 3

Selected statistical information regarding the banking business

The tables below set forth selected statistical information regarding the Group's banking business extracted from the consolidated financial statements.

Banking average balances and interest rates

The following table sets forth average interest-earning assets, average interest-bearing liabilities and average rates for our banking businesses for the years presented. Month end balances were predominately used in computing the averages disclosed below. We believe these amounts approximate daily averages.

	2003			2002 1)			2001 1)		
Year ended December 31, in CHF m except where indicated	Average balance	Interest income	Average rate in %	Average balance	Interest income	Average rate in %	Average balance	Interest income	Average rate in %
Assets									
Cash and due from banks									
Switzerland	**6,307**	**40**	**0.63%**	3,977	82	2.06%	6,710	313	4.66%
Foreign	**12,425**	**81**	**0.65%**	15,165	184	1.21%	17,685	833	4.71%

Interest bearing deposits with banks									
Switzerland	**746**	**12**	**1.61%**	933	30	3.22%	412	9	2.18%
Foreign	**1,147**	**27**	**2.35%**	1,751	16	0.91%	6,639	76	1.14%
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions									
Switzerland	**7,790**	**220**	**2.82%**	5,679	316	5.56%	6,394	379	5.93%
Foreign	**252,619**	**5,032**	**1.99%**	281,679	7,434	2.64%	297,170	14,514	4.88%
Trading assets									
Switzerland	**9,564**	**267**	**2.79%**	10,635	572	5.38%	15,004	397	2.65%
Foreign	**220,237**	**10,523**	**4.78%**	200,593	10,425	5.20%	239,023	13,654	5.71%
Investment securities									
Switzerland	**2,344**	**110**	**4.69%**	4,716	176	3.73%	4,621	217	4.70%
Foreign	**18,006**	**660**	**3.67%**	21,477	661	3.08%	23,217	863	3.72%
Loans									
Switzerland	**113,166**	**3,822**	**3.38%**	112,337	4,291	3.82%	113,711	4,702	4.14%
Foreign	**53,571**	**2,314**	**4.32%**	57,483	2,446	4.26%	70,439	4,275	6.07%
Other interest-earning assets									
Switzerland	**463**	**2**	**0.43%**	839	1	0.12%	557	0	0.00%
Foreign	**31,909**	**1,053**	**3.30%**	44,528	1,764	3.96%	34,075	1,839	5.40%
Interest-earning assets	**730,294**	**24,163**	**3.31%**	761,792	28,398	3.73%	835,657	42,071	5.03%
Specific allowance for losses	**(7,347)**			(8,496)			(10,531)		
Non-interest-earning assets	**165,410**			156,234			154,328		
Discontinued operations	**2,398**			18,164			0		
Total assets	**890,755**			927,694			979,454		
Percentage of assets attributable to foreign activities	79.06%			81.36%			82.93%		

[1)] Prior years have not been adjusted for discontinued operations.

Banking average balances and interest rates (continued)

	2003			2002 [1)]			2001 [1)]		
Year ended December 31, in CHF m except where indicated	Average balance	Interest expenses	Average rate in %	Average balance	Interest expenses	Average rate in %	Average balance	Interest expenses	Average rate in %
Liabilities									
Deposits of banks									
Switzerland	**20,761**	**182**	**0.88%**	21,092	295	1.40%	23,106	750	3.25%
Foreign	**37,620**	**932**	**2.48%**	33,342	691	2.07%	41,857	2,061	4.92%
Deposits of non-banks									
Switzerland	**84,374**	**536**	**0.64%**	89,343	999	1.12%	91,724	2,288	2.49%
Foreign	**91,045**	**1,754**	**1.93%**	114,510	2,399	2.10%	96,002	4,062	4.23%

Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions									
Switzerland	**19,518**	**278**	**1.42%**	14,365	415	2.89%	13,777	980	7.11%
Foreign	**215,408**	**4,376**	**2.03%**	252,515	7,090	2.81%	261,470	14,641	5.60%
Trading liabilities									
Switzerland	**5,176**	**105**	**2.03%**	5,463	338	6.19%	6,862	262	3.82%
Foreign	**119,524**	**4,723**	**3.95%**	98,721	3,990	4.04%	117,780	6,156	5.23%
Short-term borrowings									
Switzerland	**1,252**	**39**	**3.12%**	97	1	1.03%	5	0	0.00%
Foreign	**11,535**	**298**	**2.58%**	11,978	236	1.97%	19,099	664	3.48%
Long-term debt									
Switzerland	**11,900**	**462**	**3.88%**	12,616	567	4.49%	11,385	588	5.16%
Foreign	**75,971**	**2,339**	**3.08%**	89,362	3,637	4.07%	76,744	3,527	4.60%
Other interest-bearing liabilities									
Switzerland	**73**	**3**	**4.11%**	64	0	0.00%	145	21	14.48%
Foreign	**6,726**	**384**	**5.71%**	3,036	315	10.38%	24,115	327	1.36%
Interest-bearing liabilities	**700,883**	**16,411**	**2.34%**	746,504	20,973	2.81%	784,071	36,327	4.63%
Non-interest-bearing liabilities	**153,487**			129,668			158,634		
Discontinued operations	**2,070**			15,775			0		
Total liabilities	**856,440**			891,947			942,705		
Shareholders' equity	**34,315**			35,747			36,749		
Total liabilities and shareholders' equity	**890,755**			927,694			979,454		
Percentage of liabilities attributable to foreign activities	**79.11%**			83.11%			81.95%		

[1] Prior years have not been adjusted for discontinued operations.

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

	2003		2002 [1]		2001 [1]	
Year ended December 31	Net interest income in CHF m	Interest rate spread in %	Net interest income in CHF m	Interest rate spread in %	Net interest income in CHF m	Interest rate spread in %
Switzerland	**2,868**	**2.10%**	2,853	2.10%	1,128	0.80%
Foreign	**4,884**	**0.60%**	4,572	0.70%	4,616	0.30%
Total net	**7,752**	**1.00%**	7,425	0.90%	5,744	0.40%

[1] Prior years have not been adjusted for discontinued operations.

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

The following table shows selected margin information applicable to our banking businesses:

	Average rate		
Year ended December 31	2003	2002 1)	2001 1)
Switzerland	**2.04%**	2.05%	0.77%
Foreign	**0.83%**	0.73%	0.67%
Net interest margin	**1.06%**	0.97%	0.69%

1) Prior years have not been adjusted for discontinued operations.

In 2003, the Swiss domestic interest rate spread remained stable at 2.1%, reflecting a relatively stable interest rate environment. The foreign interest rate spread decreased by 0.1% also reflected a generally stable interest rate environment.

Generally, interest rates continued to fall during 2003. On the asset side of the balance sheet, the most significant variation in return concerns the drop in the average rates earned from Swiss domestic investments and in particular the line item Central bank funds, SLB, repo. For liabilities, the average rate paid on Swiss domestic trading liabilities decreased from 6.2% in 2002 to 2.0% in 2003.

The Swiss domestic interest rate spread increased from 0.8% in 2001 to 2.1%, reflecting the low interest rate environment in Switzerland. The foreign interest rate spread increased slightly from 0.3% in 2001 to 0.7% in 2002. In 2002, both the domestic and foreign interest rate spreads increased as interest rates paid on liabilities declined more rapidly than interest rates earned on assets.

Analysis of changes in banking net interest income

The following table allocates, by categories of interest-earning assets and interest-bearing liabilities, changes in net interest income due to changes in volume and in rates for 2003 compared to 2002 and for 2002 compared to 2001. Volume and rate variances have been calculated in movements in average balances and changes in average rates. Changes due to a combination of volume and rate have been allocated to the change due to average rate.

	2003 vs. 2002 1)			2002 vs. 2001 1)		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
Year ended December 31, in CHF m	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Cash and due from banks						

Switzerland	**48**	**(90)**	**(42)**	(127)	(104)	(231)
Foreign	**(33)**	**(70)**	**(103)**	(119)	(530)	(649)
Interest-bearing deposits with banks						
Switzerland	**(6)**	**(12)**	**(18)**	11	10	21
Foreign	**(5)**	**16**	**11**	(56)	(4)	(60)
Central bank funds sold, securities purchased under resale agreements, and securities borrowing transactions						
Switzerland	**117**	**(213)**	**(96)**	(42)	(21)	(63)
Foreign	**(767)**	**(1,635)**	**(2,402)**	(756)	(6,324)	(7,080)
Trading assets						
Switzerland	**(58)**	**(247)**	**(305)**	(116)	291	175
Foreign	**1,021**	**(923)**	**98**	(2,194)	(1,035)	(3,229)
Investment securities						
Switzerland	**(88)**	**22**	**(66)**	4	(45)	(41)
Foreign	**(107)**	**106**	**(1)**	(65)	(137)	(202)
Loans						
Switzerland	**32**	**(501)**	**(469)**	(57)	(354)	(411)
Foreign	**(167)**	**35**	**(132)**	(786)	(1,043)	(1,829)
Other interest-earning assets						
Switzerland	**0**	**1**	**1**	0	1	1
Foreign	**(500)**	**(211)**	**(711)**	564	(639)	(75)
Interest-earning assets						
Switzerland	**45**	**(1,040)**	**(995)**	(327)	(222)	(549)
Foreign	**(558)**	**(2,682)**	**(3,240)**	(3,412)	(9,712)	(13,124)
Change in interest income	**(513)**	**(3,722)**	**(4,235)**	(3,739)	(9,934)	(13,673)

[1)] Prior years have not been adjusted for discontinued operations.

Analysis of changes in banking net interest income (continued)

	2003 vs. 2002 [1)]			2002 vs. 2001 [1)]		
	Increase/(decrease) due to changes in			Increase/(decrease) due to changes in		
Year ended December 31, in CHF m	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Deposits of banks						
Switzerland	**(5)**	**(108)**	**(113)**	(65)	(390)	(455)
Foreign	**89**	**152**	**241**	(419)	(951)	(1,370)
Deposits of non-banks						
Switzerland	**(56)**	**(407)**	**(463)**	(59)	(1,230)	(1,289)
Foreign	**(493)**	**(152)**	**(645)**	783	(2,446)	(1,663)
Central bank funds purchased, securities sold under repurchase agreements, and securities lending						

transactions						
Switzerland	**149**	**(286)**	**(137)**	42	(607)	(565)
Foreign	**(1,043)**	**(1,671)**	**(2,714)**	(501)	(7,050)	(7,551)
Trading liabilities						
Switzerland	**(18)**	**(215)**	**(233)**	(53)	129	76
Foreign	**840**	**(107)**	**733**	(997)	(1,169)	(2,166)
Short-term borrowings						
Switzerland	**12**	**26**	**38**	0	1	1
Foreign	**(9)**	**71**	**62**	(248)	(180)	(428)
Long-term debt						
Switzerland	**(32)**	**(73)**	**(105)**	64	(85)	(21)
Foreign	**(545)**	**(753)**	**(1,298)**	580	(470)	110
Other interest-bearing liabilities						
Switzerland	**0**	**3**	**3**	(12)	(9)	(21)
Foreign	**383**	**(314)**	**69**	(287)	275	(12)
Interest bearing liabilities						
Switzerland	**50**	**(1,060)**	**(1,010)**	(83)	(2,191)	(2,274)
Foreign	**(778)**	**(2,774)**	**(3,552)**	(1,089)	(11,991)	(13,080)
Change in interest expense	**(728)**	**(3,834)**	**(4,562)**	(1,172)	(14,182)	(15,354)
Change in net interest income						
Switzerland	**(5)**	**20**	**15**	(244)	1,969	1,725
Foreign	**220**	**92**	**312**	(2,323)	2,279	(44)
Total change in net interest income	**215**	**112**	**327**	(2,567)	4,248	1,681

[1)] Prior years have not been adjusted for discontinued operations.

Deposits

The following table presents information on deposits for the years indicated. Designation of Switzerland versus foreign is based upon location of the office receiving and recording the deposit. Month-end balances were predominantly used in computing the averages disclosed below. We believe these amounts approximate daily averages.

	2003			2002 [1)]			2001 [1)]		
Year ended December 31, in CHF m except where indicated	Average balance	Interest expense	Average rate in %	Average balance	Interest expense	Average rate in %	Average balance	Interest expense	Average rate in %
Noninterest-bearing demand	**17,369**	**–**	**–**	8,131	–	–	13,022	–	–
Interest-bearing demand	**38,388**	**129**	**0.3%**	35,756	207	0.6%	31,957	372	1.2%
Savings deposits	**41,773**	**282**	**0.7%**	38,785	446	1.1%	37,939	565	1.5%
Time deposits	**32,638**	**350**	**1.1%**	44,222	715	1.6%	40,290	1,723	4.3%
Switzerland bank offices	**130,168**	**761**	**0.6%**	126,894	1,368	1.1%	123,208	2,660	2.2%
Noninterest-bearing demand	**1,391**	**–**	**–**	1,296	–	–	3,553	–	–
Interest-bearing demand	**6,471**	**91**	**1.4%**	4,268	91	2.1%	4,420	157	3.6%

Savings deposits	**11**	**0**	**0.0%**	12	0	0.0%	12	0	0.0%
Time deposits	**114,519**	**2,552**	**2.2%**	135,244	2,925	2.2%	138,071	6,344	4.6%
Foreign bank offices	**122,392**	**2,643**	**2.2%**	140,820	3,016	2.1%	146,056	6,501	4.5%
Total deposits	**252,560**	**3,404**	**1.3%**	267,714	4,384	1.6%	269,264	9,161	3.4%

1) Prior years have not been adjusted for discontinued operations.

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

December 31, 2003, in CHF m	Switzerland	Foreign	Total
3 months or less	9	13,966	**13,975**
Over 3 through 6 months	10	449	**459**
Over 6 through 12 months	10	6,185	**6,195**
Over 12 months	5	460	**465**
Certificates of deposit	34	21,060	**21,094**
3 months or less	31,132	85,298	**116,430**
Over 3 through 6 months	1,816	1,626	**3,442**
Over 6 through 12 months	844	1,311	**2,155**
Over 12 months	244	8,120	**8,364**
Other time deposits	34,036	96,355	**130,391**
Total time deposits	34,070	117,415	**151,485**

Deposits by foreign depositors in Swiss offices amounted to CHF 40,222 million, CHF 34,267 million and CHF 32,554 million at December 31, 2003, 2002 and 2001, respectively.

Short-term borrowings

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

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

Year ended December 31, in CHF m	2003	2002 1)	2001 1)
Central bank funds purchased and securities sold under repurchase agreements and securities lending transactions			
Outstanding as of December 31	**236,826**	251,326	285,205

Maximum amount outstanding at any month-end during the year	**254,999**	290,185	292,901
Approximate average amount outstanding during the year	**234,926**	266,880	275,247
Interest expense for the year ended December 31	**4,654**	7,504	15,622
Approximate weighted-average interest rate during the year	**2.0%**	2.8%	5.7%
Approximate weighted-average interest rate at year-end	**1.9%**	2.4%	4.6%
Commercial papers			
Outstanding as of December 31	**7,306**	4,963	7,481
Maximum amount outstanding at any month-end during the year	**14,753**	7,588	13,108
Approximate average amount outstanding during the year	**6,674**	4,859	6,874
Interest expense for the year ended December 31	**134**	125	173
Approximate weighted-average interest rate during the year	**2.0%**	2.6%	2.5%
Approximate weighted-average interest rate at year-end	**1.0%**	1.1%	1.7%
Other short-term borrowings			
Outstanding as of December 31	**4,137**	4,933	14,666
Maximum amount outstanding at any month-end during the year	**18,338**	20,592	20,973
Approximate average amount outstanding during the year	**6,113**	7,216	12,230
Interest expense for the year ended December 31	**203**	112	491
Approximate weighted-average interest rate during the year	**3.3%**	1.6%	4.0%
Approximate weighted-average interest rate at year-end	**3.3%**	1.8%	4.6%

1) Prior years have not been adjusted for discontinued operations.

Investments portfolio

Banking business investment strategy

Investment strategy for our banking businesses is determined within the respective asset and liability management committee of each business. Exposures to market and interest rate risk are managed by modifying the components of the investment portfolio, either directly or through the use of derivatives. For additional information, refer to “Item 11 – Quantitative Disclosure About Market Risk – Market risk.”

The following table presents the carrying value of financial investments of our banking businesses:

		1)	1)

December 31, in CHF m	2003	2002	2001
Debt securities issued by the Swiss Federal Government, cantonal or local government entities	**470**	624	1,772
Debt securities issued by foreign governments	**17,604**	18,274	19,207
Corporate debt securities	**463**	1,895	2,162
Other	**1,281**	2,670	407
Total debt securities	**19,818**	23,463	23,548

1) Prior years have not been adjusted for discontinued operations.

The following table analyzes the maturities and weighted-average yields of debt securities included in the financial investments of our banking businesses:

	Within 1 year		1 to 5 years		5 to 10 years		Over 10 years		**Total**
December 31, 2003, in CHF m	Amount in CHF m	Yield in %	Amount in CHF m	Yield in %	Amount in CHF m	Yield in %	Amount in CHF m	Yield in %	Amount in CHF m
Debt securities issued by the Swiss Federal Govern- ment, cantonal or local government entities	42	2.20%	197	2.84%	224	2.72%	7	4.28%	**470**
Debt securities issued by foreign governments	5,654	2.19%	10,638	2.42%	1,310	3.12%	2	5.91%	**17,604**
Corporate debt securities	358	2.52%	105	1.92%	0	n/a	0	n/a	**463**
Other	407	0.73%	638	0.95%	190	0.18%	46	5.08%	**1,281**
Total debt securities	6,461	2.12%	11,578	2.34%	1,724	2.74%	55	5.01%	**19,818**

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

Banking loan portfolio

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

in CHF m	2003	2002 1)	2001 1)	2000 1)	1999 1)
Balance January 1	**7,297**	9,245	10,698	11,804	12,264
Switzerland	**953**	1,236	952	863	923
Foreign	**710**	1,875	1,706	1,099	752
New provisions	**1,663**	3,111	2,658	1,962	1,675
Switzerland	**(544)**	(379)	(436)	(526)	(402)
Foreign	**(525)**	(277)	(528)	(372)	(518)
Releases of provisions	**(1,069)**	(656)	(964)	(898)	(920)

Net additions charged to income statement	**594**	2,455	1,694	1,064	755
Commercial	**(1,418)**				
Consumer	**(315)**				
Lease financings	**(7)**				
Switzerland [2]	**(1,740)**				
Banks	**(55)**				
Commercial	**(1,510)**				
Consumer	**(22)**				
Public authorities	**(5)**				
Foreign [2]	**(1,592)**				
Gross write-offs	**(3,332)**	(3,661)	(3,643)	(3,093)	(2,332)
Commercial	**29**				
Consumer	**3**				
Switzerland [2]	**32**				
Commercial	**17**				
Foreign [2]	**17**				
Recoveries	**49**	56	46	76	39
Net write-offs	**(3,283)**	(3,605)	(3,597)	(3,017)	(2,293)
Allowances acquired	**27**	0	2	313	0
Provisions for interest	**155**	187	400	248	475
Foreign currency translation impact and other adjustments, net	**(294)**	(985)	48	286	603
Balance December 31	**4,496**	7,297	9,245	10,698	11,804
Average loan balance	**166,737**	169,820	184,150	177,674	173,962
Ratio of net write-offs to average loans	**1.97%**	2.12%	1.95%	1.70%	1.32%

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

The following table shows the analysis of the allowance for loan losses by region and sector:

	2003		2002 [1]		2001 [1]		2000 [1]		1999 [1]	
December 31	in CHF m	% of loans on each category to total loans	in CHF m	% of loans on each category to total loans	in CHF m	% of loans on each category to total loans	in CHF m	% of loans on each category to total loans	in CHF m	% of loans on each category to total loans
Banks	**0**	**0.0%**	1	0.0%	2	0.0%	10	0.0%	9	0.0%
Commercial	**2,320**	**1.5%**	3,353	2.0%	4,798	2.9%	6,468	3.9%	7,956	5.3%

Consumer	**690**	**0.4%**	919	0.6%	832	0.5%	1,181	0.7%	1,540	1.0%
Public authorities	**21**	**0.0%**	18	0.0%	19	0.0%	18	0.0%	14	0.0%
Lease financings	**21**	**0.0%**	22	0.0%	24	0.0%	20	0.0%	18	0.0%
Switzerland	**3,052**	**1.9%**	4,313	2.6%	5,675	3.4%	7,697	4.6%	9,537	6.3%
Banks	**9**	**0.0%**	4	0.0%	7	0.0%	18	0.0%	13	0.0%
Commercial	**1,383**	**0.9%**	2,914	1.8%	3,442	2.0%	2,707	1.6%	2,076	1.4%
Consumer	**45**	**0.0%**	52	0.0%	113	0.1%	161	0.1%	29	0.0%
Public authorities	**7**	**0.0%**	14	0.0%	8	0.0%	115	0.1%	149	0.1%
Lease financings	**0**	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Foreign	**1,444**	**0.9%**	2,984	1.8%	3,570	2.1%	3,001	1.8%	2,267	1.5%
Total allowance for loan losses	**4,496**	**2.8%**	7,297	4.4%	9,245	5.5%	10,698	6.4%	11,804	7.8%
of which on principal	**3,705**	**2.3%**	6,212	3.7%	7,534	4.5%	8,655	5.2%	9,396	6.2%
of which on interest	**791**	**0.5%**	1,085	0.7%	1,711	1.0%	2,043	1.2%	2,408	1.6%

1) Prior years have not been adjusted for discontinued operations.

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

Year ended December 31, in CHF m	2003	2002 1)	2001 1)	2000 1)	1999 1)
Financial services	**411**	108	305	374	167
Real estate companies	**321**	712	734	893	738
Other services	**106**	298	523	618	272
Manufacturing	**897**	590	349	238	371
Wholesale and retail trade	**188**	320	263	191	176
Construction	**101**	173	316	198	112
Transportation	**316**	70	384	20	18
Health and social services	**29**	15	80	2	22
Hotels and restaurants	**48**	80	120	91	52
Agriculture and mining	**51**	177	31	96	40
Telecommunications	**459**	451	9	4	5
Non-profit and international organizations	**2**	2	8	6	27
Commercial	**2,929**	2,996	3,122	2,731	2,000
Banks	**55**	2	12	12	15
Consumer	**336**	657	509	347	307
Public authorities	**5**	0	0	0	4
Lease financings	**7**	6	0	3	6
Total gross write-offs	**3,332**	3,661	3,643	3,093	2,332

1) Prior years have not been adjusted for discontinued operations.

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

December 31, in CHF m	2003	2002[1)]	2001[1)]	2000[1)]	1999[1)]
Banks	**13**	1	416	426	349
Commercial	**41,401**	46,531	56,243	51,979	52,731
Consumer	**67,594**	61,973	55,223	53,191	45,444
Public authorities	**1,627**	1,708	2,449	1,619	1,999
Lease financings	**3,481**	3,230	2,915	2,447	1,458
Switzerland	**114,116**	113,443	117,246	109,662	101,981
Banks	**7,176**	8,017	11,209	8,597	8,527
Commercial	**29,488**	37,651	34,044	41,482	36,487
Consumer	**14,414**	12,587	12,428	14,556	12,483
Public authorities	**797**	1,583	1,765	2,200	1,939
Lease financings	**129**	148	169	2,416	1,301
Foreign	**52,004**	59,986	59,615	69,251	60,737
Loans, gross	**166,120**	173,429	176,861	178,913	162,718
Deferred expenses, net	**106**	179	267	254	244
Allowance for loan losses	**(4,496)**	(7,297)	(9,245)	(10,698)	(11,804)
Total loans, net	**161,730**	166,311	167,883	168,469	151,158
Percentage of allowance for loan losses	**2.8%**	4.4%	5.5%	6.4%	7.8%

1) Prior years have not been adjusted for discontinued operations.

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

December 31, in CHF m	2003	2002[1)]
Financial services	**15,594**	19,495
Real estate companies	**14,681**	15,195
Other services	**10,544**	13,994
Manufacturing	**10,560**	12,693
Wholesale and retail trade	**6,824**	7,281
Construction	**3,553**	4,163
Transportation	**3,051**	4,214
Health and social services	**1,588**	2,072
Hotels and restaurants	**1,579**	1,879
Agriculture and mining	**2,083**	1,748
Telecom	**630**	1,260
Non-profit and international organizations	**202**	188
Commercial	**70,889**	84,182
Car leasing	**936**	882
Real estate leasing	**783**	608
Leasing of capital goods	**1,891**	1,888
Lease financings	**3,610**	3,378
Banks	**7,189**	8,018

Consumers	**82,008**	74,560
Public authorities	**2,424**	3,291
Loans, gross	**166,120**	173,429
Deferred expenses, net	**106**	179
Allowance for loan losses	**(4,496)**	(7,297)
Total loans, net	**161,730**	166,311

1) Prior years have not been adjusted for discontinued operations.

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

December 31, 2003, in CHF m	1 year or less	1 year to 5 years	After 5 years	Loans with no stated maturity1)	Self-amortizing loans2)	Total
Banks	13	0	0	0	0	**13**
Commercial	17,778	11,996	1,365	10,182	80	**41,401**
Consumer	19,992	33,158	3,064	10,190	1,190	**67,594**
Public authorities	589	773	154	111	0	**1,627**
Lease financings	0	0	0	0	3,481	**3,481**
Switzerland	38,372	45,927	4,583	20,483	4,751	**114,116**
Banks	1,082	1,678	4,402	14	0	**7,176**
Commercial	18,645	6,925	2,908	1,010	0	**29,488**
Consumer	9,165	2,463	1,957	829	0	**14,414**
Public authorities	288	404	98	7	0	**797**
Lease financings	0	0	0	0	129	**129**
Foreign	29,180	11,470	9,365	1,860	129	**52,004**
Loans, gross	67,552	57,397	13,948	22,343	4,880	**166,120**
of which fixed rate	59,518	52,013	9,608	0	4,880	**126,019**
of which variable rate	8,034	5,384	4,340	22,343	0	**40,101**
Deferred expenses, net						**106**
Allowance for loan losses						**(4,496)**
Total loans, net						**161,730**

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

Non-accrual loans

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

December 31, in CHF m	2003	2002[1)]	2001[1)]	2000[1)]	1999[1)]	Interest income which would have been recognized 2003	Interest income which would have been recognized 2002[1)]	Interest income which was recognized 2003	Interest income which was recognized 2002[1)]
Switzerland	**1,833**	3,870	4,972	6,647	8,434	**112**	176	**28**	61
Foreign	**1,080**	2,485	2,988	1,531	1,786	**66**	150	**15**	30
Non-performing loans	**2,913**	6,355	7,960	8,178	10,220	**178**	326	**43**	91
Switzerland	**1,615**	1,986	2,261	3,191	4,218	**101**	157	**0**	0
Foreign	**148**	339	547	424	518	**24**	11	**0**	0
Non-interest earning loans	**1,763**	2,325	2,808	3,615	4,736	**125**	168	**0**	0
Total non-accrual loans	**4,676**	8,680	10,768	11,793	14,956	**303**	494	**43**	91

1) Prior years have not been adjusted for discontinued operations.

Potential problem loans

December 31, in CHF m	2003	2002[1)]	2001[1)]	2000[1)]	1999[1)]
Switzerland	**1,604**	1,796	2,169	2,616	3,038
Foreign	**397**	1,612	2,514	3,766	555
Total potential problem loans	**2,001**	3,408	4,683	6,382	3,593

1) Prior years have not been adjusted for discontinued operations.

Restructured loans

December 31, in CHF m	2003	2002[1)]	2001[1)]	2000[1)]	1999[1)]	Interest income which would have been recognized 2003	Interest income which would have been recognized 2002[1)]	Interest income which was recognized 2003	Interest income which was recognized 2002[1)]
Switzerland	**21**	52	114	157	380	**3**	4	**2**	3
Foreign	**259**	229	0	111	39	**8**	18	**7**	13
Total restructured loans	**280**	281	114	268	419	**11**	22	**9**	16

1) Prior years have not been adjusted for discontinued operations.

For additional information about non-performing loans and potential loan problems, refer to "Item 11 – Quantitative Disclosure About Market Risk – Credit risk for the banking businesses."

Cross-border outstandings

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

The following table represents cross-border outstandings as of the end of each of the last three years, stating the name of the country and the aggregate amount of cross-border outstandings to borrowers in each foreign country where such outstandings exceed 0.75% of our total banking assets at December 31, 2003, 2002 and 2001. Deducted from the gross outstandings are guaranteed or secured loans, provided the political and transfer risks are also covered explicitly by the guarantee or security.

in CHF m	Banks	Commercial (includes lease financings)	Consumer	Public authorities	Subtotal	Net local country assets over liabilities	Commit-ments	Total
December 31, 2003								
United States	11,544	23,936	780	490	36,750	0	81,783	**118,533**
Germany	21,216	11,177	1,078	926	34,397	45	3,434	**37,876**
United Kingdom	7,305	5,723	1,049	117	14,194	0	4,722	**18,916**
Italy	6,327	6,148	215	4,037	16,727	365	1,166	**18,258**
France	7,256	5,233	341	143	12,973	861	2,584	**16,418**
Cayman Islands	676	6,567	73	0	7,316	0	1,559	**8,875**
The Netherlands	5,734	4,482	2,254	38	12,508	0	1,510	**14,018**
Spain	1,875	3,659	53	1,625	7,212	0	413	**7,625**
Japan	444	3,627	125	91	4,287	4,819	187	**9,293**
December 31, 2002 [1)]								
United States	3,616	13,098	655	1,598	18,967	52,776	86,755	158,498
Germany	41,066	10,108	707	9,829	61,710	0	4,259	65,969
United Kingdom	11,961	11,673	788	332	24,754	0	9,297	34,051
Italy	12,520	2,805	132	3,283	18,740	0	572	19,312
France	4,762	4,554	268	1,072	10,656	871	5,256	16,783
Cayman Islands	386	9,802	246	27	10,461	0	2,308	12,769
The Netherlands	4,468	2,887	1,344	384	9,083	18	1,058	10,159
Spain	3,398	1,516	50	3,109	8,073	0	280	8,353
Luxembourg	1,698	3,693	989	46	6,426	403	989	7,818
Japan	2,921	2,804	95	701	6,521	0	348	6,869
December 31, 2001 [1)]								
United States	7,225	11,601	169	1,863	20,858	21,233	141,222	183,313

Germany	38,244	7,949	948	12,974	60,115	0	935	61,050
United Kingdom	8,813	13,555	415	1,024	23,807	0	10,638	34,445
Italy	18,088	2,623	421	5,111	26,243	0	160	26,403
France	9,119	5,428	207	928	15,682	100	2,318	18,100
The Netherlands	4,221	4,632	491	847	10,191	0	821	11,012
Spain	1,905	1,259	535	4,719	8,418	0	39	8,457
Belgium	5,727	470	71	1,495	7,763	0	62	7,825
Japan	2,100	3,882	322	534	6,838	0	330	7,168
Canada	793	1,337	167	1,677	3,974	79	3,100	7,153

[1)] Certain minor definitional changes were implemented in 2003. Prior periods have not been restated to reflect the current presentation and have not been adjusted for discontinued operations.

ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Board of Directors of Credit Suisse Group

Membership and qualifications

The Articles of Association provide that the Board of Directors, or the Board, shall consist of a minimum of seven members. Credit Suisse Group believes that the size of the Board must be such that the standing committees can be staffed with qualified members, but, at the same time, the Board must be small enough to enable an effective and rapid decision-making process. The members are elected individually for a period of three years and are eligible for re-election. There is no requirement in the Articles of Association for a staggered board. One year of office is understood to be the period of time from one ordinary General Meeting of Shareholders to the close of the next ordinary General Meeting of Shareholders. While the Articles of Association do not provide for any age or term limitations, Credit Suisse Group's Internal Regulations Governing the Conduct of Business specify that the members of the Board shall retire at the ordinary General Meeting of Shareholders in the year in which they reach age 70. None of the Group's directors has a service contract with the Group or any of its subsidiaries providing for benefits upon termination of their service.

The Chairman's and Governance Committee recruits and evaluates candidates for Board membership based on a set of criteria established by the committee. The committee may also retain outside consultants with respect to the identification and recruitment of potential new Board members. In its assessment of candidates, the Chairman's and Governance Committee considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the committee takes into account independence, diversity, age, skills and management experience in the context of the needs of the Board to fulfill its responsibilities. Any newly appointed director participates in an orientation program to familiarize himself or herself with Credit Suisse Group's organizational structure, strategic plans, significant financial, accounting and risk matters and other important issues.

Independence

The Board currently consists only of directors who have no executive functions within the Group and includes a majority of independent directors, as determined by the Board in its sole discretion, taking into account the factors set forth in the Internal Regulations Governing the Conduct of Business, the Committee Charters and applicable laws and listing standards. The Chairman's and Governance Committee performs an annual assessment of the independence of each Board member and reports its findings to the Board for final determination of independence of each individual member. In general, a director is considered independent if he or she is not, and has not been for the prior three years, employed as an executive officer of Credit Suisse Group or any of its subsidiaries, is not and has not been for the prior three years an employee or affiliate of the Group's external auditor and does not maintain, in the sole determination of the Board, a material direct or indirect business relationship with Credit Suisse Group or any of its subsidiaries. No Board member is considered independent if he or she is part of an interlocking directorate in which a member of the Group Executive Board serves on the compensation committee of another company that employs the Board member. Board members with immediate family members who would not qualify as independent are also not considered independent. The Credit Suisse Group independence definition is substantially the same as the NYSE definition with the exception that its own independence requirements do not include a technical three-year look-back period for an interlocking directorate, in which a member of the Group Executive Board serves on the compensation committee of another company that employs the Board member.

Whether or not a relationship between Credit Suisse Group or any of its subsidiaries and a member of the Board is considered material depends in particular of the following factors:

- The volume and the size of any transactions concluded in relation to the financial status and credit rating of the board member concerned or the organization in which he or she is a partner, significant shareholder or executive officer.
- The terms and conditions applied to such transactions in comparison to those applied to transactions with counterparties of similar credit standing.
- Whether the transactions are subject to the same internal approval processes and procedures as transactions that are concluded with parties that are not related to a Board member.
- Whether the transactions are performed in the ordinary course of business.
- Whether the transactions are structured in such a way and on such terms and conditions that the transaction could be concluded with a third-party provider on comparable terms and conditions.

Meetings

The Board holds at least six regular, generally full-day meetings per year. In addition, the Board convenes as often as required to discuss any urgent matters. The Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting. However, any other Board member has the right to call an extraordinary meeting, if deemed necessary. The Chairman has the discretion to invite members of management to attend the meetings. Generally, all members of the Group Executive Board attend the meetings to ensure an effective interaction with the Board. At most meetings, the Board holds separate private sessions, without management present, to discuss particular issues. Minutes are kept of the proceedings and resolutions of the Board.

Board responsibilities

By establishing the Internal Regulations Governing the Conduct of Business of Credit Suisse Group, the Board has delegated the management of the company and the preparation and implementation of its resolutions to committees of the Board and to certain management bodies or executive officers to the extent permitted by law, in particular article 716a and 716b of the Swiss Code of Obligations, and Credit Suisse Group's Articles of Association.

With responsibility for the overall direction, supervision and control of the company, the Board regularly assesses the Group's competitive position and approves strategic and financial plans. At each meeting, the Board receives a status report on the financial results of the Group. In addition, the Board regularly receives management information packages, which provide detailed information on the performance and financial status of the Group as well as risk reports outlining recent developments and outlook scenarios. Management also provides the Board members with regular updates on key issues as deemed appropriate or as requested. All members of the Board have access to all information concerning the Group. Should a member of the Board require information or wish to review Group documents outside a meeting, he or she can address this request to the Chairman of the Board.

The Board also reviews and approves significant changes in the Group's structure and organization and is actively involved in significant projects including acquisitions, divestitures and major investments. The Board also performs a self-assessment once a year.

Board Committees

The Board currently has four standing committees, the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee and the Risk Committee. The committee members are appointed for a term of one year.

Chairman's and Governance Committee

The Chairman's and Governance Committee consists of the Chairman of the Board and not less than two other members, a majority of whom must be independent pursuant to its charter. The current members are: Walter B. Kielholz (Chairman), Peter Brabeck-Letmathe, Hans-Ulrich Doerig, Aziz R.D. Syriani and Peter F. Weibel. The Chairman's and Governance Committee has its own charter, which has been approved by the Board. It generally meets once a month. The Chairman may ask members of management to attend all or part of a meeting.

The Chairman's and Governance Committee acts as counselor to the Chairman and discusses a broad variety of topics in preparation for Board meetings. In addition, the Chairman's and Governance Committee has the responsibility to develop and recommend to the Board a set of Corporate Governance Guidelines and to review these guidelines from time to time. At least annually, the Chairman's and Governance Committee reviews the independence of the Board members and reports its findings to the Board for final determination. The Chairman's and Governance Committee is also responsible for identifying, evaluating, recruiting and nominating new Board members in accordance with the criteria established by the committee, subject to applicable laws and regulations.

Moreover, at least annually, the Chairman's and Governance Committee reviews and evaluates the performance of the Chairman of the Board and the Co-Chief Executive Officers and makes recommendations to the Board. The Chairman of the Board does not participate in the discussion of his own performance. The Chairman's and Governance Committee proposes to the Board the appointment, promotion, dismissal or replacement of members of the Group Executive Board. The Chairman's and Governance Committee also reviews with the Chairman and the Co-Chief Executive Officers the succession plans relating to positions held by senior executive officers of the Group and makes recommendations to the Board with respect to the selection of individuals to occupy these positions.

Audit Committee

The Audit Committee consists of not less than three members, all of whom must be independent pursuant to the Audit Committee charter. The current members are: Peter F. Weibel (Chairman), Thomas D. Bell, Aziz R.D. Syriani and David W. Syz. The Audit Committee has its own charter, which has been approved by the Board.

Pursuant to its charter, the members of the Audit Committee are subject to additional independence requirements, which exceed those applied to other members of the Board. None of the Audit Committee members may be an affiliated person of the Group or may, directly or indirectly, accept any consulting, advisory or other compensatory fees from the Group other than their regular compensation as Board and Audit Committee members. In line with the Audit Committee charter, all Audit Committee members must be financially literate. In addition, they may not serve on the audit committee of more than two other companies, unless the Board deems that such membership would not impair the member's ability to serve on Credit Suisse Group's Audit Committee. All of the Group's Audit Committee members meet these standards.

The Audit Committee meets at least quarterly prior to the publication dates of the financial statements. The meetings are attended by management representatives as required in light of the meeting agenda. In addition, the head of Internal Audit and senior representatives of the External Auditor attend the meetings.

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring and assessing the integrity of the financial statements and disclosures of the financial condition, results of operations and cash flows of the Group, monitoring processes designed to ensure compliance by the Group with legal and regulatory requirements, monitoring the qualifications, independence and performance of the External and Internal Auditors and monitoring the adequacy of financial reporting processes and systems of internal accounting and financial controls. The Audit Committee also pre-approves the retention of and fees paid to the External Auditor for all audit and non-audit services. For this purpose, it has developed and approved a policy, which is designed to help ensure that the independence of the External Auditor is maintained. The policy limits the scope of services that may be provided to Credit Suisse Group or any of its subsidiaries by the External Auditor to audit and certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. The External Auditor is required to periodically report to the Audit Committee regarding the extent of services provided by the External Auditor and the fees for the services performed to date. For additional information, refer to "Item 16c – Principal Accountant Fees and Services."

Compensation Committee

The Compensation Committee consists of not less than three members, a majority of whom must be independent pursuant to its charter. The current members are: Aziz R. D. Syriani (Chairman), Robert H. Benmosche and Peter Brabeck-Letmathe. The Compensation Committee has its own charter, which has been approved by the Board. Besides a number of shorter meetings throughout the year as needed to perform its duties and responsibilities, the Compensation Committee has two main meetings per year, where it convenes for the primary purpose of reviewing the performance of the business units and the respective management teams, and determining and approving the overall compensation pools, the compensation payable to the members of the Executive Boards of the Group and its two business units, Internal Audit and other members of senior management. Other duties and responsibilities include the approval of compensation plans and the overall amount of the performance-related compensation. Under Swiss law, the shareholders approve the creation of conditional capital used for the purposes of providing shares under applicable employee benefit plans. In order to support the analysis and diligence of the work of the Compensation Committee, an independent global compensation consulting firm specialized in supporting companies in their compensation decisions and processes has been retained by the committee. Further information on the compensation philosophy of the Group can be found in the section on "Compensation" below.

Risk Committee

The Risk Committee consists of not less than three members. The current members are: Hans-Ulrich Doerig (Chairman), Thomas W. Bechtler, Noreen Doyle and Ernst Tanner. The Risk Committee has its own charter, which has been approved by the Board. The Risk Committee generally meets four times a year. Its main duties are to assist the Board in assessing the different types of risk and the risk management structure, organization and processes in the Group. The Risk Committee approves selected risk limits and makes recommendations to the Board on all its risk-related responsibilities including the review of major risk management and capital adequacy requirements.

Members of the Board of Directors and the Committees

Walter B. Kielholz

Chairman [1)]

Peter Brabeck-Letmathe

Vice-Chairman [1) 2)]

Hans-Ulrich Doerig

Vice-Chairman [1) 4)]

Thomas W. Bechtler [4)]

Thomas D. Bell [3)]

Robert H. Benmosche [2)]

Noreen Doyle [4) 5)]

Aziz R. D. Syriani [1) 2) 3)]

David W. Syz [3) 5)]

Ernst Tanner [4)]

Peter F. Weibel [1) 3) 5)]

[1)] Member of the Chairman's and Governance Committee, chaired by Walter B. Kielholz

[2)] Member of the Compensation Committee, chaired by Aziz R. D. Syriani

[3)] Member of the Audit Committee, chaired by Peter F. Weibel

[4)] Member of the Risk Committee, chaired by Hans-Ulrich Doerig [5)] since April 30, 2004

The composition of the Boards of Directors of the Group's principal subsidiaries, Credit Suisse, Credit Suisse First Boston, "Winterthur" Swiss Insurance Company and Winterthur Life, is the same as the composition of the Board of Directors of Credit Suisse Group.

Changes in the Board of Directors
Marc-Henri Chaudet retired from the Board of Directors as per Credit Suisse Group's Annual General Meeting on April 30, 2004.

Walter B. Kielholz

Born 1951, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Chairman of the Board of Directors and the Chairman's and Governance Committee since January 1, 2003. Prior to that appointment, Mr. Kielholz served as Vice-Chairman of the Board (from May 31, 2002 to December 31, 2002) and Chairman of the Audit Committee (from May 28, 1999 to December 31, 2002). He was first appointed to the

Board in 1999. His term expires at the Annual General Meeting in 2006. The Board has determined him to be independent under the Group's independence standards.

Walter B. Kielholz studied Business Administration at the University of St. Gallen, and graduated in 1976 with a degree in Business Finance and Accounting.

His career began at the General Reinsurance Corporation, Zurich. After working in the United States, the United Kingdom and Italy, he assumed responsibility for the company's European marketing. In 1986, he moved to Credit Suisse, Zurich, where he was responsible for client relations with large insurance groups in the Multinational Services department.

Mr. Kielholz joined Swiss Re, Zurich, at the beginning of 1989. He became a member of Swiss Re's Executive Board in January 1993 and was Swiss Re's Chief Executive Officer from January 1, 1997 to December 31, 2002. A Board member since June 1998, the Board of Directors of Swiss Re appointed him Vice-Chairman with effect from January 1, 2003. Walter B. Kielholz is a member of the International Association for the Study of Insurance Economics ("The Geneva Association"), President of the foundation Avenir Suisse, member of the Board of Trustees of the Lucerne Festival and Chairman of the Zurich Art Society.

Peter Brabeck-Letmathe

Born 1944, Austrian Citizen

Nestlé SA

Avenue Nestlé 55

1800 Vevey, Switzerland

Vice-Chairman of the Board, member of the Chairman's and Governance Committee since 2003 and member of the Compensation Committee since 2000 (Chairman from 2000 to 2004). Mr. Brabeck-Letmathe was first appointed to the Board in 1997. He served as Lead Independent Director from March 2001 until the end of 2002. His term as a member of the Board expires at the Annual General Meeting in 2005. The Board has determined him to be independent under the Group's independence standards.

Peter Brabeck-Letmathe studied Economics at the University of World Trade in Vienna. After graduation in 1968, he joined Nestlé's sales operations in Austria. His career within Nestlé includes a variety of assignments in several European countries as well as in Latin America. Since 1987, he has been based at Nestlé's headquarters in Vevey. Since 1997, Mr. Brabeck-Letmathe has served as the Chief Executive Officer of Nestlé. Since 1997, he has also been a member of Nestlé's Board of Directors, currently serving as its Vice-Chairman (since 2001).

Mr. Brabeck-Letmathe is a member of the Boards of Directors of L'Oréal SA, Paris (since 1997) and Roche Holding SA, Basel (since 2000). He is also Deputy Chairman of the Board of The Prince of Wales International Business Leaders Forum and a member of ERT (European Round Table of Industrialists), the Bretton Woods Committee's International Council, Avenir Suisse and the World Economic Forum.

Hans-Ulrich Doerig

Born 1940, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Full-time Vice-Chairman of the Board and Chairman of the Risk Committee since 2003. Prior to that appointment, Mr. Doerig served as Vice-Chairman of the Group Executive Board from 1998 to 2003 and Chief Risk Officer from 1998 until 2002. His term as a member of the Board expires at the Annual General Meeting in 2006.

After completing his studies at the St. Gallen University with degrees in Economics and Law, including a doctorate received in 1968, and after five years at JP Morgan in New York, he joined Credit Suisse in 1973. In 1982, he was appointed a member of the Executive Board of Credit Suisse with responsibilities for the multinational division, securities trading, capital markets, corporate finance and commercial banking Asia. From 1993 to 1996, he served as Vice-Chairman of the Board of Directors of Credit Suisse. In 1996, he became President of the Executive Board of Credit Suisse. During 1997 he served as Chief Executive Officer of Credit Suisse First Boston.

Mr. Doerig is a member of the International Advisory Board of Ebara, Tokyo, and serves as a member of the Board of the University of Zurich. In addition, he is a member of the supervisory bodies of various foundations and academic, arts, humanitarian and professional organizations. Mr. Doerig has published several books on finance.

Thomas W. Bechtler

Born 1949, Swiss Citizen

Seestrasse 21

8700 Küsnacht, Switzerland

Member of the Board since 1994 and member of the Risk Committee since 2003. From 1999 to 2003 he served on the Audit Committee and from 2003 to 2004 on the Compensation Committee. His term as a member of the Board expires at the Annual General Meeting in 2005.

Thomas W. Bechtler studied Law at the universities of Zurich and Geneva. After graduating in 1973, he obtained a Master of Laws degree from Harvard University, Cambridge, in 1975 and a doctorate from Zurich University in 1976. Mr. Bechtler is the Vice-Chairman and the delegate of the Boards of Directors of Hesta AG, Zug, and Hesta Tex AG, Zug, both largely family-owned companies owning Zellweger Luwa AG, Uster, and Schiesser Group AG, Küsnacht. Mr. Bechtler has been Chairman of the latter companies since 1994 and 1992, respectively. Banking subsidiaries of the Group maintain significant banking relationships with Mr. Bechtler or companies affiliated with him.

Mr. Bechtler's other board memberships include: Bucher Industries, Niederwenigen (since 1987), Conzzetta Holding AG, Zurich (since 1987), Sika AG, Baar (Vice-Chairman; since 1989), and Swiss Reinsurance Company, Zurich (since 1993). Mr. Bechtler is a member of the Board of Trustees of Swisscontact, Zurich.

Thomas D. Bell

Born 1949, US Citizen

Cousins Properties Inc.

2500 Windy Ridge Parkway

Suite 1600

Atlanta, GA 30339, USA

Member of the Board and the Audit Committee since 2002. His term as a member of the Board expires at the Annual General Meeting in 2007. The Board has determined Mr. Bell to be independent under the Group's independence standards.

Thomas D. Bell serves as Vice Chairman of the Board (since 2000) and President and Chief Executive Officer (since 2002) of Cousins Properties Inc., a diversified real estate development company based in Atlanta. Prior thereto, Mr. Bell spent ten years at Young & Rubicam Inc., New York, retiring as Chairman and Chief Executive Officer when it was merged with the WPP Group.

During the Reagan administration, Mr. Bell chaired the Committee on the Next Agenda, which focused on prioritizing issues for President Reagan's second term. He also chaired the Workforce 2000 Advisory Committee for the U.S. Secretary of Labor.

Mr. Bell serves on the boards of Lincoln Financial Group, Philadelphia (since 1988), Regal Entertainment Group, Knoxville (since 2002), AGL Resources Inc, Atlanta (since 2003), and the US Chamber of Commerce (since 1998).

Mr. Bell served as a senior advisor to Credit Suisse First Boston from September 2001 to January 2002, advising management on the company's real estate activities.

Robert H. Benmosche

Born 1944, US Citizen

Metropolitan Life Insurance Company

One Madison Avenue

New York, NY 10010, USA

Member of the Board since 2002 and member of the Compensation Committee since 2003. His board term expires at the Annual General Meeting in 2005. The Board has determined him to be independent under the Group's independence standards.

Robert H. Benmosche has been Chairman of the Board and Chief Executive Officer of MetLife, Inc., New York, since the demutualization of the company in 2000 and of Metropolitan Life Insurance Company, New York, since 1998. Before joining MetLife in 1995, Mr. Benmosche was with PaineWebber, New York, for 13 years, most recently in the position of an Executive Vice President and a member of the company's Board of Directors. He received a B.A. degree in mathematics from Alfred University in 1966.

Noreen Doyle

Born 1949, US and Irish Citizen

European Bank for Reconstruction and Development

One Exchange Square

London EC2A 2JN, UK

Member of the Board and the Risk Committee since 2004. Her board term expires at the Annual General Meeting in 2007. The Board has determined Ms. Doyle to be independent under the Group's independence standards.

Noreen Doyle was appointed First Vice President and Head of Banking of the European Bank for Reconstruction and Development ("EBRD") on September 1, 2001. She joined the EBRD in 1992 as head of syndications, was appointed chief credit officer in 1994 and became Deputy Vice President, Risk Management, in 1997. Prior to joining the EBRD, Noreen Doyle spent 18 years at Bankers Trust Company with assignments in Houston, New York and London, most recently as Managing Director, European loan syndications.

Ms. Doyle received a BA in Mathematics from The College of Mount Saint Vincent, New York, in 1971 and an MBA from The Amos Tuck School of Business Administration at Dartmouth College, New Hampshire, in 1974.

She currently serves on the Board of Overseers of the Amos Tuck School of Business Administration. In the past, she has served on the supervisory boards of Budapest Bank in Hungary (from 1996 to 2001), and of BNP Dresdner Bank in Bulgaria (from 1995 to 2001). She was also a member of the investment advisory board of the Alliance ScanEast Fund and has served on the Board of Trustees of The College of Mount Saint Vincent.

Aziz R. D. Syriani

Born 1942, Canadian Citizen

The Olayan Group

111 Poseidonos Avenue

P.O. Box 70228

Glyfada, Athens 16610, Greece

Member of the Board since 1998, member of the Chairman's and Governance Committee and of the Audit Committee since 2003 (Chairman from 2003 to 2004). His board term expires at the Annual General Meeting in 2007. The Board has determined Mr. Syriani to be independent under the Group's independence standards.

Aziz R.D. Syriani holds a law degree from the University of St. Joseph in Beirut (granted in 1965) and a Master of Laws degree from Harvard University, Cambridge (granted in 1972). Mr. Syriani has been with the Olayan Group since 1978 and currently serves as President (since 1978) and Chief Executive Officer (since 2002). The Olayan Group is a private multinational enterprise engaged in distribution, manufacturing and global investment.

Mr. Syriani serves on the board of Occidental Petroleum Corporation, Los Angeles (since 1983), where he currently is the Chairman of the Audit Committee.

David W. Syz

Born 1944, Swiss Citizen

Chapfstrasse 110

8126 Zumikon, Switzerland

Member of the Board and the Risk Committee since 2004. His board term expires at the Annual General Meeting in 2007. The Board has determined Mr. Syz to be independent under the Group's independence standards.

After completing his studies at the Zurich University law school and receiving a doctorate from the same university in 1972 and an MBA at INSEAD, Fontainebleau in 1973, David W. Syz started his career as Assistant to Director at the Union Bank of Switzerland in Zurich and subsequently held the equivalent position at Elektrowatt AG, Zurich. In 1975, he was appointed Head of Finance at Staefa Control System AG, Stäfa, and became Managing Director after four years. From 1982 to 1984, he was also Chief Executive Officer of Cerberus AG, Männedorf. In 1985, David Syz returned to Elektrowatt AG as Director and Head of Industries and Electronics. In 1996, he was appointed Chief Executive Officer and Managing Director of Schweizerische Industrie-Gesellschaft Holding AG (SIG), Neuhausen.

Appointed State Secretary in May 1999, David Syz took charge of the new State Secretariat for Economic Affairs on July 1, 1999, a function from which he retired effective March 31, 2004.

Since 2004, Mr. Syz has been the Vice-Chairman of the Board of Huber & Suhner AG, Pfäffikon. Prior to his appointment as State Secretary in 1999, he served on the Boards of Huber & Suhner AG, Pfäffikon; Georg Fischer AG, Schaffhausen; SIG, Schweizerische Industrie Gesellschaft AG, Neuhausen; Pestalozzi und Co. AG, Dietikon; and Banque Nationale de Paris (Suisse) SA, Zurich.

Ernst Tanner

Born 1946, Swiss Citizen

Chocoladenfabriken Lindt & Sprüngli AG

Seestrasse 204

8802 Kilchberg, Switzerland

Member of the Board since 2002 and member of the Risk Committee since 2003. His board term expires at the Annual General Meeting in 2005. The Board has determined him to be independent under the Group's independence standards.

Ernst Tanner is Chairman of the Board (since 1994) and Chief Executive Officer (since 1993) of Lindt & Sprüngli AG, Kilchberg, a Swiss chocolate producer listed on the SWX Swiss Exchange. Before joining Lindt & Sprüngli, Mr. Tanner worked at Johnson & Johnson, which he joined in 1969, most recently in the capacity of Company Group Chairman of Johnson & Johnson Europe.

Mr. Tanner serves on the board of The Swatch Group, Biel (since 1995). He is also a member of the Board of the Zurich Chamber of Commerce and delegate of the Society for the Promotion of Swiss Economy. In addition, he has served on the Board of Adecco SA, Wallisellen from 2000 to June, 2004.

Peter F. Weibel

Born 1942, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Member of the Board and Chairman of the Audit Committee since 2004. His term as a member of the Board expires at the Annual General Meeting in 2007. The Board has determined Mr. Weibel to be independent under the Group's independence standards and an audit committee financial expert within the meaning of the US Sarbanes-Oxley Act of 2002.

After completing his studies in Economics at the University of Zurich in 1968, including a doctorate received in 1972, and after working as a consultant at IBM Switzerland for three years, Peter F. Weibel joined UBS in its Central Accounting Department in 1975 and later became a Senior Vice President in its Corporate Banking Division. In 1988, he was appointed Chief Executive Officer of Revisuisse, one of the predecessor companies of PricewaterhouseCoopers AG, Zurich, and served as a member of the PricewaterhouseCoopers Global Oversight Board from 1998 to 2001. He retired from his function as Chief Executive Officer of PricewaterhouseCoopers AG, Zurich, in the summer of 2003 and thereafter joined the Boards of Credit Suisse, Credit Suisse First Boston and the two main Winterthur entities.

Mr. Weibel is a member of the Board of the Greater Zurich Area AG and a member of the Nominating Committee of the Swiss-American Chamber of Commerce. He also serves as Chairman of the Pestalozzi Foundation and of the Zurich Art Festival.

Honorary Chairman of Credit Suisse Group
Rainer E. Gut

Born 1932, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Rainer E. Gut was appointed Honorary Chairman of Credit Suisse Group in 2000, after he stepped down as Chairman of the Board, a position he had held since 1986. Mr. Gut is the Chairman of the Board of Directors of Nestlé SA, Vevey (since 2000, Vice-Chairman since 1991 and member of the Board since 1981). Mr. Gut is also Vice-Chairman of the Board of L'Oréal SA, Paris (since 2004, member since 2000).

As Honorary Chairman, Mr. Gut maintains an office at Credit Suisse Group. However, he does not have any formal function and does not attend the meetings of the Board of Directors.

Secretaries of the Board of Directors
Pierre Schreiber

Béatrice Fischer

Management

Group Executive Board

The Board of Directors generally delegates management authority and the power to implement its resolutions to executive management bodies or executive officers. The most senior executive body is the Group Executive Board. No significant management duties or responsibilities have been transferred to third parties.

Members of the Group Executive Board

Oswald J. Grübel

Co-Chief Executive Officer

John J. Mack

Co-Chief Executive Officer

Walter Berchtold [1)]

Brady W. Dougan [2)]

Brian D. Finn [2)]

Renato Fassbind [3)]

Leonhard H. Fischer [1)]

David P. Frick [2) 4)]

Ulrich Körner [2)]

Philip K. Ryan [5)]

Richard E. Thornburgh

Urs Rohner [3)]

Stephen R. Volk [2)]

Barbara A. Yastine [1)]

- 1) Since July 1, 2003
- 2) Since January 1, 2003
- 3) Since June 1, 2004
- 4) Ex-officio member since June 1, 2004

- 5) Until August 5, 2004

Changes in Management Structure

Effective July 1, 2003, Walter Berchtold, then Head of Trading & Sales at Credit Suisse Financial Services, Leonhard H. Fischer, Chief Executive Officer of Winterthur Group, and Barbara A. Yastine, Chief Financial Officer of Credit Suisse First Boston, were appointed members of the Group Executive Board and effective July 23, 2003, Jeffrey M. Peek, until then Head of Credit Suisse First Boston's Financial Services Division, retired from the Group Executive Board. Effective March 31, 2004, Alex Widmer retired from his function as Head of Private Banking at Credit Suisse Financial Services and left the Group Executive Board. As of April 1, 2004, Walter Berchtold assumed responsibility for all of Credit Suisse Financial Services' banking operations. Effective June 1, 2004, Renato Fassbind joined the Group Executive Board as the designated Chief Financial Officer, assuming this function effective August 5, 2004. The current Chief Financial Officer, Philip K. Ryan will retire from the Group Executive Board as of August 5, 2004. Also effective June 1, 2004, Urs Rohner became Group General Counsel and Head of the Group Corporate Center and was appointed a member of the Group Executive Board, while David P. Frick, who became Head of Group Legal and Compliance, remains on the Group Executive Board as an ex-officio member.

Effective as of July 13, 2004, Oswald J. Grübel, currently CEO of Credit Suisse Financial Services and Co-CEO of Credit Suisse Group, has been appointed sole Chief Executive Officer of Credit Suisse Group. Oswald J. Grübel is currently Co-CEO of the Group along with John J. Mack, who has agreed with the Board not to renew his contract which will expire as of July 12. Also effective July 13, 2004, Brady W. Dougan will assume responsibility for the operations of the investment banking and wealth and asset management businesses of the Group and be named CEO of the Credit Suisse First Boston legal entity. Brady W. Dougan is currently Co-President, Institutional Securities of the Credit Suisse First Boston legal entity. In addition to his new position as head of Private Banking and Corporate & Retail Banking, on July 13, 2004, Walter Berchtold will assume the role of CEO of Credit Suisse. Leonhard H. Fischer remains as CEO of Winterthur.

In addition to these management changes, a committee of the Group Executive Board responsible for the day-to-day management of the Group will be formed. Reporting to the Group CEO, this committee will include Walter Berchtold, Brady W. Dougan, Leonhard H. Fischer, Urs Rohner, Renato Fassbind and Richard E. Thornburgh, Chief Risk Officer of the Group.

Oswald J. Grübel

Born 1943, German Citizen

Credit Suisse Financial Services

Paradeplatz 8

P.O. Box 2

8070 Zurich, Switzerland

Oswald J. Grübel is the Co-Chief Executive Officer of Credit Suisse Group (since January 2003) and the Chief Executive Officer of Credit Suisse Financial Services (since July 2002). Effective July 13, 2004, he will be sole Chief Executive Officer of the Group. Mr. Grübel was a member of the Group Executive Board between 1997 and 2001 and has been a member since July 2, 2002.

After starting his career with Deutsche Bank, Mr. Grübel joined White Weld Securities, Zurich and London (which was later merged into Credit Suisse First Boston) in 1970 in the trading area, where in 1978 he became Chief Executive Officer. After a distinguished career within the trading activities of the bank, including management responsibilities in Singapore and Hong Kong, Mr. Grübel was appointed a member of Credit Suisse's Executive Board in 1991, where he was responsible for equities, fixed income, global foreign exchange, money markets and asset/liability management. In 1998, Mr. Grübel was appointed Chief Executive Officer of Credit Suisse Private Banking.

Mr. Grübel does not hold any significant board memberships outside Credit Suisse Group.

John J. Mack

Born 1944, US Citizen

Credit Suisse First Boston

11 Madison Avenue

New York, NY 10010, USA

John J. Mack is the Co-Chief Executive Officer of Credit Suisse Group (since January 2003) and the Chief Executive Officer of Credit Suisse First Boston (since July 2001). Mr. Mack has agreed with the Board not to renew his contract which will expire on July 12, 2004.

A graduate of Duke University, Mr. Mack joined Morgan Stanley, New York in 1972 as a member of its bond department. After a long career at Morgan Stanley, most recently as President and Chairman of the Operating Committee, he became President, Chief Operating Officer and a Director of Morgan Stanley Dean Witter & Co in May 1997, when the firm was created by the merger of Morgan Stanley and Dean Witter. In March 2001, Mr. Mack stepped down from his positions.

Mr. Mack is a member of the International Advisory Panel for the Monetary Authority of Singapore and a member of the Chairman’s Advisory Committee of the National Association of Securities Dealers, Inc. Moreover, Mr. Mack serves on the Boards of Cousins Properties Inc, Atlanta (from 2001 to May 2003 and since December 2003), and of Catalyst, a non-profit organization to advance women in business. He is also a member of the Board of Executives of the NYSE. In the past, Mr. Mack has served on the Mayor of Beijing’s Advisory Council and was a director of CICC, the first Investment Bank in China. In addition, Mr. Mack holds a number of leadership positions of civic and philanthropic organizations.

Walter Berchtold

Born 1962, Swiss Citizen

Credit Suisse Financial Services

Paradeplatz 8

P.O. Box 300

8070 Zurich, Switzerland

Walter Berchtold is a member of the Group Executive Board (since July 2003) and the Chief Executive Officer of Banking at Credit Suisse Financial Services (since April 2004). Effective July 13, 2004, he will assume the role of Chief Executive Officer of Credit Suisse. Prior to this appointment he served as the Head of Trading & Sales at Credit Suisse Financial Services (since 2003), a function that he continues to hold.

After graduating from the State College of Commerce in Zurich, Mr. Berchtold began his career in 1982 as a junior dealer in the Precious Metal Options Department at CS First Boston Futures Trading SA in Geneva. In 1988, he was given shared responsibility for all business activities of this entity, before joining Credit Suisse to head the Derivatives

Trading Department in 1991. In 1993, he became Head of Equity and Equity Derivatives and in 1994, he assumed overall responsibility for the Securities Trading, Sales and Syndication Department of Credit Suisse. After the reorganization in 1997, he joined Credit Suisse First Boston as Head of Trading & Sales Switzerland and Country Manager.

Mr. Berchtold is a member of the Boards of SWX Swiss Exchange (since 1996), Eurex (since 1998) and Virt-x (since 2001).

Brady W. Dougan

Born 1959, US Citizen

Credit Suisse First Boston

11 Madison Avenue

New York, NY 10010, USA

Brady W. Dougan is a member of the Group Executive Board (since January 2003) and Co-President, Institutional Securities of Credit Suisse First Boston (since 2002), jointly with Brian D. Finn. Together, they oversee day-to-day management and strategy of Credit Suisse First Boston's equity, fixed income, investment banking, private clients services and alternative capital businesses. Mr. Dougan's focus lies primarily on the leadership of the international businesses in Europe and Asia. Effective July 13, 2004, Mr. Dougan will assume the role of Chief Executive Officer of the Credit Suisse First Boston legal entity.

Mr. Dougan received a BA in Economics in 1981 and an MBA in Finance in 1982 from the University of Chicago. After starting his career in the derivatives group at Bankers Trust, he joined Credit Suisse First Boston in 1990. He was the Head of the Equities Division for five years, before he was appointed Global Head of the Securities Division in 2001.

Mr. Dougan does not hold any significant board memberships outside Credit Suisse Group.

Renato Fassbind

Born 1955, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Renato Fassbind is a member of the Group Executive Board (since June 2004) and the designated Chief Financial Officer of Credit Suisse Group assuming this function effective August 5, 2004.

Mr. Fassbind graduated from the University of Zurich in 1979 with an Economics degree and received a doctorate from the same university in 1982. Moreover, Mr. Fassbind has been a Certified Public Accountant since 1986.

After two years with Kunz Consulting AG, Zurich, Mr. Fassbind joined F. Hoffmann-La Roche AG, Basel, where he worked from 1984 to 1990 in the Internal Audit Department, most recently as its head. In 1990, he joined ABB AG, Zurich, where from 1990 to 1996 he was the Head of Internal Audit and from 1997 to 2002 an Executive Vice President and member of the Group Executive Board. In 2002, he moved on to the Diethelm Keller Group, Zurich, where he was the Chief Executive Officer before joining Credit Suisse Group in June 2004.

Mr. Fassbind is a member of the Swiss Association of Public Trustees and the American Institute for Certified Public Accountants. He does not have any significant board memberships outside Credit Suisse Group.

Brian D. Finn

Born 1960, US Citizen

Credit Suisse First Boston

11 Madison Avenue

New York, NY 10010, USA

Brian D. Finn is a member of the Group Executive Board (since January 2003) and Co-President, Institutional Securities of Credit Suisse First Boston (since October 2002), jointly with Brady W. Dougan. Together, they oversee day-to-day management and strategy of Credit Suisse First Boston's equity, fixed income, investment banking, private client services and alternative capital businesses.

Mr. Finn joined Credit Suisse First Boston in April 2002 from Clayton, Dubilier & Rice, a New York-based private equity firm, where he had been since 1997. Prior to that, Mr. Finn was a Managing Director and Co-Head of Mergers & Acquisitions at Credit Suisse First Boston, New York, where he spent 15 years advising a wide variety of corporate clients.

Mr. Finn received a BSc in Economics from The Wharton School of the University of Pennsylvania in 1982. He does not hold any significant board memberships outside Credit Suisse Group.

Leonhard H. Fischer

Born 1963, German Citizen

Winterthur Group

General Guisan-Strasse 40

8401 Winterthur, Switzerland

Leonhard H. Fischer is a member of the Group Executive Board (since July 2003) and Chief Executive Officer of Winterthur Group (since January 2003).

Mr. Fischer joined Winterthur Group from Allianz AG, Frankfurt, where he was Head of Corporate and Markets and Chief Executive Officer of Dresdner Kleinwort Wasserstein (since 2001). Prior to that he was with Dresdner Bank, Frankfurt (since 1998), most recently as Head of Investment Banking.

Mr. Fischer received a Business Management degree at the University of Bielefeld (in 1986) and a Masters degree at the University of Georgia (in 1987).

He is a member of the Supervisory Board of Axel Springer Verlag, AG, Berlin (since 2002), and a member of the Supervisory Board of Fördergesellschaft für Börsen und Finanzmärkte in Mittel- und Osteuropa, a company dedicated to promoting stock exchange and financial markets issues in Central and Eastern Europe.

David P. Frick

Born 1965, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

David P. Frick is the Head of Group Legal & Compliance (since June 2004) and an ex-officio member of the Group Executive Board. Previously, he was the Group General Counsel (since 2000) and a member of the Group Executive Board (since January 2003).

Prior to joining Credit Suisse Group, Mr. Frick was an Attorney-at-Law with Cravath, Swaine & Moore, the New York law firm, since 1994, where he focused on the representation of European clients in a wide variety of issues, including mergers and acquisitions, securities laws and general corporate matters. Mr. Frick received a JD degree from Zurich University Law School in 1990 and a Master of Laws degree from Harvard Law School in 1994. He is a member of the Zurich and New York bars.

Mr. Frick does not hold any significant board memberships outside Credit Suisse Group.

Ulrich Körner

Born 1962, German Citizen

Credit Suisse Financial Services

Paradeplatz 8

P.O. Box 2

8070 Zurich, Switzerland

Ulrich Körner is a member of the Group Executive Board (since January 2003) and the Chief Financial Officer of Credit Suisse Financial Services (since 2002).

Mr. Körner graduated in 1988 from the University of St. Gallen majoring in Banking and received a doctorate from the same university in 1993. From 1989 to 1993, he was an auditor with PricewaterhouseCoopers and from 1993 to 1998, he was a management consultant with McKinsey & Company in Zurich. In 1998, he joined Credit Suisse as Chief Financial Officer. From July 2000 to the end of 2001, he served as Head of Technology and Services at Credit Suisse Financial Services.

Mr. Körner does not hold any significant board memberships outside Credit Suisse Group.

Urs Rohner

Born 1959, Swiss Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Urs Rohner is the Head of Corporate Center of Credit Suisse Group and the Group General Counsel (since June 2004).

Mr. Rohner graduated in 1983 from the University of Zurich Law School and joined the Swiss law firm Lenz & Stähelin in the same year. From 1988 to 1989 he worked with Sullivan & Cromwell, a New York based law firm, as a Foreign Associate before returning to Lenz & Stähelin, where he became a partner in 1992, focusing on capital markets, banking, competition and media law. Mr. Rohner is a member of the Zurich and New York bars. In 2000, he became Chief Executive Officer of ProSiebenMedia AG, Unterföhring, and later, after the merger with Sat1, Chairman of the Executive Board and Chief Executive Officer of ProSiebenSat.1 Media AG, Unterföhring, before joining Credit Suisse Group in June 2004.

Mr. Rohner does not hold any significant board memberships outside Credit Suisse Group.

Philip K. Ryan

Born 1956, US Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Philip K. Ryan is the Chief Financial Officer of Credit Suisse Group and a member of the Group Executive Board (since 1999). He will step down as Chief Financial Officer and retire from the Group Executive Board effective August 5, 2004.

A graduate of the University of Illinois with a BSc in Industrial Engineering (in 1978) and the Indiana University Graduate School of Business with an MBA (in 1982), Mr. Ryan was with Dean Witter Reynolds Inc. from 1982 to 1985 when he joined Credit Suisse First Boston's Financial Institutions Group. From 1997 to 1999 he served as Chief Financial Officer of Credit Suisse Asset Management.

Mr. Ryan does not hold any significant board memberships outside Credit Suisse Group.

Richard E. Thornburgh

Born 1952, US Citizen

Credit Suisse Group

Paradeplatz 8

P.O. Box 1

8070 Zurich, Switzerland

Richard E. Thornburgh is the Chief Risk Officer of Credit Suisse Group (since 2003). He was a member of the Group Executive Board from 1997 through 2001 and rejoined it on September 1, 2002.

Mr. Thornburgh began his investment banking career in New York with The First Boston Corporation, a predecessor firm of Credit Suisse First Boston, in 1976. In 1995, Mr. Thornburgh was appointed Chief Financial and Administrative Officer and a member of the Executive Board of CS First Boston. From 1997 to 1999, Mr. Thornburgh served as Chief Financial Officer of Credit Suisse Group and a member of the Credit Suisse Group Executive Board and from 1999 to 2002, he was the Vice Chairman of the Executive Board of Credit Suisse First Boston. In addition, he performed the function of Chief Financial Officer of Credit Suisse First Boston from May 2000 through 2002.

Mr. Thornburgh received a BBA from the University of Cincinnati in 1974 and an MBA from the Harvard Business School in 1976. He serves on the Board of the Securities Industry Association and the University of Cincinnati Foundation.

Stephen R. Volk

Born 1936, US Citizen

Credit Suisse First Boston

11 Madison Avenue

New York, NY 10010, USA

Stephen R. Volk is a member of the Group Executive Board (since January 2003) and Chairman of Credit Suisse First Boston and works closely with the Chief Executive Officer, John J. Mack, on the strategic management of Credit Suisse First Boston and on key client matters.

Mr. Volk joined Credit Suisse First Boston in August 2001 from Shearman & Sterling, a New York based law firm, where he had been Senior Partner since 1991. He joined Shearman & Sterling in 1960 after graduating from Harvard Law School, Cambridge, and became a partner in 1968. He spent his career as a business lawyer, counseling clients in domestic and international transactions.

Mr. Volk is a member of the Board of Directors of Trizec Properties Inc., Chicago (since 2002), Consolidated Edison, Inc., New York (since 1996), and ContiGroup Companies Inc., New York (since 2001). He is also a member of the Council on Foreign Relations and of the Dean’s Advisory Board of Harvard Law School and is a fellow of the American Bar Foundation.

Barbara A. Yastine

Born 1959, US Citizen

Credit Suisse First Boston

11 Madison Avenue

New York, NY 10010, USA

Barbara A. Yastine is a member of the Group Executive Board (since July 2003) and the Chief Financial Officer of Credit Suisse First Boston (since November 2002).

Ms. Yastine joined Credit Suisse First Boston from Citigroup where she had been working since 1987 and held a number of key finance and management positions, most recently as the Chief Financial Officer of the Global Corporate Investment Bank.

Ms. Yastine received a BA in Journalism from New York University in 1981 and an MBA in Finance from the New York University School of Business Administration in 1987. She does not hold any significant board memberships outside Credit Suisse Group.

Senior Management of Credit Suisse Group
Peter W. Bachmann, Group Chief Financial Reporting Officer

Gerhard Beindorff, Head of Investor Relations

Rudolf A. Bless, Group Chief Accounting Officer

Kim Fox, Head of Group Treasury

David P. Frick, Head of Group Legal and Compliance [1)]

Timothy S. Gardner, Head of Human Resources

Stefan M. Goetz, Head of Group Corporate Development

Tobias Guldimann, Head of Group Risk Management

Philip Hess, Chief of Staff

Christopher Lawrence, Chief Strategic Officer [1)]

Heinz Leibundgut, Group Chief Auditor

Ann F. Lopez, Head of Credit Risk Management

Fritz Müller, Head of Tax

Karin Rhomberg Hug, Group Chief Communications Officer

Peter R. Schmid, Executive Relations

Yuji Suzuki, Chairman Japan

Martin Taufer, Deputy Head of Group Legal & Compliance

Thomas Widmer Sichler, Deputy Group Chief Financial Reporting Officer

1) Ex-officio member of the Group Executive Board Senior Management of the business units
Executive Board Credit Suisse Financial Services
Oswald J. Grübel, Chief Executive Officer (since 2002)

Thomas Amstutz, Investment Management (since 2002)

Walter Berchtold, Banking and Acting Head of Trading and Sales (since 2003)

Bruno Bonati, Technology & Operations (since 2002)

Leonhard H. Fischer, Winterthur Group (since 2003)

Moez Jamal, Treasury/Asset and Liability Management (since 2002)

Ulrich Körner, Chief Financial Officer (since 2000)

Urs Hofmann, [1)] Credit Suisse Business School (since 2000)

Claudia Kraaz, [1)] Public Relations (since 2002)

Marco Taborelli, [1)] Marketing (since 2003)

Denise Stüdi, [1)] Human Resources (since 2003)

[1)] Member of the Extended Executive Board

Operating Committee Credit Suisse First Boston
John J. Mack, Chief Executive Officer (since 2001)

Paul Calello, Chairman and Chief Executive Officer of the Asia Pacific Region (since 2002)

Christopher Carter, Chairman of the European Region (since 2000)

Brady W. Dougan, Co-President, Institutional Securities (since 1996)

John A. Ehinger, Co-Head of the Equity Division (since 2003)

Brian D. Finn, Co-President, Institutional Securities (since 2002)

Bennett Goodman, Head of Alternative Capital Division (since 2003)

James P. Healy, Co-Head of the Fixed Income Division (since 2003)

Michael E. Kenneally, Global Chief Executive Officer Credit Suisse Asset Management (since 2003)

James E. Kreitman, Co-Head of the Equity Division (since 2003)

Gary G. Lynch, Global General Counsel and Vice Chairman to oversee Research and Legal and Compliance Departments (since 2001)

Eileen K. Murray, Head of Global Technology and Operations and Product Control (since 2002)

Thomas R. Nides, Chief Administrative Officer (since 2001)

Adebayo O. Ogunlesi, Global Head of Investment Banking (since 2002)

Joanne Pace, Global Head of Human Resources (since 2004)

Richard E. Thornburgh, [1] Member of the Executive Board and Chief Risk Officer of Credit Suisse Group (since 1999)

Stephen R. Volk, Chairman (since 2001)

Jerome C. Wood, Co-Head of the Fixed Income Division (since 2003)

Barbara A. Yastine, Chief Financial Officer (since 2002)

Advisory Board of Credit Suisse Group

The Credit Suisse Group Advisory Board discusses topics of significance to the Group's main activities with a particular focus on its businesses in Switzerland and Europe. While not involved in the governance of the Group, the members of the Advisory Board provide input and advice to management on strategic issues, key operational priorities and organizational development.

Flavio Cotti, Chairman

Former Federal Councilor, Brione sopra Minusio, Switzerland

Herbert Henzler, Vice-Chairman

Honorary Professor for Strategy and Organization at the Ludwig-Maximilians-University, Munich, Germany

Andreas N. Koopmann, Vice-Chairman

Chief Executive Officer of Bobst SA, Lausanne, Switzerland

Franz Albers

Partner of Albers & Co., Zurich, Switzerland

Lino Benassi

Vice-Chairman of Toro Assicurazioni S.p.A., Torino, Italy

Susy Brüschweiler

Chief Executive Officer of SV Group, Zurich, Switzerland

Martin Candrian

Chairman of the Board of Candrian Catering AG, Zurich, Switzerland

Brigitta M. Gadient

Lawyer and member of the Swiss National Council, Chur, Switzerland

Riccardo Gullotti

Attorney-at-Law and Owner of Gullotti and Partner Management and Consulting Services, Berne, Switzerland

Felix Gutzwiller

Professor and Director of the Institute for Social and Preventive Medicine of the University of Zurich and member of the Swiss National Council, Zurich, Switzerland

Urs Hammer

Dully, Switzerland

Michael Hilti

Chairman of the Board of Hilti Corporation, Schaan, Liechtenstein

Norbert Hochreutener

Head of Public Affairs of the Swiss Insurance Association and member of the Swiss National Council, Berne, Switzerland

Andreas W. Keller

Chairman of the Board of Diethelm Keller Holding AG, Zurich, Switzerland

André Kudelski

Chairman of the Board and Chief Executive Officer of Kudelski SA, Cheseaux-sur-Lausanne, Switzerland

Andreas Schmid

Chairman of the Board of Barry Callebaut AG, Zurich, Switzerland

Manfred Schneider

Chairman of the Board of Bayer Aktiengesellschaft, Leverkusen, Germany

Hans-Peter Zehnder

Chairman of the Board and the Group Executive Committee of Zehnder Group AG, Gränichen, Switzerland

Compensation

Credit Suisse Group is convinced that a successful compensation philosophy rewards excellence, encourages personal and professional growth, and aligns the employees' values with the Group's core ethical and performance values and thus motivates the creation of shareholder value. Long-term corporate success depends upon the strength of human capital, and Credit Suisse Group's goal is to be viewed as the employer of choice in all markets and business segments in which it operates.

As such, Credit Suisse Group's compensation programs are designed to:

- Support a merit-based, performance-oriented culture that allows high performers to achieve superior recognition;
- Attract a suitably qualified, diverse work force through market-competitive compensation practices throughout the respective business units, divisions and business lines; and
- Motivate employees to create sustainable value.

Core compensation principles

Credit Suisse Group's four core compensation principles are:

Performance based

The Group's programs are structured to create a high performance culture. The specific measures of success that apply and the forms of compensation that are granted vary by business unit, geographic market and employee job function and level. Most employees, however, have their pay linked to a combination of Group, business unit, division, department and individual performance.

Value oriented

There is a strong link between compensation programs and company values. The design and administration of the compensation programs are guided and supported by the Credit Suisse Group Code of Conduct, the respective business unit's core values and the Group's commitment to diversity. Individual performance assessments measure results and the extent to which each employee upholds these values.

Market driven

Compensation levels must be competitive with those of the peers in each of the markets in which Credit Suisse Group competes. The Group's programs are structured to compete both in design and in total compensation relative to assessment of competitive practices and performance. Appropriate pay positioning at all levels, for all components of compensation including base salary, cash compensation, equity awards and other deferred programs, is benchmarked and reviewed regularly.

Shareholder aligned

Compensation should reflect not only short-term business performance but also growth over the long term. The Group's compensation programs are designed to motivate the creation of shareholder value by linking annual pay to the Group's financial results and by providing a competitively balanced pay mix between cash and equity.

Compensation elements

Compensation can be split into two main categories:

- Fixed compensation (base salary and local allowances); and

- Variable compensation (cash bonus, deferred bonus and long-term incentives).

The compensation mix varies by functional level within the organization. A majority of the compensation awarded to an employee is fixed. At the management level, the compensation mix varies by business, position and location with a greater emphasis on incentive elements at the executive level. The principles associated with each category of compensation are described below. Regional and business segment modifications are taken into consideration in accordance with local laws, customs or practice.

Fixed compensation

As part of its compensation philosophy, Credit Suisse Group seeks to pay all full-time employees competitive base salaries that attract, motivate and retain highly qualified professionals. Base salaries for employees take into consideration position, experience and skill sets and acknowledge individual performance.

Credit Suisse Group's base salary structure is generally aimed at the median level of the industry in the relevant markets. The period of review, generally annually, is set according to local practice. The Group also seeks to provide competitive pension and fringe benefit packages in each jurisdiction in which it operates.

Variable compensation

The award of any variable compensation and the value thereof is determined on a business-by-business and on an individual basis and, unless dictated by contractual obligation, is solely at the discretion of the Group.

- The cash bonus element is intended to reward and drive performance above and beyond the core requirements of the job function, providing greater earning potential for exceeding predetermined goals. In addition, the Group may pay commissions to employees operating in specific areas of the business where such compensation practices are warranted. The value of commissions paid is determined by formulae which are regularly reviewed to ensure they remain competitive to market benchmarks.

- The deferred bonus element is designed to promote employee retention and align employee and shareholder interests. In certain jurisdictions, this may have tax benefits. The principal vehicle for delivery of the deferred bonus is the Credit Suisse Group Master Share Plan. Under the Master Share Plan, a portion of the bonus may be delivered in the form of registered shares, phantom shares, options or other equity-based instruments. The mandatory deferral percentage is based upon the employee's position and compensation level in accordance with the terms of the applicable business unit regulations. All equity awards are subject to restrictive covenants such as vesting or blocking according to local regulations. In addition to mandatory deferrals, voluntary deferrals are offered in certain jurisdictions and may include such elements as the additional purchase of registered shares, contributions to pension/retirement plans and deferred cash compensation plans.

- The Group also employs a variety of other long-term incentive plans or programs to assist in hiring at competitive levels, to enhance the link between the employees and the shareholders, and to further encourage retention. These usually consist of special equity grants with terms and conditions designed to meet the plan's objectives.

Metrics

Competitive market analysis and performance evaluations are completed annually and submitted to the Compensation Committee in support of annual incentive compensation recommendations. The analysis consists of data obtained from various sources including competitor analysis completed by an appointed independent global compensation consulting firm, benchmarking statistics directly from competitors, proxy data and general market intelligence.

Within the context of the respective markets, Credit Suisse Group evaluates performance at several levels:

The Company

- Overall Credit Suisse Group financial results are examined, analyzing quantitative performance goals including: net income, net operating profit, pre-tax margin/return on equity and ratio of compensation expense to net revenue. Performance targets for the ensuing year are set during the annual strategic planning process.

The business unit, division and/or department

- The actual versus budget and prior year contribution is measured, as well as strategic initiatives, market share and the control environment.

The individual employee

- The individual employee's performance is assessed against objectives and accomplishments through a number of methods such as employee reviews, 360° evaluation process, and "management-by-objectives" and by looking at qualitative measures such as the employee's participation in activities which promote Credit Suisse Group's vision and strategy.

During 2003, the Compensation Committee received reports from an independent global compensation consulting firm to ensure that the programs, in the judgment of the Compensation Committee, remain competitive and correspond to market practice, are in line with Credit Suisse Group's compensation principles, and take shareholder interest into consideration.

Compensation to and equity holdings of members of the Board of Directors and the Group Executive Board

Compensation to Board members is set in accordance with the Articles of Association and the Compensation Committee Charter. The annual compensation paid to Board members for the period between two Annual Shareholders Meetings is set by the Board of Directors upon recommendation by the Compensation Committee. Board compensation generally is in the form of Credit Suisse Group registered shares, which are blocked for four years. However, Board members may elect to receive up to 35% of their compensation in cash. Two Board members with functional duties receive in addition to the fixed compensation as set by the Board of Directors a variable cash and equity based component of compensation. Such variable compensation is determined by the Compensation Committee during the annual compensation process. All Board compensation is subject to a review of Board compensation levels at comparable companies and self-assessment of Board performance.

Compensation to the members of the Group Executive Board is set by the Compensation Committee in accordance with its Charter, based on an extensive review of competitor market data as well as individual and company performance. The members of the Group Executive Board receive a part of their compensation in the form of restricted Credit Suisse Group registered shares or restricted equity awards under the Credit Suisse Group Master Share Plan.

Cash component of compensation

The 2003 aggregate cash compensation paid to members of the Board of Directors as a group (eight individuals), was CHF 6.7 million. Accrued non-mandatory pension benefits paid to one Board member amounted to CHF 0.1 million.

The 2003 aggregate cash compensation (salary and variable cash-based compensation components) paid to members of the Group Executive Board as a group (fifteen individuals) was CHF 59.8 million. In addition, these individuals received CHF 4.0 million in accrued non-mandatory pension benefits.

No severance payments were made to members of the Group Executive Board who retired from their functions during the 2003 financial year.

Equity component of compensation

For 2003, members of the Board of Directors as a group (nine individuals) received 125,441 restricted Credit Suisse Group registered shares of CHF 1.00 nominal value. In addition, one individual was granted 61,920 special equity retention awards, which are subject to restrictive covenants and forfeiture provisions, and will only vest over a five-year period with the first installment in 2004.

The number of shares or awards received by members of the Group Executive Board as part of the annual compensation cycle is based on a fixed monetary amount approved by the Compensation Committee with the conversion rate of the shares or awards granted being determined by the Compensation Committee on the date of grant. Shares awarded to individuals who are tax resident in Switzerland (non-US tax payers) are restricted for a period of four years following the grant. Upon termination of employment, restricted shares generally become unblocked. Awards granted in other jurisdictions vest at the end of the three-year period following the grant and settle at the end of the fourth year, subject to continued employment and certain other conditions, such as restrictive covenants, and may settle earlier upon termination of employment.

For 2003, members of the Group Executive Board as a group (fourteen individuals) were granted 1,292,560 restricted Credit Suisse Group registered shares of CHF 1.00 nominal value or awards on such shares.

In the first quarter of 2003, members of this group (thirteen individuals) were also granted 1,625,700 special equity retention awards on shares which are subject to restrictive covenants and forfeiture provisions, and which will only vest over a five-year period with the first installment in 2004.

On December 31, 2003, the members of the Board of Directors as a group (nine individuals) held 515,912 Credit Suisse Group registered shares in the aggregate, and members of the Group Executive Board as a group (thirteen individuals) held 5,623,920 shares or awards on such shares in the aggregate.

Option component of compensation

The Group has share option plans under which the Compensation Committee may periodically grant incentive options to employees. No options were granted to members of the Board of Directors or to members of the Group Executive Board in 2003/04 as part of the 2003 compensation process.

As of December 31, 2003, one member of the Board of Directors held the following options on shares granted as part of his prior years compensation:

Year of grant	Number of options	Expiry date	Exchange ratio	Exercise price in CHF
1999 [1]	100,000	18.02.09	1-for-1	57.75
2000 [1]	100,000	01.03.10	1-for-1	74.00
2001 [1]	97,792	25.01.11	1-for-1	84.75
2002 [2]	75,000	03.12.12	1-for-1	34.10

1) All option awards relate to prior year compensation cycle.

2) Relate to compensation for the year of grant.

As of December 31, 2003, members of the Group Executive Board as a group (thirteen individuals) held the following options on shares granted as part of their prior years compensation:

Year of grant	Number of options	Expiry date	Exchange ratio	Exercise price in CHF
1999	148,000	18.02.09	1-for-1	57.75
2000	396,000	01.03.10	1-for-1	74.00
2001	756,720	25.01.11	1-for-1	84.75
2001 [1)]	2,624,132	12.07.11	1-for-1	72.38
2001 [1)]	138,896	01.08.11	1-for-1	73.50
2002	355,306	31.01.12	1-for-1	65.75
2002 [1)]	487,732	08.04.12	1-for-1	61.85
2002 [2)]	21,594	03.12.12	1-for-1	34.10
2003	1,029,224	22.01.13	1-for-1	30.60
2003 [3)]	3,413	09.09.10	1-for-1	50.55

All other option awards relate to prior year compensation cycle.
[1)] New hire incentive options.
[2)] Relate to compensation for the year of grant.
[3)] Options issued under Option Reduction Program.

Highest total compensation

The 2003 highest paid member of the Board of Directors received CHF 5.0 million in cash and 64,172 restricted Credit Suisse Group registered shares of CHF 1.00 nominal value. In the first quarter of 2003, this individual was also granted 61,920 special equity retention awards on such shares which are subject to restrictive covenants and forfeiture provisions, and which will only vest over a five-year period with the first installment in 2004. No pension benefits were paid.

On December 31, 2003, this individual held 79,937 of Credit Suisse Group registered shares of CHF 1.00 nominal value. No options were granted to this individual as part of his 2003 compensation, nor did he hold any options as of December 31, 2003.

Additional fees and remunerations

No additional fees and remuneration were paid to existing members of the Board of Directors or the Group Executive Board or related parties for services rendered during 2003.

Severance and benefits to former members of the Board of Directors and the Group Executive Board

Based on contractual obligation, and as stated in the prior reporting period, payments in the amount of CHF 2.0 million were made through March 2003, to one former member of the Group Executive Board who retired from his respective function during 2002. No severance payments were made to this individual.

Certain former members of the Board of Directors and the Group Executive Board (six individuals) received benefits in kind in the form of office use, secretarial support, etc.

Shareholders

Voting rights, transfer of shares

There is no limitation under Swiss law or Credit Suisse Group's Articles of Association, or AoA, on the right of non-Swiss residents or nationals to own Credit Suisse Group shares. Credit Suisse Group recognizes as a shareholder with voting rights the person whose name is entered in the share register. A person who has acquired shares will, upon application and disclosure of his or her name, address and citizenship, be entered without limitations in the share register as having voting rights provided that he or she expressly states that the shares were acquired in his or her own name for his or her own account (Art. 4, Section 1 and 2 of the AoA). Any person not expressly making such a statement, which is referred to as a "nominee", may be entered for a maximum of 2% of the total outstanding share capital with voting rights in the share register. In excess of this limit, registered shares held by a nominee will only be granted voting rights if the nominee declares in writing that he or she is prepared to disclose the name, address and shareholding of any person for whose account he or she is holding 0.5% or more of the outstanding share capital (Art. 4, Section 3 of the AoA).

In principle, each share represents one vote at the Annual General Meeting, or AGM, with the exception of the shares held by Credit Suisse Group, which do not have any voting rights as a result of that ownership. However, the shares for which a single shareholder can directly or indirectly exercise voting rights, for his or her own shares or as a proxy, may not exceed 2% of the total outstanding share capital, unless one of the exemptions discussed below applies (Art. 10, Section 1 of the AoA). For the purposes of the restrictions on voting rights, legal entities, partnerships or groups of joint owners or other groups in which individuals or legal entities are related to one another through capital ownership or voting rights or have common management or are otherwise interrelated are regarded as being a single shareholder. The same applies to individuals, legal entities or partnerships that act in concert with intent to evade the limitation on voting rights (Art. 10, Section 2 of the AoA).

The restrictions on voting rights do not apply to the exercise of voting rights by the Credit Suisse Group proxy or by the independent proxy as designated by Credit Suisse Group (Art. 689c of the Swiss Code of Obligations, or CO) or by persons acting as proxies for deposited shares (Art. 689d of the CO) provided all such persons have been instructed by shareholders to act as proxies (Art. 10, Section 3 of the AoA). Nor do the restrictions on voting rights apply to shares in respect of which the shareholder confirms to Credit Suisse Group in the application for registration that he or she has acquired the shares in his or her name for his or her own account and in respect of which the disclosure requirements in accordance with the Federal Act on Stock Exchange and Securities Trading and the relevant ordinances and regulations have been fulfilled (Art. 10, Sections 4 and 6 of the AoA). In addition, the restrictions on voting rights do not apply to shares which are registered in the name of a nominee, provided that this nominee furnishes Credit Suisse Group with the name, address and shareholding of the person(s) for whose account he or she holds 0.5% or more of the total share capital outstanding at the time and for which he or she has satisfied the disclosure requirements in accordance with the Federal Act on Stock Exchanges and Securities and the relevant ordinances and regulations. The Board of Directors has the right to conclude separate agreements with nominees concerning both their disclosure requirements and the exercise of voting rights (Art. 10, Section 5 AoA). At December 31, 2003, no such agreements were in place.

The AoA provide that Credit Suisse Group may elect not to print and deliver certificates in respect of registered shares. Shareholders may, however, request at any time that such certificates be printed and delivered free of charge. In the case of shares not physically represented by certificates, the transfer of shares is effected by a corresponding entry in the custody records of a bank or the depositary institution following an assignment in writing by the selling shareholder and notification of such assignment to Credit Suisse Group by the transferor, the bank or depositary institution. The transfer of shares further requires that the purchaser file a share registration form to be registered in the share register as a shareholder. Failing such registration, the purchaser may not vote or participate in shareholders' meetings.

Each shareholder, whether registered in the share register or not, is entitled to receive dividends, if and when approved at the AGM. The same principle applies for capital repayments in the event of a reduction of the share capital and for liquidation proceeds in the event Credit Suisse Group is dissolved or liquidated. Under Swiss law, a shareholder has no liability for capital calls, but also is not entitled to reclaim his or her capital contribution. Swiss law further requires a company to apply the principle of equal treatment to all shareholders.

Annual General Meeting

Under Swiss law, the AGM must be held within six months after the end of the fiscal year. For Credit Suisse Group, the fiscal year ends December 31, which means that the AGM can be held no later than June 30. The AGM may be convened by the Board of Directors or, if necessary, by the statutory auditors, with 20 days' advance notice. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved at a shareholders' meeting or if so requested by shareholders holding in aggregate at least 10% of the nominal share capital. The request to call an extraordinary shareholders' meeting must be submitted in writing to the Board of Directors, and at the same time shares of Credit Suisse Group representing at least 10% of the share capital must be deposited. Shareholders holding shares with an aggregate par value of CHF 0.5 million have the right to request that a specific item be put on the agenda and voted upon at the next AGM. The request to include a particular item on the agenda, together with a relevant proposal, must be submitted in writing to the Board of Directors not later than 45 days before the meeting and at the same time shares of Credit Suisse Group with a par value of at least CHF 0.5 million must be deposited for safekeeping. The shares remain in safekeeping until the day after the AGM (Art. 7 of the AoA). Notice of an AGM, including agenda items and proposals submitted by the Board of Directors and by shareholders, must be published in the Swiss Gazette of Commerce (Schweizerisches Handelsamtsblatt) at least 20 days prior to the meeting.

Holders of shares may request a registration in the share register at any time. There is, in particular, no deadline for registering shares before an AGM. However, technical considerations may make a registration on the same day as the AGM impossible.

The AGM may in principle pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy. Resolutions and elections by the AGM generally require the approval of a majority of the votes represented at the meeting, except as otherwise prescribed by mandatory provisions of law or by the Articles of Association (Art. 13, Section 1 of the AoA). For example, shareholders' resolutions requiring a vote by a majority of the votes represented include (i) amendments to the AoA, unless a supermajority is necessary; (ii) election of directors and statutory auditors; (iii) approval of the annual report and the statutory and consolidated accounts; and (iv) determination of allocation of distributable profit. However, under Swiss law, a quorum of at least half of the share capital and a two-thirds majority of the votes represented is required for resolutions on (i) change of the purpose of the company; (ii) creation of shares with increased voting powers; (iii) implementation of transfer restrictions on shares; (iv) authorized or conditional increase in the share capital; (v) increase of capital by way of conversion of capital surplus or by contribution in kind; (vi) restriction or suspension of preferential rights; (vii) change of location of the principal office; and (viii) dissolution of the company without liquidation. A quorum of at least half of the share capital and approval by at least three-quarters of the votes cast is required for resolutions on (i) the conversion of registered shares into bearer shares; (ii) amendments to the provision of the AoA relating to registration and voting rights of nominee holders; and (iii) the dissolution of the company. A quorum of at least half of the share capital and the approval of at least seven-eighths of votes cast is required for amendments to provisions of the AoA relating to voting rights (Art. 12, Section 2 and Art. 13 Section 2 of the AoA).

Changes of control and defense measures

Duty to make an offer

Unless otherwise provided in the AoA, anyone who, directly or indirectly or acting in concert with third parties, acquires 33 1/3% or more of the voting rights of a listed Swiss company, whether or not such rights are exercisable, must make an offer to acquire all of the listed equity securities of such company (Art. 32 of the Federal Act on Stock Exchanges and Securities Trading, or Stock Exchange Act). The AoA do not include a contrary provision. This mandatory offer obligation may be waived under certain circumstances by the Swiss Takeover Board or the Federal Banking Commission. If no waiver is granted, the mandatory offer must be made pursuant to procedural rules set forth in the Stock Exchange Act and the implementing ordinances.

Clauses on changes of control

Subject to certain provisions in the Group's employee benefit plans providing for the treatment of outstanding awards in the case of a change of control, there are no provisions in the AoA that require the payment of extraordinary benefits in case of a change of control in the agreements and plans benefiting members of the Board of Directors and Group Executive Board or any other members of senior management. Specifically, there are no contractually agreed severance payments in the case of a change of control of the Group. Moreover, none of the employment contracts with members of the Group Executive Board or other members of senior management provides for extraordinary benefits that would be triggered by a change of control.

Employees

As of December 31, 2003, we employed 60,477 employees worldwide. Of the total number of employees, 25,727 were employed in Switzerland and 34,750 were employed abroad. Set forth below are the number of employees by segment and the Corporate Center as of December 31:

	2003	2002	2001
Private Banking	**11,850**	12,967	12,739
Corporate & Retail Banking	**8,479**	9,281	9,654
Life & Pensions	**7,193**	7,815	7,755
Insurance	**13,673**	24,315	22,197
Institutional Securities	**15,739**	16,018	18,557
CSFB Financial Services	**2,602**	6,783	8,068
Corporate Center	**941**	1,278	1,191
Total	**60,477**	78,457	80,161

In 2003, our total number of employees decreased by 17,980. In 2002, our total number of employees decreased by 1,704 or 2.1%. These declines primarily resulted from divestitures of businesses within the Group. A majority of our employees do not belong to unions. We have not experienced any significant strike, work stoppage or labor dispute in recent years. We consider our relations with employees to be good.

ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major shareholders

On December 31, 2003, no shareholder was recorded in the share register as holding 5% or more of our stock. However, Credit Suisse Group and its affiliates as of December 31, 2003 held 64.6 million registered shares that, as a result of such ownership, have no voting rights, corresponding to 5.4% of the total registered shares of Credit Suisse

Group. During 2003 no shareholder reached the threshold of 5% of total shares, which would have required disclosure with the SWX Swiss Exchange.

As of December 31, 2003, according to the share register, 10.8 million shares, or 0.9% of the total shares outstanding, were held by shareholders with registered addresses in the United States. To the best of the Group's knowledge, approximately 33.9 million shares, or 2.8% of the total shares outstanding, were held in the United States as of that date. To the best of its knowledge, Credit Suisse Group is not directly or indirectly owned or controlled by another corporation or any government or other person, and, to the best of our knowledge, there are no arrangements in place that could lead to a change in control of Credit Suisse Group.

Related party transactions

For information on related party transactions, refer to "Item 5 – Related Party transactions" and note 35 of the notes to the consolidated financial statements.

ITEM 8: FINANCIAL INFORMATION

Consolidated financial statements

Please refer to "Item 18 – Consolidated financial statements."

Legal proceedings

We are involved in a number of judicial, regulatory and arbitration proceedings, including those described below, concerning matters arising in connection with the conduct of our 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. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the financial condition of Credit Suisse Group as a whole, but could be material to our operating results for any particular period. We intend to defend ourselves vigorously against all of the claims asserted in these actions. For additional information about legal proceedings involving Credit Suisse First Boston (USA), Inc., our indirectly wholly owned subsidiary, please refer to the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by Credit Suisse First Boston (USA), Inc. with the SEC.

World War II settlement

Swiss banking settlement

In October 1996, several class action lawsuits were brought against us and another Swiss bank in the United States District Court for the Eastern District of New York. In January 1999, an agreement was signed with various Jewish groups and the lawyers representing the US class action plaintiffs on a global settlement that would resolve all claims against all Swiss businesses with the exception of certain named life insurance carriers, including our subsidiary Winterthur Life, relating to the World War II era. On July 26, 2000, the court approved the global settlement, and on November 22, 2000, the court adopted a plan for distributing the settlement funds. The full and conclusive settlement committed the defendant Swiss banks to pay USD 1.25 billion under certain terms and conditions. We committed to pay up to one-third of this sum. On November 23, 2000, we paid the final installment into an escrow fund. A small number of persons have elected to opt out of the settlement and not to participate in the class action. Such persons' claims were not released by the settlement. In addition, a number of appeals challenging the fairness of the settlement, or the distribution plan, were filed by purported class members, but all of those appeals have been denied; therefore, the settlement has entered into effect. Accordingly, the settlement money paid into the escrow fund has been transferred to a settlement fund that is fully under the control of the court and class plaintiffs' counsel. The plaintiffs' counsel and the federal judge presiding over the settlement have recently expressed their view that Swiss banks should take additional post-settlement steps that, in their view, would facilitate distribution of the settlement fund. After the presiding judge recused himself from adjudicating contested matters that affect the interests of Swiss banks, we and another Swiss bank entered into an agreement with the plaintiff settlement class, memorialized in a Memorandum to File approved by the court which, upon regulatory approval, should resolve all pending issues.

Claims against Winterthur Life

In 1997, a class action lawsuit, referred to as the Cornell case, was filed against 16 European insurance companies, including Winterthur Life, in the United States District Court for the Southern District of New York. Winterthur Life did not receive a release under the Swiss banking settlement described above. The plaintiffs claimed that these companies failed or refused to pay out benefits, particularly in connection with life policies, to which victims or survivors of the Holocaust were entitled. In January 1999, Winterthur Life was named as a defendant in a second class action, also in the Southern District of New York, referred to as the Winters/Schenker case, which asserts the same or similar claims. In January 2000, the Cornell case was dismissed. In July 2002, the Winters/Schenker case was also dismissed.

In response to actions by various US insurance regulators, in August 1998 an agreement was reached with the regulators, Jewish organizations and other European insurers, establishing a common procedure for the filing and processing of life insurance claims related to the Holocaust. The organization established for this purpose, the International Commission on Holocaust Era Insurance Claims, or ICHEIC, has initiated procedures for claims outreach, claims handling, the publication of lists of policy holders, the auditing of the insurers, and similar matters. Winterthur Life is taking an active part in ICHEIC.

The American Insurance Association, and certain of the Winterthur legal entity's US-domiciled insurance subsidiaries, along with several other US-domiciled insurance companies affiliated with non-US entities have challenged in court proceedings legislation in the State of California purporting to suspend the licenses of California insurers if the State determines that the insurers (or their non-US affiliates) have not followed certain procedures for insurance claims relating to the Holocaust. In 2003, the US Supreme Court struck down the California legislation as an unconstitutional infringement on the US President's foreign affairs powers.

South Africa

Two purported class actions have been filed in the United States District Court for the Southern District of New York, alleging that we and numerous other defendants are liable under international and US law by virtue of having done business in South Africa during the apartheid era prior to 1995. In one of these cases, the complaint has since been amended to delete us as a defendant. In addition, another case that is not a class action has been filed in the United States District Court for the Eastern District of New York in respect of the same allegations. These cases (and similar cases against others) have been transferred to the Southern District of New York for coordinated pre-trial proceedings. We have been served with process in the non-class action case, and we joined in a motion to dismiss that case. Motions to dismiss both cases have been fully briefed and argued. Both the South African government and the US government have filed papers supporting dismissal of plaintiffs' claims. The parties are awaiting a decision from the court.

Governmental/Regulatory Inquiries Relating to IPO Allocation/Research-related Practices

In early 2002, in connection with industry-wide investigations into research analyst practices and certain IPO allocation practices, Credit Suisse First Boston received subpoenas and/or requests for information from the following governmental and regulatory bodies: (1) the New York State Attorney General, or NYAG; (2) the Massachusetts

Secretary of the Commonwealth Securities Division, or MSD; (3) the SEC; (4) the NASD; (5) the NYSE; and (6) the United States Attorneys' Office for the Southern District of New York, or SDNY. The SEC, NASD and NYSE have conducted a joint investigation.

Credit Suisse First Boston cooperated fully with these investigations and produced a significant volume of documents, consisting primarily of e-mails, compensation-related information and research reports. During these investigations, NASD, NYAG and MSD took testimony from various present and former employees of Credit Suisse First Boston. The investigations focused primarily on equity research independence and the allocation of certain IPO shares to senior executives of the firm's clients (a practice that regulators have referred to as "spinning").

On April 28, 2003, Credit Suisse First Boston and other Wall Street firms finalized a global settlement with a coalition of state and federal regulators and self-regulatory organizations to settle these investigations, or the Global Settlement. Consistent with an agreement in principle that had first been announced in December 2002, Credit Suisse First Boston agreed, without admitting or denying the allegations, to pay a total of USD 200 million, consisting of (a) USD 150 million to settle enforcement actions based on alleged violations of certain federal and state securities laws and NASD and NYSE rules and (b) USD 50 million to fund independent, third-party research to clients over five years. Credit Suisse First Boston also agreed to implement significant, industry-wide procedural and structural reforms to its business practices relating to both research analyst independence and the allocation of shares in IPOs.

On October 31, 2003, the U.S. District Court for the Southern District of New York approved the Global Settlement. The "state" portion of the Global Settlement consists of Credit Suisse First Boston's agreements with each of the state regulators within the North American Securities Administrators Association, or NASAA; Credit Suisse First Boston has officially executed its settlement agreements with nearly all of the NASAA members and continues to negotiate the final terms of its agreements with the balance.

On May 30, 2003, Credit Suisse First Boston (and the other banks that participated in the Global Settlement) received a subpoena from the SEC and a document request from the NYSE, each of which seeks e-mails of a number of employees and certain other documents relating primarily to equity research. (The NASD issued a similar request but has since withdrawn that request.) The SEC and NYSE requests are part of those entities' investigations into whether individual employees (rather than Credit Suisse First Boston itself) should be held liable for supervisory or other failures in connection with equity research practices during the time period that was the subject of the investigations discussed above. Credit Suisse First Boston has produced documents responsive to the SEC and NYSE requests.

We are not aware of any material developments in connection with the previously disclosed investigation by the NYAG of whether potential wrongdoing by individuals occurred during the time period covered by the Global Settlement.

Additionally, we are not aware of any material developments in connection with the previously disclosed governmental and regulatory inquiries concerning Credit Suisse First Boston's preservation and production of documents in 2000 in response to then-pending investigations into Credit Suisse First Boston's allocation of shares in IPOs and subsequent commissions and transactions.

Litigation Relating to IPO Allocation/Research-related Practices

Since January 2001, Credit Suisse First Boston LLC, an affiliate and several other investment banks have been named as defendants in a large number of putative class action complaints filed in the U.S. District Court for the Southern District of New York concerning IPO allocation practices. On April 19, 2002, the plaintiffs filed consolidated amended complaints alleging various violations of the federal securities laws resulting from alleged material omissions and misstatements in registration statements and prospectuses for the IPOs and, in some cases, follow-on offerings, and with respect to transactions in the aftermarket for those offerings. The complaints contain allegations that the registration statements and prospectuses either omitted or misrepresented material information about commissions paid to investment banks and aftermarket transactions by certain customers that received allocations of shares in the IPOs. The complaints also allege that misleading analyst reports were issued to support the issuers' allegedly manipulated stock price and that such reports failed to disclose the alleged allocation practices or that analysts were allegedly subject to conflicts of interest. On July 1, 2002, Credit Suisse First Boston LLC, an affiliate and other defendants moved to dismiss the consolidated class action complaints. On February 19, 2003, the district court denied the motion as to Credit Suisse First Boston LLC, an affiliate and the other defendant investment banks, as well as with respect to certain issuer and individual defendants. In June 2003, the plaintiffs in this litigation announced a proposed settlement of their claims against the issuer defendants and the issuers' officers and directors named in the litigation. On September 2, 2003, the plaintiffs filed an omnibus motion for class certification in all of these actions. By agreement among the parties and the district court, six cases were selected as focus cases for class certification purposes. The underwriter defendants opposed class certification in the six focus cases on February 24, 2004. The district court heard oral argument on the motion on June 17, 2004.

Since March 2001, Credit Suisse First Boston LLC and several other investment banks have been named as defendants in a number of putative class actions filed with the U.S. District Court for the Southern District of New York, alleging violations of the federal and state antitrust laws in connection with alleged practices in allocation of shares in IPOs in which such investment banks were a lead or co-managing underwriter. The amended complaint in these lawsuits, which have now been consolidated into a single action, alleges that the underwriter defendants have engaged in an illegal antitrust conspiracy to require customers, in exchange for IPO allocations, to pay non-competitively determined commissions on transactions in other securities, to purchase an issuer's shares in follow-on offerings, and to commit to purchase other less desirable securities. The complaint also alleges that the underwriter defendants conspired to require customers, in exchange for IPO allocations, to agree to make aftermarket purchases of the IPO securities at a price higher than the offering price, as a precondition to receiving an allocation. These alleged "tie-in" arrangements are further alleged to have artificially inflated the market price for the securities. On May 24, 2002, Credit Suisse First Boston LLC and the other defendants moved to dismiss the amended complaint. On November 3, 2003, the district court granted the motion to dismiss and dismissed the action with prejudice as to all defendants. On December 3, 2003, the plaintiffs filed a notice of appeal to appeal the district court's decision. Briefing on the appeal is now underway.

On November 15, 2002, Credit Suisse First Boston (USA), Inc. was sued in the U.S. District Court for the Southern District of New York on behalf of a putative class of issuers in IPOs for which its affiliate, Donaldson, Lufkin & Jenrette Securities Corporation, or DLJSC, acted as underwriter. The complaint alleges that the issuers' IPOs were underpriced, and that DLJSC allocated the underpriced IPO stock to certain of its favored clients and subsequently shared in portions of the profits of such favored clients pursuant to side agreements or understandings. This purported conduct is alleged to have been in breach of the underwriting agreements between DLJSC and those issuers. On September 12, 2003, Credit Suisse First Boston (USA), Inc. filed a motion to dismiss the complaint. By order dated March 9, 2004, the district court denied Credit Suisse First Boston (USA), Inc.'s motion to dismiss as to three of plaintiff's claims, but granted the motion as to plaintiff's claim for unjust enrichment.

Several putative class action lawsuits have been filed against Credit Suisse First Boston LLC in the wake of publicity surrounding various governmental and regulatory investigations that led to the Global Settlement. Thus far, cases have been brought against Credit Suisse First Boston LLC in the U.S. District Courts for the Southern District of New York and the District of Massachusetts on behalf of purchasers of shares of Atmel Corporation, Agilent Technologies, Inc., AOL Time Warner Inc., Amazon.com, Razorfish, Inc., Lantronix, Inc., Synopsys, Inc., Winstar, Inc., and Covad Communications Co. The complaints generally assert claims under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. A purported class action has also been filed in Missouri state court relating to analyst research.

A purchaser of shares of Clarent Corporation has filed an individual action in the Superior Court of the State of California for the County of Los Angeles alleging fraud, negligence, and negligent misrepresentation in connection with Credit Suisse First Boston's research coverage of that company. On June 3, 2004, the court granted Credit Suisse First Boston LLC's motion for summary judgment dismissing plaintiff's case. An action has also been filed in the

Superior Court of the State of California for the County of Santa Clara on behalf of a class of purchasers of several issuers. That complaint alleges that Credit Suisse First Boston LLC violated Section 17200 of California's Business and Professions Code, which prohibits unfair business practices. On March 2, 2004, that case was dismissed without prejudice.

The Amazon.com and Covad Communications actions have been dismissed on motions to dismiss. The dismissal of the Covad Communications action was appealed and, on April 1, 2004, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal.

The actions relating to AOL Time Warner Inc., Agilent Technologies, Inc., Synopsys, Inc., Winstar, Inc., and Razorfish, Inc. have all been separately consolidated in the U.S. District Court for the District of Massachusetts. Motions to dismiss have been or will be filed in each of these actions. Credit Suisse First Boston LLC has also filed a motion to dismiss in a consumer fraud action brought by the West Virginia Attorney General relating to analyst research.

Enron-related litigation and inquiries

Numerous actions have been filed against Credit Suisse First Boston LLC and its affiliates relating to Enron Corp. or its affiliates. On April 8, 2002, Credit Suisse First Boston and certain other investment banks were named as defendants along with, among others, Enron, Enron executives and directors, and external law and accounting firms in two putative class action complaints filed in the U.S. District Court for the Southern District of Texas. The first, *Newby, et al. v. Enron Corp., et al.* , was filed by purchasers of Enron securities and alleges violations of the federal securities laws. The second, *Tittle, et al. v. Enron Corp., et al.* , was filed by Enron employees who participated in various Enron employee savings plans and alleges violations of the federal Employment Retirement Income Security Act and the Racketeering Influenced and Corrupt Organizations Act, as well as state law negligence and civil conspiracy claims. A motion by Credit Suisse First Boston LLC and its affiliates to dismiss the complaint in *Newby* was denied in December 2002, and Credit Suisse First Boston LLC and its affiliates have since answered the complaint, denying all liability. On May 8, 2002, Credit Suisse First Boston LLC and its affiliates moved to dismiss the *Tittle* complaint, and the district court granted that motion in full on September 30, 2003, thereby dismissing the action in its entirety as to Credit Suisse First Boston LLC and its affiliates. In both cases, plaintiffs filed motions for class certification that are pending before the district court. On May 14, 2003, the lead plaintiff in *Newby* filed an amended complaint that, among other things, names as defendants additional Credit Suisse First Boston entities, expands the putative class to include purchasers of certain Enron-related securities, and alleges additional violations of the federal securities laws. On May 28, 2003, the lead plaintiff in *Newby* filed an amended motion for class certification of a more broadly defined class based on the amended complaint. On June 18, 2003, Credit Suisse First Boston LLC and its affiliates moved to dismiss the new claims and new entities asserted in the amended complaint. On March 31, 2004, that motion was granted as to certain claims that were based on the Securities Act of 1933, but denied in all other respects.

Several actions filed against Credit Suisse First Boston LLC and its affiliates and other parties have been consolidated or coordinated with the *Newby* action and stayed as to the filing of amended or responsive pleadings pending the district court's decision on class certification in *Newby* and *Tittle* . Similarly consolidated or coordinated with *Newby* and stayed have been several actions against Arthur Andersen, LLP, or Andersen and other defendants, in which Andersen brought claims for contribution against Credit Suisse First Boston LLC and its affiliates and other parties as third-party defendants. The consolidated and coordinated cases are now proceeding into discovery along with *Newby* .

Additional Enron-related actions have been filed in various federal and state courts against Credit Suisse First Boston LLC and its affiliates, along with other parties, including: (i) a complaint by two investment funds that purchased certain Enron-related securities alleging insider trading and other violations of California law; (ii) a complaint by investment funds or fund owners that purchased senior secured notes issued by Osprey Trust and Osprey Trust I alleging violations of California law and fraud, deceit and negligent misrepresentation; (iii) an action by AUSA Life Insurance Company, Inc. and eleven other insurance company plaintiffs alleging violations of state securities laws, common law fraud and civil conspiracy in connection with securities offerings by certain Enron-related entities; (iv) a complaint by purchasers of Enron, Marlin, Osprey, and Montclare Trust securities alleging violations of state securities laws, fraud, deceit, and civil conspiracy; (v) a putative class action brought on behalf of holders of Enron common and preferred stock asserting claims of breach of fiduciary duty, aiding and assisting breach of fiduciary duty, negligent misrepresentation and fraud; (vi) a putative class action brought on behalf of purchasers of the common stock of NewPower Holdings, Inc. alleging violations of the federal securities laws; (vii) a putative class action brought on behalf of 70 Connecticut municipalities alleging violations of the Connecticut Unfair Trade Practices Act and various state claims including fraud, misappropriation, unjust enrichment and misrepresentation, in connection with Enron's transactions with the Connecticut Resource Recovery Authority ("CRRA"), a public agency; and (viii) a putative class action brought on behalf of individual former board directors of CRRA to recover public funds, alleging violations of state aiding and abetting laws.

Mediations have been ordered in several of the cases brought in state court. In March 2004, the U.S. District Court for the Southern District of New York approved a partial settlement between the plaintiffs, the individual defendants and NewPower in the *In re NewPower Securities Litigation* . Additional mediation sessions in the *In re NewPower Securities Litigation* were held in May and June 2004.

In December 2001, Enron filed a petition for Chapter 11 relief in the U.S. Bankruptcy Court for the Southern District of New York. On September 12, 2002, the bankruptcy court entered an order allowing discovery by a court-appointed examiner from more than 100 institutions, including Credit Suisse First Boston LLC and its affiliates. Credit Suisse First Boston LLC and its affiliates have produced documents and made witnesses available for private sworn statements, subject to a confidentiality order. The bankruptcy examiner completed the investigation and, on November 4, 2003, filed a final report that contained the examiner's conclusions with respect to several parties, including Credit Suisse First Boston LLC and its affiliates. Enron has brought four adversary proceedings against Credit Suisse First Boston LLC and its affiliates, seeking avoidance and recovery of various alleged preferential, illegal and fraudulent transfers; disallowance and equitable subordination of Credit Suisse First Boston LLC and its affiliates' claims in the bankruptcy proceedings; recharacterization of one transaction as a loan and related declaratory relief, avoidance of security interests, and turnover and recovery of property; and damages, attorneys' fees and costs for alleged aiding and abetting of breaches of fiduciary duty by Enron employees and civil conspiracy. Credit Suisse First Boston LLC and its affiliates have filed motions to dismiss these complaints, all of which are still pending.

On May 28, 2003, the courts presiding over the consolidated Enron litigation and over the Enron bankruptcy proceedings jointly ordered the following parties to participate in non-binding mediation: plaintiffs in *Newby* , *Tittle* and the cases comprising the multi-district litigation proceedings in Texas; eleven financial institutions, including Credit Suisse First Boston; and Enron and its affiliated debtors (including representatives of the Official Committee of Unsecured Creditors). The courts appointed Senior Judge William C. Conner of the U.S. District Court for the Southern District of New York as mediator. Several mediation sessions have been held, but have failed to produce a broad settlement. An additional mediation session is scheduled in June 2004.

Credit Suisse First Boston has received requests for information from certain U.S. Congressional committees and continues to receive requests for information and/or subpoenas from certain governmental and regulatory agencies regarding Enron and its affiliates. We continue to cooperate fully with such inquiries and requests.

NCFE-related Litigation

Since February 2003, lawsuits have been filed against Credit Suisse First Boston LLC with respect to services that it rendered to National Century Financial Enterprises, Inc. and its affiliates, or NCFE. From January 1996 to May 2002, Credit Suisse First Boston LLC acted as a placement agent for bonds issued by NCFE that were to be collateralized by health-care receivables, and in July 2002, as a placement agent for a sale of NCFE preferred stock. NCFE filed for bankruptcy protection in November 2002.

In these lawsuits, which were filed in (or removed to) federal courts in Arizona, Ohio, New Jersey and New York, investors in NCFE's bonds and preferred stock have sued numerous defendants, including the founders and directors of NCFE, the trustees for the bond issuances, NCFE's auditors and law firm, the rating agencies that rated NCFE's bonds, and NCFE's placement agents, including Credit Suisse First Boston LLC. The allegations include claims for breach of contract, negligence, fraud, and violation of federal and state securities laws. By orders dated November 13, 2003, January 5, 2004, and March 3, 2004, the Judicial Panel on Multidistrict Litigation consolidated the matters and transferred them to the U.S. District Court for the Southern District of Ohio for pre-trial purposes. Credit Suisse First Boston LLC has filed motions to dismiss in each of these cases.

U.K. Insurance Litigation

On August 7, 2003, a syndicate of insurance companies filed Consolidated Particulars of Claims against us, Credit Suisse First Boston LLC and Credit Suisse First Boston (USA), Inc. in the London Commercial Court alleging that certain excess liability insurance policies provided to these entities should be invalidated. These insurance policies are intended to provide coverage for damages, expenses, or settlements in excess of designated deductibles and below designated caps resulting from certain legal proceedings involving us or our subsidiaries. The insurance syndicate alleges that these insurance policies should be invalidated based on certain purported misrepresentations and misleading statements made by us and Credit Suisse First Boston to the insurance syndicate in connection with the underwriting of the policies.

Mutual Fund Investigations

Credit Suisse First Boston LLC and certain of its current and former affiliates have received subpoenas and/or requests for information from various governmental and regulatory bodies, including the New York Attorney General's Office and the SEC, as part of the industry-wide investigation relating to the practices of mutual funds and their customers. We are cooperating fully with such requests.

Adelphia Communications Corporation Litigation

On July 6, 2003, the creditors' committee appointed in the bankruptcy cases of Adelphia Communications Corporation and its affiliates filed an adversary proceeding in bankruptcy court against certain lenders and investment banks, including Credit Suisse First Boston (USA), Inc. and certain affiliates. The complaint asserts claims against the Credit Suisse First Boston entities and numerous other defendants under state law, the Bankruptcy Code and the Bank Holding Company Act. The complaint seeks, as against the Credit Suisse First Boston entities, the disallowance, avoidance and/or subordination of their claims and/or liens against Adelphia (and any of its assets) in its bankruptcy proceedings, and an unspecified amount of compensatory and punitive damages. The equity holders' committee appointed in the bankruptcy cases is also seeking leave of court to intervene in the adversary proceeding to assert additional claims against Credit Suisse First Boston (USA) Inc. under state law, as well as claims against other parties under the Racketeer Influenced and Corrupt Organizations Act.

In addition, Credit Suisse First Boston (USA), Inc. and certain affiliates have been named in six civil actions brought by investors in Adelphia debt and/or equity securities concerning alleged misstatements in certain Adelphia securities offerings. These complaints were consolidated in the U.S. District Court for the Southern District of New York. Credit Suisse First Boston (USA), Inc. and certain affiliates were also named in two actions filed in Connecticut state court by investors who received Adelphia equity securities in the merger of Century Communications Corporation and Adelphia in October 1999. These two complaints were removed to the U.S. District Court for the District of Connecticut and a motion seeking their transfer to the consolidated proceeding in the Southern District of New York has been filed. On April 13, 2004, the plaintiffs in these actions moved to remand their complaints to Connecticut state court. Credit Suisse First Boston (USA), Inc. and its affiliates have filed an opposition to this motion. In each of the above cases, Credit Suisse First Boston (USA), Inc. and its affiliates have filed, or expect to file, motions to dismiss.

Dividends policy

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

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

Dividend per ordinary share	USD[1]	CHF
2003 [2]	0.40	0.50
2002	0.07	0.10
2001 [3]	1.20	2.00
2000 [4]	1.23	2.00
1999	1.10	1.75

[1] For details of the period end exchange rates used, please refer to "Item 3 – Key Information – Exchange rate information".
[2] Repayment out of share capital as approved on April 30, 2004, in lieu of a dividend for financial year 2003.
[3] Repayment out of share capital as approved on May 31, 2002, in lieu of a dividend for financial year 2001.
[4] Repayment out of share capital as approved on June 1, 2001, in lieu of a dividend for financial year 2000.

ITEM 9: THE OFFER AND LISTING

Listing details

Our shares are listed on the SWX Swiss Exchange; since June 25, 2001, the principal trading market for our shares has been Virt-x. Our American Depositary Shares, or ADSs, are traded on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the reported highest and lowest closing price for one share on the SWX Swiss Exchange or from June 25, 2001, Virt-x, and the average daily trading volume as reported by the SWX Swiss Exchange or Virt-x [1] :

	Average trading	Shares in CHF [2]	
Period	volumes [1] [2]	High	Low
2004			
First quarter	6,678,070	49.5	43.0
Through June 18, 2004	5,705,648	46.4	42.6
2003			
First quarter	6,718,605	34.5	20.7
Second quarter	7,889,445	39.3	23.3
Third quarter	6,241,096	48.7	34.8

Fourth quarter	5,614,077	48.7	42.1
2002			
First quarter	5,566,964	73.6	56.5
Second quarter	5,379,152	63.5	41.7
Third quarter	7,376,761	48.9	26.8
Fourth quarter	8,979,806	35.7	20.6
2001			
First quarter	6,483,553	87.0	69.8
Second quarter	4,869,675	83.1	72.3
Third quarter	5,292,914	75.9	44.8
Fourth quarter	5,601,598	71.3	51.6
2000			
First quarter	3,535,368	82.8	66.4
Second quarter	3,452,079	84.9	75.8
Third quarter	4,014,660	97.1	80.6
Fourth quarter	5,488,325	87.4	73.3

1) Reflects trading on Virt-x since June 25, 2001.

2) Volume and price information have been adjusted retroactively to reflect the share split on August 15, 2001.

Our shares are registered with a par value of CHF 1 per share. Effective July 8, 2004, the par value of our shares will be reduced to CHF 0.50 and on July 12, 2004 we will make a repayment of capital of CHF 0.50 per share.

Official trading of our shares in the form of ADSs on the New York Stock Exchange began on September 25, 2001, under the symbol “CSR.” The following table sets forth, for the periods indicated, the reported highest and lowest closing price of ADSs, each representing one share, on the New York Stock Exchange, and the average daily trading volume as reported by the New York Stock Exchange.

	Average trading	American Depositary Shares in USD	
Period	volumes	High	Low
2004			
First quarter	174,540	40.4	33.6
Through June 18, 2004	138,000	36.5	33.0
2003			
First quarter	161,384	24.8	15.9
Second quarter	222,254	30.4	17.4
Third quarter	122,013	35.5	26.5
Fourth quarter	268,494	36.4	32.2
2002			
First quarter	46,358	44.6	33.5
Second quarter	57,564	38.4	28.4
Third quarter	129,222	32.5	18.2
Fourth quarter	208,200	23.8	13.7
2001			
Fourth quarter	16,077	43.0	32.6

Differences between the corporate governance standards of Credit Suisse Group and the NYSE Rules

Credit Suisse Group endeavors to comply with all relevant standards on corporate governance, including many of the corporate governance standards applicable to US domestic issuers set by the New York Stock Exchange ("NYSE"). For a description of our corporate governance principles see also the relevant section of our Annual Report. The Group may change its corporate governance structure to reflect new requirements of relevant laws or regulations, or as deemed necessary by the Board of Directors.

Many of the corporate governance rules in the NYSE Listed Company Manual (the "NYSE Rules") do not apply to Credit Suisse Group, as the Group is classified as a "foreign private issuer" for purposes of those rules. NYSE Rule 303A.11, however, requires foreign private issuers listed on the NYSE to describe significant differences between their corporate governance standards and the corporate governance standards applicable to U.S. domestic issuers listed on the NYSE. The following is a summary of such differences.

First, with respect to director independence standards, the NYSE Rules state that a director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the listed company's present executives serve on that company's compensation committee will not be considered "independent" until three years after the end of such service or the employment relationship. The Group's corporate governance standards allow a director to be considered independent so long as there is no such relationship at the time of consideration, and do not require a three-year look-back to prior relationships. Other than this difference, the Group's standards for determining whether a director is independent are the same as those of the NYSE. The Group meets the requirement applicable to US listed companies that it have a majority of independent directors as defined by the NYSE Rules.

Second, with respect to board committee membership, the NYSE Rules require that a listed company's audit committee, compensation committee and nominating/corporate governance committees each be made up entirely of independent directors. Swiss corporate governance standards generally require that only a majority of the members of these committees be independent. Credit Suisse Group's Chairman's and Governance Committee is currently comprised of a majority of independent members under both the Group's and the NYSE's independence standards. The Compensation Committee currently consists solely of independent members under both the Group's and the NYSE's independence standards. The Group's Audit Committee is comprised entirely of independent directors under the Group's independence standards, and of a majority of independent directors under the NYSE's independence standards. The Group's Audit Committee satisfies the audit committee requirements of Rule 10A-3 under the US Securities Exchange Act of 1934.

Third, with respect to the approval of employee benefit plans, the NYSE Rules require shareholder approval of all equity compensation plans and material revisions to such plans, including employee benefit plans. The definition of "equity compensation plans" covers plans that provide for the delivery to employees or directors of either newly issued securities or securities acquired by the issuer in the secondary market. Swiss law requires that shareholders approve the creation of the conditional capital used to set aside shares for employee benefit plans and other equity compensation plans, but does not require shareholders to approve the terms of such plans.

In addition, the NYSE Rules allocate responsibility for discussing guidelines and policies governing the process by which risk assessment and risk management is undertaken to the Audit Committee, while the Group's corporate governance standards allocate these duties to the Risk Committee. Finally, the NYSE Rules require that certain board committees report specified information directly to shareholders, while under Swiss law, only the Board of Directors reports directly to the shareholders, while the committees submit their reports to the full Board.

Trading in our own shares

We buy and sell our own shares and derivatives on our own shares within our normal trading and market-making activities mainly through the Swiss broker-dealer operations of Credit Suisse Financial Services and some of our private banks. In the Swiss market, we buy and sell, through Credit Suisse Financial Services, our shares and derivatives on these shares to facilitate customer orders, to provide liquidity as a market maker and to hedge derivative instruments.

In addition, we may from time to time place orders for our own shares to satisfy obligations under various employee and management incentive plans, and potentially for shares to be used as payment in acquisitions. On February 25, 2003, we announced the termination of our share buyback program of up to CHF 5 billion. In 2003, we did not purchase any shares as part of this program; however, we purchased shares as part of market-making and trading activities, as well as for corporate purposes and to satisfy our obiligations to employees under employee share plans.

The net long or short position held by Credit Suisse Financial Services and the private banking subsidiaries in our shares has been at non-material levels relative to the number of our outstanding shares, due in part to SFBC regulations requiring a 100% capital charge to the relevant legal entity for the entire net position in our shares. In addition to SFBC rules, trading in our own shares in the Swiss market is subject to regulation under the Stock Exchange Act, the rules of SWX Swiss Exchange and the EUREX electronic exchange, and the SBA Code of Conduct for Securities Dealers. Trading is also limited by our risk management limits, internal capital allocation rules, balance sheet requirements, counterparty restrictions and other internal regulations and guidelines.

ITEM 10: ADDITIONAL INFORMATION

Articles of Association

For a summary of the material provisions of our Articles of Association, or AoA, and the Swiss Code of Obligations *(Schweizerisches Obligationenrecht)* as they relate to our shares, refer to the summaries contained in item 6 under the captions “Corporate Governance – Shareholders” and “Corporate Governance – Changes of control and defense measures”, which we incorporate by reference herein. That description does not purport to be complete and is qualified in its entirety by reference to the Swiss Code of Obligations and to the Articles, copies of which are available at our office, Paradeplatz 8, P.O. Box 1, CH 8070 Zurich, Switzerland.

Registration and business purpose

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

Directors

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

Our AoA provide that the Board of Directors shall consist of a minimum of seven members. The members of our Board are elected for a period of three years and are eligible for re-election, without any term limitations. According to the Regulations Governing the Conduct of Business of Credit Suisse Group (OGR), the age limit for members of the board is 70 and the age limit for the Chairman is 68.

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

Dividends

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

Pre-emptive subscription rights

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

Repurchase of shares

Swiss law limits a corporation's ability to hold or repurchase its own shares. We may only repurchase shares if we have sufficient free reserves to pay the purchase price, and if the aggregate nominal value of the repurchased shares does not exceed 10% of our nominal share capital. Furthermore, we must create a special reserve on our balance sheet in the amount of the purchase price of the acquired shares. Shares repurchased by us do not carry any voting rights at shareholders' meetings.

Notices

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

Liquidation and merger

Under Swiss law and our AoA, we may be dissolved at any time by a shareholders' resolution which must be passed by (1) a supermajority of at least three quarters of the votes cast at the meeting in the event we are to be dissolved by way of liquidation, or (2) a supermajority of at least two-thirds of the votes represented and an absolute majority of the par value of the shares represented at the meeting in other events. Dissolution by court order is possible if we become bankrupt. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid-up par value of shares held.

Disclosure of principal shareholders

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

Material contracts

On January 7, 2003, Credit Suisse First Boston (USA), Inc. entered into a definitive agreement to sell Pershing, a leading provider of financial services to broker-dealers and investment managers, to The Bank of New York Company, Inc. for CHF 2.7 billion in cash, the repayment of a CHF 653 million subordinated loan and a contingent payment of up to CHF 68 million based on future performance. The transaction closed on May 1, 2003. The sale of Pershing was effected through the sale of the equity interests in Donaldson, Lufkin & Jenrette Securities Corporation (which was converted to the Delaware limited liability company Pershing LLC on January 17, 2003), and certain other subsidiaries, including iNautix, through which the Pershing business is conducted.

For more information about this transaction, please refer to the Amendment dated as of April 30, 2003 to the Transaction Agreement by and between Credit Suisse First Boston (USA), Inc. and The Bank of New York Company, Inc., which has been filed as Exhibit 4.1 to this Form 20-F.

Exchange controls

There are no restrictions under our AoA or Swiss law, presently in force, that limit the right of non-resident or foreign owners to hold our securities freely or, when entitled, to vote our securities freely. Other than in connection with government sanctions imposed on Iraq, Liberia, Myanmar, Zimbabwe, certain persons with links to former Serb President Mr. Milosevic, persons or organizations with links to Osama bin Laden, the “al Qaeda” group or the Taliban, there are currently no Swiss exchange control laws or laws restricting the import or export of capital, including but not limited to, the remittance of dividends, interest or other payments to non-resident holders of our securities.

Indemnification

Neither the AoA of Credit Suisse Group nor Swiss statutory law contain provisions regarding the indemnification of directors and officers. According to general principles of Swiss employment law, an employer may, under certain circumstances, be required to indemnify an employee against losses and expenses incurred by such person in the execution of such person’s duties under an employment agreement, unless the losses and expenses arise from the employee’s gross negligence or willful misconduct. From time to time, Credit Suisse Group has agreed to indemnify certain of its current or former directors and/or officers against certain losses and expenses in respect of service as a director or officer of Credit Suisse Group, one of our affiliates or another entity, which we approved, subject to specific conditions or exclusions. We maintain directors’ and officers’ insurance for our directors and officers.

American Depositary Shares

Under Swiss law, holders of ADSs are not shareholders and are not recorded in our share register. A nominee for the ADS depositary is the registered holder of the shares underlying the ADSs. Rights of ADS holders to exercise voting rights, receive dividends and other matters are governed by the deposit agreement pursuant to which their ADSs are issued. For further information relating to our ADSs, please refer to the Registration Statement on Form F-6, Reg. no. 333-13926 filed with the SEC. Subject to any applicable law to the contrary, with respect to ADSs for which timely voting instructions are not received by the ADS depositary in relation to any proposed resolution or for which voting instructions are received by the ADS depositary but do not specify how the ADS depositary shall vote in relation to any proposed resolution, the ADS depositary shall, or shall instruct the nominee to, vote such shares underlying the ADSs in favor of such resolution if it has been proposed by the Board of Directors or otherwise in accordance with the recommendation of the Board of Directors.

Taxation

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

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

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

Swiss taxation

Withholding tax on dividends and similar distributions

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

Swiss resident recipients

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

Non-resident recipients

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

Residents of the United States

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

Income and profit tax on dividends and similar distributions

Individuals

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

Legal entities

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

Non-resident recipients

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

Capital gains tax realized on shares

Individuals

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

Legal entities

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

Non-resident individuals and legal entities

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

Net worth and capital taxes

Individuals

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

Legal entities

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

Non-resident individuals and legal entities

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

Stamp duties upon transfer of securities

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

United States federal income tax

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

Taxation of dividends

US Holders

For US federal income tax purposes a US Holder will be required to include the full amount (before reduction for Swiss withholding tax) of a dividend paid with respect to Shares, generally as ordinary income. Subject to certain exceptions for short-term and hedged positions, the US dollar amount of dividends received by an individual prior to January 1, 2009 with respect to our Shares will be subject to taxation at a maximum rate of 15% if the dividends are “qualified dividends”. Dividends paid on the Shares will be treated as qualified dividends if we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (“PFIC”), foreign personal holding company (“FPHC”) or foreign investment company (“FIC”). Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC, FPHC or FIC for US federal income tax purposes with respect to our 2003 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC, FPHC or FIC for our 2004 taxable year. The US Treasury has announced its intention to promulgate rules pursuant to which holders of Shares and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to treat dividends as qualified for tax reporting purposes. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with the procedures. Holders of our Shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances. For this purpose, a “dividend” will include any distribution paid by us with respect to Shares, but only to the extent such distribution is not in excess of our current and accumulated earnings and profits as defined for US federal income tax purposes. Such dividend will constitute income from sources outside the United States. Subject to the limitations and conditions provided in the Code, a US Holder may deduct from its US federal taxable income, or claim as a credit against its US federal income tax liability, the Swiss withholding tax withheld. Under the Code, dividend payments by us on Shares are not eligible for the dividends received deduction generally allowed to corporate shareholders. Any distribution that exceeds our earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s tax basis in Shares and thereafter as capital gain.

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

Non-US Holders

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

Capital gains tax upon disposal of shares

US Holders

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

Non-US Holders

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

Backup withholding tax and information reporting requirements

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

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

ITEM 11: QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Overview

Risk management principles

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

- Protection of financial strength: Credit Suisse Group controls risk in order to limit the impact of potentially adverse events on the Group's capital and income streams. The Group's risk appetite is to be consistent with its financial resources.

- Protection of reputation: The value of the Credit Suisse Group franchise depends on the Group's reputation. Protecting a strong reputation is fundamental and must be an overriding concern for all staff members.

- Risk transparency: Risk transparency is essential so that risks are well understood by senior management and can be balanced against business goals.

- Management accountability: The various segments are organized into business units that own the comprehensive risks assumed through their operations. Business unit management is responsible for the active management of the respective risk exposures and the return for the risks taken.

- Independent oversight: Risk management is a structured process to identify, measure, monitor and report risk. The risk management, controlling and legal and compliance functions operate independently of the front office units to ensure the integrity of the risk and control processes.

Risk management oversight

Risk management oversight is performed at several levels of the organization. Key responsibilities lie with the following management bodies and committees.

Risk management oversight at the Board level

- Group Board of Directors: Responsible to shareholders for the strategic direction, supervision and control of the Group and for defining the Group's overall tolerance for risk.

- Board of Directors of other Group legal entities: Responsible for the strategic direction, supervision and control of the respective legal entity and for defining the legal entity's tolerance for risk.

- Risk Committees: Established in May 2003 and responsible for assisting the Board of Directors of the Group and other Group legal entities in fulfilling their oversight responsibilities by providing guidance regarding the risk governance and the development of the risk profile, including the regular review of major risk exposures and the approval of risk limits.

- Audit Committees: Responsible for assisting the Boards of Directors of the Group and other Group legal entities in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, risk management and legal and regulatory compliance. Additionally, the Audit Committees are responsible for monitoring the independence and the performance of the internal and external auditors.

- Internal auditors: Responsible for assisting the Boards of Directors, the Audit Committees and management in fulfilling their responsibilities by providing an objective and independent evaluation of the financial accounts and the effectiveness of control, risk management and governance processes.

Risk management oversight at the Group management level

- Group Executive Management (Group Co-CEOs and Group Executive Board): Responsible for implementing the Group's strategy, managing the Group's portfolio of businesses and managing the risk profile of the Group as a whole within the risk tolerance defined by the Group Board of Directors.

- Group Chief Risk Officer: Responsible for providing risk management oversight for the Group as a whole in order to ensure that the aggregate risk appetite is consistent with the Group's financial resources as well as the risk tolerance defined by the Group Board of Directors. Additionally, risk management identifies group-wide risk concentrations, reviews and ratifies high risk exposures and unusual or special transactions, ensures consistent and thorough risk management practices and processes throughout the Group and recommends corrective action if necessary.

- Group Risk Processes & Standards Committee (GRIPS): Responsible for establishing and approving standards regarding risk management and risk measurement.

- Credit Portfolio & Provisions Review Committee: Responsible for reviewing the quality of the credit portfolio, with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

Risk management oversight at the business unit, segment and division management level

- Business unit Executive Management (Chief Executive Officers, CSFS Executive Board and CSFB Operating Committee): Responsible for implementing the business unit's strategy and actively managing its portfolio of businesses and its risk profile to ensure that risk and return are balanced and appropriate for current market conditions.

- Strategic Risk Management: At both business units, Strategic Risk Management is an independent function headed by the business unit Chief Risk Officer with responsibility for assessing the overall risk profile of the business unit on a consolidated basis and for recommending corrective action if necessary.

- Credit Risk Management: At both business units, Credit Risk Management is an independent function headed by the business unit Chief Credit Officer with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the credit portfolio of the business unit.

- CSFS Risk Management Committee: Responsible for supervising and directing the Credit Suisse Financial Services risk profile on a consolidated basis, for approving risk management policies, recommending risk limits to the Credit Suisse and Winterthur Boards of Directors and their Risk Committees and establishing and allocating risk limits within Credit Suisse Financial Services.

- CSFB Capital Allocation and Risk Management Committee: Responsible for supervising and directing the Credit Suisse First Boston risk profile on a consolidated basis, approving risk management policies, recommending risk limits to the Credit Suisse First Boston Board of Directors and its Risk Committee and for establishing and allocating risk limits within Credit Suisse First Boston.

- CSFB Operational Risk Review Committee: Responsible for reviewing and addressing operational risk issues at Credit Suisse First Boston.

- Winterthur Risk Management Committee: Responsible for supervising and directing the Winterthur risk profile on a consolidated basis and approving risk management policies.

- Winterthur Investment Committee: Responsible for defining the Winterthur investment strategy in light of Winterthur's overall risk profile.

- CSFS Asset and Liability Management Committee: Responsible for supervising the development of the Credit Suisse Financial Services banking segments' balance sheets.

Risk categories

The Group is exposed to many risks and differentiates among them using the following eight major risk categories:

- Market risk – the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices and other relevant market rates and prices, such as commodity prices and volatilities;
- Credit risk – the risk of loss arising from adverse changes in the creditworthiness of counterparties;
- Insurance risk – the risk that product pricing and reserves do not appropriately cover claims expectations;
- Business risk – the risk that the businesses are not able to cover their ongoing expenses with ongoing income subsequent to a severe crisis, excluding expense and income items already captured by the other risk categories;
- Liquidity and funding risk – the risk that the Group or one of its businesses is unable to fund assets or meet obligations at a reasonable or, in case of extreme market disruptions, at any price;
- Operational risk – the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events;
- Strategy risk – the risk that the business activities are not responsive to changes in industry trends; and
- Reputation risk – the risk that the Group's market or service image declines.

While most segments are exposed to all risk types, their relative significance varies. The Group structure as a set of distinct operating segments is intended to enhance transparency and to focus management on the risks that are particularly important to their business. Group-wide risk management and measurement approaches are applied where appropriate and meaningful.

Risk limits

Fundamental to risk management is the establishment and maintenance of a sound system of risk limits to control the range of risks inherent in the business activities. The size of the limits reflect the Group's risk appetite given the market environment, the business strategy and the financial resources available to absorb losses. Credit Suisse Group uses an Economic Risk Capital (ERC) limit structure to limit overall position risk taking. The level of risk incurred by the business units is further restricted by specific limits with respect to trading exposures, the mismatch of interest-earning assets and interest-bearing liabilities at the banking segments, private equity and seed money investments, emerging market country exposures, the asset allocation of Winterthur and the reinsurance coverage of Winterthur. Within the business units and segments, the risk limits are allocated to lower organizational levels, numerous other limits are established to control specific risks and a system of individual counterparty credit limits is used to limit concentration risks.

Economic Risk Capital

Introduction

Economic capital represents the emerging best practice for measuring and reporting all quantifiable risks. It is called "economic" capital because it measures risk in terms of economic realities rather than regulatory or accounting rules.

Credit Suisse Group uses an economic capital model – called ERC – as a consistent and comprehensive risk management tool, which also forms an important element in the capital management and planning process and an element in the performance measurement process.

Representing the Group's standard for assessing risk, ERC considerably strengthens the Group's ability to manage its risk profile on a consolidated basis and to assess the aggregate risk appetite in relation to the financial resources. By providing a common language and terminology for risk across the Group, ERC has also increased risk transparency and knowledge sharing across the Group. As with other risk measures, the primary merit of ERC lies in its ability to provide meaningful signals regarding risk trends over time. In contrast, comparisons with other firms' economic capital estimates are not meaningful, as there is substantial variation across institutions in terms of the definition of economic capital, model coverage, assumptions, underlying data series and implementation specifics.

Concept

The ERC model is designed to measure all quantifiable risks associated with the Group's activities on a consistent and comprehensive basis. It is based on the following general definition: "Economic Risk Capital" is the economic capital needed to remain solvent and in business even under extreme market, business and operational conditions, given the institution's target financial strength (i.e. a credit rating, in the Group's case, of AA).

Depending on the underlying source of risk, Credit Suisse Group distinguishes among three fundamental risk categories:

- Position risk ERC – the level of unexpected loss in economic value on the Group's portfolio of positions over a one-year horizon that is exceeded with a given, small probability (1% for risk management purposes; 0.03% for capital management purposes).

- Operational risk ERC – the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon that is exceeded with a small probability (0.03%);

- Business risk ERC – the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk ERC and operational risk ERC.

Position risk ERC: This includes all risks associated with the Group's positions, regardless of whether they translate into balance sheet exposures. The term position risk is not confined to the positions typically held by banks, but also includes the risks associated with the investment portfolios of the Winterthur entities as well as the insurance underwriting risks incurred by the Winterthur entities. In order to represent a comprehensive risk measure, ERC aims to reflect the underlying sources of risk in an integrated way. ERC therefore not only treats all financial positions on a consistent economic basis, ignoring potential differences along other dimensions (e.g. in terms of their accounting treatment), but it also does not distinguish between market and credit risks in the conventional way. Instead, the associated risks are treated on an integrated basis according to the underlying source of risk. For example, while the foreign exchange risk associated with a rouble foreign exchange position is typically treated as a market risk, it is considered an emerging market country risk in the ERC model, because the underlying source of risk is from an emerging market country. Hence, ERC reflects the Group's risk universe in a way that allows for an integrated measure based on the underlying source of risk, while maintaining sufficient granularity to take account of the different modeling approaches needed to capture the subtleties of the different businesses or risks.

While position risks constitute the most direct and significant source of risk for the Group, ERC also takes account of more indirect risks to the Group's financial resources. Although these indirect risks may not easily lend themselves to quantification (operational risk) or give rise to challenging conceptual issues (business risk), they can have a substantial impact on the Group and therefore must be identified, addressed and reflected in the assessment of the Group's solvency.

Operational risk ERC: While capital charges – either external or internal – do not represent an effective substitute for adequate management processes, the ability to absorb operational risk-related losses is reflected in the ERC framework. Due to the limitations of existing modeling techniques for operational risk (especially with respect to "low frequency – high impact" operational risk events that are relevant from a capital and risk perspective), ERC estimates for operational risk are primarily intended to integrate these risks into the overall capital process and to provide an adequate capital reserve for them.

During 2003, several enhancements were made to the Group's scenario-based operational risk ERC methodology, increasing the transparency and robustness of the capital estimates. In addition, the enhancements aligned the methodology with the anticipated requirements of Basel II's Advanced Measurement Approach (AMA). The enhancements include the integration of internal and external loss data, the business environment and internal control factors in the assessment of the risk scenarios, as well as the use of a more granular set of scenarios, increasing the comprehensiveness of the analysis. The quantitative approach is complemented by reviews performed by line specialists and senior management to reflect the context-specific nature of operational risk and to ensure the integration of qualitative aspects deriving from business experience.

Business risk ERC: An economic capital model should take account of the fact that financial organizations do not simply represent warehouses of financial assets but also act as originators and distributors of financial services. Origination, asset management and advisory services have become important sources of firm-wide income as well as firm-wide risks. Although there is widespread recognition that the risk and return characteristics of non-warehouse businesses have profound implications on the need for economic capital and the capacity to bear risks, no industry consensus has emerged as to how exactly to alter the asset-based economic capital calculations (e.g. based on Value-at-Risk type calculations) to reflect the non-warehouse businesses. Given the lack of consensus regarding the economic capital needs to cover business risk, Credit Suisse Group has adopted a pragmatic approach. Specifically, the Group's business risk ERC estimates are designed to measure the potential difference between expenses and revenues in a severe market event, excluding the elements captured by position risk ERC and operational risk ERC, using conservative assumptions regarding the earnings capacity and the ability to reduce the cost base in a crisis situation.

Applications

ERC represents Credit Suisse Group's core top level risk management tool. ERC is used to assess, monitor, report and limit risk exposures at all levels of the organization. The Board of Directors and senior management at the Group and the business units are regularly provided with ERC estimates, ERC trend information and supporting explanations to create transparency on key risk exposures and to support senior management in managing risk.

ERC is also being used in the capital allocation process, which defines the capital requirement as the higher of Total ERC or "respectability capital", which is the minimum capital base a business needs in order to be accepted as a reliable business partner or as defined by peer consideration. Moreover, ERC serves as a reference point for the structured assessment of the Group's aggregate risk appetite in relation to its financial resources, recognizing that a comprehensive analysis must also take into account factors that are outside the scope of the ERC framework (e.g. strategy, economic and competitive environment and external constraints such as those imposed by regulators or rating agencies). Furthermore, ERC forms the base for a performance metric that provides information on the return of a business in relation to the total amount of ERC needed to support that business.

Key position risk trends 2003

Continuing the trend observed in 2001 and 2002, consolidated 1-year, 99% position risk ERC in 2003 was down 17% year-on-year. The key movements in the major risk categories in 2003 were as follows:

- Interest rate, credit spread and foreign exchange ERC: +3%, due to higher credit spread risk at Credit Suisse First Boston and higher foreign exchange risk at the Winterthur entities;
- Equity investment ERC: –32%, due to a significant reduction in Winterthur's equity risk as well as lower positions in Swiss franc terms at Credit Suisse First Boston due the impact of the lower US dollar rate used to translate Credit Suisse First Boston's US dollar ERC into Swiss francs;
- Swiss and retail lending ERC: –13%, due to the reduction in impaired loans at Corporate & Retail Banking and lower mortgage exposures at the Winterthur entities;
- International lending ERC: –31%, due to substantial exposure reductions at Credit Suisse First Boston as well as due to the impact of the lower US dollar rate used to translate Credit Suisse First Boston's US dollar ERC into Swiss francs, partially offset by an increase in the risk associated with Winterthur's bond portfolio;
- Emerging markets ERC: –11%, mainly due to the impact of the lower US dollar rate used to translate Credit Suisse First Boston's US dollar ERC into Swiss francs;
- Real estate & structured asset ERC: –20%, due to a reduction in Credit Suisse First Boston's commercial real estate exposure as a result of securitizations and loan sales as well as lower real estate exposures at Winterthur, partially offset by an increase in Credit Suisse First Boston's exposure to residential mortgages; and
- Insurance underwriting ERC: –31%, primarily due to divestitures of the Republic operations, Churchill and Winterthur Italy.

The table below sets forth the Group's risk profile, using ERC as the common risk denominator.

	Credit Suisse Financial Services			Credit Suisse First Boston [1)]			Credit Suisse Group [2)]		
in CHF m	31.12.03	31.12.02	31.12.01	31.12.03	31.12.02	31.12.01	31.12.03	31.12.02	31.12.01
Interest Rate, Credit Spread & FX ERC	**2,768**	2,829	4,218	**1,262**	1,156	2,384	**3,222**	3,125	4,082
Equity Investment ERC	**1,223**	1,640	6,265	**1,938**	2,132	3,301	**2,631**	3,882	10,998
Swiss & Retail Lending ERC	**1,831**	2,097	2,310	**0**	0	0	**1,831**	2,097	2,310
International Lending ERC	**468**	373	319	**2,194**	3,484	3,692	**2,662**	3,857	4,011
Emerging Markets ERC	**214**	229	254	**1,485**	1,672	2,341	**1,699**	1,900	2,595
Real Estate & Structured Asset ERC [3)]	**2,005**	2,245	2,255	**1,499**	2,099	2,318	**3,445**	4,296	4,516
Insurance Underwriting ERC	**650**	944	753	**0**	0	0	**650**	944	753
Simple sum across risk categories	**9,159**	10,357	16,374	**8,378**	10,543	14,036	**16,140**	20,101	29,265
Diversification benefit	**(3,942)**	(4,757)	(7,883)	**(2,083)**	(2,492)	(3,632)	**(5,405)**	(7,086)	(11,519)
Total position risk ERC	**5,217**	5,600	8,491	**6,295**	8,051	10,404	**10,735**	13,015	17,746

1-year, 99% position risk ERC, excluding foreign exchange translation risk. For an assessment of the total risk profile, operational risk ERC and business risk ERC need to be considered as well. Note that prior periods data have been restated for methodology changes in order to maintain consistency over time.

1) Note that Credit Suisse First Boston is managed using the USD as its base currency. Reported numbers have been translated into CHF using the respective year-end currency translation rates. The 1-year, 99% position risk ERC numbers for Credit Suisse First Boston expressed in USD are as follows: USD 5,957 m (31.12.01), USD 5,791 m (31.12.02), USD 5,094 m (31.12.03).
2) Credit Suisse Group amounts include the Corporate Center, but are net of diversification benefits between Credit Suisse Financial Services, Credit Suisse First Boston and the Corporate Center (numbers therefore do not add up).

3) This category comprises the real estate investments of Winterthur, Credit Suisse First Boston's commercial and residential real estate exposures, Credit Suisse First Boston's asset-backed securities exposures, Credit Suisse Financial Services' real estate acquired at auction and the Credit Suisse Financial Services, Credit Suisse First Boston and Corporate Center real estate for own use in Switzerland.

Market risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices and other relevant market rates and prices, such as commodity prices and volatilities. The Group defines its market risk as potential changes in fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

Credit Suisse Group assumes market risk primarily through trading activities in the Institutional Securities segment of Credit Suisse First Boston and the risk exposures embedded in the insurance segments' balance sheets (investment portfolio and interest rate risk associated with the insurance liabilities). Further market risks arise, but to a much lesser extent, in the other businesses.

Trading and non-trading portfolios are managed at the business unit, segment and division level. The business units, segments and divisions use market risk measurement and management methods designed to meet or exceed industry standards. The risk management techniques and policies are regularly reviewed to ensure that the risks taken are captured and appropriately managed. The core tools used to measure, monitor and limit market risks are the following:

- The Value-at-Risk (VaR) method estimates the potential economic loss arising from a given portfolio for a predetermined probability and holding period, using market movements determined from historical data. The VaR methodology is most useful for day-to-day risk monitoring in the context of "normal" markets.

- Scenario analysis estimates the potential economic loss after stressing market parameters. These changes are modeled on past extreme events and hypothetical scenarios. Scenario analysis is especially useful for assessing sensitivity to large price movements and for examining risk in cases where market conditions are disrupted.

- All market risk exposures are also reflected in the Group's ERC calculations.

The VaR and scenario analysis techniques are described in more detail at the end of this section under the heading "How Credit Suisse Group measures market risk"; the ERC methodology is described in the section entitled "Economic Risk Capital".

In order to show the aggregate market risk inherent in the Group's businesses, the market risk exposure estimates are presented on both a business unit and a Group consolidated level, using VaR and taking into account diversification benefits across the businesses. The VaR estimates also take account of the impact of derivatives and other risk modification strategies, which the segments use to modify their exposure to market risks. The derivative instruments used in such hedging or trading activities primarily include forwards, options, futures, swaps and combinations of these instruments.

Our consolidated primary market risk exposures in the trading portfolios at December 31, 2003 were to the interest rate category, which includes exposures to government bonds, interest rate swaps and other interest rate sensitive exposures in the trading portfolios such as exposures to credit spreads. Our consolidated primary market risk exposures in the non-trading portfolios at December 31, 2003 were to the equity category, which includes the equity exposures of the insurance segments and other equity exposures in the non-trading portfolios of the banking and insurance segments such as private equity investments.

Trading portfolios

Risk measurement and management

The Group's trading portfolios and the associated market risk exposures relate to the trading activities primarily at the Institutional Securities segment and also the Private Banking and Corporate & Retail Banking segments. The other segments do not engage in trading activities.

Credit Suisse First Boston is active in most of the principal trading markets of the world, using the majority of the common trading and hedging products, including derivatives such as swaps, futures, options and structured products (which are customized transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of its broad participation in products and markets, Credit Suisse First Boston's trading strategies are correspondingly diverse and variable, and exposures are generally spread across a diversified range of risk factors and locations.

Credit Suisse Financial Services is active in the Swiss trading market and – to a lesser extent – in other principal trading markets. The trading portfolio includes a variety of trading instruments, such as bonds, swaps, options, structured products and products from the alternative investment segment. Market risk is principally concentrated in equity exposures associated with inventory positions in structured investment products, for which Credit Suisse Financial Services acts as secondary market maker.

The segments with trading book activity perform daily Value-at-Risk (VaR) calculations to assess their market risk exposure. The calculations are usually based on a ten-day holding period with a 99% confidence level and risk movements that are generally determined from two years of historical data. For some purposes, such as backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are scaled down or calculated as one-day holding period values.

The segments with trading portfolios use backtesting to assess the accuracy of the VaR model. Daily backtesting profit and loss is compared to VaR with a one-day holding period. Backtesting profit and loss is a subset of actual trading revenue and includes only the profit and loss effects relevant to the VaR model, excluding such items as fees, commissions, certain provisions and any trading subsequent to the previous night's positions. It is appropriate to compare this measure with VaR for backtesting purposes, since VaR assesses only the potential change in position value due to overnight movements in financial market variables such as prices, interest rates and volatilities. Backtesting is performed at various organizational levels, from the segment level down to more specific trading areas. On average, an accurate one-day, 99% VaR model should have no more than four backtesting exceptions per year. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate.

Development of trading portfolio risks

The table below shows the trading-related market risk exposure for Credit Suisse First Boston, Credit Suisse Financial Services and Credit Suisse Group on a consolidated basis, as measured by scaled one-day, 99% VaR. Numbers are shown in Swiss francs, which is the base currency for the VaR calculations for two of the three segments using VaR. Credit Suisse First Boston measures trading book VaR using the US dollar as the base currency (the respective VaR figures were translated into Swiss francs using the respective month-end currency translation rates). VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

	2003				
in CHF m	Minimum	Maximum	Average	31.12.03	31.12.02
Credit Suisse Financial Services					
Interest rate	1.1	7.9	3.2	**4.7**	2.6
Foreign exchange rate	1.2	5.7	2.5	**2.0**	2.6
Equity	8.7	20.0	12.9	**12.7**	9.4
Commodity	0.1	1.5	0.3	**0.5**	0.1
Subtotal	11.1	35.1	18.9	**19.9**	14.7
Diversification benefit	1)	1)	(4.5)	**(6.4)**	(3.4)
Total	10.1	20.8	14.4	**13.5**	11.3
Credit Suisse First Boston 2)					
Interest rate	31.0	167.0	67.6	**58.2**	67.2
Foreign exchange rate	7.2	28.3	15.0	**15.9**	15.0
Equity	16.7	52.0	26.4	**23.6**	14.0
Commodity	0.3	3.5	0.9	**0.9**	1.4
Subtotal	55.2	250.8	109.9	**98.6**	97.6
Diversification benefit	1)	1)	(41.0)	**(40.3)**	(40.2)
Total	35.1	157.5	68.9	**58.3**	57.4
Credit Suisse Group 3)					
Interest rate	36.9	119.5	64.7	**58.9**	66.9
Foreign exchange rate	10.9	24.3	15.6	**16.8**	14.5
Equity	17.2	47.3	27.3	**24.9**	15.6
Commodity	0.6	1.7	1.0	**0.8**	1.4
Subtotal	65.6	192.8	108.6	**101.4**	98.4
Diversification benefit	1)	1)	(44.4)	**(45.3)**	(40.8)
Total	45.5	99.9	64.2	**56.1**	57.6

Represents 10-day VaR scaled to a 1-day holding period.
1) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.
2) The Credit Suisse First Boston VaR is calculated using the USD as the base currency. For the purpose of this disclosure, the Credit Suisse First Boston VaR estimates are translated into CHF using the respective currency translation rates. Specifically, the average, maximum and minimum daily VaR estimates in CHF are calculated using the respective month-end currency translation rate; the year-end VaR is calculated using the year-end currency translation rate. The underlying data for 2003 consists of month-end values (until March 31, 2003) and daily values (from April 1, 2003). This means that any fluctuations during the first three months of 2003, however material, will not be included in the figures above.

3) Trading portfolios are managed at the business unit, segment and division level. The consolidated VaR estimates for Credit Suisse Group are performed on a monthly basis only and the VaR statistics for Credit Suisse Group therefore refer to monthly numbers. The consolidated VaR estimates for Credit Suisse Group are net of diversification benefits between Credit Suisse First Boston and Credit Suisse Financial Services (numbers therefore do not add up).

Credit Suisse First Boston's one-day, 99% VaR at December 31, 2003 was CHF 58.3 million, compared to CHF 57.4 million at December 31, 2002. In US dollar terms, Credit Suisse First Boston's one-day, 99% VaR increased 16% during the year 2003 (USD 47.2 million at December 31, 2003 versus USD 41.3 million at December 31, 2002). The increase in VaR primarily reflects changing market opportunities in fixed income markets, in particular in the credit trading and leveraged finance segments, as well as increased position taking in equity markets. Those factors were partially offset by both the impact of the introduction of a refined methodology for mortgages in the third quarter of 2003, which led to a reduction in reported VaR, and a reduction in the market volatility observed over the last two years in the fourth quarter of 2003, as volatile third quarter 2001 data fell out of the rolling two-year data set used to determine VaR. The average VaR for Credit Suisse First Boston increased from USD 43.9 million in 2002 to USD 51.5 million in 2003. During 2003, interest rate exposures were substantially higher in the first half of the year than in the second half, with the decrease in the second half of the year reflecting more conservative risk positioning in light of increased US interest rate volatility as well as the methodology and market volatility changes mentioned above.

Credit Suisse Financial Services'one-day, 99% VaR at December 31, 2003 was CHF 13.5 million, compared to CHF 11.3 million at December 31, 2002. The average one-day, 99% VaR in 2003 was CHF 14.4 million, compared to CHF 26.2 million in 2002. The decrease in the average VaR was predominantly due to the introduction of a refined methodology to calculate VaR for inventory positions in structured investment products, which better reflects the risk characteristics of those positions by splitting each product into components of the relevant asset class such as equity and fixed income. The amount of inventory positions in structured investment products decreased by 10% in 2003.

VaR results and distribution of trading revenues

Credit Suisse First Boston had no backtesting exceptions in 2003, as evidenced in the graph below. The graph illustrates the relationship between daily backtesting profit and loss, which includes only the effects of the previous night's positions, and the daily one-day, 99% VaR for Credit Suisse First Boston in 2003. As noted above, it is appropriate to compare this measure with VaR for backtesting purposes.

The following histogram compares the trading revenues for 2003 with those for 2002. The trading revenue shown in this graph is the actual daily trading revenue, which includes not only backtesting profit and loss but also such items as fees, commissions, certain provisions and the profit and loss effects associated with any trading subsequent to the previous night's positions.

2003 vs 2002 DISTRIBUTION OF CREDIT SUISSE FIRST BOSTON'S DAILY TRADING REVENUE
(unaudited)

Non-trading portfolios

Risk measurement and management

The Group's non-trading portfolios and the associated market risk exposures cover a wide range of positions, including the banking segments' banking book positions, such as asset and liability mismatch exposures, equity instrument participations and investments in bonds and money market instruments, as well as the investment portfolios of the Credit Suisse Financial Services insurance segments. All segments and the Corporate Center have non-trading portfolios that carry market risks. The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including ERC, scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the non-trading portfolios of Credit Suisse Group are measured using VaR, taking into account the impact of derivatives and other risk modification strategies. VaR for the non-trading activities measures the amount of potential change in economic value; it is not a measure for the potential impact on reported earnings, since the non-trading activities generally are not marked to market through earnings. Real estate investments and foreign exchange translation risks are not included in the following analysis.

Development of non-trading portfolio risks

The table below shows the non-trading related market risk exposure for Credit Suisse First Boston, Credit Suisse Financial Services and Credit Suisse Group on a consolidated basis, as measured by scaled one-day, 99% VaR. Numbers are shown in Swiss francs. Credit Suisse First Boston measures the risk associated with its non-trading portfolios using the US dollar as the base currency (the respective VaR figures were translated into CHF using the respective month-end currency translation rates). VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

	2003				
in CHF m	Minimum	Maximum	Average	31.12.03	31.12.02
Credit Suisse Financial Services					
Interest rate	123.8	223.0	167.4	**123.8**	188.2
Foreign exchange rate	85.8	189.3	123.9	**100.5**	59.5
Equity	121.5	218.0	170.0	**121.5**	218.6
Commodity	0.0	0.3	0.1	**0.0**	0.2
Subtotal	331.1	630.6	461.4	**345.8**	466.5
Diversification benefit	2)	2)	(156.1)	**(81.2)**	(212.1)
Total	264.6	405.1	305.3	**264.6**	254.4
Credit Suisse First Boston 2)					
Interest rate	22.4	54.7	30.2	**24.3**	25.0
Foreign exchange rate	3.5	7.0	5.3	**5.6**	4.5
Equity	74.9	117.8	100.9	**74.9**	126.5
Commodity	0.0	1.1	0.4	**0.7**	0.2
Subtotal	100.8	180.6	136.8	**105.5**	156.2
Diversification benefit	2)	2)	(32.3)	**(31.4)**	(33.0)
Total	74.1	118.0	104.5	**74.1**	123.2
Credit Suisse Group 3)					
Interest rate	124.7	218.2	173.9	**124.7**	187.6
Foreign exchange rate	92.7	206.8	138.0	**109.3**	72.8
Equity	210.1	341.0	287.4	**210.1**	369.6

Commodity	0.0	0.8	0.3	**0.7**	0.1
Subtotal	427.5	766.8	599.6	**444.8**	630.1
Diversification benefit	2)	2)	(179.0)	**(111.6)**	(222.4)
Total	333.2	560.8	420.6	**333.2**	407.7

Represents 10-day VaR scaled to a 1-day holding period. The VaR statistics refer to monthly numbers.
1) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.
2) The Credit Suisse First Boston VaR is calculated using the USD as the base currency. For the purpose of this disclosure, the Credit Suisse First Boston VaR estimates are translated into CHF using the respective currency translation rates. Specifically, the average, maximum and minimum VaR estimates in CHF are calculated using the respective month-end currency translation rate; the year-end VaR is calculated using the currency translation rate at year-end.
3) The consolidated VaR estimates for Credit Suisse Group are inclusive of the Corporate Center (not shown separately), but net of diversification benefits between Credit Suisse First Boston, Credit Suisse Financial Services and the Corporate Center (numbers therefore do not add up).

For Credit Suisse First Boston, the primary market risk exposure in the non-trading portfolios at December 31, 2003 was to equity prices, principally due to investments in private equity funds. With respect to foreign exchange risks, Credit Suisse First Boston's policy is to take neutral positions in foreign exchange exposures (except for exposure to Swiss francs). This means that, to the extent practical and possible, hedging instruments and other measures are used to eliminate the market risk resulting from changes in foreign exchange rates in non-trading portfolios. A similar approach is applied to the interest rate exposures associated with Credit Suisse First Boston's long-term debt. Swaps, forward rate agreements and options are used as hedging instruments.

For Credit Suisse Financial Services, the primary market risk exposures in the non-trading portfolios at December 31, 2003 were to interest rates, foreign exchange rates and equity prices. The market risk exposures in the non-trading portfolios primarily reflect the market risks incurred by the insurance segments. The insurance segments' market risk exposures cover both the investment portfolio and the insurance liabilities, which are reflected in the risk calculations on a fair value basis. The risk reduction to shareholders' exposures provided by participating life contracts is reflected in this disclosure. For participating contracts, the policyholder shares in the earnings or surplus of the insurance company through the distribution of policyholder dividends. Therefore, policyholders and Life & Pensions shareholders share risk and reward. Additional market risks arise, but to a much lesser extent, in the banking segments of Credit Suisse Financial Services. For these segments, the primary market risk exposure in the non-trading portfolios was to interest rates. The interest rate risk exposures in the non-trading portfolios include the impact of non-maturing banking products with variable interest rates such as variable rate mortgages and savings deposits. The interest rate sensitivity of non-maturing banking products with variable interest rates is estimated using the methodology of replicating portfolios. Based on the past behavior of interest rates and associated product balances, the methodology assigns the position balance associated with a non-maturing banking product transaction with a variable interest rate to several time bands. These schedules can then be used to calculate the transaction's interest rate sensitivity.

For the Corporate Center, the primary market risk exposure in the non-trading portfolios at December 31, 2003 was to equity prices, principally due to investments in private equity funds. Other market risk exposures at December 31, 2003 related to foreign exchange rates and interest rates.

Reported non-trading VaR at December 31, 2003 was at the low end of the range observed during 2003 for the two business units as well as for Credit Suisse Group on a consolidated basis. The decreases in non-trading VaR towards year-end reflect a reduction in the market volatility observed over the last two years in the fourth quarter of 2003, as volatile third quarter 2001 data fell out of the rolling two-year data set used to determine VaR, as well as reductions in the risk profiles of Winterthur and Credit Suisse First Boston in the second half of 2003.

Credit risk for the banking businesses

Definition of credit risk

Credit risk is the possibility of loss incurred as a result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recovery amount resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company.

The majority of Credit Suisse Group's credit risk is concentrated at Corporate & Retail Banking (within Credit Suisse Financial Services) and Institutional Securities (within Credit Suisse First Boston). The credit risks taken on by Private Banking are mostly collateralized and primarily have an operational risk nature. Credit risk exists within lending products, commitments and letters of credit, and results from counterparty exposure arising from derivative, foreign exchange and other transactions.

Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, price, monitor and manage risk on a consistent basis. This requires a careful consideration of proposed extensions of credit, the setting of specific limits, diligent ongoing monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment. All of these elements are integral parts of the Group's approach.

This credit risk management framework is regularly refined and covers all banking businesses that are exposed to credit risk. The framework is designed to cover virtually all of the credit exposures in the banking business. The framework comprises seven core components:

- An individual counterparty and country rating system;
- A transaction rating system;
- A counterparty credit limit system;
- Country and regional concentration limits;
- A risk-based pricing methodology;
- Active credit portfolio management; and
- A credit risk provisioning methodology.

The Group evaluates credit risk through a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. Experienced credit officers prepare credit requests and assign internal ratings based on their analysis and evaluation of the clients' creditworthiness and the type of credit transaction. Credit Suisse Group has established a counterparty credit risk classification system with which counterparties are rated and classified on a regular basis. This system affords consistency in (i) statistical and other credit risk analysis; (ii) credit risk monitoring; (iii) risk-adjusted performance measurement; and (iv) economic risk capital usage/allocation. It is also used for certain financial accounting purposes.

Each counterparty that generates a potential or actual credit risk exposure is assigned to a risk rating class.

Additionally, the Group assigns an estimate of the expected loss on a transaction in the event of a counterparty default, based on the transaction structure. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default assumption to estimate the potential credit loss. These inputs allow the Group to price transactions involving credit risk more accurately, based on risk/return estimates. Pricing and the terms of the credit extension are sensitive to many of the credit risk factors described in this section, and are intended to reflect more accurately the situation of the borrower as well as the Group's interests and priorities in negotiating the credit.

Credit committees and senior credit managers make credit decisions on a transaction-by-transaction basis, determined by levels appropriate to the amount and complexity of the transactions, as well as based on the overall exposures to counterparties and their related entities. These approval authority levels are set out within the governing principles of the legal entities.

A system of individual credit limits is used to manage individual counterparty credit risk. Certain other limits are also established to address concentration issues in the portfolio, including a comprehensive set of country and regional limits and limits for certain products. Credit exposures to individual counterparties or segments and adherence to the related limits are monitored by credit officers, industry analysts and other relevant specialists. In addition, credit risk is regularly supervised by credit and risk management committees taking current market conditions and trends analysis into consideration. Credit Suisse Group regularly analyzes its industry diversification and concentration in selected segments.

A rigorous credit quality review process has been established to provide an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include business and economic conditions, historical experience, regulatory requirements and concentrations of credit volume by industry, country, product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur due to events such as announced mergers, earnings weakness, and lawsuits. In addition, credit protection, such as credit derivatives, is used in particular to mitigate some exposures with multinational companies.

The review process culminates in a quarterly determination of the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk related losses. Impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure and the exposures are generally managed within credit recovery units. The risk management and credit committees of the segments and the Group determine the adequacy of allowances, taking into consideration whether the levels are sufficient for credit losses and whether allowances can be released or if they should be increased.

Loans

The following table sets forth the gross loan exposure of Credit Suisse Financial Services, Credit Suisse First Boston and Credit Suisse Group consolidated:

December 31, 2003, in CHF m	Credit Suisse Financial Services	Credit Suisse First Boston	Credit Suisse Group
Consumer loans:			
Mortgages	68,083	0	68,083
Loans collateralized by securities	14,379	0	14,379
Other	2,339	1,172	3,511
Consumer loans	**84,801**	**1,172**	**85,973**

Corporate loans:			
Real estate	30,174	188	30,362
Commercial & industrial loans	34,097	13,859	47,956
Loans to financial institutions	8,374	4,473	12,847
Governments and public institutions	3,429	1,152	4,581
Corporate loans	**76,074**	**19,672**	**95,746**
Loans, gross	**160,875**	**20,844**	**181,719**
(Unearned income)/deferred expenses, net	131	(25)	106
Allowance for loan losses	(3,263)	(1,383)	(4,646)
Total loans, net	**157,743**	**19,436**	**177,179**

This disclosure presents the lending exposure of the Group from a risk management perspective. This presentation differs from other disclosures in this document.

Non-performing loans

A loan is considered impaired when the Group believes it will be unable to collect all principal and/or interest in accordance with the contractual terms of the loan agreement. A loan is automatically classified as non-performing when the contractual payments of principal and/or interest are in arrears for 90 days. A loan can also be classified as non-performing if the contractual payments of principal and/or interest are less than 90 days past due, based on the judgment of the respective credit officer. Credit Suisse Group continues to accrue interest for collection purposes; however, a corresponding provision against the accrual is booked through the income statement. In addition, for any accrued but unpaid interest at the date the loan is placed on non-performing status, a corresponding provision is booked against the accrual through the income statement. At the time a loan is placed on non-performing status and on a periodic basis going forward, the remaining principal is evaluated for collectibility and an allowance is established for the shortfall between the net recoverable amount and the remaining principal balance.

A loan can be further downgraded to non-interest earning when the collection of interest is in such a doubtful state that further accrual of interest is deemed inappropriate. At that time and on a periodic basis going forward, any unreserved remaining principal balance is evaluated for collectibility and an additional provision is established as required. Write-off of a loan occurs when the Group is certain that there is no possibility to recover the principal. Write-offs also occur due to sales, settlements or restructurings of loans or when uncertainty as to the repayment of either principal or accrued interest exists.

Generally, a loan may be restored to performing status when all delinquent principal and interest payments become current in accordance with the terms of the loan agreement and certain performance criteria are met. Credit Suisse Group applies these policies worldwide.

Non-performing and total impaired loans declined substantially for Credit Suisse Group in 2003, with non-performing loans declining 45.4% as of December 31, 2003 in comparison with December 31, 2002, and total other impaired loans declining 35.4%. Notable reductions were reported at both Credit Suisse Financial Services and Credit Suisse First Boston and were attributable to the improved credit environment, settlements and the write-off of older highly reserved loans. Coverage of both non-performing loans and total impaired loans by valuation allowances increased across the Group.

Potential problem loans

At December 31, 2003 and 2002, the Group had potential problem loans amounting to CHF 2,178 million and CHF 3,524 million, respectively. These loans are considered potential problem loans because, although interest payments are being made, there exists some doubt in the credit officer's judgment as to the timing and/or certainty of the repayment of contractual principal.

Credit Provisions

The Group maintains valuation allowances on loans that it considers adequate to absorb losses arising from the existing credit portfolio. Valuation allowances are deducted from total assets while provisions are included in total liabilities. Credit Suisse Group provides for credit losses based on a regular and detailed analysis of each counterparty taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either provided or adjusted accordingly. Each business unit creates valuation allowances based on Group guidelines. Credit provisions are reviewed on a quarterly basis by senior management at both the segment and the Group level.

In determining the amount of the credit provisions, loans are assessed on a case-by-case basis, and the following factors are considered:

- The financial standing of a customer, including a realistic assessment – based on financial and business information – of the likelihood of repayment of the loan within an acceptable period of time considering the net present value of future cash flows;
- The extent of the Group's other commitments to the same customer;
- The realizable fair value of any collateral for the loans;
- The recovery rate; and
- The costs associated with obtaining repayment and realization of any such collateral.

Judgment is exercised in determining the extent of the valuation allowance and is based on management's evaluation of the risk in the portfolio, current economic conditions, recent loss experience, and credit and geographic concentration trends. Vulnerable sectors continue to be tracked and monitored closely, with active management leading to the requirement of collateral, the purchase of credit protection facilities and/or the tightening of credit terms or maturities where appropriate.

Loan valuation allowances and provisions for inherent credit losses

The inherent loss allowance is estimated for all loans not specifically identified as impaired, which on a portfolio basis, are considered to contain probable inherent loss. Inherent losses in the consumer portfolio are determined by applying a historical loss experience, adjusted to reflect current market conditions, to unimpaired homogenous pools based on risk rating and product type. Commercial loans are segregated by risk, industry or country rating in order to estimate the inherent losses. Inherent losses on loans and lending-related commitments are estimated based on historical loss and recovery experience and recorded in Valuation allowances and provisions. A provision for inherent loss for off-balance sheet lending related exposure (contingent liabilities and irrevocable commitments) is also computed, using a methodology similar to that used for the loan portfolio.

Summary of loan valuation allowance experience

Net additions to the loan valuation allowance in 2003 were CHF 615 million, a 75.4% reduction from the net additions reported for 2002. The level of net additions to loan valuation allowances was lower due to a significant reduction in new valuation allowances as a result of the improved credit environment as well as the release of valuation allowances no longer required.

In 2003, gross write-offs declined 9.7% for the Group. Gross write-offs increased at Credit Suisse First Boston due to the write-off of old, highly covered loans, but declined at Credit Suisse Financial Services.

The following table sets forth the Group's loan portfolio by business unit and for the Group gross and net of allowances for loan losses as of December 31, 2003:

	Credit Suisse Financial Services		Credit Suisse First Boston		Credit Suisse Group	
December 31, 2003, in CHF m	2003	2002	2003	2002	2003	2002
Non-performing loans	**1,981**	3,023	**996**	3,350	**2,977**	6,373
Non-interest earning loans	**1,523**	2,109	**246**	217	**1,769**	2,326
Total non-performing loans	**3,504**	5,132	**1,242**	3,567	**4,746**	8,699
Restructured loans	**27**	54	**256**	229	**283**	283
Potential problem loans	**1,817**	1,839	**361**	1,685	**2,178**	3,524
Total other impaired loans	**1,844**	1,893	**617**	1,914	**2,461**	3,807
Total impaired loans	**5,348**	7,025	**1,859**	5,481	**7,207**	12,506
Loans, gross	**160,875**	150,005	**20,844**	38,040	**181,719**	188,045
(Unearned income)/deferred expenses, net	**131**	185	**(25)**	(6)	**106**	179
Allowance for loan losses	**(3,263)**	(4,159)	**(1,383)**	(3,268)	**(4,646)**	(7,427)
Total loans, net	**157,743**	146,031	**19,436**	34,766	**177,179**	180,797
Valuation allowances as % of						
Total non-performing loans	**93.1%**	81.0%	**111.4%**	91.6%	**97.9%**	85.4%
Total impaired loans	**61.0%**	59.2%	**74.4%**	59.6%	**64.5%**	59.4%

The following table sets forth the movements in the provisions for credit losses by business unit and for the Group:

	Credit Suisse Financial Services		Credit Suisse First Boston		Credit Suisse Group	
December 31, 2003, in CHF m	2003	2002	2003	2002	2003	2002
Balance January 1	**4,159**	5,779	**3,268**	3,569	**7,427**	9,348
New provisions	**936**	1,105	**750**	2,089	**1,686**	3,194
Releases of provisions	**(504)**	(438)	**(567)**	(252)	**(1,071)**	(690)
Net additions charged to income statement	**432**	667	**183**	1,837	**615**	2,504
Gross write-offs	**(1,383)**	(2,404)	**(1,950)**	(1,288)	**(3,333)**	(3,692)
Recoveries	**31**	35	**17**	26	**48**	61
Net write-offs	**(1,352)**	(2,369)	**(1,933)**	(1,262)	**(3,285)**	(3,631)
Allowances acquired	**1**	4	**25**	0	**26**	4
Provisions for interest	**29**	108	**126**	79	**155**	187

Foreign currency translation impact and other adjustments, net	**(6)**	(30)	**(286)**	(955)	**(292)**	(985)
Balance December 31	**3,263**	4,159	**1,383**	3,268	**4,646**	7,427

Country risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets in a country that may be caused by the inability or unwillingness of a sovereign to meet contractual obligations and/or the imposition of controls on capital flows. Given the international character of their activities, all segments are exposed to country risk, although the largest portion is held at Credit Suisse First Boston.

Country ratings and country limits are the two primary instruments used to manage country risk. Country ratings provide an assessment of the risk of sovereign default and identify approval authority levels. The independent Credit Risk Management department, or CRM, of Credit Suisse First Boston – in cooperation with the economic research department and the Group Chief Risk Officer – periodically updates these rating assessments. Country limits cap the exposure to individual countries. They are supplemented by regional limits, which restrict the maximum exposure to a specific region in order to limit the impact of contagion. Regional limits are lower than the numerical addition of all the country limits of the respective regions. The Board of Directors Risk Committee approves certain country, regional and global limits. Within Credit Suisse First Boston, the Credit Policy and Capital Allocation and Risk Management Committee periodically reviews these limits. The Risk Measurement and Management department and CRM provide independent supervision to ensure that the divisions operate within their limits.

Insurance risk

Introduction

Protecting Insurance and Life & Pensions from insurance risk accumulations, such as natural catastrophe exposure, is a core risk management activity performed within the insurance business. To understand the risk universe of an insurance company, the flow of business and the accompanying flow of risks are analyzed. Premiums earned by selling insurance policies are invested to cover claims occurring at a future date, sometimes many years later. Therefore, Insurance and Life & Pensions strive to:

- Manage and limit insurance risk, e.g. by using reinsurance contracts;
- Manage the financial market risks associated with the assets and liabilities (reserves); and
- Manage and control the risks associated with their respective assets and reinsurance contracts.

Asset accumulation by insurance companies results predominantly from premiums being paid earlier than claims are settled. The resulting time differences, which may exceed 50 years, have implications for risk management. First, funds have to be invested in assets in such a way that they generate cash flows in line with the anticipated cash outflows embedded in the liability structure. Second, product-specific characteristics, such as maturity, profit participating bonuses and inflation-dependent insurance claims, have to be treated appropriately.

Risk structure in the insurance business

The two Winterthur segments follow stringent guidelines for assuming insurance risk, the selection of risks and the sums insured. The insurance businesses face several risk types stemming from their insurance underwriting activities. Furthermore, Winterthur contractually agreed to, partially or fully, indemnify the purchasers of several divested businesses for specifically defined claims for a determined period of time. These seasoning processes may result in a post-completion balancing payment due to the purchasers.

Non-life

In non-life business, insurance risk relates to claims which may be more frequent or larger than forecast, and/or which may have to be paid earlier than expected. Premium levels are developed considering the expected frequency and amounts of claims resulting from insured risks. Since better diversified insurance portfolios tend to imply smaller differences between expected and actual claims, Insurance holds a diversified insurance portfolio in terms of both geographic and industry structure.

A well-diversified insurance portfolio with many business lines spread over many policyholders might, nevertheless, be vulnerable to natural hazards. In such circumstances, the portfolios, although well-diversified, can be exposed to a large accumulation of risk. If adequate reinsurance protection were not in place, substantial losses could be triggered by a single natural catastrophe. Insurance therefore uses reinsurance to limit the loss triggered by a single event, with reinsurance protection capped at a cover exit point. The cover exit point is the loss amount above which Winterthur becomes exposed again. In 2003, reinsurance policies in place limited the loss to CHF 100 million for a once in 100 years catastrophe event in Europe (CHF 50 million loss deductible plus an additional yearly aggregate deductible of CHF 50 million) and to USD 31 million for a once in 250 years catastrophe event in North America.

Life

In life insurance the basic insurance risk characteristics are similar to those in the non-life business. The insurance risk in the life business includes deviations from expected mortality, disability and longevity and expected surrender rates. Life insurance risk management consists of product profit testing and monitoring, product portfolio diversification and reinsurance.

Reinsurance

The two Winterthur segments require specific levels of reinsurance to protect their business and capital. Reinsurance protection covers all levels of the organization. A global reinsurance program protects Winterthur against catastrophe events and limits the potential for losses arising from large risks. This reinsurance includes a set of internal and external reinsurance contracts to absorb all risks that exceed a prudent risk retention level. Reinsurance protection follows the Winterthur organizational structure based on the principle that each organizational entity runs insurance risk in accordance with its portfolio and its capital base.

Business risk

Business risk is the risk that the Group’s non position-related revenues could fall short of ongoing expenses, which could occur in the event of a major market contraction. Business risk excludes the revenue and expense elements captured by the other risk categories.

The ability to cover the expense base after an adverse event is crucial for an orderly continuation of the Group’s activities – possibly on a reduced level – in the event of a financial crisis. While many economic capital models do not include this risk, Credit Suisse Group believes that it is prudent to consider this risk when assessing the Group’s capital needs.

Business risk is linked to the price and activity levels on the financial markets. The price level on the financial markets is relevant for the fee and commission income derived from the management of clients’ investment portfolios. The activity level on financial markets is the key driver for brokerage commissions, underwriting commissions and advisory fees. Business risk varies across the Group’s segments, depending on the cost/income ratio, the likely stability of the revenue stream and the ability to reduce expenses in a crisis.

Liquidity and funding risk

Liquidity and funding risk is the risk that the Group will not be able to fund assets or meet obligations at a reasonable or, in case of extreme market disruptions, at any price. This risk is managed at the business unit/legal entity level – in line with Credit Suisse Group's general governance principles – which allows us to specifically tailor the approach to the individual cash flow structure within the business units. The Group works in close partnership with the business units to identify, measure and monitor this risk and to foster sound liquidity management practices across the Group.

Credit Suisse Group manages its funding requirements based on business needs, regulatory requirements, rating agency criteria, tax, capital, liquidity and other considerations. Although the Group operates through separate business units, liquidity needs must be satisfied on a Credit Suisse Group consolidated basis and, in the case of the banking units, on both a consolidated and legal entity basis. Winterthur legal entities must satisfy liquidity requirements under insurance laws. Accordingly, Credit Suisse Group – as obligor or guarantor for a range of finance subsidiaries in various jurisdictions – and Credit Suisse First Boston, Credit Suisse and Winterthur, at the legal entity level, have independent sources of funding. The primary responsibility for measuring and managing funding requirements lies with these legal entities and the respective business units.

Structures and processes are in place at the legal entity and business unit levels to manage the relevant liquidity risks and to ensure appropriate liquidity profiles under various stress scenarios. Liquidity management at the business unit level is reinforced by coordination at the Group level. Practices regarding market access, such as diversification of liabilities and investor relations, are reviewed at the Group level. In addition, the Group sets the framework for contingency planning, including procedures to ensure that information flow remains timely and uninterrupted and division of responsibility remains clear.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's primary aim is the early identification, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. Both business units take responsibility for their own operational risks, and have dedicated central Operational Risk functions.

Regular group-wide meetings take place to promote a common understanding of priorities and to foster a dialog between the Corporate Center and the business units. Knowledge and experience are shared throughout the Group to maintain a coordinated approach.

During 2003, the Group continued to develop its operational risk framework. Key initiatives included:

- Further enhancement of the governance structure for managing operational risk;
- Continued development of Key Risk Indicator ("KRI") reporting at business unit level to serve as early-warning signals;
- Additional improvements to the business units' self-assessment process and integration with the work underway to meet the requirements of the Sarbanes-Oxley Act. The self-assessment process seeks to ensure

that each business unit understands the risks inherent in its departmental functions and processes, ensures that controls exist to address those risks, and is able to identify control gaps and prioritize corrective action;

- The ongoing collection of operational risk loss data and the continued development of the collection process; and
- Regular review of the state of operations and their inherent risks based on extensive audits and follow-up reviews, and the resulting use of information and analysis as early-warning indicators for potential issues.

In addition, Credit Suisse Group has enhanced its Operational Risk ERC framework to further align it with the expected Basel II requirements under the Advanced Measurement Approach (see Economic Risk Capital section for further details).

How Credit Suisse Group measures market risk

Introduction

Each of the segments uses market risk measurement and management methodologies designed to meet or exceed industry standards. These include both general tools capable of calculating exposures comparable across the Group's many activities as well as focused tools that can specifically model unique characteristics of certain units' functions. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. Additionally, the market risk exposures are also reflected in the Group's ERC calculations. VaR and scenario analysis are described in the following paragraphs; the ERC methodology is described in the section entitled "Economic Risk Capital".

Value-at-Risk

VaR measures the potential loss in terms of fair value changes over a given time interval under normal market conditions at a given confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equities, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

The history of financial market rates and prices serves as a basis for the statistical VaR model underlying the potential loss estimation. All of the Group's segments that model their trading portfolios with VaR use a 10-day holding period and a confidence level of 99% calculated using, in general, a rolling two-year history of market data. These assumptions are in agreement with the "Amendment to the Capital Accord to Incorporate Market Risks" published by the Basel Committee on Banking Supervision in 1996 and other related international standards for market risk management. For some purposes, such as backtesting, disclosure and benchmarking with competitors, the resulting VaR figures are scaled down or calculated as one-day holding period values.

The Credit Suisse First Boston VaR model was originally approved by the Swiss Federal Banking Commission (SFBC) for use in the calculation of Credit Suisse First Boston trading book market risk capital in 1998. This approval followed extensive reviews in 1997 by Credit Suisse First Boston and by the Group's external auditors of the previous variance-covariance model and the related processes and controls. With the introduction of the historical simulation model the SFBC and the Group's external auditors re-examined and re-approved the VaR model and related processes and controls for this purpose during the first half of 2000. Credit Suisse First Boston continues to receive regulatory approval for ongoing enhancements to the methodology.

Assumptions

The Group's segments with trading portfolios use a historical simulation model for the majority of risk types and businesses. Where insufficient data is available for such an approach, an extreme move methodology is used. The model is based on the profit and loss distribution resulting from the historical changes of market rates applied to evaluate the portfolio using, in general, a rolling two-year history. This methodology also avoids any explicit assumptions on correlation between risk factors.

Limitations

VaR as a risk measure quantifies the potential loss on a portfolio under normal market conditions only. It is not intended to cover losses associated with unusually severe market movements (these are covered by scenario analysis). VaR also assumes that the price data from the recent past can be used to predict future events. If future market conditions differ substantially from past market conditions, then the risk predicted by VaR may be too conservative or too liberal.

Scenario analysis

All businesses exposed to market risk regularly perform scenario analysis to estimate the potential economic loss that could arise from extreme, but plausible, stress events. The scenario analysis calculations performed by the businesses are specifically tailored towards their respective risk profile. In order to identify areas of risk concentration and potential vulnerability to stress events across the Group, the Group has developed a set of scenarios which are consistently applied across all businesses. The Board of Directors and senior management at the Group and the business units are regularly provided with scenario analysis estimates, scenario analysis trend information and supporting explanations to create transparency on key risk exposures and to support senior management in managing risk.

The table below provides an overview on the primary scenarios analyzed for Credit Suisse Group as a whole, including market and credit risk-related scenarios. Note that the scenario definitions are regularly reviewed, especially subsequent to periods of stress.

Scenario	Risk	Brief Description
Flight to USD	Foreign Exchange	Strengthening of USD against all currencies coupled with a substantial increase in implied volatilities
Flight from USD	Foreign Exchange	Weakening of USD against all currencies coupled with a substantial increase in implied volatilities
Flight to CHF	Foreign Exchange	Strengthening of CHF against all currencies coupled with a substantial increase in implied volatilities
Global Interest Rate Tightening	Fixed Income	Substantial increase in global interest rates (severity based on 1994 bond market crisis), coupled with an increase in implied volatilities
Global Interest Rate Loosening	Fixed Income	50% reverse of the "Global Interest Rate Tightening" scenario
Equity Market Crash	Equity Markets	Blend of 1987 and 1998 emerging market equity market crisis, coupled with a sharp increase in implied volatilities
Equity Market Rally	Equity Markets	A significant price increase coupled with a decrease in implied volatilities
Credit Spread Widening	Traded Credit Risk	Credit spread widening similar to that observed during the 1998 Long Term Capital Management crisis
Spread Narrowing		75% reverse of the "Credit Spread Widening" scenario

	Traded Credit Risk	
Global Credit Downturn	Lending & Counterparty Exposures	Based on worst-case observed default rates and loss severity for the relevant market (e.g. the scenario loss for the Swiss corporate & retail portfolios are based on the recession and real estate crisis in the beginning of the 1990s)
Emerging Market Crisis	Emerging Markets	Based on Russia default of 1998 and 1980 Latin crisis with regional and global contagion
Real Estate Collapse	Real Estate	Based on worst-case observed market moves for the relevant markets

Assumptions

Scenario analysis estimates the economic loss amount that could arise from extreme, but plausible, stress events by applying predefined scenarios to the relevant portfolios; it is not a measure for the potential impact on reported earnings since the Group's non-trading activities generally are not marked to market through earnings. Scenario analysis represents a "what-if" measure for risk, as no attempt is made to estimate the probability of occurrence. Scenarios are typically defined in light of past economic or financial market stress periods.

Limitations

Scenario analysis estimates the economic loss that could arise if specific events in the economy or on financial markets were to occur. Seldom do past events repeat themselves in the exact same way. Therefore, it is necessary to use business experience to choose a set of meaningful scenarios and to assess the scenario results in light of current economic and market conditions.

ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES N/A

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES N/A

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS N/A

ITEM 15: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report under the supervision and with the participation of management, including our Co-Chief Executive Officers and our Chief Financial Officer, pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the ‘’Exchange Act’’). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

As part of the communications by our independent auditors, KPMG, to our Audit Committee with respect to KPMG’s audit procedures for the year ended December 31, 2003, KPMG informed the Audit Committee of a deficiency that constituted a ”material weaknessstandards established by the American Institute of Certified Public Accountants in our internal control relating to comprehensive controls over the calculation of deferred bonus reserves at DBV-Winterthur, a German subsidiary of Winterthur Group which forms part of Credit Suisse Group. Deferred bonus reserves are established to reflect timing differences between the consolidated financial statements and the local statutory financial statements with respect to future policyholder dividends.

The Co-Chief Executive Officers and the Chief Financial Officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required, except to the extent of the material weakness identified above.

The deficiency in our internal control relating to comprehensive controls over the calculation of our deferred bonus reserves resulted in an error in the preliminary fourth quarter and full-year 2003 Swiss GAAP net profit published on February 12, 2004. The error was identified by management and corrected prior to the release of the audited Swiss GAAP consolidated financial statements contained in the Credit Suisse Group Annual Report 2003, and did not impact our US GAAP consolidated financial statements included in this Form 20-F. To address the deficiency, we have increased the extent of review over the calculation of deferred bonus reserves, and we plan to take the following additional remedial actions:

- Strengthen the accounting and reporting team at DBV-Winterthur; and
- Improve the information technology systems and processes at the responsible insurance unit to enable parallel preparation of and reconciliation between US GAAP and German statutory accounts, and limit the use of other data sources such as spreadsheets.

We believe that the measures described above adequately address the deficiency. We will continue to assess our disclosure controls and procedures and will take any further actions that we deem necessary.

(b) Changes in Internal Control

In connection with our adoption of US GAAP as our primary basis of accounting, during 2003 we undertook a number of changes to strengthen our internal control over financial reporting in accordance with US GAAP. In addition, the Audit Committee and senior management have considered additional measures to further improve our internal control over financial reporting in accordance with US GAAP.

As previously disclosed in our 2002 Annual Report on Form 20-F/A as filed with the SEC on April 27, 2004, we identified certain deficiencies in our internal control over financial reporting in connection with certain US GAAP reconciliation adjustments, certain pension-related balances and deferred bonus reserves and related deferred taxes on a US GAAP reconciliation basis. As a result of our adopting US GAAP as our primary basis of accounting, certain processes and procedures to which these deficiencies relate are no longer a part of our internal control over financial reporting. Furthermore, with respect to those deficiencies that were of continuing relevance, we undertook changes to strengthen our internal control over financial reporting, including:

- Pension: Improving the coordination and review process between internal and external pension advisors through clarified responsibilities, additional reconciliation control activities and increased involvement by the pension advisors in the financial reporting process.
- Deferred bonus reserves: Embedding the process for the determination of deferred bonus reserves and related deferred taxes; implementing review meetings for each financial reporting cycle; and obtaining a detailed analysis of all technical items on a quarterly basis from actuaries in the risk management functional area.

As a result of these changes, we consider the previously identified deficiencies to be remedied.

With the exception of the items noted above, there has been no change in our internal control over financial reporting during the period covered by this report that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT

The US Sarbanes-Oxley Act of 2002 requires disclosure of whether or not one or more members of the Audit Committee satisfy the qualifications of an “audit committee financial expert” as defined in the Sarbanes-Oxley Act. After assessing his expertise, the Chairman’s and Governance Committee determined that Peter F. Weibel, Chairman of the Audit Committee, satisfies such requirements. Based on this recommendation, the Board has concluded that Peter Weibel is an audit committee financial expert as defined by the Sarbanes-Oxley Act. Peter Weibel has been determined to be independent under the Group’s independence definition.

ITEM 16B: CODE OF ETHICS

In response to Section 406 of the Sarbanes-Oxley Act of 2002, we have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, all employees and members of the board. A copy of this code of ethics is available on our Internet website at http://www.credit-suisse.com/en/governance/code_of_conduct.html. (Reference to this "uniform resource locator" or "URL" is made as an inactive textual reference for informational purposes only. The information found at this website is not incorporated by reference into this document). There have been no amendments or waivers to this code of ethics since its adoption. Information regarding any future amendments or waivers will be published on the aforementioned website.

ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES

External Auditors

Credit Suisse Group's statutory and group auditor is KPMG Klynveld Peat Marwick Goerdeler SA, Zurich, or KPMG. The mandate was first given to KPMG for the business year 1989/1990. The lead Group engagement partners, Brendan Nelson, who is the Global Lead Partner, and Peter Hanimann, who is the Leading Bank Auditor, assumed these roles in 1997 and 1998, respectively. In addition, Credit Suisse Group has mandated BDO Sofirom, Zurich, as special auditor for the purposes of issuing the legally required report for capital increases in accordance with Article 652f of the Swiss Code of Obligations.

The Audit Committee monitors and approves the fees to be paid to KPMG for its services.

KPMG received the following fees related to the years 2002 and 2003:

Type of Service (in CHF m)	2003	2002
Audit fees	**51.1**	60.7
Audit-related fees [1)]	**3.7**	18.7
Tax fees [2)]	**8.1**	5.4
All other fees [3)]	**3.5**	8.3[4)]

[1)] Audit-related fees are primarily in respect of: (i) reports related to the Group's compliance with provisions of or calculations required by agreements; (ii) internal control related reports; (iii) regulatory advisory services; and (iv) financial risk management advisory services covering operational, credit, market and liquidity risk.

[2)] Tax fees are fees in respect of tax compliance services, including: (i) preparation and or review of tax returns of the Group and its subsidiaries; (ii) expatriate tax return preparation services; and (iii) confirmations relating to the Qualified Intermediary status of Group entities.

[3)] All other fees are primarily in respect of: (i) advice as to the Group's accounting treatment of actual or contemplated transactions; (ii) information risk management advisory services; and (iii) accounting and tax advice provided to front office personnel in connection with client transactions.

[4)] In addition to this amount, the Group paid CHF 16.0 million in 2002 to KPMG consulting during the period KPMG consulting was still affiliated with KPMG audit.

KPMG attends all ordinary meetings of the Audit Committee. At each meeting, KPMG reports on the findings of its audit and/or review work. The Audit Committee approves on an annual basis KPMG's audit plan and evaluates the performance of KPMG and its senior representatives in fulfilling its responsibilities. Moreover, the Audit Committee recommends to the Board the appointment or replacement of the External Auditor, subject to shareholder approval.

KPMG provides at least once a year a report as to its independence to the Audit Committee. In addition, and in light of new strict regulations of the U.S. Securities and Exchange Commission, or the SEC, Credit Suisse Group has revised its policy on the engagement of public accounting firms, which has been approved by the Audit Committee, to further ensure an appropriate degree of independence of its external auditor. The policy limits the scope of services that may be provided to Credit Suisse Group or any of its subsidiaries by KPMG to audit and certain permissible types of non-audit services, including audit-related services, tax services and other services that have been pre-approved by the Audit Committee. The Audit Committee pre-approves all other services on a case-by-case basis. All KPMG services in 2003 were pre-approved. KPMG is required to periodically report to the Audit Committee regarding the extent of services provided by KPMG and the fees for the services performed to date.

ITEM 17: FINANCIAL STATEMENTS N/A

ITEM 18: CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group, together with the notes and schedules thereto and the Report of Independent Registered Public Accounting Firm thereon, are set forth on pages F-1 and F-103 of this Annual Report on Form 20-F.

ITEM 19: EXHIBITS

No. Exhibit Title

1.1 Articles of Association (*Statuten*) of Credit Suisse Group as of April 30, 2004.

4.1 Amendment dated as of April 30, 2003 to the Transaction Agreement between Credit Suisse First Boston (USA), Inc. and The Bank of New York, Inc. dated as of January 7, 2003.

8.1 Significant subsidiaries of the Registrant.

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

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

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

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

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

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

Signatures

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

Credit Suisse Group

(Registrant)

/s/ Urs Rohner /s/ Philip K. Ryan

Name: Urs Rohner Name: Philip K. Ryan

Title: General Counsel Title: Chief Financial Officer

Exhibit 10.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
The Board of Directors and Shareholders of Credit Suisse Group

We consent to the incorporation by reference in the registration statement (No. 333-100523) on Form F-3/A and in the registration statement (No. 333-101259) on Form S-8 of Credit Suisse Group of our report dated April 26, 2004, with respect to the consolidated balance sheets of Credit Suisse Group and subsidiaries (the “Company”) as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders’equity, and cash flows for each of the years in the three-year period ended December 31, 2003, which report appears in the December 31, 2003 annual report on Form 20-F of the Company.

Our report contains an explanatory paragraph that states that in 2003 the Company changed its methods of accounting for certain nontraditional long-duration contracts and separate accounts, variable interest entities and share-based compensation, in 2002 the Company changed its methods of accounting for goodwill and intangible assets and in 2001 the Company changed its method of accounting for derivative instruments and hedging activities.

We also consent to the use of our report incorporated by reference herein dated April 26, 2004, related to the consolidated financial statement schedules I, III and IV.

KPMG Klynveld Peat Marwick Goerdeler SA

/s/ Brendan R. Nelson /s/ Peter Hanimann

Brendan R. Nelson Peter Hanimann

Chartered Accountant Certified Accountant

Auditors in Charge

Zurich, April 26, 2004

Exhibit 10.2

Annual Certification

Pursuant to Section 906 of the Sarbanes –Oxley Act of 2002

Pursuant to subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code, each of the undersigned officers of Credit Suisse Group, a company incorporated in Switzerland (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2003 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company for such period presented.

Dated: June 28, 2004 /s/ Oswald J. Grübel

Name: Oswald J. Grübel

Title: Chief Executive Officer

Dated: June 28, 2004 /s/ John J. Mack

Name: John J. Mack

Title: Chief Executive Officer

Dated: June 28, 2004 /s/ Philip K. Ryan

Name: Philip K. Ryan

Title: Chief Financial Officer

Exhibit 10.3

I, Oswald J. Grübel, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 28, 2004 /s/ Oswald J. Grübel

Name: Oswald J. Grübel

Title: Chief Executive Officer

Exhibit 10.4

I, John J. Mack, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 28, 2004 /s/ John J. Mack

Name: John J. Mack

Title: Chief Executive Officer

Exhibit 10.5

I, Philip K. Ryan, certify that:

1. I have reviewed this annual report on Form 20-F of Credit Suisse Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 28, 2004 /s/ Philip K. Ryan

Name: Philip K. Ryan

Title: Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Credit Suisse Group

We have audited the accompanying consolidated balance sheets of Credit Suisse Group and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Credit Suisse Group and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and 2 to the consolidated financial statements, in 2003 the Company changed its methods of accounting for certain nontraditional long-duration contracts and separate accounts, variable interest entities and share-based compensation and in 2002 the Company changed its methods of accounting for goodwill and intangible assets. As discussed in Note 37 to the consolidated financial statements, in 2001 the Company changed its method of accounting for derivative instruments and hedging activities.

KPMG Klynveld Peat Marwick Goerdeler SA

/s/ Brendan R. Nelson /s/ Peter Hanimann

Brendan R. Nelson Peter Hanimann

Chartered Accountant Certified Accountant

Auditors in Charge

Zurich, April 26, 2004

CONSOLIDATED US GAAP FINANCIAL STATEMENTS

Consolidated statements of income

Year ended December 31, in CHF m	2003	2002	2001
Interest and dividend income	**28,364**	32,200	45,961
Interest expense	**(16,637)**	(21,191)	(35,872)
Net interest income	**11,727**	11,009	10,089

Commissions and fees	**12,948**	15,344	18,992
Trading revenues	**3,528**	3,443	9,728
Realized gains/(losses) from investment securities, net	**1,536**	(4,207)	(563)
Insurance net premiums earned	**21,823**	22,307	22,159
Other revenues	**(56)**	(510)	(231)
Total noninterest revenues	**39,779**	36,377	50,085
Net revenues	**51,506**	47,386	60,174
Policyholder benefits, claims and dividends	**22,885**	19,274	21,756
Provision for credit losses	**615**	2,504	1,672
Total benefits, claims and credit losses	**23,500**	21,778	23,428
Insurance underwriting, acquisition and administration expenses	**4,542**	4,909	5,078
Banking compensation and benefits	**11,042**	13,495	18,177
Other expenses	**9,010**	11,421	14,285
Goodwill impairment	**1,510**	0	0
Restructuring charges	**138**	32	74
Total operating expenses	**26,242**	29,857	37,614
Income/(loss) from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**1,764**	(4,249)	(868)
Income tax expense/(benefit)	**(13)**	(109)	(206)
Dividends on preferred securities for consolidated entities	**133**	133	96
Minority interests, net of tax	**(31)**	(193)	146
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**1,675**	(4,080)	(904)
Income/(loss) from discontinued operations, net of tax	**(346)**	(447)	122
Extraordinary items, net of tax	**7**	18	0
Cumulative effect of accounting changes, net of tax	**(566)**	61	123
Net income/(loss)	**770**	(4,448)	(659)
Basic earnings per share, in CHF			
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**1.43**	(3.53)	(0.80)
	(0.30)	(0.39)	0.11

Income/(loss) from discontinued operations, net of tax			
Extraordinary items, net of tax	**0.01**	0.02	0.00
Cumulative effect of accounting changes, net of tax	**(0.48)**	0.05	0.11
Net income/(loss)	**0.66**	(3.85)	(0.58)
Diluted earnings per share, in CHF			
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**1.39**	(3.53)	(0.80)
Income/(loss) from discontinued operations, net of tax	**(0.29)**	(0.39)	0.11
Extraordinary items, net of tax	**0.01**	0.02	0.00
Cumulative effect of accounting changes, net of tax	**(0.47)**	0.05	0.11
Net income/(loss)	**0.64**	(3.85)	(0.58)

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

Consolidated balance sheets

December 31, in CHF m	2003	2002
Assets		
Cash and due from banks	**24,799**	28,461
Interest-bearing deposits with banks	**2,992**	2,618
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**257,083**	267,634
Securities received as collateral	**15,151**	8,313
Trading assets (of which CHF 103,286 m and CHF 96,476 m encumbered)	**296,076**	263,090
Investment securities (of which CHF 4 m and CHF 992 m encumbered)	**105,807**	108,732
Other investments	**7,894**	15,107
Real estate held for investment	**9,148**	9,916
Loans, net of allowance for loan losses of CHF 4,646 m and CHF 7,427 m	**177,179**	180,797
Premises and equipment	**7,819**	9,372
Goodwill	**12,325**	16,664
Intangible assets	**4,056**	4,794
Assets held for separate accounts	**5,693**	13,377
Other assets (of which CHF 2,644 m and CHF 5,594 m encumbered)	**78,286**	79,243
Discontinued operations – assets	**0**	19,040

Total assets	**1,004,308**	1,027,158
Liabilities and shareholders' equity		
Deposits	**261,989**	245,265
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**236,847**	251,843
Obligation to return securities received as collateral	**15,151**	8,313
Trading liabilities	**156,331**	140,398
Short-term borrowings	**11,497**	10,008
Provisions from the insurance business	**128,835**	126,093
Long-term debt	**89,697**	105,440
Liabilities held for separate accounts	**5,689**	13,503
Other liabilities	**61,300**	72,789
Discontinued operations – liabilities	**24**	16,441
Preferred securities	**2,214**	2,178
Minority interests	**743**	709
Total liabilities	**970,317**	992,980
Common shares	**1,195**	1,190
Additional paid-in capital	**23,586**	24,417
Retained earnings	**14,873**	14,214
Treasury shares, at cost	**(3,144)**	(4,387)
Accumulated other comprehensive income/(loss)	**(2,519)**	(1,256)
Total shareholders' equity	**33,991**	34,178
Total liabilities and shareholders' equity	**1,004,308**	1,027,158

Commitments and contingencies refer to notes 3, 36 and 46.

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

Consolidated statements of changes in shareholders' equity

in CHF m, except common shares outstanding	Common shares outstanding1)	Common shares	Additional paid in capital	Retained earnings	Common shares in treasury at cost2)	Accumulated other comprehensive income/(loss)	Total
Balance December 31, 2000	1,103,882,156	6,009	24,795	19,472	(7,466)	6,294	49,104
Net income	–	–	–	(659)	–	–	(659)
	–	–	–	–	–	(3,631)	(3,631)

Other comprehensive income/(loss), net of tax							
Issuance of common shares	2,457,851	11	164	–	–	–	175
Cancellation of repurchased shares	(7,600,000)	(38)	(531)	–	–	–	(569)
Issuance of treasury shares	235,177,204	–	235	–	15,874	–	16,109
Repurchase of treasury shares	(243,106,991)	–	–	–	(16,799)	–	(16,799)
Share-based compensation	29,913,015	–	363	–	2,133	–	2,496
Net premium/discount on treasury share and own share derivative activity	–	–	54	–	–	–	54
Repayment out of share capital (CHF 2.00 per share) [3]	–	(2,392)	–	–	–	–	(2,392)
Dividend on treasury shares	–	–	–	173	–	–	173
Balance December 31, 2001	1,120,723,235	3,590	25,080	18,986	(6,258)	2,663	44,061
Net income	–	–	–	(4,448)	–	–	(4,448)
Other comprehensive income/(loss), net of tax	–	–	–	–	–	(3,919)	(3,919)
Issuance of common shares	1,011,909	2	26	–	–	–	28
Cancellation of repurchased shares	(7,730,000)	(23)	(69)	(450)	–	–	(542)
Issuance of treasury shares	141,837,418	–	(482)	–	4,884	–	4,402
Repurchase of treasury shares	(163,895,110)	–	–	–	(4,811)	–	(4,811)
Share-based compensation	24,110,853	–	(147)	–	1,798	–	1,651
Net premium/discount on treasury share and own share derivative activity	–	–	9	–	–	–	9
Repayment out of share capital (CHF 2.00 per share) [3]	–	(2,379)	–	–	–	–	(2,379)
Dividend on treasury shares	–	–	–	126	–	–	126
Balance December 31, 2002	1,116,058,305	1,190	24,417	14,214	(4,387)	(1,256)	34,178
Net income		–	–	770	–	–	770
Other comprehensive income/(loss), net of tax		–	–	–	–	(1,263)	(1,263)
Issuance of common shares	5,114,194	5	14	–	–	–	19
Issuance of treasury shares	182,622,865	–	–	–	6,913	–	6,913
Repurchase of treasury shares	(191,245,719)	–	–	–	(7,009)	–	(7,009)
Share-based compensation	17,813,303	–	(844)	–	1,339	–	495
Net premium/discount on treasury share and own share derivative activity	–	–	(1)	–	–	–	(1)
Cash dividends paid (CHF 0.10 per share)	–	–	–	(111)	–	–	(111)
Balance December 31, 2003	**1,130,362,948**	**1,195**	**23,586**	**14,873**	**(3,144)**	**(2,519)**	**33,991**

[1] At par value CHF 1.00 each, fully paid, net of treasury shares.

[2] Comprising 64,642,966, 73,833,415 and 75,886,576 treasury shares at December 31, 2003, 2002 and 2001, respectively. In addition to the treasury shares, a maximum of 272,718,007, 228,970,984 and 191,026,457 unissued shares (conditional and authorized capital) at December 31, 2003, 2002 and 2001, respectively, were available for

issuance without the approval of the shareholders.
3) For the financial year 2000, repayment out of share capital as approved on June 1, 2001, in lieu of a dividend. For the financial year 2001, repayment out of share capital as approved on May 31, 2002, in lieu of a dividend.

Comprehensive income

Year ended December 31, in CHF m	2003	2002	2001
Net income/(loss)	**770**	(4,448)	(659)
Other comprehensive income/(loss)	**(1,263)**	(3,919)	(3,631)
Comprehensive income/(loss)	**(493)**	(8,367)	(4,290)

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

Consolidated statement of cash flows

Year ended December 31, in CHF m	2003	2002	2001
Operating activities of continuing operations			
Net income	**770**	(4,448)	(659)
Income from discontinued operations, net of tax	**346**	447	(122)
Income from continuing operations	**1,116**	(4,001)	(781)
Adjustments to reconcile net income to net cash provided by/(used in) operating activities of continuing operations			
Impairment, depreciation and amortization	**4,815**	6,487	4,314
Provision for credit losses	**615**	2,504	1,672
Deferred tax provision	**(1,545)**	(220)	(1,222)
Restructuring charges	**111**	43	74
Change in technical provisions from the insurance business	**5,957**	2,044	9,424
(Gain)/loss from investment securities	**(1,726)**	543	(1,123)
Share of net income from equity method investments	**(59)**	(166)	(94)
Cumulative effect of accounting changes, net of tax	**566**	(61)	(123)
Receivables from the insurance business	**274**	(895)	(3,869)
Payables from the insurance business	**1,116**	1,350	2,889
Trading assets and liabilities	**41,721**	72,993	(61,720)
Deferred policy acquisition costs	**(182)**	(131)	(1,040)
(Increase)/decrease in accrued interest, fees receivable and other assets	**(65,616)**	(52,504)	(2,785)

Increase/(decrease) in accrued expenses and other liabilities	**(12,228)**	(6,606)	9,398
Other, net	**2,168**	340	786
Total adjustments	**(24,013)**	25,721	(43,419)
Net cash provided by/(used in) operating activities of continuing operations	**(22,897)**	21,720	(44,200)
Investing activities of continuing operations			
(Increase)/decrease in interest-bearing deposits with banks	**(7,523)**	(14,684)	4,051
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**(9,804)**	(28,265)	(11,943)
Purchase of investment securities	**(117,874)**	(140,902)	(56,641)
Proceeds from sale of investment securities	**55,427**	60,874	47,585
Maturities of investment securities	**46,640**	79,104	3,919
Investments in subsidiaries and other investments	**(7,563)**	(10,130)	(9,925)
Proceeds from sale of other investments	**2,922**	2,893	3,214
(Increase)/decrease in loans	**(4,777)**	(8,267)	(3,684)
Proceeds from sales of loans	**5,728**	2,058	2,011
Capital expenditures for premises and equipment and intangible assets	**(883)**	(1,371)	(3,881)
Proceeds from sale of premises and equipment and intangible assets	**240**	296	790
Other, net	**(520)**	294	1,274
Net cash provided by/(used in) investing activities of continuing operations	**(37,987)**	(58,100)	(23,230)

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

Consolidated statement of cash flows (continued)

Year ended December 31, in CHF m	2003	2002	2001
Financing activities of continuing operations			
Increase/(decrease) in deposits	**46,886**	1,811	(14,258)
Increase/(decrease) in short-term borrowings	**(677)**	155	157
Increase/(decrease) in central bank funds purchased, securities sold under	**4,107**	13,397	55,904

repurchase agreements and securities lending transactions			
Issuances of long-term debt	**23,782**	39,499	54,659
Repayments of long-term debt	**(26,255)**	(31,564)	(19,587)
Redemption of preferred securities	**0**	0	(504)
Issuances of common shares	**19**	28	175
Issuances of treasury shares	**6,913**	4,402	16,109
Repurchase of treasury shares	**(7,009)**	(4,811)	(16,799)
Dividends paid/capital repayments (including minority interest and trust preferred securities)	**(273)**	(2,437)	(2,568)
Other, net	**733**	512	971
Net cash provided by/(used in) financing activities of continuing operations	**48,226**	20,992	74,259
Effect of exchange rate changes on cash and due from banks	**(2,604)**	1,103	(35)
Discontinued operations			
Net cash provided by discontinued operations	**3,985**	19	758
Proceeds from sale of stock by subsidiaries	**7,615**	235	572
Net increase/(decrease) in cash and due from banks	**(3,662)**	(14,031)	8,124
Cash and due from banks at beginning of financial year	**28,461**	42,492	34,368
Cash and due from banks at end of financial year	**24,799**	28,461	42,492
Supplemental disclosures of cash flow information			
Cash paid during the year for income taxes	**1,176**	1,409	1,603
Cash paid during the year for interest	**16,730**	20,922	35,767
Non-cash investing and financing activities			
Transfers of repossessed assets	**16**	191	118
Assets acquired and liabilities assumed in business acquisitions			
Fair value of assets acquired	**573**	767	9,109
Fair value of liabilities assumed	**(472)**	(204)	(7,861)
Cash paid related to business acquisitions	**101**	563	1,248
Assets and liabilities sold in business divestitures			
Fair value of assets sold	**(41,600)**	(1,310)	(10,476)
Fair values of liabilities sold	**34,164**	1,137	9,248

Cash received related to business divestitures	**(7,436)**	(173)	(1,228)

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

NOTES TO THE CONSOLIDATED US GAAP FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The accompanying 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). The financial year for the Group ends on December 31.

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

Principles of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries. The Group's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control, for entities in which the equity holders have substantive voting interests. Effective December 31, 2003, the Group also consolidates variable interest entities (VIEs) that are considered special purpose entities and where the Group is the primary beneficiary under the requirements of the Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (FIN 46). The effects of intercompany transactions and balances have been eliminated.

The Group accounts for investments in which it has the ability to exercise significant influence, which generally are investments in which the Group holds 20% to 50% of the voting rights, using the equity method of accounting under *Other investments* . The Group's share of the profit or loss, as well as any impairment losses on the investee, if applicable, are included in *Other revenues* .

Foreign currency translation

Transactions denominated in currencies other than the functional currency of the related entity are recorded by translating to the functional currency of the related entity at the exchange rate on the date of the transaction. At the balance sheet date, monetary assets and liabilities such as receivables and payables are reported using the year-end spot exchange rates. Exchange rate differences are reported in the statement of income.

For the purpose of consolidation, the assets and liabilities of Group companies with functional currencies other than CHF are translated into CHF equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated using the average foreign exchange rate for the year. Translation adjustments arising on consolidation are included in *Other comprehensive income/(loss)* within *Shareholders' equity* .

Cash and cash equivalents

Cash and cash equivalents are defined as those amounts included in *Cash and due from banks* . Cash equivalents are short-term, highly liquid instruments with original maturities of three months or less and that are held for cash management purposes.

Reverse repurchase and repurchase agreements

Purchases of securities under resale agreements (reverse repurchase agreements) and securities sold under agreements to repurchase substantially identical securities (repurchase agreements) normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in *Trading assets* . Assets and liabilities recorded under these agreements are accounted for on an accrual basis, with interest earned on reverse repurchase agreements and interest incurred on repurchase agreements reported in *Interest and dividend income* and *Interest expense* , respectively. Reverse repurchase and repurchase agreements are netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to master netting agreements.

Securities lending and borrowing (SLB) transactions

Securities borrowed and securities loaned are included in the balance sheet at amounts equal to the cash advanced or received. If securities received in a SLB transaction may be sold or repledged they are recorded as securities received as collateral and a corresponding liability to return the security is recorded. Fees and interest received or paid are recorded in *Interest and dividend income* and *Interest expense* , respectively, on an accrual basis.

Trading assets and liabilities

Trading assets and liabilities include debt and equity securities, derivative instruments and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management’s intent for the individual item.

Fair value is generally defined as the amount at which an asset/liability could be bought/incurred or sold/settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Quoted market prices when available are used to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation models that consider prices for similar assets or similar liabilities and other valuation techniques.

Unrealized and realized gains and losses on trading positions, including amortization of premium/discount arising at acquisition of debt securities, are recorded in *Trading revenues* . Interest from debt securities and dividends on equity securities are recorded in *Interest and dividend income* .

Derivatives classified as trading assets and liabilities

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives classified as trading assets and liabilities arise from proprietary trading activity and from customer-based activity.

Derivatives are carried at fair value with changes in realized and unrealized gains and losses and interest flows included in *Trading revenues* . The fair value of a derivative is the amount for which that derivative could be exchanged between knowledgeable, willing parties in an arms’ length transaction.

Fair values recorded for derivative instruments do not indicate future gains or losses, but rather the unrealized gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, reserves are established for unrealized gains evident at the inception of the contracts so that no gain is recorded at inception. Such reserves are amortized to income over the life of the instrument or released into income when observable market data becomes available. Replacement values of derivative contracts are recorded on a net basis per counterparty, where a master netting agreement exists. Where no such agreement exists, replacement values are recorded on a gross basis.

Refer to note 37 for further information on the derivatives used by the Group and the associated accounting method applied.

Investment securities

Investment securities include debt securities classified as held-to-maturity, and debt and marketable equity securities classified as available-for-sale.

Debt securities where the Group has the positive intent and ability to hold such securities to maturity are classified as such and are carried at amortized cost, net of any unamortized premium or discount.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in *Other comprehensive income/(loss)* within *Shareholders' equity* . Amounts reported in *Other comprehensive income/(loss)* are net of deferred income taxes and adjustments to insurance policyholder liabilities and deferred acquisition costs on participating policies (shadow adjustments).

Amortization of premiums or discounts is recorded in *Interest and dividend income* using the effective yield method through the maturity date of the security. Gains or losses on the sales of securities classified as available-for-sale are recorded in *Realized gains/(losses) from investment securities, net* at the time of sale on the basis of specific identification.

Recognition of an impairment loss on debt securities is recorded in the statement of income if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to a deterioration in the creditworthiness of the issuer. No impairment is recorded in connection with declines resulting from general market interest, credit spread or exchange rate movements to the extent the Group has the intent and ability to hold the debt security to maturity.

Recognition of an impairment loss on equity securities is recorded in the statement of income if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Group generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or by more than 20%. Recognition of an impairment loss for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses are recognized in the statement of income when a decision has been taken to sell a security.

Other investments

Other investments include equity method investments and non-marketable equity securities such as private equity and restricted stock investments, as well as certain investments in non-marketable mutual funds for which the Group has neither significant influence nor control over the investee.

The valuation for non-marketable equity securities depends on whether the securities are held in the banking or insurance businesses. Non-marketable equity securities held by the Group's banking subsidiaries that are considered investment companies and subsidiaries that engage exclusively in private equity and other related activities are carried at their estimated fair value, with changes in fair value recorded in the statement of income. Non-marketable equity securities held in the insurance business are carried at fair value with changes in fair value recorded in *Accumulated other comprehensive income/(loss)* within *Shareholders' equity* . The Group's other non-marketable equity securities are carried at cost less other-than-temporary impairment.

Loans

Loans are carried at outstanding principal balances net of unamortized premiums and discounts on purchased loans, deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

Allowance for loan losses

The allowance for loan losses is comprised of two components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the statement of income in *Provision for credit losses.*

Many factors can affect the Group's estimate of the allowance for loan losses, including volatility of default probabilities, rating migrations and loss severity. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired which, on a portfolio basis, are considered to contain probable inherent loss. The estimation of this component of the allowance for the consumer portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogenous loans based on risk rating and product type. To estimate this component of the allowance for commercial loans, the Group segregates loans by risk, industry or country rating. Excluded from this estimation process are consumer and commercial loans where a specifically identified loss has been included in the specific component of the allowance for loan losses. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience, which is recorded in *Other liabilities* . Changes in the estimated calculation of losses are recorded in the statement of income in *Other expenses* .

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. If uncertainty exists as to the repayment of either principal or interest, a specific provision is either established or adjusted accordingly. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of future cash flows. The Group considers a loan impaired when, based on current information and events, it is probable that it will be unable to collect the amounts due according to the contractual terms of the loan agreement. A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due. For non-performing loans, the Group continues to accrue interest for collection purposes; however a provision is recorded resulting in no income recognition. In addition, for any accrued but unpaid interest at the date the loan is classified as non-performing, a provision is recorded in the amount of the accrual, resulting in a charge to the statement of income. On a regular basis thereafter, the outstanding principal balance is evaluated for collectibility and a provision is established for any shortfall between the estimated net recoverable amount and the principal balance.

A loan can be further downgraded to non-interest earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time and on a regular basis thereafter, the outstanding principal balance net of provisions previously recorded is evaluated for collectibility and additional provisions are established as required. Charge-off of a loan occurs when it is considered certain that there is no possibility to recover the outstanding principal. Recoveries of loans previously charged-off are recorded based on the cash or estimated fair market value of other amounts received.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which matured and unpaid interest or principal is outstanding. Cash amounts received relating to fees are applied to the outstanding principal loan balance during this period. On settlement of a loan, if the loan balance is not collected in full, the loan is charged-off, net of any deferred loan fees and costs.

Interest collected on non-performing loans is accounted for using the cash basis or the cost recovery method or a combination of both, as appropriate. Interest collected on non-interest earning loans is accounted for using the cost recovery method only. Generally, an impaired loan may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met.

Loans held-for-sale are carried at the lower of amortized cost or market value and are included in *Other assets* . Lease financing transactions where the Group is the lessor are included in *Loans* at amounts representing the gross receivable less any unearned lease income. Lease payments received are recorded as a reduction of the gross lease receivable, and a portion is recorded as *Interest and dividend income* .

Real estate, premises and equipment

Real estate, premises and equipment are carried at cost less accumulated depreciation and are depreciated over their estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. Alterations and improvements to rented premises are depreciated over the shorter of the lease term or estimated useful lives. Other tangible fixed assets such as computers, machinery, furnishings, vehicles and other equipment are depreciated using the straight-line method over their estimated useful life, generally three to five years.

The Group capitalizes costs relating to the acquisition, installation and development of software having a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Group depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding three years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

The Group reflects finance leasing activities for which it is the lessee by recording an asset in *Premises and equipment* , and a corresponding liability in *Other liabilities* at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price of an acquired entity over the estimated fair value of its net assets acquired at the acquisition date. *Intangible assets* other than goodwill may be acquired individually or as part of a group of assets assumed in a business combination. *Intangible assets* include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base, deposit relationships, presence in the marketplace, and earnings capacity. Acquired intangible assets are initially measured based on the amount of cash disbursed or the fair value of other assets distributed. Prior to January 1, 2002, *Goodwill* and *Intangible assets* were amortized over their estimated useful lives. Effective January 1, 2002, goodwill is no longer amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is allocated to the Group's reporting units for the purposes of the impairment test. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002, that are determined to have an indefinite useful life, are not amortized.

Present value of future profits

The present value of future profits (PVFP) is the actuarially determined present value of anticipated profits to be realized from life and health insurance in force at the date of the Group's acquisition of insurance businesses. Interest accrues on the unamortized PVFP based upon the earned rate or credited rate. The PVFP asset is amortized over the years that such profits are anticipated to be received in proportion to the estimated gross margins or estimated gross profits for participating traditional life products and non-traditional life products, respectively, and over the premium paying period in proportion to premiums for other traditional life products.

Expected future profits used in determining the PVFP are based on actuarial determinations of future premium collection, mortality, morbidity, policy surrenders, operating expenses and yields on assets supporting policy liabilities, as well as other factors. The discount rate used to determine the PVFP is the rate of return required to invest in the business being acquired. Additionally, the PVFP asset is adjusted for the impact on estimated gross margins and profits of net unrealized gains and losses on securities. Amortization of PVFP is recorded in *Insurance underwriting, acquisition and administration expenses* .

Recognition of impairment losses on tangible fixed assets and other intangible assets

The Group evaluates *Premises and equipment* and *Intangible assets* for impairment losses at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or is greater than its fair value. An impairment loss is deemed to have occurred if the carrying value of a tangible fixed or intangible asset exceeds its implied fair value. Reversals of previously recorded impairment losses are prohibited.

In the insurance business, the PVFP asset is periodically evaluated for recoverability. If the present value of future net cash flows from the insurance business acquired is insufficient to recover the PVFP, the difference is charged to expense as a write-down of the PVFP.

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in *Other assets* and *Other liabilities* , respectively. Deferred income tax expense or benefit is recorded in *Income tax expense/(benefit)* , except to the extent the change relates to transactions recorded directly in *Shareholders' equity* . Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

Assets and liabilities held for separate accounts

Separate accounts include investments for the benefit of life insurance policyholders who bear the investment risk. These separate accounts are carried at fair value. Net investment income from the separate account business is included in *Other revenues* .

Provisions for future policyholder benefits, actuarial provisions for annuities, provisions for death and other benefits and loss, loss adjustment expense reserves and reinsurance reserves are recorded in *Provisions from the insurance business* .

Other assets

Other assets include brokerage receivables, real estate and loans held-for-sale, interest and fees receivables, deferred tax assets, premiums and other receivables from agents and policyholders, deferred policy acquisition costs, reinsurance recoverables, derivative instruments used for hedging purposes, time and precious metals time accounts related to certain brokerage transactions and policy loans and other miscellaneous receivables.

Derivatives used for hedging purposes

Derivatives are carried at fair value. The fair values of derivatives held for hedging purposes are included as *Other assets* or *Other liabilities* in the consolidated balance sheet. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. Changes in fair value representing hedge ineffectiveness are reported in *Trading revenues* .

Refer to note 37 for further information on the derivatives used by the Group and the associated accounting method applied.

Deferred policy acquisition costs

Policy acquisition costs consist primarily of commissions, underwriting expenses and policy issuance costs. Acquisition costs that vary with and are directly related to the acquisition of insurance contracts are deferred to the extent they are deemed recoverable from future earnings. Future investment income attributable to related premiums is taken into account in measuring the recoverability of the carrying value of this asset.

Deferred policy acquisition costs on participating traditional life products are amortized over the life of the insurance contracts in proportion to the estimated gross margins. Deferred policy acquisition costs on other traditional life products are amortized over the premium paying period of the related policies in proportion to net premiums using assumptions consistent with those used in computing the provision for future policyholder benefits. Deferred policy acquisition costs on non-traditional life products are amortized over the expected life of the contracts as a constant percentage of the estimated gross profit.

The effect on the amortization of deferred policy acquisition costs for revisions to estimated gross margins or profits for all insurance contracts is reflected in the current period. The deferred policy acquisition costs asset related to participating traditional life products and non-traditional life products is adjusted for the impact on estimated gross margins or profits of net unrealized gains and losses on securities. Deferred policy acquisition costs for non-life products are amortized over the periods in which the premiums are earned. Amortization of deferred policy acquisition costs is recorded in *Insurance underwriting, acquisition and administration expenses.*

Provisions from the insurance businesses

Provision for future policyholder benefits

The provision for future policyholder benefits for participating traditional life products is computed using the net level premium method, which represents the present value of future policyholder benefits less the present value of future net premiums. This method uses assumptions for mortality and interest rates that are guaranteed in the contracts or used in determining dividends.

The provision for future policyholder benefits for other traditional life products is computed using the net level premium method. The assumptions are based on the Group's experience and industry standards, including provision for adverse deviations that were in effect as of the issue date of the contract.

The provision for future policyholder benefits for non-traditional life products is equal to the account value, which represents premiums received and the allocated investment return credited to the policy less deductions for mortality costs and expense charges.

When the provision for future policyholder benefits plus the present value of expected future gross premiums for a product are insufficient to provide for expected future benefits and expenses for the line of business, deferred policy acquisition costs are written-off to income and, if required, a premium deficiency reserve is established by a charge to income. A premium deficiency reserve is adjusted for the impact of net unrealized gains and losses.

Effective January 1, 2003, upon adoption of Statement of Position 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts (SOP 03-1), provisions for future policyholder benefits also include liabilities for guaranteed minimum death and similar mortality and morbidity benefits related to life products, where the investment risk is borne by the policyholder, annuitization options as well as sales inducements; such liabilities are calculated based on contractual obligations using actuarial assumptions. An additional liability for annuitization benefits is accrued over the period of the contract. The liability is calculated as the difference between the present value of expected annuitization payments using the current annuity conversion rate and the expected account balance at the expected annuitization date multiplied by the proportion of assessments made to expected total assessments. Contractually agreed sales inducements to policyholders include persistency bonuses and are accrued over the period in which the insurance contract must remain in force to qualify for the inducement.

Provision for death and other benefits

Claim provisions represent amounts due on life and accident and health claims that have been incurred as of the balance sheet date but have not yet been paid. This includes claims incurred but not reported (IBNR) and claims handling expense. The interest rate used to discount future payments is impacted by the net unrealized gains and losses on securities, resulting in an adjustment to claim provisions.

Provision for future dividends to policyholders

Dividends on participating traditional life products are accrued when earned and computed in accordance with local statutory or contractual requirements. The provision for policyholder dividends also includes a deferred bonus reserve (DBR), which represents amounts that result from differences between the consolidated financial statements and the local statutory financial statements and that will reverse and enter into future policyholder dividends calculations. The calculation of the DBR reflects only the contractual or regulatory defined minimum distribution to policyholders.

The provision for policyholder dividends is adjusted for the impact of net unrealized gains and losses on securities to the extent that the policyholder will participate in such gains and losses on the basis of contractual or regulatory requirements when they are realized.

Life products, where the investment risk is borne by the policyholders

Assets and liabilities are maintained separately for non-traditional life products designed to meet specific investment objectives of policyholders. The policyholder bears the investment risk associated with the products, and investment income and investment gains and losses accrue directly to the policyholders. Assets and liabilities associated with these products are carried at fair value. Changes in the fair value of assets and liabilities are recorded in *Other revenues* . In some countries, contracts offer additional guaranteed benefits. Provisions for such guarantees are recorded in *Provisions from the insurance business* .

Provision for unpaid claims and claim adjustment expenses

Claim and claim adjustment expenses are recorded as incurred. Claim provisions comprise estimates of the unpaid portion of the reported losses and estimates of the amount of losses incurred but not yet reported to the insurer. Management periodically reviews the estimates, which may change in light of new information. Any subsequent adjustments are recorded in the period in which they are determined.

Certain claim reserves for which the payment pattern and ultimate cost are fixed and reliably determinable on an individual claim basis are discounted at the rate used for statutory accounting but not exceeding the long-term risk free rate.

Reinsurance

Reinsurance contracts that do not transfer significant insurance risk are accounted for as deposits. Gains on retroactive reinsurance ceded are deferred and amortized over the estimated remaining settlement period.

Guarantees

In cases where the Group acts as a guarantor, we recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such guarantee, including our ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur.

Other liabilities

Pensions and other post-retirement benefits

The Group uses the projected unit credit actuarial method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The principal actuarial assumptions used are set out in note 34.

Share-based compensation

Through December 31, 2002, the Group accounted for its employee share-based compensation program under the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25, no compensation expense was generally recognized for share options, as they were granted at an exercise price equal to the market price of the Group's shares on the grant date.

Effective January 1, 2003, the Group adopted, using the prospective method, the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-based Compensation (SFAS 123) as amended by SFAS No. 148, Accounting for Stock-based Compensation – Transition and Disclosure (SFAS 148). Under the prospective method, all new awards granted to employees on or after January 1, 2003, are accounted for at fair value. The fair value of share options is based on the Black-Scholes valuation model with compensation expense recognized in earnings over the required service period. Share options outstanding as of December 31, 2002, if not subsequently modified, continue to be accounted for under APB 25.

The following table presents net income and basic and diluted earnings per share as reported, and as if all outstanding awards were accounted for at fair value under SFAS 123.

Year ended December 31, in CHF m, except the per share amounts	2003	2002	2001
Net income/(loss) – as reported	**770**	(4,448)	(659)
Add: Share-based compensation expense included in reported net income/(loss), net of related tax effects	**740**	1,040	1,544
Deduct: Total share-based compensation expense determined under the fair value method for all awards vested during the year, net of related tax effects	**(761)**	(1,557)	(2,109)
Net income/(loss) – pro forma	**749**	(4,965)	(1,224)
Basic earnings/(loss) per share – as reported	**0.66**	(3.85)	(0.58)
Basic earnings/(loss) per share – pro forma	**0.64**	(4.30)	(1.08)
Diluted earnings/(loss) per share – as reported	**0.64**	(3.85)	(0.58)
Diluted earnings/(loss) per share – pro forma	**0.62**	(4.30)	(1.08)

The Group had certain option plans outstanding, primarily related to the years 1999 and prior, which included either a cash settlement feature or that were linked to performance-based vesting requirements. For those plans, variable plan accounting will continue to be applied until settlement of the awards.

Own shares and own bonds

The Group may buy and sell own shares, own bonds and derivatives on own shares within its normal trading and market-making activities. In addition, the Group may hold its own shares to physically hedge commitments arising from employee share-based compensation awards. Own shares are recorded at cost and reported as treasury shares, resulting in a reduction to *Shareholders' equity* . Derivatives on own shares are recorded as assets or liabilities. Dividends received on own shares and unrealized and realized gains and losses on own shares classified in *Shareholders' equity* are excluded from the income statement. Purchases of own bonds are recorded as an extinguishment of debt.

Commissions and fees

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Commissions and fees earned for investment and portfolio management, customer trading and custody services are recognized over the period that the related service is provided, generally on a trade-date basis. Revenues from underwriting and fees from mergers and acquisitions and other corporate finance advisory services are recorded at the time when the underlying transactions are substantially completed, as long as there are no other contingencies associated with the fees. Transaction-related expenses are deferred until the related revenue is recognized.

Insurance premiums earned, net and related expenses

Premiums from traditional life products, both participating and non-participating, are recognized as revenue when due from the policyholder. Profit for contracts with a limited number of premium payments is deferred and recognized over the period for which coverage is provided.

Premiums from non-traditional life products are recognized as revenue when due from the policyholder. For contracts with front-end fees, any excess front-end fees are deferred and recognized in proportion to the estimated gross profits. These deferred fees are adjusted for the impact on estimated gross profits of net unrealized gains and losses on securities. Premiums from non-life products are recorded at inception of the contract and are earned primarily on a pro-rata basis over the term of the related policy coverage with the unearned portion being deferred in the balance sheet as unearned premiums.

Premiums from the separate accounts business and premiums for non-traditional life products are not reported as insurance premiums but rather represent amounts assessed against the policyholder and are recorded in *Other revenues* . Claims and dividends to policyholders incurred are recorded in *Policyholder benefits, claims and dividends* .

2 Recently issued accounting standards

Recently adopted standards

In December 2003, the FASB revised SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits (SFAS 132R). The new disclosure requirements apply to the Group's domestic (Swiss) plans for 2003. SFAS 132R retained the disclosure requirements from the original statement and requires additional disclosures. SFAS 132R is effective for financial statements with fiscal years ending after December 15, 2003, and the interim disclosures are required for periods beginning after December 15, 2003. The Group has adopted the new disclosure requirements of SFAS 132R. See note 33 for additional information.

In November 2003, the Emerging Issues Task Force reached a consensus on certain additional quantitative and qualitative disclosure requirements in connection with its deliberations of Issue 03-1, The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments, which also discussed the impairment model for available-for-sale and held-to-maturity securities under SFAS No. 115 (EITF 03-1). The Group has adopted the new disclosure requirements of EITF 03-1.

In July 2003, the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA) issued SOP 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts. The most significant accounting implications of SOP 03-1 for the Group are as follows: (1) for contracts containing an annuitization benefit option contract feature, an additional liability is established, if a provision for such a contract feature is not required under other applicable accounting standards and if the present value of expected annuitization payments at the expected annuitization date exceeds the expected account balance at the expected annuitization date; (2) reporting and measuring assets and liabilities of separate account products as general account assets and liabilities, when specified criteria are not met; (3) reporting and measuring seed money in separate accounts as general account assets based on the insurer's proportionate beneficial interest in the separate account's underlying assets; (4) capitalizing sales inducements that meet specified criteria and amortizing such amounts over the life of the contracts using the same methodology as used for amortizing deferred acquisition costs, but immediately expensing those sales inducements accrued or credited if such criteria are not met; (5) recognizing contract holder liabilities for persistency bonuses and other sales inducements; and (6) establishing an additional liability for guaranteed minimum death and similar mortality and morbidity benefits only for contracts determined to have mortality and morbidity risk that is other than nominal and when the risk charges made for a period are not proportionate to the risk borne during that period. The Group has early adopted SOP 03-1 retroactively as of January 1, 2003. The effect of initially adopting SOP 03-1 is reported as a cumulative effect of a change in accounting principle in the 2003 results of operations in the amount of CHF 529 million, net of taxes. This charge is caused primarily by the impact of establishing additional liabilities for certain group pension and individual life insurance contracts with annuitization options, reclassifying certain separate account assets to the general account and applying the respective valuation principles, establishing liabilities for sales inducements and increasing reserves for guaranteed minimum death benefits.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for an issuer's classification of certain financial instruments that have both liability and equity characteristics and imposes additional disclosure requirements. Effective September 30, 2003, the Group adopted SFAS 150 for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS 150 did not have a material impact on the Group's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149), which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivatives and Hedging Activities (SFAS 133). Specifically, SFAS 149 clarifies under which circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the consolidated statement of cash flows. Certain derivative instruments entered into or modified after June 30, 2003, and that the Group has determined to contain a financing element at inception and where the Group is deemed the borrower, are now included as a separate component within *Cash flows from financing activities* . Prior to July 1, 2003, these derivative instruments were included within *Cash flows from operating activities.* The adoption of SFAS 149 did not have a material impact on the Group's financial position, results of operations or cash flows.

In January 2003, the FASB issued FIN 46, which requires the Group to consolidate all VIEs for which it is the primary beneficiary, defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. In December 2003, the FASB modified FIN 46, through the issuance of FIN 46R, to provide companies with the option of deferring the adoption of FIN 46 to periods ending after March 15, 2004, for certain VIEs. As of December 31, 2003, with the exception of certain private equity investment companies, mutual funds and VIE counterparties to certain derivatives transactions that were subject to deferral, the Group consolidated all VIEs under FIN 46 for which it is the primary beneficiary. The cumulative effect of the Group's adoption of FIN 46 was an after-tax loss of CHF 15 million reported separately in the Consolidated statement of income as the *Cumulative effect of accounting changes, net of tax* . The cumulative effect was determined by recording the assets, liabilities and non-controlling interests in the VIE at their carrying amounts as of the date of consolidation. The difference between the net amount added to the consolidated statement of financial condition and the amount of previously recognized interest represents the cumulative effect. As a result of the adoption of FIN 46R as of March 31, 2004, the Group consolidated certain private equity funds with third party and employee investors, resulting in an increase in assets and liabilities of CHF 1.5 billion. The impact on net income was neutral due to offsetting minority interests. In addition, the Group deconsolidated certain entities that issue redeemable preferred securities as of March 31, 2004, which is discussed in note 29. See note 40 for additional information regarding VIEs.

In November 2002, the FASB issued FIN No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34 (FIN 45). FIN 45 requires certain disclosures to be made by a guarantor in its financial statements for periods ending after December 15, 2002, about its obligations under certain guarantees it has issued. It also requires a guarantor to recognize, at the inception of a guarantee issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee. The adoption of FIN 45 did not have a material impact on the Group's financial position, results of operations or cash flows. See note 38 for more information on the Group's guarantees under FIN 45.

In November 2002, the EITF released 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). In EITF 02-3 the FASB staff clarified that, in the absence of (a) quoted market prices in an active market, (b) observable prices of other current market transactions or (c) other observable data supporting a valuation technique, the transaction price represents the best information available with which to estimate fair value at the inception of the arrangement for all derivatives. The adoption of EITF 02-3 did not have a material impact on the Group's financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146), which requires companies to recognize costs associated with exit or disposal activities when they are incurred, rather than at the date of a commitment to an exit or disposal plan. In addition, SFAS 146 requires that the liability be measured at fair value and be adjusted for changes in estimated cash flows. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, a plant closing or other exit or disposal activity. The adoption of SFAS 146 did not have a material impact on the Group's financial position, results of operations or cash flows.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections (SFAS 145). SFAS 145 rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt (SFAS 4) and an amendment of that statement, SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements (SFAS 64). SFAS 145 also amends SFAS No. 13, Accounting for Leases (SFAS 13), to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The statement became effective for fiscal year 2003. The adoption of SFAS 145 did not have a material impact on the Group's financial position, results of operations or cash flows.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). The Group adopted the standard on January 1, 2002. SFAS 144 requires all long-lived assets to be disposed of and discontinued operations to be measured at the lower of the carrying amount or fair value less costs to sell. SFAS 144 establishes additional criteria for determining when a long-lived asset is held-for-sale. It also broadens the definition of discontinued operations but does not allow for the accrual of future operating losses, as was previously permitted. Other than the presentation of discontinued operations in the statement of income, and the classification of related assets and liabilities as held-for-sale on the consolidated balance sheets, the adoption of SFAS

144 did not have a material impact on the Group's consolidated financial position, results of operations or cash flows.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations (SFAS 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The statement became effective for fiscal years beginning after June 15, 2002. The adoption of SFAS 143 did not have a material impact on the Group's financial position, results of operations or cash flows.

Effective July 1, 2001, the Group adopted the provisions of SFAS No. 141, Business Combinations (SFAS 141) and certain provisions of SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), as required for goodwill and indefinite-lived intangible assets resulting from business combinations consummated after June 30, 2001. SFAS 141 requires that all business combinations consummated after June 30, 2001, be accounted for using the purchase method. Effective January 1, 2002, the Group adopted the remaining provisions of SFAS 142 under which goodwill and indefinite-lived intangible assets are no longer amortized but are subject to impairment tests, at least annually. The Group completed the required transitional impairment test of goodwill and indefinite-lived intangible assets as of January 1, 2002, and determined that there was no impairment of goodwill or intangible assets and no effect on the Group's consolidated financial condition or results of operations as of January 1, 2002. Additionally, upon adoption, the Group reclassified certain intangible assets as follows: CHF 1,946 million from finite lived intangibles to goodwill and CHF 71 million from goodwill to finite-lived intangibles. See notes 16 and 17 for additional information on goodwill and identifiable intangible assets.

Standards to be adopted in future periods

In January 2004, the FASB issued FASB Staff Position (FSP) 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act (the Act) (FSP 106-1). The Act became law in December 2003 and introduced both a Medicare prescription drug benefit and a federal subsidy to sponsors of retiree health-care plans that provide a benefit that is at least actuarially equivalent to the Medicare benefit. FSP 106-1 allows companies with postretirement health-care plans that provide a prescription drug benefit to defer recognition of the prescription drug provisions of the Act. The deferral election suspends the application of the measurement and the disclosure requirements of SFAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions (SFAS 106) until authoritative guidance is issued. The Group has elected to defer the accounting for the Act until the FASB issues further guidance in final form. The adoption of FSP 106-1 is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

In December 2003, the AICPA issued SOP 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3). SOP 03-3 provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality. Among other things, SOP 03-3: (1) prohibits the recognition of the excess of contractual cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; (2) requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and (3) requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The adoption of SOP 03-3 is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

3 Business developments and subsequent events

The Group's significant divestitures and acquisitions for the years ended December 31, 2003, 2002 and 2001 are discussed below.

Divestitures

Effective September 1, 2003, the Group finalized the sale of Churchill Insurance Group, plc (Churchill), its UK non-life insurance operations, to the Royal Bank of Scotland. Cash consideration of CHF 2.4 billion was received. In connection with this transaction, the Group recorded a pre-tax loss of CHF 291 million.

Effective August 27, 2003, the Group finalized the sale of Republic Financial Services, Inc. formerly part of Winterthur's US non-life insurance operations, to an American investor group led by Wand Partners Inc. The sale price was CHF 167 million. In connection with this transaction, the Group recorded a pre-tax loss of CHF 125 million.

Effective August 26, 2003, the Group finalized the sale of Winterthur Italia Holding S.p.A., Winterthur Assicurazioni S.p.A. and Winterthur Vita S.p.A., its Italian insurance operations, to Unipol Assicurazioni SpA. The sale price was CHF 2.3 billion. In connection with this transaction, the Group recorded a pre-tax gain of CHF 190 million.

Effective May 1, 2003, the Group sold CSFB's clearing and execution platform, Pershing LLC, to The Bank of New York Company, Inc. for CHF 2.7 billion in cash, the repayment of a CHF 653 million subordinated loan and a contingent payment of up to CHF 68 million based on future performance. In connection with this transaction, the Group recorded a pre-tax loss of CHF 275 million, of which CHF 246 million is included as of December 2002.

Effective January 1, 2002, the Group sold Winterthur Versicherungs AG, Winterthur Pensionskassen AG und Wintisa Management and Consulting AG, its insurance and pension fund business in Austria, to Zürich Kosmos Versicherungs AG, a subsidiary of Zurich Financial Services Group. Both parties to the transaction agreed not to disclose the price and conditions of the sale. In connection with this transaction, the Group recorded a pre-tax loss of CHF 185 million.

Effective January 1, 2002, the Group transferred the insurance operations and certain assets and liabilities of Winterthur Assurances, Paris, and Winterthur Vie, Paris, France, to Mutuelles du Mans Assurances. Both parties to the transaction agreed not to disclose the price and conditions of the sale. In connection with this transaction, the Group recorded a pre-tax loss of CHF 32 million.

The Group sold Winterthur's large corporate risks insurance operations (Winterthur International) to XL Capital Ltd in 2001 for an initial cash consideration of CHF 730 million. The sale price was subject to final determination and in December 2003, agreement was reached with XL Capital Ltd on the final sale price, which resulted in the return of CHF 93 million of the purchase price to XL and an overall loss on the sale of CHF 50 million. The sale is subject to additional indemnification provisions, which are described in the paragraphs on indemnification in this note.

Acquisitions

On September 17, 2002, the Group acquired 100% of the shares of Premier Life Ltd., Luxembourg, and the portfolio of Premier Life Ltd., Bermuda, for a purchase price of CHF 30 million and CHF 14 million, respectively. The Luxembourg acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations were included in the consolidated financial statements for the first time in the fourth quarter of 2002. The total goodwill was CHF 9 million. The portfolio in Bermuda was also accounted for as a purchase and first included in the results of operations in the third quarter of 2002.

On December 7, 2001, the Group acquired SLC Asset Management Limited, SLC Pooled Pensions Limited and Sun Life of Canada Unit Managers Limited, the principal UK asset management subsidiaries of global insurer Sun Life Financial Services of Canada Inc., for a purchase price of CHF 287 million. The companies are asset management companies with contracts for management of the insurance assets (including property) of their former affiliate Sun Life Assurance Company of Canada (UK) Limited and third-party institutional and retail funds. This acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations beginning December 7, 2001, have been included in the accompanying consolidated financial statements. The total goodwill was

CHF 250 million.

On September 30, 2001, the Group acquired the non-life insurance activities of Commercial General Union in Belgium. The purchase price was CHF 175 million and the total goodwill was CHF 241 million. This acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations of Commercial General Union in Belgium beginning September 30, 2001, have been included in the accompanying consolidated financial statements.

On April 4, 2001, the Group acquired the Czech pension fund, Vojensky Otevreny Penzijni Fond (VOPF) for a purchase price of CHF 125 million. The Group acquired 93.28% of total capital on January 18, 2001, and 6.66% of total capital on May 9, 2001. This acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations of VOPF beginning April 1, 2001, have been included in the accompanying consolidated financial statements. The total goodwill was CHF 104 million.

On February 7, 2001, the Group acquired JO Hambro Investment Management Ltd., an investment company targeting high-net-worth individuals, for CHF 229 million payable in a combination of cash and securities. This acquisition was accounted for under the purchase method of accounting and, accordingly, the results of operations of JO Hambro Investment Management Limited beginning February 7, 2001, have been included in the accompanying consolidated financial statements. The total goodwill was CHF 208 million.

Indemnification

In connection with the sale of assets or businesses, the Group sometimes provides the acquiror with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. These indemnification provisions generally shift the potential risk of certain unquantifiable and unknowable loss contingencies (e.g. relating to litigation, tax, intellectual property matters and adequacy of claims reserves) from the acquirer to the seller. The Group closely monitors all such contractual agreements to ensure that indemnification provisions are adequately provided for in the Group’s financial statements. These indemnification provisions, sales price adjustments and the cost of reinsurance protection for risk retained resulted in charges to the statement of income of CHF 341 million, CHF 93 million and CHF 87 million in the years ended December 31, 2003, 2002 and 2001, respectively. Contingencies with respect to significant indemnification provisions provided by the Group are discussed below.

In accordance with the terms of the Sale and Purchase Agreement (SPA) for Winterthur International, the Group is required to participate with the purchaser in a review for any adverse development of loss and unearned premium reserves during a three year post-completion seasoning period, which expires on June 30, 2004. This seasoning process may result in a balancing payment being due to the purchaser. The current provision for this sale related contingency is based on an estimate prepared by an external independent actuary, which was performed based upon data provided by the purchaser as of December 31, 2002. The Group has not received sufficient additional data related to developments subsequent to December 31, 2002 to update its current estimate of the sale related contingency. The Group expects to receive updated data from the purchaser in the third quarter of 2004, in connection with the settlement of the reserve seasoning; the evaluation of such data could result in an increase in the reserves for the Winterthur International sales related contingencies, and the amount of such a change could be significant. The eventual settlement of the reserve seasoning will be determined with the assistance of an independent actuary should the Group and the purchaser disagree on the final amount due under the SPA.

The Group also entered into a profit and loss sharing agreement with the purchaser of Churchill. In accordance with the terms of the SPA for Churchill, the Group is required to reimburse the purchaser for a proportion of any losses in one line of business of a subsidiary of Churchill. Profits in this one line of business are shared under similar terms. The amount payable or receivable under the provisions of the Churchill SPA is determined based primarily on actuarial valuations, which are updated and settled quarterly, with an independent actuarial valuation of the provisions being performed twice each year.

Subsequent events

On March 29, 2004, the Group announced the sale of its French subsidiary Rhodia Assurances S.A. to April Group. The transaction is subject to regulatory approval. Both parties to the transaction agreed not to disclose the price and conditions of the sale. Following the sale of Rhodia Assurances S.A., Winterthur Group will no longer have a presence in the French market.

On March 24, 2004, the Swiss government passed amendments to the Life Insurance Ordinance that provide for a mandatory allocation of profits from the regulated employee benefit business in Switzerland to be provided to policyholders. The amended ordinance requires that subject to the level of the investment result of the employee benefit business, a minimum of 90% of gross contributions or, in certain cases, 90% of net contributions be distributed to policyholders (the legal quote). This legislation impacts the determination of the provision for future dividends to policyholders in the Life & Pensions segment of the Group. In addition to the ongoing allocation to policyholders in respect of this business, initial provisions reflecting this legislation were recorded in the first quarter of 2004 and amounted to CHF 117 million, with an after-tax impact of CHF 91 million.

On February 3, 2004, the Group entered into an agreement to sell General de Valores Y Cambios, one of its brokerage businesses. The parties have agreed not to disclose the terms of the transaction, which has already obtained all relevant regulatory approvals.

4 Discontinued operations

In accordance with SFAS 144, the results of operations of entities disposed of or classified as held-for-sale were reported as *Discontinued operations* in the statement of income for all years presented.

The Group presents the assets and liabilities of entities classified as held-for-sale as *Discontinued operations – assets* and *Discontinued operations – liabilities* , respectively in the consolidated balance sheets. Assets and liabilities are reclassified as held-for-sale in the period in which the disposal determination is made and prior periods are not reclassified.

As of December 31, 2003 and 2002, assets held-for-sale related to discontinued operations were CHF 0 million and CHF 19,040 million, respectively, and liabilities held-for-sale related to discontinued operations were CHF 24 million and CHF 16,441 million, respectively.

The following table summarizes the results of discontinued operations, including gains and losses on sales:

Year ended December 31, in CHF m	2003	2002	2001
Total revenues	**5,290**	7,729	7,751
Total expenses	**(5,278)**[1)]	(7,650)	(7,626)
Income/(loss) before taxes from discontinued operations	**12**	79	125
Gain/(loss) on disposal of stock	**(234)**	(526)	0
Income tax expense	**124**	0	3
Income/(loss) from discontinued operations, net	**(346)**	(447)	122

1) Including charges from indemnification provisions.

5 Segment information

Overview

Credit Suisse Group is a global financial services company, with head office in Zurich, Switzerland. The activities of Credit Suisse Group are structured into two main business units and the Corporate Center. The business units are further broken down into six operating segments identified below. The Corporate Center performs typical parent company functions such as internal audit, group communications, accounting and financial reporting, tax, investor relations, capital and liquidity management, corporate development, legal and compliance and risk management. The Corporate Center accounts include parent company operations, certain centrally managed investments and functions. Corporate Center costs and revenues attributable to operating businesses have been allocated to the respective segments. The Corporate Center accounts also include expenses for projects sponsored by the Group, as well as consolidation adjustments. As of December 31, 2003, the Group's reportable operating segments were as discussed below.

The Credit Suisse Financial Services business unit consists of four segments:

- Private Banking , providing wealth management services for high-net-worth clients around the world;
- Corporate & Retail Banking , serving corporate and retail banking clients in Switzerland;
- Life & Pensions , providing insurance and pension solutions to private and corporate clients in Europe and selected Asian markets; and
- Insurance , providing non-life insurance to private and corporate customers predominantly in Europe and the United States.

The Credit Suisse First Boston business unit consists of two segments:

- Institutional Securities , providing securities underwriting, financial advisory services, capital raising services and sales and trading products worldwide; and
- CSFB Financial Services , providing asset management products and financial and advisory services to institutional and private clients.

On January 1, 2004, Credit Suisse Group changed its primary accounting standard to US GAAP. For the year ended December 31, 2003, the business was managed on the basis of financial information prepared in accordance with Swiss GAAP. The consolidated results of Credit Suisse Group are discussed below on a US GAAP basis. As required by US GAAP, the segment results are presented and discussed on the basis of the management reporting principles applied in 2003, which were based on Swiss GAAP. Our consolidated results include a discussion of the principal reconciling items between segment reporting under our management reporting basis and the consolidated financial statements prepared in accordance with US GAAP.

In our previously published financial statements for 2003, 2002 and 2001 under Swiss GAAP, certain acquisition-related costs, exceptional items, cumulative effect of accounting changes and minority interests were shown only in the consolidated financial statements and the results for our two business units. For purposes of the

2003 US GAAP financial statements and this discussion, these items have been allocated to the segments to which they relate and, accordingly, we have not presented the separate aggregation of the results of our two business units. Prior period segment results have been reclassified to conform to the current presentation.

A reconciliation of *net revenues* , *net income* and *total assets* of the Group's operating segments and the Corporate Center under the Group's management reporting basis to the consolidated financial statements prepared in accordance with US GAAP is provided below, including a description of the primary net revenue reclassification adjustments and the primary valuation and income recognition adjustments.

Adjustments to *net revenues* include various classification differences between *operating income* at the segment level and *net revenues* in the consolidated statements of income. The primary reclassifications included in the adjustments to *net revenues* relate to the classification of *Policyholder benefits, claims and dividends* and certain realized gains/(losses) from divestitures and are discussed below.

The primary valuation and income recognition differences resulting in adjustments between *net revenues* and *net income* for segment reporting and the consolidated statements of income are discussed below and include adjustments resulting from the accounting for the business combination with "Winterthur" Swiss Insurance Company, other business combinations and disposals, adjustments resulting from the accounting for insurance liabilities, derivatives, general provisions and other adjustments.

Segment reporting

Inter-segment revenue sharing and cost allocation

Responsibility for each of our products is allocated to one of the segments. In cases where one segment contributes to the performance of another, revenue sharing agreements are in place to compensate for such efforts. These agreements are negotiated periodically by the relevant segments on a product-by-product basis. Allocated revenues are added to, or deducted from, the revenue line item of the respective segments. Certain administrative, processing and information technology services may be based in one segment but shared by other segments. The segment supplying the service receives compensation from the recipient segment on the basis of service level agreements and transfer payments. Service level agreements are negotiated periodically by the relevant segments with regard to each individual product or service. The costs of shared services and their related allocations are added to, or deducted from, *Other operating expenses* for the respective segments. The aim of the revenue sharing and cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions, although this is not achieved in all cases.

Valuation adjustments, provisions and losses

Provisions for credit risk at the banking segments within Credit Suisse Financial Services are generally based on expected credit losses, which are determined according to a statistical model derived from historical losses. Management believes that the statistical model provides a long-term view of credit loss experience. In any year, statistically determined provisions may be higher or lower than the actual credit experience relating to the credit risks covered by this model, depending on the economic environment, interest rates and other factors. The banking segments within Credit Suisse Financial Services reflect an expense item in the amount of the statistically determined expected credit losses. On a consolidated basis, *Valuation adjustments, provisions and losses* in the income statement reflect actual credit provisions for the year. Non-credit-related losses and counterparty defaults other than those relating to the lending business are not covered by the statistical model. Provisions for these losses and defaults are based on actual experience and are recorded at the relevant segment. Effective January 1, 2002, while the banking segments within Credit Suisse Financial Services continue to record an expense item for statistically determined expected credit provisions, the segments within Credit Suisse First Boston record credit provisions based on actual experience.

Taxes

Taxes are calculated individually for each segment on the basis of average tax rates across its various geographic markets, as if the segment operated on a stand-alone basis. The difference between these average tax rates and our actual consolidated tax expense results in an adjustment to taxes at the Corporate Center.

The following tables present the results of the Group's operating segments and the Corporate Center:

Private Banking

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**5,921**	6,071	6,998
Personnel expenses	**2,193**	2,311	2,394
Other operating expenses	**1,130**	1,370	1,405
Operating expenses	**3,323**	3,681	3,799
Gross operating profit	**2,598**	2,390	3,199
Depreciation of non-current assets	**218**	285	205
Amortization of acquired intangible assets and goodwill	**29**	110	31
Valuation adjustments, provisions and losses	**69**	78	55
Profit before extraordinary items, cumulative effect of change in accounting principle and taxes	**2,282**	1,917	2,908
Extraordinary income/(expenses), net	**125**	44	12
Cumulative effect of change in accounting principle	**0**	64	0
Taxes	**(522)**	(494)	(640)
Net profit before minority interests	**1,885**	1,531	2,280
Minority interests	**(15)**	(15)	(20)
Segment result	**1,870**	1,516	2,260

Corporate & Retail Banking

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**3,131**	3,147	3,159
Personnel expenses	**1,242**	1,250	1,324
Other operating expenses	**755**	943	902
Operating expenses	**1,997**	2,193	2,226
Gross operating profit	**1,134**	954	933
Depreciation of non-current assets	**106**	108	100
Amortization of acquired intangible assets and goodwill	**11**	23	12
Valuation adjustments, provisions and losses	**305**	312	328

Profit before extraordinary items, cumulative effect of change in accounting principle and taxes	**712**	511	493
Extraordinary income/(expenses), net	**2**	4	13
Cumulative effect of change in accounting principle	**1**	2	0
Taxes	**(158)**	(122)	(120)
Net profit before minority interests	**557**	395	386
Minority interests	**(3)**	(1)	(1)
Segment result	**554**	394	385

Life & Pensions

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**1,451**	1,349	2,503
Personnel expenses	**732**	931	749
Other operating expenses	**490**	563	671
Operating expenses	**1,222**	1,494	1,420
Gross operating profit/(loss)	**229**	(145)	1,083
Depreciation of non-current assets	**470**	469	350
Amortization of acquired intangible assets and goodwill	**30**	29	43
Profit/(loss) before, cumulative effect of change in accounting principle and taxes	**(271)**	(643)	690
Cumulative effect of change in accounting principle	**0**	72	0
Taxes	**719**	(786)	(153)
Net profit/(loss) before minority interests	**448**	(1,357)	537
Minority interests	**27**	50	(2)
Segment result	**475**	(1,307)	535

Insurance

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**3,389**	1,585	3,236
Personnel expenses	**1,267**	1,502	1,388
Other operating expenses	**692**	787	873

Operating expenses	**1,959**	2,289	2,261
Gross operating profit/(loss)	**1,430**	(704)	975
Depreciation of non-current assets	**178**	189	169
Amortization of acquired intangible assets and goodwill	**32**	36	30
Profit/(loss) before, cumulative effect of change in accounting principle and taxes	**1,220**	(929)	776
Cumulative effect of change in accounting principle	**0**	128	0
Taxes	**38**	(99)	(224)
Net profit/(loss) before minority interests	**1,258**	(900)	552
Minority interests	**5**	117	(46)
Segment result	**1,263**	(783)	506

Institutional Securities

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**12,766**	14,479	20,097
Personnel expenses	**6,885**	8,742	13,201
Other operating expenses	**2,999**	3,690	5,007
Operating expenses	**9,884**	12,432	18,208
Gross operating profit	**2,882**	2,047	1,889
Depreciation of non-current assets	**514**	609	779
Amortization of acquired intangible assets and goodwill	**669**	766	825
Valuation adjustments, provisions and losses	**363**	3,579	1,859
Profit/(loss) before extraordinary items, cumulative effect of change in accounting principle and taxes	**1,336**	(2,907)	(1,574)
Extraordinary income/(expenses), net	**34**	379	(1)
Cumulative effect of change in accounting principle	**318**	246	0
Taxes	**(430)**	993	210
Net profit/(loss) before minority interests	**1,258**	(1,289)	(1,365)
Minority interests	**0**	0	(1)
Segment result	**1,258**	(1,289)	(1,366)

CSFB Financial Services

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**1,524**	3,050	3,790
Personnel expenses	**862**	1,640	2,136
Other operating expenses	**435**	935	1,308
Operating expenses	**1,297**	2,575	3,444
Gross operating profit	**227**	475	346
Depreciation of non-current assets	**37**	142	178
Amortization of acquired intangible assets and goodwill	**421**	537	630
Valuation adjustments, provisions and losses	**35**	23	79
Profit/(loss) before extraordinary items, cumulative effect of change in accounting principle and taxes	**(266)**	(227)	(541)
Extraordinary income/(expenses), net	**134**	(134)	(14)
Cumulative effect of change in accounting principle	**0**	8	0
Taxes	**48**	(194)	438
Segment result	**(84)**	(547)	(117)

Corporate Center

Year ended December 31, in CHF m	2003	2002	2001
Operating income	**(88)**	(966)	(116)
Personnel expenses	**237**	176	109
Other operating expenses	**(246)**	(423)	(288)
Operating expenses	**(9)**	(247)	(179)
Gross operating profit/(loss)	**(79)**	(719)	63
Depreciation of non-current assets	**364**	371	405
Amortization of acquired intangible assets and goodwill	**(5)**	(2)	(8)
Valuation adjustments, provisions and losses	**7**	318	55
Profit/(loss) before extraordinary items, cumulative effect of change in accounting principle and taxes	**(445)**	(1,406)	(389)
Extraordinary income/(expenses), net	**100**	182	(8)

Taxes	**131**	77	(56)
Net profit/(loss) before minority interests	**(214)**	(1,147)	(453)
Minority interests	**(61)**	(55)	(6)
Segment result	**(275)**	(1,202)	(459)

Reconciliation of segment reporting in accordance with management reporting principles to consolidated reporting in accordance with US GAAP

As noted above, effective January 1, 2004 the Group adopted US GAAP as its primary accounting standard, and the Group's consolidated results are presented in this Form 20-F on a US GAAP basis. US GAAP, however, requires the Group to present its segment results on the basis of the management reporting principles used in 2003, which were based on Swiss GAAP.

The following tables provide a reconciliation of *net revenues* , *net income* and *total assets* of the Group's operating segments and the Corporate Center under the Group's management reporting principles to the consolidated financial statements prepared in accordance with US GAAP:

	Net revenues 1)			Net income/(loss) 2)		
Year ended December 31, in CHF m	2003	2002	2001	2003	2002	2001
Private Banking	**5,921**	6,071	6,998	**1,870**	1,516	2,260
Corporate & Retail Banking	**3,131**	3,147	3,159	**554**	394	385
Life & Pensions	**1,451**	1,349	2,503	**475**	(1,307)	535
Insurance	**3,389**	1,585	3,236	**1,263**	(783)	506
Institutional Securities	**12,766**	14,479	20,097	**1,258**	(1,289)	(1,366)
CSFB Financial Services	**1,524**	3,050	3,790	**(84)**	(547)	(117)
Corporate Center	**(88)**	(966)	(116)	**(275)**	(1,202)	(459)
Total segment reporting	**28,094**	28,715	39,667	**5,061**	(3,218)	1,744
Adjustments	**23,412**	18,671	20,507	**(4,291)**	(1,230)	(2,403)
Credit Suisse Group	**51,506**	47,386	60,174	**770**	(4,448)	(659)

1) Corresponds to operating income in the segment income statements.

2) Corresponds to segment results in the segment income statements.

	Total assets	
December 31, in CHF m	2003	2002
Private Banking	**178,533**	171,126
Corporate & Retail Banking	**96,252**	94,757
Winterthur (Life & Pensions/Insurance) 1)	**160,751**	165,606
Institutional Securities	**588,783**	573,628
CSFB Financial Services	**17,118**	31,811
Corporate Center	**(79,273)**	(81,272)

Total segment reporting	**962,164**	955,656
Adjustments	**42,144**	71,502
Credit Suisse Group	**1,004,308**	1,027,158

1) Split by segments for total assets not available.

The following discussion describes the significant adjustments to *net revenues* , *net income* and *total assets* of the Group's operating segments and the Corporate Center under the management reporting principles to the consolidated financial statements prepared in accordance with US GAAP.

Net revenue reclassification adjustments

Adjustments to *net revenues* include various classification differences between *operating income* at the segment level and *net revenues* in the consolidated statements of income. The primary reclassifications included in the adjustments to *net revenues* are discussed below.

Reclassifications relating to the Life & Pensions and Insurance segments include:

- Reclassification of CHF 24.3 billion, CHF 24.2 billion and CHF 25.9 billion for the years ended December 31, 2003, 2002 and 2001, respectively, of policyholder benefits, claims and dividends, which are netted against operating income at the segment level but are presented gross in the consolidated statements of income.

- Reclassification of CHF 1.1 billion, CHF –0.1 billion and CHF –0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively, of realized gains/(losses) from divestitures, which are included in operating income at the segment level but are presented as discontinued operations in the consolidated statements of income.

Reclassifications relating to the Institutional Securities segment include expenses related to certain redeemable preferred securities of CHF 0.1 billion, CHF 0.1 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively, which are netted against operating income at the segment level but are included in dividends on preferred securities in the consolidated statements of income.

Valuation and income recognition adjustments

The primary valuation and income recognition differences resulting in adjustments between operating income and segment result for segment reporting and net revenues and net income in the consolidated statements of income are discussed below (amounts specified are all before tax).

Accounting for business combination with "Winterthur" Swiss Insurance Company

The Group accounted for the merger of Credit Suisse Group and "Winterthur" Swiss Insurance Company as a pooling of interests under the management reporting principles, whereas in the Group's consolidated financial statements, this merger was accounted for as a purchase with Credit Suisse Group as the acquiror. Accordingly, for segment reporting (in the Life & Pensions and Insurance segments) the carrying values of assets and liabilities of Winterthur were combined at historical values, whereas for the consolidated financial statements, the initial carrying values of assets and liabilities of Winterthur were recorded at fair value on the acquisition date and goodwill was recorded for the excess of the consideration paid over the fair value of the net assets acquired. The total adjustments to net income attributable to Winterthur purchase accounting were decreases of CHF 3.9 billion, CHF 0.8 billion and CHF 2.1 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The total adjustments to net revenues attributable to Winterthur purchase accounting were decreases of CHF 0.8 billion, CHF 0.9 billion and CHF 2.5 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The goodwill impairment and the goodwill write-off from the Italian insurance operations and Churchill did not impact the management basis.

The following table sets forth details on the purchase accounting adjustments resulting from the business combination with "Winterthur" Swiss Insurance Company:

	Net income/(loss)		
Year ended December 31, in CHF m	2003	2002	2001
Investments	**(906)**	(928)	(2,558)
Life insurance			
Deferred policy acquisition costs	**251**	217	37
Present value of future profits	**(331)**	(333)	(225)
Technical provisions	**47**	348	344
Goodwill	**(1,509)**	(228)	(388)
Retirement benefits	**12**	5	(5)
Taxation	**377**	135	698
Discontinued operations	**(1,854)**	0	0
Other	**0**	0	21
Total purchase accounting adjustments	**(3,913)**	(784)	(2,076)

Other business combinations and disposals

Differences in the basis of certain assets and liabilities between management reporting principles and US GAAP result in differences in the carrying amount of goodwill and intangible assets and, accordingly, in realized gains/losses upon disposition of assets and liabilities. Furthermore, under management reporting principles, goodwill and intangibles are amortized over their expected lives, whereas in the Group's consolidated financial statements, intangible assets with indefinite lives and goodwill for the years ended December 31, 2003 and 2002 are no longer amortized.

Adjustments to net income attributable to business combinations and disposals were increases of CHF 0.8 billion and CHF 0.7 billion in 2003 and 2002, respectively, and a decrease of CHF 0.6 billion in 2001. Adjustments to net revenues attributable to business combinations and disposals (including reclassifications in connection with discontinued operations) were decreases of CHF 5.3 billion, CHF 7.7 billion and CHF 7.8 billion in 2003, 2002 and 2001, respectively.

Insurance liabilities

Adjustments to net income for the year ended December 31, 2003 include a decrease of CHF 0.4 billion, which is primarily a result of the adoption of SOP 03-01 reflected in the consolidated financial statements but not in the segment results. This adoption resulted in a decrease of net revenues of CHF 0.1 billion for the year ended December 31, 2003.

Derivatives

Under management reporting principles, trading derivatives are recorded on the balance sheet at fair value. Realized and unrealized gains and losses from derivatives classified as trading are reported in net trading income. Realized and unrealized gains and losses from derivatives classified as hedging instruments are recognized in income on the same basis as the underlying item being hedged with any difference in fair value recorded in Other Assets or Other Liabilities. Management reporting principles also allow the use of internal derivatives in hedging transactions without requiring that a corresponding trade be executed externally. For purposes of the Group’s consolidated financial statements, all derivatives are recognized as assets or liabilities in the balance sheet at fair value. The recognition of the changes in fair value depends upon the intended use and designation of the derivative. If the derivative instrument is not a hedge, then changes in fair value are recognized in earnings. If the derivative instrument qualifies as a hedge, depending on the nature of the hedge, changes in fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings or recognized in other comprehensive income. The total adjustments to net income attributable to derivatives, including with respect to accounting for internal derivatives that do not meet hedging criteria were a decrease of CHF 17 million in 2003 and increases of CHF 0.2 billion and CHF 1.0 billion in 2002 and 2001, respectively. The total adjustments to net revenues attributable to derivatives, including with respect to accounting for internal derivatives that do not meet hedging criteria were increases of CHF 0.3 billion, CHF 0.6 billion and CHF 1.2 billion in 2003, 2002 and 2001, respectively.

General provisions

Under management reporting principles, certain valuation and other reserves not permitted under SFAS 5 were recorded in the segment results but are reversed in the Group’s consolidated financial statements in accordance with US GAAP. Such adjustments, among others, include a reserve for general banking risks, restructuring provisions that are economically necessary or legally required and other reserves. In accordance with Swiss banking regulations, the reserve for general banking risks is disclosed as a separate component of shareholders’ equity. Changes to this equity component are disclosed as an extraordinary item in the income statement of the segment to which they relate. These extraordinary items are reversed in the Group’s consolidated financial statements in accordance with US GAAP.

Adjustments to net income include decreases of CHF 0.2 billion, CHF 0.6 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively, to reverse the impact of these items included in the segment results. This treatment of provisions resulted in a decrease of net revenues of CHF 0.6 billion for the year ended December 31, 2002 and insignificant adjustments to net revenues for the years ended December 31, 2003 and 2001.

Other

Other valuation and income recognition adjustments to net income and net revenues include (amounts specified all reflect adjustments to net income):

- Timing differences for the recognition of gains and losses on investment securities. Related adjustments to net income were decreases of CHF 0.2 billion, CHF 0.2 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively;

- Capitalization of certain costs related to the acquisition and development of internal use software in the Group’s consolidated financial statements, which were expensed for management reporting purposes in years prior to 2002. Related adjustments to net income were decreases of CHF 0.2 billion and CHF 0.3 billion and an increase of CHF 0.3 billion for the years ended December 31, 2003, 2002 and 2001, respectively;

- Recognition of additional accruals in the consolidated financial statements for defined benefit pension plans which are treated as defined contribution pension plans for management reporting purposes. Related adjustments to net income were increases of CHF 0.3 billion, CHF 0.3 billion and CHF 0.3 billion for the years ended December 31, 2003, 2002 and 2001, respectively;

- Elimination of dividend and interest income on own shares and bonds in the consolidated financial statements which are included as investments for management reporting purposes. Related adjustments to net income were decreases of CHF 15 million and CHF 0.3 billion for the years ended December 31, 2003 and 2001, respectively and an increase of CHF 0.3 billion for the year ended December 31, 2002

- Elimination of differences in the treatment of transfers of financial assets between the consolidated financial statements and management reporting. Related adjustments to net income were decreases of CHF 15 million, CHF 0.3 billion and CHF 0.1 billion for the years ended December 31, 2003, 2002 and 2001, respectively;

- Tax impact, where applicable, of adjustments noted above. Related adjustments to net income were decreases of CHF 0.4 billion, CHF 0.3 billion and CHF 0.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively; and

- Other insignificant adjustments.

Total assets

Adjustments to *total assets* result primarily from inter-company eliminations in addition to the impact of the adjustments to *net income* noted above.

Segment reporting by geographic location

The following table sets forth the consolidated results by geographic location, based on the location of the office recording the transactions. This presentation does not reflect the way the Group is managed:

Year ended December 31, in CHF m	Switzerland	Europe (excluding Switzerland)	Americas	Asia/Pacific/ Africa	Total
2003					
Net revenues	20,186	20,319	8,711	2,290	51,506
Total expenses [1)]	(20,947)	(17,414)	(9,307)	(2,074)	(49,742)
Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**(761)**	**2,905**	**(596)**	**216**	**1,764**
2002					
Net revenues	19,322	15,319	10,351	2,394	47,386
Total expenses [1)]	(21,947)	(14,032)	(13,295)	(2,361)	(51,635)
Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**(2,625)**	**1,287**	**(2,944)**	**33**	**(4,249)**
2001					
Net revenues	21,910	19,846	15,126	3,292	60,174
Total expenses [1)]	(20,535)	(19,056)	(18,299)	(3,152)	(61,042)

Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes	**1,375**	**790**	**(3,173)**	**140**	**(868)**

1) Includes total benefits, claims and credit losses and total operating expenses.

The following table sets forth details of assets by geographic location. The analysis of premises and equipment is based on the location of the reporting entities, whereas the analysis of *total assets* reflects the customers' domicile.

December 31, in CHF m	Switzerland	Europe (excluding Switzerland)	Americas	Asia/Pacific/ Africa	Total
2003					
Premises and equipment	**4,531**	**2,152**	**1,004**	**132**	**7,819**
Total assets	**188,733**	**358,511**	**376,484**	**80,580**	**1,004,308**
2002					
Premises and equipment	4,969	2,807	1,406	190	9,372
Total assets	176,635	346,305	431,301	72,917	1,027,158

6 Interest and dividend income and interest expense

The following table sets forth the details of interest and dividend income and interest expense:

Year ended December 31, in CHF m	2003	2002	2001
Interest income on loans	**6,834**	7,394	9,663
Interest income on investment securities	**3,944**	3,395	4,327
Dividend income from investment securities	**198**	469	679
Interest and dividend income on trading assets	**10,775**	10,997	13,747
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**5,252**	7,750	14,303
Other	**1,361**	2,195	3,242
Total interest and dividend income	**28,364**	32,200	45,961
Deposits	**3,404**	4,386	9,084
Short-term borrowings	**339**	239	701
Interest expense on trading liabilities	**4,829**	4,328	6,417

Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**4,655**	7,505	15,249
Long-term debt	**2,808**	4,239	4,111
Other	**602**	494	310
Total interest expense	**16,637**	21,191	35,872
Net interest income	**11,727**	11,009	10,089

7 Trading activities

The following table sets forth the details of trading-related revenues:

Year ended December 31, in CHF m	2003	2002	2001
Interest rate products	**353**	842	2,740
Equity/index-related products	**2,361**	806	5,088
Foreign exchange products	**964**	859	1,711
Other	**(150)**	936	189
Trading revenues	**3,528**	3,443	9,728
Interest and dividend income on trading assets	**10,775**	10,997	13,747
Interest expense on trading liabilities	**(4,829)**	(4,328)	(6,417)
Trading interest income, net	**5,946**	6,669	7,330
Total trading-related revenues	**9,474**	10,112	17,058

The following table summarizes the details of trading assets and liabilities:

December 31, in CHF m	2003	2002
Trading assets		
Debt securities	**162,424**	157,198
Equity securities	**66,269**	40,052
Positive replacement values of derivative trading positions	**51,842**	53,032
Other	**15,541**	12,808
Total trading assets	**296,076**	263,090
Trading liabilities		
Short positions	**98,424**	86,925
Negative replacement values of derivative trading positions	**57,907**	53,473

Total trading liabilities	**156,331**	140,398

8 Noninterest revenues and expenses

The following table sets forth the details of commissions and fees:

Year ended December 31, in CHF m	2003	2002	2001
Commissions from lending business	**865**	892	895
Investment and portfolio management fees	**3,935**	4,728	5,389
Commissions for other securities business	**202**	224	250
Commissions and fees from fiduciary activities	**4,137**	4,952	5,639
Underwriting fees	**2,540**	3,041	4,017
Brokerage fees	**3,092**	3,816	4,837
Commissions, brokerage, securities underwriting and other securities activities	**5,632**	6,857	8,854
Fees for other customer services	**2,314**	2,643	3,604
Commissions and fees	**12,948**	15,344	18,992

The following table sets forth the details of other revenues:

Year ended December 31, in CHF m	2003	2002	2001
Gains/(losses) from loans held-for-sale	**(104)**	(199)	(189)
Gains/(losses) from long-lived assets held-for-sale	**(21)**	(31)	60
Income/(loss) from equity method investments	**38**	(183)	104
Gains/(losses) from other investments	**366**	(641)	(770)
Other	**(335)**	544	564
Other revenues	**(56)**	(510)	(231)

The following table sets forth the details of policyholder benefits, claims and dividends:

Year ended December 31, in CHF m	2003	2002	2001
	20,627	21,270	21,244

Policyholder benefits and claim expenses			
Dividends to policyholders	**2,258**	(1,996)	512
Policyholder benefits, claims and dividends	**22,885**	19,274	21,756

The following table sets forth the details of banking compensation and benefits:

Year ended December 31, in CHF m	2003	2002	2001
Salaries and bonuses	**9,721**	11,851	16,576
Social security	**669**	679	910
Other	**652**	965	691
Banking compensation and benefits	**11,042**	13,495	18,177

The following table sets forth the details of other expenses:

Year ended December 31, in CHF m	2003	2002	2001
Occupancy expenses	**848**	988	1,094
IT, machinery, etc.	**475**	573	660
Depreciation expenses	**1,346**	1,597	1,625
Amortization and impairment of other intangible assets	**355**	93	479
Provisions and losses	**470**	1,692	1,064
Commission expenses	**1,652**	1,870	2,553
Travel and entertainment	**411**	543	610
Professional services	**1,578**	1,960	2,914
Other	**1,875**	2,105	3,286
Other expenses	**9,010**	11,421	14,285

9 Insurance premiums, claims and related reinsurance

The following table sets forth insurance premiums, claims and related reinsurance for the non-life and life businesses:

December 31, in CHF m	2003	2002	2001
Non-life			
Direct	**10,874**	10,476	11,621
Assumed	**107**	190	440
Ceded	**(440)**	(331)	(891)
Net premiums written	**10,541**	10,335	11,170

Direct	**10,735**	10,286	11,292
Assumed	**129**	173	265
Ceded	**(445)**	(344)	(904)
Net premiums earned	**10,419**	10,115	10,653
Direct	**(8,070)**	(8,121)	(9,139)
Assumed	**99**	(275)	(198)
Ceded	**172**	608	1,031
Claims incurred	**(7,799)**	(7,788)	(8,306)
Life			
Direct	**11,418**	12,027	11,509
Assumed	**76**	241	220
Ceded	**(83)**	(33)	(207)
Net premiums written	**11,411**	12,235	11,522
Direct	**11,416**	12,023	11,506
Assumed	**71**	203	208
Ceded	**(83)**	(34)	(208)
Net premiums earned	**11,404**	12,192	11,506
Direct	**(12,815)**	(13,104)	(13,069)
Assumed	**(58)**	(382)	(51)
Ceded	**45**	4	182
Death and other benefits incurred	**(12,828)**	(13,482)	(12,938)
Life insurance in force	**333,748**	342,967	351,726

Reinsurance

The Group's non-life and life insurance subsidiaries cede some of their insurance risks to third parties in order to provide greater diversification of their businesses, provide additional capacity for future growth, effect business sharing arrangements, protect against catastrophic events and limit the potential for losses arising from large risks.

The reinsurance arrangements do not relieve the Group from its direct obligation to its policyholders. Thus, a credit exposure exists to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance arrangements. The Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to reinsurers to minimize its exposure to significant losses from reinsurers' insolvencies. The Group's current policy is generally to place its reinsurance with companies rated A or better by Standard & Poor's. A balance sheet provision has been recorded for estimated unrecoverable reinsurance of CHF 6 million and CHF 25 million as of December 31, 2003 and 2002, respectively. In addition, certain reinsurance purchased on behalf of the Group by H.S. Weavers is uncollectible. However, uncollectible reinsurance on the H.S. Weavers business is covered by the retroactive reinsurance agreement discussed below. Of the decrease approximately CHF 17 million related to the disposal of the Italian operations. In addition, the Group's policy is generally to hold collateral in the form of cash, securities and letters of credit as under the related reinsurance agreements. Concentrations with individual reinsurers are not material to the Group and the Group is not substantially dependent upon any individual reinsurance arrangements.

Non-life reinsurance

The Group has a global catastrophe reinsurance protection program providing coverage for losses arising from any one incident in excess of CHF 50 million. Retention limits are generally based on the line of business and the jurisdiction of coverage. Reinsurance assumed by the Group from other companies is done on a facultative basis.

H.S. Weavers was an underwriting agent that wrote business on behalf of "Winterthur" Swiss Insurance Company through 1983. Such business included commercial umbrella and excess casualty business from US companies, and, as a result, the Group has significant exposure to asbestos, pollution and other health hazard claims. Effective July 1, 2000, Winterthur purchased retroactive reinsurance coverage from National Indemnity Corporation to limit the exposure from this book of business. As a result of this retroactive reinsurance transaction, the Group recorded a net deferred gain in the amount of CHF 404 million. The deferred gain resulted from a carried reserve of CHF 954 million, exceeding the premium paid of CHF 550 million. As of December 31, 2003 and 2002, the net deferred gain was CHF 153 million and CHF 277 million, respectively. Following the sale of Churchill Insurance Group in the UK, Republic in the US and its Italian operations in 2003, Winterthur's catastrophe exposure has been significantly reduced.

Life reinsurance

The Group limits its exposure to losses on any single life. For traditional insurance products, Life & Pensions retains a maximum of approximately CHF 4 million per individual life. There are smaller retentions for certain geographic regions and other products. Life reinsurance is entered into principally under surplus agreements on yearly renewable terms or on a modified co-insurance basis. Amounts recoverable from life reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits.

10 Securities borrowed, lent and subject to repurchase agreements

The following table summarizes the securities borrowed or purchased under agreements to resell, at their respective carrying values:

December 31, in CHF m	2003	2002
Central bank funds sold and securities purchased under resale agreements	**149,336**	159,623
Deposits paid for securities borrowed	**107,747**	108,011
Total central bank funds sold, securities purchased under resale agreements, and securities borrowing transactions	**257,083**	267,634

The following table summarizes the securities lent or sold under agreements to repurchase, at their respective carrying values:

December 31, in CHF m	2003	2002
Central bank funds purchased and securities sold under agreements to	**192,638**	213,728

repurchase		
Deposits received for securities lent	**44,209**	38,115
Total central bank funds purchased, securities sold under repurchase agreements, and securities lending transactions	**236,847**	251,843

The maximum month-end amount of securities purchased under agreements to resell was CHF 272,412 million and CHF 267,634 million in 2003 and 2002, respectively. The average amount of securities purchased under agreements to resell during the year was CHF 262,988 million and CHF 239,782 million in 2003 and 2002, respectively.

Purchase and reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of time. The Group monitors the fair value of securities received or delivered. For reverse repurchase agreements, the Group requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested when appropriate in response to an increase in the market value of securities sold under repurchase agreements.

In the event of counterparty default, the financing agreement provides the Group with the right to liquidate the collateral held. In the Group's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2003 and 2002, respectively.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash advanced or received and are collateralized principally by cash or marketable securities. Securities borrowing transactions require the deposit of cash or securities collateral with the lender. For securities lending transactions, the Group receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Group monitors the market value of securities borrowed and securities lent on a daily basis and additional collateral is obtained as necessary.

11 Investment securities

The following tables summarize the details of debt and equity investment securities:

December 31, in CHF m	2003	2002
Debt securities held-to-maturity	**17,386**	7,405
Securities available-for-sale	**88,421**	101,327
Total investment securities	**105,807**	108,732

December 31, 2003 in CHF m	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value

Debt securities issued by the Swiss Federal Government, cantonal or local governmental entities	7,145	0	118	7,027
Debt securities issued by foreign governments	7,201	1	1	7,201
Corporate debt securities	1,196	0	17	1,179
Other	1,844	0	30	1,814
Debt securities held-to-maturity	**17,386**	**1**	**166**	**17,221**
Debt securities issued by the Swiss Federal Government, cantonal or local governmental entities	4,245	457	7	4,695
Debt securities issued by foreign governments	26,963	696	199	27,460
Corporate debt securities	41,730	1,400	659	42,471
Other	7,839	190	45	7,984
Debt securities available-for-sale	**80,777**	**2,743**	**910**	**82,610**
Public utilities	104	10	0	114
Banks, trust and insurance companies	1,539	185	26	1,698
Industrial and all other	3,670	357	28	3,999
Equity securities available-for-sale	**5,313**	**552**	**54**	**5,811**
Securities available-for-sale	**86,090**	**3,295**	**964**	**88,421**

December 31, 2002 in CHF m				
Debt securities issued by foreign governments	7,404	1	0	7,405
Corporate debt securities	1	0	0	1
Debt securities held-to-maturity	**7,405**	**1**	**0**	**7,406**
Debt securities issued by the Swiss Federal Government, cantonal or local governmental entities	10,574	864	1	11,437
Debt securities issued by foreign governments	36,748	954	99	37,603
Corporate debt securities	29,291	1,668	156	30,803
Other	11,791	569	24	12,336
Debt securities available-for-sale	**88,404**	**4,055**	**280**	**92,179**
Public utilities	85	13	3	95
Banks, trust and insurance companies	2,732	146	138	2,740
Industrial and all other	6,368	281	336	6,313
Equity securities available-for-sale	**9,185**	**440**	**477**	**9,148**
Securities available-for-sale	**97,589**	**4,495**	**757**	**101,327**

As of December 31, 2003, the aggregate investments in debt securities from four specific counterparties were each in excess of 10% of consolidated shareholders' equity. Aggregate investments in debt securities issued by two European governments and two European financial institutions represented approximately 15.2%, 26.1%, 22.5% and 10.6%, respectively, of the December 31, 2003, balance of consolidated shareholders' equity. The Standard & Poor's ratings for these were AA, AAA, AAA and AAA, respectively.

The following table sets forth gross unrealized losses on investment securities and the related fair value, segregated by investment category and length of time such investments have been in a continuous unrealized loss position:

	Less than 12 months		12 months or more		Total	
December 31, 2003 in CHF m	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Debt securities issued by the Swiss Federal Government, cantonal or local governmental entities	7,027	118	0	0	7,027	118
Debt securities issued by foreign governments	1,471	1	0	0	1,471	1
Corporate debt securities	1,179	17	0	0	1,179	17
Other	1,814	30	0	0	1,814	30
Debt securities held-to-maturity	**11,491**	**166**	**0**	**0**	**11,491**	**166**
Debt securities issued by the Swiss Federal Government, cantonal or local governmental entities	631	7	0	0	631	7
Debt securities issued by foreign governments	18,940	199	0	0	18,940	199
Corporate debt securities	22,918	644	822	15	23,740	659
Other	9,438	45	0	0	9,438	45
Debt securities available-for-sale	**51,927**	**895**	**822**	**15**	**52,749**	**910**
Equity securities available-for-sale	**1,177**	**54**	**0**	**0**	**1,177**	**54**
Securities available-for-sale	**53,104**	**949**	**822**	**15**	**53,926**	**964**

Management determined that the unrealized losses on debt securities are primarily attributable to general market interest, credit spread or exchange rate movements. No impairment has been recorded as the Group has the intent and ability to hold the debt securities to maturity. The unrealized losses on investments in equity securities are primarily attributable to market fluctuations rather than to specific adverse conditions.

The following table sets forth proceeds from sales and realized gains and losses from available-for-sale securities:

Debt securities	Equity securities

Year ended December 31, in CHF m	2003	2002	2001	2003	2002	2001
Proceeds from sales	**44,279**	42,001	25,286	**11,148**	18,873	22,299
Realized gains	**1,848**	1,110	643	**802**	2,748	2,743
Realized losses	**(290)**	(592)	(258)	**(824)**	(7,473)	(3,691)

Transfers of debt securities from available-for-sale to trading account assets resulted in gross realized gains of CHF 2 million and CHF 0 million during 2002 and 2001, respectively, and gross realized losses of CHF 0 million and CHF 17 million in 2002 and 2001, respectively. In 2003, no such transfers occurred.

To meet asset and liability management requirements, the Group reclassified certain debt securities with an amortized cost value of CHF 11,227 million from available-for-sale to held-to-maturity during 2003. The unrealized gain of CHF 583 million on these securities, included as a separate component of shareholders' equity, will be amortized over the remaining life of the securities as an adjustment to yield.

The Group recognized other-than-temporary impairments on available-for-sale securities of CHF 629 million, CHF 4,837 million and CHF 1,597 million in 2003, 2002 and 2001, respectively. Of these amounts CHF 303 million and CHF 19 million are included in the results of discontinued operations for 2002 and 2001, respectively. No such amounts are included in the results of discontinued operations for 2003.

The following table sets forth amortized cost, fair value and average yield of debt securities classified as available-for-sale and held-to-maturity:

	Debt securities held-to-maturity			Debt securities available-for-sale		
December 31, 2003, in CHF m	Amortized cost	Fair value	Yield	Amortized cost	Fair value	Yield
Due within 1 year	2,694	2,695	1.90%	5,655	5,954	2.47%
Due from 1 to 5 years	5,790	5,773	2.27%	26,492	26,970	2.19%
Due from 5 to 10 years	4,460	4,376	2.09%	31,480	32,206	2.38%
Due after 10 years	4,442	4,377	2.92%	17,150	17,480	3.96%
Total debt securities	17,386	17,221	2.33%	80,777	82,610	2.66%

As of December 31, 2003, financial investments from the insurance business with the fair value and book value of CHF 38 million and CHF 36 million, respectively, were on deposit with regulatory authorities. The Group retains ownership of all securities on deposit with regulatory authorities and receives the related investment income.

The following table sets forth the net change in unrealized gains and losses for investment securities from the insurance businesses:

Year ended December 31, in CHF m	2003	2002	2001
Debt securities	**(1,754)**	2,644	303
Equity securities	**583**	292	(4,854)
Other investments	**(69)**	59	314

Transfers of equity securities and securities classified as available-for-sale to held-to-maturity	**392**	0	0
Change in unrealized investment gains/(losses)	**(848)**	2,995	(4,237)
Adjustments			
Deferred policy acquisition costs	**212**	(141)	221
Present value of future profits	**34**	(250)	288
Policyholder liabilities	**(174)**	(842)	1,085
Deferred income taxes	**219**	(421)	134
Net change in unrealized investment gains/(losses) from the insurance business before minority interests	**(557)**	1,341	(2,509)
Minority interests	**(3)**	108	(245)
Net change in unrealized investment gains/(losses) from the insurance business	**(560)**	1,449	(2,754)

Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in *Other comprehensive income/(loss)* within *Shareholders' equity,* net of deferred income taxes and adjustments to insurance policyholder liabilities and deferred acquisition costs on participating policies (shadow adjustments).

12 Other investments

The following table summarizes details of other investments:

December 31, in CHF m	2003	2002
Equity method investments	**1,690**	1,843
Non-marketable equity securities	**6,204**	13,264
Total other investments	**7,894**	15,107

13 Real estate held for investment

The following table summarizes details of real estate held for investment:

December 31, in CHF m	2003	2002
Land	**2,538**	2,667
Buildings and improvements	**8,118**	8,675
Cost value	**10,656**	11,342
Accumulated depreciation	**(1,508)**	(1,426)

Net book value	**9,148**	9,916

As a result of decreases in the market values for real estate, predominantly in Switzerland, the Group performed an impairment evaluation on its real estate portfolios in both 2003 and 2002, and certain properties were identified as impaired. The carrying values of the impaired properties were written down to the fair value, establishing a new cost basis. For these properties, fair values were measured based on either discounted cash flow analyses or external market appraisals. Accordingly, impairment charges of CHF 36 million and CHF 29 million were recorded in 2003 and 2002, respectively, and are included in *Other revenues* in the consolidated income statement. For real estate classified as held-for-sale, an additional impairment charge of CHF 182 million was recorded in 2003, as described in note 19.

14 Loans

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

December 31, in CHF m	2003	2002
Banks	**1,254**	1,416
Commercial	**42,811**	47,693
Consumer	**70,932**	65,029
Public authorities	**3,419**	3,107
Lease financings	**3,481**	3,230
Switzerland	**121,897**	120,475
Banks	**7,876**	8,841
Commercial	**31,264**	38,648
Consumer	**19,741**	18,330
Public authorities	**797**	1,586
Lease financings	**144**	165
Foreign	**59,822**	67,570
Loans, gross	**181,719**	188,045
Deferred expenses, net	**106**	179
Allowance for loan losses	**(4,646)**	(7,427)
Total loans, net	**177,179**	180,797

The following table sets forth the movements in the allowance for loan losses:

in CHF m	2003	2002	2001
Balance January 1	**7,427**	9,348	10,906
New provisions	**1,686**	3,194	2,674
Releases of provisions	**(1,071)**	(690)	(1,002)
Net additions charged to income statement	**615**	2,504	1,672

Gross write-offs	**(3,333)**	(3,692)	(3,720)
Recoveries	**48**	61	48
Net write-offs	**(3,285)**	(3,631)	(3,672)
Allowances acquired	**26**	4	2
Provisions for interest	**155**	187	400
Foreign currency translation impact and other adjustments, net	**(292)**	(985)	40
Balance December 31	**4,646**	7,427	9,348

As described in note 1, the allowance for loan losses is estimated considering a variety of sources of information including, as appropriate, discounted cash flow analysis, fair value of collateral held less disposal costs and historical loss experience.

The following tables set forth details of impaired loans, with or without a specific allowance including troubled debt restructurings. Loans are considered impaired when it is considered probable that the Group will not collect all amounts due under the loan terms.

December 31, in CHF m	2003	2002
With a specific allowance	**6,459**	11,807
Without a specific allowance	**748**	699
Total impaired loans, gross	**7,207**	12,506

Year ended December 31, in CHF m	2003	2002	2001
Average balance of impaired loans	**8,204**	13,397	16,164
Interest income which was recognized	**52**	107	184
Interest income recognized on a cash basis	**119**	158	169

Year ended December 31, in CHF m	2003	2002	2001
Net gains/(losses) on the sale of loans	**80**	(188)	(164)

At December 31, 2003, the Group did not have any commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

15 Premises and equipment

The following table sets forth the movements of cost and accumulated depreciation of premises (own-use real estate) and equipment:

December 31, in CHF m	2003	2002
Buildings and improvements	**5,429**	5,616
Land	**1,152**	1,234
Leasehold improvements	**1,498**	1,608
Software	**2,447**	2,566
Other	**4,404**	4,772
Premises and equipment	**14,930**	15,796
Accumulated depreciation	**(7,111)**	(6,424)
Total premises and equipment, net	**7,819**	9,372

The carrying value of internally developed software is assessed on a regular basis. In 2003 and 2002, the Group recorded impairment charges of CHF 55 million and CHF 73 million, respectively, as a result of the assessments.

16 Goodwill

The following table sets forth the movements of goodwill by operating segment:

in CHF m	Private Banking	Corporate & Retail Banking	Life & Pensions	Insurance	Institutional Securities	CSFB Financial Services	Credit Suisse Group
Balance December 31, 2001	582	182	2,216	2,540	11,560	2,792	19,872
Goodwill acquired during year	18	30	23	76	79	246	472
Discontinued operations	(4)	0	0	0	0	(867)	(871)
Other [1]	(80)	(13)	(41)	(215)	(1,940)	(520)	(2,809)
Balance December 31, 2002	516	199	2,198	2,401	9,699	1,651	16,664
Goodwill acquired during year	1	0	0	4	31	19	**55**
Impairment	0	0	(1,510)	0	0	0	**(1,510)**
Discontinued operations	0	0	(230)	(1,403)	0	0	**(1,633)**
Other [1]	(3)	2	(25)	(103)	(949)	(173)	**(1,251)**
Balance December 31, 2003	**514**	**201**	**433**	**899**	**8,781**	**1,497**	**12,325**

[1] Including foreign exchange impact on non-CHF denominated goodwill.

During 2003, as a result of the changing environment in the life and pensions business, the Group identified an excess in the carrying amount of goodwill over its implied fair value and recorded an impairment charge of CHF 1,510 million. The Group used projected cash flows and market multiples analyses to compute the fair value of this segment.

During 2003, primarily the disposals of Churchill Insurance Group, Republic Financial Services and the Group's Italian insurance operations resulted in a decrease of CHF 1,633 million in goodwill in the consolidated balance sheet.

During 2002, primarily the disposal of Pershing LLC resulted in a decrease of CHF 871 million in goodwill in the consolidated balance sheet.

Prior to 2002, the Group amortized goodwill on a straight-line basis over its expected life. Subsequent to the adoption of SFAS 142 on January 1, 2002, goodwill is no longer amortized. Had SFAS 142 been adopted prior to the beginning of 2001, net income and basic and diluted earnings per share would have been as follows:

Year ended December 31, in CHF m except per share amounts	2001
Net income	
Reported net income	(659)
Goodwill amortization	1,587
Adjusted net income	928
Basic earnings per share	
Reported basic earnings per share	(0.58)
Goodwill amortization	1.40
Adjusted basic earnings per share	0.82
Diluted earnings per share	
Reported diluted earnings per share	(0.58)
Goodwill amortization	1.40
Adjusted diluted earnings per share	0.82

17 Intangible assets

The following table sets forth the details of intangible assets:

	2003			2002 [1]		
December 31, in CHF m	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets (finite life)						
Present value of future profits	**4,834**	**(1,624)**	**3,210**	5,523	(1,742)	3,781
Tradenames / trademarks	**65**	**(27)**	**38**	80	(10)	70
Client relationships	**555**	**(186)**	**369**	853	(129)	724
Other	**485**	**(119)**	**366**	228	(95)	133
Total amortizing intangible assets	**5,939**	**(1,956)**	**3,983**	6,684	(1,976)	4,708
Unamortized intangible assets (indefinite life)	**73**	**–**	**73**	86	–	86
Total intangible assets	**6,012**	**(1,956)**	**4,056**	6,770	(1,976)	4,794

[1] Prior years have not been adjusted for discontinued operations.

At December 31, 2003 and 2002, CHF 73 million and CHF 86 million, respectively, of the Group's acquired intangible assets were considered to have an indefinite life and therefore were not subject to amortization. All of the Group's other acquired intangible assets as of that date were subject to amortization. During 2003, the Group recorded CHF 21 million of additional intangible assets with amortization periods from 3 to 21 years.

During the year ended December 31, 2003, management elected to transfer the High Net Worth, or HNW, asset management business from the Institutional Securities segment to the CSFB Financial Services segment. The transfer was completed in the first quarter of 2004. With respect to this business, as a result of the valuation analysis performed, the Group determined that the carrying value of its intangible assets relating to the management contracts and tradenames associated with the HNW business exceeded the expected future cash flows. As such, the Group recorded an impairment loss of CHF 270 million pre-tax (CHF 176 million after tax) for the year ended December 31, 2003.

The aggregate amortization expenses for 2003, 2002 and 2001, were CHF 609 million, CHF 632 million and CHF 908 million, respectively.

The following table sets forth the estimated amortization expenses for intangible assets for the next five years:

Year ending December 31, in CHF m	
2004	342
2005	307
2006	270
2007	258
2008	233

18 Present value of future profits (PVFP)

The following table sets forth the movements of present value of future profits:

in CHF m	2003	2002	2001
Balance January 1	**4,182**	4,893	5,359
Additions arising from acquisitions	**0**	17	26
Interest accrued during the year	**166**	175	284
Impairments and disposals [1)]	**(219)**	(59)	0
Amortization expenses	**(690)**	(714)	(713)
Foreign currency translation impact and other	**111**	(130)	(63)
Balance December 31 before adjustments	**3,550**	4,182	4,893
Adjustment for unrealized gains/(losses) on available-for-sale securities	**(340)**	(401)	(144)

Balance December 31	**3,210**	3,781	4,749

[1)] Prior years have not been adjusted for discontinued operations.

In 2003, the PVFP was reduced by CHF 147 million due to the disposal of Winterthur Italy. The remaining balance relates to impairments.

The following table sets forth the estimated amortization expense before the effect of unrealized gains and losses for the next five years:

Year ending December 31, in CHF m	
2004	278
2005	245
2006	212
2007	205
2008	183

19 Other assets

The following table sets forth the details of other assets:

December 31, in CHF m	2003	2002
Positive replacement values of derivative instruments (hedging)	**4,808**	2,911
Brokerage receivables	**21,140**	16,551
Assets held for sale including:		
Loans	**8,768**	10,038
Real estate held-for-sale	**241**	396
Assets held-for-sale	**9,009**	10,434
Interest and fees receivable	**6,647**	10,306
Deferred tax assets	**4,988**	5,550
Prepaid expenses	**1,621**	813
Other receivables from customers	**12,323**	11,526
Premiums and insurance balances receivable, net	**8,008**	9,791
Reinsurance recoverables [1)]	**2,103**	3,413
Deferred policy acquisition costs, net	**3,189**	4,779
Other	**4,450**	3,169
Total other assets	**78,286**	79,243

[1)] Comprised of unearned premium reserves ceded and provisions from the insurance business ceded.

As of December 31, 2003 and 2002, the Group held CHF 8.8 billion and CHF 10.0 billion, respectively, of loans held-for-sale in its loan portfolio. The majority of the portfolio is comprised of floating rate commercial mortgages, which are purchased or originated with the intent of later securitizations. Loans held-for-sale are valued at the lower of cost or market.

As of December 31, 2003 and 2002, the Group had a portfolio of CHF 241 million and CHF 396 million of real estate held-for-sale. In accordance with its revised investment strategy, the Group has decided to dispose of a larger number of properties, primarily in the Life & Pensions segment in Switzerland. Therefore CHF 151 million and CHF 56 million of real estate were classified as held-for-sale in 2003 and 2002, respectively. For disposals where the expected sales proceeds for real estate held-for-sale are expected to be less than the respective carrying values, impairment charges of CHF 182 million were recorded in 2003. As of December 31, 2003 and 2002, the Group held CHF 64 million and CHF 301 million, respectively, of real estate acquired in the market, at auction, repossessed or reclassified, primarily related to the Group's former real estate investment business. These assets are valued at the lower of the carrying amount or fair value less cost to sell. No depreciation charge is recognized but the assets are tested for impairment on an annual basis.

As decribed in note 13, impairment charges of CHF 36 million and CHF 29 million were recorded in 2003 and 2002, respectively, on real estate held-for-investment.

20 Brokerage receivables and brokerage payables

The Group recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold, in which case the Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as a counterparty to a transaction, credit risk is generally considered to be reduced. The Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

The following table sets forth brokerage receivables and brokerage payables:

December 31, in CHF m	2003	2002
Due from customers	**11,615**	13,538
Due from banks, brokers and dealers	**9,525**	3,013
Total brokerage receivables	**21,140**	16,551
Due to customers	**8,506**	12,899
Due to banks, brokers and dealers	**5,477**	6,435
Total brokerage payables	**13,983**	19,334

21 Deferred policy acquisition costs

The following table sets forth the movements of deferred policy acquisition costs:

	Non-life	Life	Total

in CHF m	2003	2002[1)]	2001[1)]	2003	2002[1)]	2001[1)]	2003	2002[1)]	2001[1)]
Balance January 1	**2,613**	1,568	761	**2,408**	2,299	417	**5,021**	3,867	1,178
Disposals	**(2,169)**	(52)	(26)	**(76)**	(112)	0	**(2,245)**	(164)	(26)
Costs deferred	**1,951**	3,860	3,253	**746**	684	2,203	**2,697**	4,544	5,456
Amortization expense	**(1,611)**	(2,575)	(2,360)	**(626)**	(353)	(282)	**(2,237)**	(2,928)	(2,642)
Foreign currency translation impact	**18**	(172)	(60)	**45**	(106)	(39)	**63**	(278)	(99)
Other	**0**	(16)	0	**0**	(4)	0	**0**	(20)	0
Balance December 31 before adjustments	**802**	2,613	1,568	**2,497**	2,408	2,299	**3,299**	5,021	3,867
Adjustment for unrealized gains/(losses) on available-for-sale securities	**0**	0	0	**(110)**	(242)	(93)	**(110)**	(242)	(93)
Balance December 31	**802**	2,613	1,568	**2,387**	2,166	2,206	**3,189**	4,779	3,774

1) Prior years have not been adjusted for discontinued operations.

22 Deposits

The following table sets forth the details of Swiss and foreign deposits. The designation of Switzerland versus foreign is based upon the location of the office receiving and recording the deposit.

	2003			2002		
December 31, in CHF m	Switzerland	Foreign	Total	Switzerland	Foreign	Total
Noninterest-bearing demand deposits	**7,098**	**1,104**	**8,202**	5,684	882	6,566
Interest-bearing demand deposits	**50,267**	**7,121**	**57,388**	35,949	6,436	42,385
Savings deposits	**43,718**	**17**	**43,735**	39,730	10	39,740
Time deposits	**34,117**	**118,547**	**152,664**	39,300	117,274	156,574
Total deposits	**135,200**	**126,789**	**261,989**	120,663	124,602	245,265

The following table sets forth the maturities of the Group's time deposits:

December 31, in CHF m	
2004	144,090
2005	316
2006	1,903
2007	135
2008	511
Thereafter	5,709
Total time deposits	**152,664**

As of December 31, 2003 and 2002, CHF 373 million and CHF 419 million, respectively, of overdrawn deposit accounts were reclassified as loans.

23 Provisions from the insurance business

The following table sets forth the details of provisions from the life and non-life businesses:

	2003		2002	
December 31, in CHF m	Gross	Net	Gross	Net
Unearned premiums	**2,686**	**2,615**	6,784	6,403
Future policyholder benefits (health care business)	**4,571**	**4,571**	3,800	3,800
Unpaid losses and loss adjustment expenses	**13,489**	**11,759**	18,105	15,496
Annuities	**1,629**	**1,617**	1,514	1,503
Future dividends to policyholders	**1,727**	**1,727**	1,335	1,335
Provision – non-life	**24,102**	**22,289**	31,538	28,537
Unearned premiums	**18**	**17**	16	15
Future policyholder benefits	**93,721**	**93,479**	84,812	84,459
Death and other benefits	**4,621**	**4,574**	4,176	4,118
Future dividends to policyholders	**2,696**	**2,695**	1,933	1,933
Bonuses held on deposits	**3,677**	**3,677**	3,618	3,618
Provision – life	**104,733**	**104,442**	94,555	94,143
Total provisions from the insurance business	**128,835**	**126,731**	126,093	122,680

24 Provisions for unpaid losses and loss adjustment expenses from the non-life insurance business

The following table reconciles the gross provisions for unpaid losses and loss adjustment expenses (LAE) presented in the balance sheet to the gross provisions for unpaid losses and LAE shown in the table below:

December 31, in CHF m	2003	2002	2001
Unpaid losses and loss adjustment expenses	**13,489**	18,105	18,656
Annuities	**1,629**	1,514	1,507
Provisions for unpaid losses and LAE, gross (balance sheet)	**15,118**	19,619	20,163
Winterthur reinsurance business [1)]	**(163)**	(282)	(377)
German health care business [2)]	**(236)**	(194)	(198)

Provisions for unpaid losses and LAE, gross	**14,719**	19,143	19,588

1) The Winterthur reinsurance business was divested in 1998. A 100% reinsurance contract was entered into for those contracts that were not novated.
2) German health care business, which is included in the non-life business segment, is excluded from the reclassifications of unpaid losses and LAE in the table below and is not a property-casualty business.

The following table sets forth the movements of provisions for unpaid losses and LAE, including the effect of reinsurance ceded, for the non-life insurance business:

in CHF m	2003	2002	2001
Unpaid losses and LAE, gross, January 1	**19,143**	19,588	20,604
Reinsurance recoverables on unpaid losses	**(2,338)**	(2,892)	(3,914)
Provisions for unpaid losses and LAE, net, January 1	**16,805**	16,696	16,690
Discontinued operations [1]	**(4,788)**	(221)	0
Current accident year	**6,567**	10,937	10,707
Prior accident years [2]	**116**	(172)	79
Losses and LAE incurred	**6,683**	10,765	10,786
Current accident year	**(2,919)**	(5,173)	(4,796)
Prior accident years	**(2,933)**	(3,928)	(4,750)
Losses and LAE paid	**(5,852)**	(9,101)	(9,546)
Foreign currency translation impact	**293**	(661)	(234)
Other [3]	**0**	(673)	(1,000)
Provisions for unpaid losses and LAE, net, December 31	**13,141**	16,805	16,696
Reinsurance recoverables on unpaid losses	**1,578**	2,338	2,892
Provisions for unpaid losses and LAE, gross, December 31	**14,719**	19,143	19,588

1) This includes provisions for losses and LAE related to disposed businesses (Italy, UK and Republic in 2003 and Portugal and Singapore in 2002).
2) The loss on prior accident years in 2003 is impacted by certain reinsurance contracts related to businesses sold in 2002 and earlier. The profit on prior accident years in 2002 was primarily due to subsidiaries in Italy and the UK. In 2001, the loss was mainly driven by subsidiaries in the US and Spain.
3) This includes provisions for losses and LAE for subsidiaries/portfolios, that Winterthur sold in 2002 and 2001, respectively. In 2002, CHF –681 million for France and Austria are included for which Winterthur announced the disposal in 2001 and finalized the sale in 2002. In 2001, CHF 513 million for CGU Belgium and CHF 417 million for the

Prudential portfolio are included, which Winterthur acquired in 2001, and CHF –1,944 million for Winterthur International, Winterthur Swiss Insurance (Asia), Hong Kong and the Czech non-life portfolio, which Winterthur divested in 2001.

Gross provisions for losses and LAE for asbestos and environmental claims were CHF 704 million and CHF 742 million as of December 31, 2003 and 2002, respectively. Of this amount, CHF 613 million in 2003 and CHF 639 million in 2002 related to claims in North America. Net provisions for losses and LAE for asbestos and environmental claims were CHF 202 million and CHF 192 million as of December 31, 2003 and 2002, respectively. Of this amount, CHF 129 million in 2003 and CHF 107 million in 2002 related to claims in North America. The difference between the gross and net provisions for loss and LAE from asbestos and environmental claims is primarily due to reinsurance on H.S. Weavers (refer to note 9). Due to uncertainties such as changes in legislation, additional liabilities for asbestos and environmental claims may arise for amounts in excess of the current provisions, of which the amounts cannot be reasonably estimated. However, the Group believes it is not likely that any such additional losses will have a material adverse effect on the Group's financial condition and results of operations.

As of December 31, 2003 and 2002, the carrying value of certain annuity type non-life reserves that are discounted, on a gross basis, were CHF 3,889 million and CHF 3,550 million, respectively. The discount amounts were CHF 1,863 million and CHF 1,724 million for 2003 and 2002, respectively. The discount rates used were between 3% and 6% for 2003 and 2002, respectively. The amounts for 2002 exclude CHF 86 million on a gross basis and CHF 34 million on a discounted basis related to the Portuguese business, which was a discontinued operation.

Life contracts with guarantees

The following table sets forth the movement in liabilities for minimum guaranteed death benefits and annuitization options reflected in the general account "Provisions for future policyholder benefits" as a result of the adoption of SOP 03-1:

in CHF m	Minimum guaranteed death benefits	Annuitization options	Total 2003
Balance January 1	35	333	**368**
Incurred guaranteed benefits	20	(98)	**(78)**
Paid guaranteed benefits	0	(18)	**(18)**
Other	(1)	(1)	**(2)**
Balance December 31	54	216	**270**

The most significant guarantees were provided on the Swiss group life businesses for annuitization options. The actuarial assumptions used to determine the required reserve are based on the internally developed mortality tables 1996/2000, lapse rates based on internal statistics updated for 2003, a long-term investment return of 4.5% and an original conversion rate of 7.2%, which was reduced during 2003 to 6.8%, depending on gender and age.

As of December 31, 2003, the Group had the following variable contracts with guarantees:

December 31, 2003, in CHF m,	Event of death	At annuitization

except where indicated

Account value	910	116
Net amount at risk	8,689 1)	40 2)
Average attained age of contract holder (in years)	38	–
Weighted average period remaining until expected annuitization (in years)	–	7

[1] Current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.
[2] Present value of the minimum guaranteed annuity payments available to the contract holder determined in accordance with the terms of the contract in excess of the current account balance.

The account balances for contracts with guarantees were invested in the following investments at December 31, 2003. The balances below do not include investments made in connection with the Swiss group life business, as this business is not considered a separate account business under the applicable accounting rules.

December 31, 2003, in CHF m	
Debt securities	10
Equity securities	932
Real estate	2
Cash and cash equivalents	82
Total	**1,026**

25 Participating policies of the insurance businesses

Participating policies are policies where policyholders participate in the results based on the experience of the insurer, depending on company practice, legal requirements and/or market conditions and the jurisdiction. The amount of dividends to be paid is determined annually by the executive board of the respective companies where the dividends are paid.

Participating business for non-life insurance represented approximately 12% and 8% of the total non-life insurance premium income for the years ended December 31, 2003 and 2002, respectively. The increase in the percentage of participating business is mainly driven by the decrease in premium income for non-participating policies due to the disposal of operations in the UK and Italy.

Participating business for life insurance represented approximately 76% and 75% of the total life insurance sum assured in force as of December 31, 2003 and 2002, respectively, and approximately 67% of life insurance premium income for both 2003 and 2002.

As of December 31, 2003 and 2002, the amount of policyholder dividends incurred for the non-life business was an expense of CHF 397 million and income of CHF 219 million, respectively. The amount of policyholder dividends paid for the life insurance business was CHF 744 million (excluding the disposal of operations in Italy) and CHF 1,230 million for the years ended December 31, 2003 and 2002, respectively. The amount of dividends to policyholders paid in the future will be affected by the implementation of a "legal quote" in Switzerland, as discussed in note 3 above.

26 Long-term debt

The following table sets forth the details of long-term debt:

December 31, in CHF m	2003	2002
Bonds	**81,371**	87,235
Time deposits and other long-term debt	**8,326**	18,205
Total long-term debt	**89,697**	105,440
of which subordinated bonds	**19,081**	21,523

Bonds

The Group issues both CHF and non-CHF denominated fixed and variable rate bonds. The weighted average coupon is based on the contractual terms, although for zero bonds the yield to maturity is applied. The Group uses derivative contracts, primarily interest rate and currency swaps, as hedges for some of its debt issues. The effect of these derivatives are not included in the calculation of interest expense on the associated debt.

The following table summarizes the details of bonds:

December 31, 2003		Weighted average coupon	Maturities	Amount in CHF m
Credit Suisse Group	Senior notes	3.88%	2004-2009	2,666
Credit Suisse Group Finance (Guernsey) Ltd., St. Peter Port	Senior notes	4.12%	2004-2019	1,261
	Subordinated notes	5.70%	2005-2017	3,519 1)
Credit Suisse Group Finance (Luxembourg) S.A., Luxembourg	Senior notes	3.20%	2005	348
Credit Suisse Group Finance (U.S.) Inc., Wilmington	Senior notes	5.75%	2005	2,039
	Subordinated notes	4.39%	2010-2020	2,887
Neue Aargauer Bank, Aarau	Subordinated notes	4.73%	2010-2012	224
Bank Leu AG, Zurich	Subordinated notes	5.00%	2006	94
Credit Suisse, Zurich	Senior notes	5.50%	2005	98
	Subordinated notes	4.52%	2005-2011	2,147
Credit Suisse Guernsey Branch, St. Peter Port	Subordinated notes	3.22%	2011-2013	1,077 2)
JOHIM (Holdings) Ltd., London	Senior notes	6.50%	2004	110
Credit Suisse First Boston, Zurich	Senior notes	4.36%	2004-2049	12,768

	Subordinated notes	2.58%	2004-2032	5,624
Credit Suisse First Boston Finance B.V., Amsterdam	Senior notes	1.30%	Perpetual	185
Credit Suisse First Boston (Cayman) Ltd., George Town	Senior notes	4.60%	2004-2006	124
Banco de Investimentos Credit Suisse First Boston S.A., Sao Paulo	Subordinated notes	11.20%	2007	62
Credit Suisse First Boston Inc., New York	Senior notes	4.60%	2004-2049	30,149 3)
	Subordinated notes	6.57%	2004-2018	1,094
Credit Suisse First Boston International, London	Senior notes	2.92%	2003-2049	8,626
	Subordinated notes	5.53%	2004-2049	2,353
Winterthur Capital Ltd., Hamilton	Senior notes	5.38%	2005	780
«Winterthur» Swiss Insurance Company, Winterthur	Senior notes	4.00%	2006	500
Swiss Mortgage Bond Bank	Senior notes	2.78%	2004-2013	2,636
Total senior notes				62,290
Total subordinated notes				19,081
Total bonds				**81,371**

1) Of which CHF 1,101 m (GBP 500 m) are perpetual.
2) Of which CHF 195 m (EUR 125 m) are perpetual.
3) Of which CHF 28,904 m are issued by CSFB (USA) Inc.

The following table sets forth the maturity structure of bonds:

December 31, in CHF m	Within 1 year	Within 1 and 2 years	Within 2 and 3 years	Within 3 and 4 years	Within 4 and 5 years	More than 5 years	Total 2003
Credit Suisse Group	548	0	648	773	348	349	2,666
Credit Suisse Group Finance (Guernsey) Ltd., St. Peter Port	637	1,249	0	0	0	2,894	4,780
Credit Suisse Group Finance (Luxembourg) S.A., Luxembourg	0	348	0	0	0	0	348
Credit Suisse Group Finance (U.S.) Inc., Wilmington	0	2,039	0	0	0	2,887	4,926
Neue Aargauer Bank, Aarau	0	0	0	0	0	224	224
Bank Leu AG, Zurich	0	0	94	0	0	0	94
Credit Suisse, Zurich	0	615	121	0	123	1,386	2,245
Credit Suisse Guernsey Branch, St. Peter Port	0	0	0	0	0	1,077	1,077
JOHIM (Holdings) Ltd., London	110	0	0	0	0	0	110
Credit Suisse First Boston, Zurich	1,676	1,091	1,543	2,830	2,848	8,404	18,392
	0	0	0	0	0	185	185

Credit Suisse First Boston Finance B.V., Amsterdam							
Credit Suisse First Boston (Cayman) Ltd., George Town	54	59	11	0	0	0	124
Banco de Investimentos Credit Suisse First Boston S.A., Sao Paulo	0	0	0	62	0	0	62
Credit Suisse First Boston Inc., New York	3,347	4,178	4,379	3,210	4,275	11,854	31,243
Credit Suisse First Boston International, London	1,129	1,260	1,221	1,265	2,933	3,171	10,979
Winterthur Capital Ltd., Hamilton	0	780	0	0	0	0	780
«Winterthur» Swiss Insurance Company, Winterthur	0	0	500	0	0	0	500
Swiss Mortgage Bond Bank	147	362	466	305	402	954	2,636
Total bonds	**7,648**	**11,981**	**8,983**	**8,445**	**10,929**	**33,385**	**81,371**

Credit Suisse Group and Credit Suisse First Boston (USA) Inc., maintain committed unsecured 364-day credit facilities totaling CHF 2.5 billion as of December 31, 2003, with syndicates of international banks, which they elected not to renew during 2004. Credit Suisse First Boston, through various broker-dealer and bank subsidiaries, has negotiated secured bilateral committed credit arrangements with various third party banks. As of December 31, 2003, Credit Suisse First Boston maintained 3 such credit facilities that collectively totaled USD 1.45 billion (at March 31, 2004 there were 6 facilities totaling USD 2.45 billion). These facilities require Credit Suisse First Boston's various broker-dealer and bank subsidiaries to pledge unencumbered marketable securities to secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the Federal Funds rate or LIBOR and can be used for general corporate purposes. The facilities contain customary covenants that we believe will not impair our ability to obtain funding. As of December 31, 2003, no borrowings were outstanding under any of the facilities.

Mandatory convertible securities

On December 23, 2002, Credit Suisse Group Finance (Guernsey) Ltd. – a wholly-owned subsidiary of Credit Suisse Group – issued subordinated Mandatory Convertible Securities ("securities") in the aggregate amount of CHF 1.25 billion. The securities were issued in the form of notes with a denomination of CHF 1,000 per note and a final maturity on December 23, 2005. Credit Suisse Group guaranteed the securities on a subordinated basis.

A fixed coupon amount of 6% per annum is payable at the discretion of the issuer – subject to certain coupon limitations – on December 23 of each year, beginning in 2003 and up to and including the maturity date. On each date Credit Suisse Group pays a cash dividend or any other cash distribution to its shareholders or, subject to certain exceptions, redeems any Credit Suisse Group shares ("shares") or other junior or preferred obligations, an equivalent floating coupon amount per note is payable in respect of such number of shares corresponding to 32.33107 shares per note. Any coupon payment not due and payable will not remain owing or entitle holders to a claim in respect thereof upon a winding-up of the guarantor, or at any other time (i.e. coupons are non-cumulative).

Mandatory conversion at maturity (redemption)

Notes not converted before the 20th trading day prior to the maturity date will be redeemed through conversion into shares on the maturity date. Upon such conversion, each note holder shall receive between 26.93966 and 32.33107 shares per note converted based on the closing prices of the shares over a period prior to the maturity date.

Voluntary conversion at the option of the note holders

Notes may be converted into shares any time after February 3, 2003, and before the 20th trading day prior to the maturity date at the election of each note holder. Upon such conversion, each note holder making such election shall receive 26.93966 shares per note converted.

Early conversion at the option of the issuer

Notes may be converted into shares at any time after February 3, 2003, and before the 20th trading day prior to the maturity date at the option of the issuer. Upon such early conversion, holders will receive 32.33107 shares per note plus all remaining fixed coupon amounts scheduled for payment up to and including the maturity date. This option can only be exercised if certain coupon limitations do not apply and if the shares to be delivered have the same entitlements (including dividends) as the other outstanding shares. As of December 31, 2003, none of the mandatory convertible securities had been converted into shares.

Time deposits and other long-term debt

In addition to the bonds issued, the Group enters into various transactions for the purpose of long-term financing and borrowing. Included in these transactions are primarily note payables, interest rate swaps and other transactions. As all such financing instruments have a contractual maturity greater than one year, with various maturity dates through 2072.

The interest rates are in a range between 0.00% and 11.50%. The floating rates are generally based on LIBOR.

27 Other liabilities

The following table sets forth the details of other liabilities:

December 31, in CHF m	2003	2002
Negative replacement values of derivative instruments (hedging)	**1,169**	682
Brokerage payables	**13,983**	19,334
Provisions [1]	**1,998**	2,420
Restructuring liabilities	**92**	126
Interest and fees payable	**10,883**	10,306
Current tax liabilities	**2,413**	2,150
Deferred tax liabilities	**2,238**	4,180
Liabilities related to the insurance business	**8,822**	7,850
Other	**19,702**	25,741
Total other liabilities	**61,300**	72,789

[1] Includes provision for off-balance sheet risk of CHF 138 million and CHF 208 million as of December 31, 2003 and 2002, respectively.

28 Restructuring liabilities

The following table details the changes in the restructuring liabilities during 2003, 2002 and 2001, and the amounts included in the Group’s condensed consolidated balance sheet at:

	2003			2002			2001		
in CHF m	Personnel	Other	Total	Personnel	Other	Total	Personnel	Other	Total
Balance January 1	**75**	**51**	**126**	66	6	72	481	58	539
Net additions charged to income statement	**80**	**31**	**111**	33	10	43	53	21	74
Write-offs/recoveries, net	**(94)**	**(57)**	**(151)**	(64)	(13)	(77)	(482)	(71)	(553)
Transfers, foreign exchange	**4**	**2**	**6**	40	48	88	14	(2)	12
Balance December 31	**65**	**27**	**92**	75	51	126	66	6	72

In 2003, Credit Suisse Group recognized restructuring charges of CHF 138 million, of which CHF 12 million were reported in the Private Banking segment and CHF 126 million were reported at Winterthur (CHF 39 million in the Life & Pensions segment and CHF 87 million in the Insurance segment). Additionally, the Group recorded a release of provisions that were no longer required of CHF 27 million.

These charges reflect expenses related to a reorganization plan announced by Winterthur in February 2003 to realign its organizational structure in response to its decision to change from a growth strategy to a profitability strategy. Management anticipates that the majority of the reorganization activities at Winterthur will be completed by the end of 2004 and the total estimated cost of completing the reorganization will be approximately CHF 10 million.

The restructuring charges incurred at Winterthur in the year ended December 31, 2003, and the cumulative amount incurred as of December 31, 2003, consist of personnel expenses of CHF 86 million and other expenses of CHF 40 million. The personnel expenses were attributable to headcount reduction and related severance payments. Other expenses incurred were primarily attributable to termination costs and moving expenses related to the closure or subleasing of certain buildings, the termination of software licensing agreements, the write-off of fixed assets and consultancy fees.

In 2002, the Group recognized restructuring charges related to the insurance business, the private banking business with respect to efforts to refocus on private banking clients as well as severance payments at Credit Suisse First Boston. Restructuring charges in 2001 related to the insurance business and e-business activities. Prior to 2001, the Group recognized restructuring charges related to the acquisition of Donaldson, Lufkin & Jenrette, Inc. and Colonial UK.

29 Preferred securities

The Group has non-cumulative guaranteed perpetual preferred securities issued through wholly-owned special purpose subsidiaries in Guernsey, Channel Islands, that were established for the exclusive purpose of issuing such preferred securities and investing the gross proceeds in notes receivable of the Group. The preferred securities are classified as minority interests. The Group has made unsecured, subordinated guarantees for the benefit of the holders of the preferred securities of the issuers listed in the table below except for Credit Suisse First Boston Capital (Guernsey) I Ltd.

In December 2003, the FASB issued certain revisions to FIN 46 to clarify and expand on the accounting guidance for variable interest entities. In accordance with this revised guidance, the Group will deconsolidate the subsidiaries listed below at the end of the first quarter of 2004. As a result, the notes issued by the Group to those entities will be classified as *Long-term debt* of the Group, and the common securities issued by the entities and owned by the Group will be recorded by the Group as an asset. In addition, the preferred securities issued by the entities will no longer be included in the Group's consolidated statement of financial condition. The deconsolidation of the entities will not have a material effect on the Group's consolidated balance sheet or statement of income.

The following table summarizes details of perpetual preferred securities outstanding as of December 31, 2003:

Issuer	Issue date	Notional amount Currency	Notional amount in m	Amounts in CHF m	Coupon rate	Related notes issued by CSG soley redeemable by issuer on and after
Credit Suisse First Boston Capital (Guernsey) I Ltd.	June 1999	USD	125	154	2.926%[1)]	June 29, 2004
Credit Suisse Group Capital (Guernsey) II Ltd.	June 2000	EUR	250	390	7.974%	June 21, 2010
Credit Suisse Group Capital (Guernsey) III Ltd.	June 2000	GBP	150	330	8.514%	June 15, 2015
Credit Suisse Group Capital (Guernsey) IV Ltd.	June 2000	CHF	150	150	6.500%	June 30, 2010
Credit Suisse Group Capital (Guernsey) V Ltd.	November 2001	EUR	400	624	6.905%	November 07, 2011
Credit Suisse Group Capital (Guernsey) VI Ltd.	December 2001	JPY	30,500	352	3.570%	December 18, 2006
Credit Suisse Group Capital (Guernsey) VII Ltd.	June 2002	JPY	17,000	196	3.500%	July 31, 2007
Preferred securities issued				**2,196**		
Held by Credit Suisse Group and Group companies				(29)		
Preferred securities (notional amount)				**2,167**		
Accrued dividends				**47**		
Total preferred securities				**2,214**		

1) Based on six-month LIBOR as of December 29, 2003, plus 1.70%

30 Accumulated other comprehensive income

The following table sets forth the movements of accumulated other comprehensive income:

in CHF m	Gains/losses cash flow hedge	Cumulative translation adjustment	Unrealized gains/ (losses) on securities	Minimum pension liability adjustment	Accumulated other comprehensive income
Balance December 31, 2000	(157)	562	5,890	(1)	6,294
Change	(98)	64	(3,052)	(215)	(3,301)

Reclassification adjustments	0	0	(330)	0	(330)
Balance December 31, 2001	(255)	626	2,508	(216)	2,663
Change	221	(2,928)	(489)	(365)	(3,561)
Reclassification adjustments	0	0	(358)	0	(358)
Balance December 31, 2002	(34)	(2,302)	1,661	(581)	(1,256)
Change	36	(1,019)	(478)	4	(1,457)
Reclassification adjustments	1	235	(42)	0	194
Balance December 31, 2003	**3**	**(3,086)**	**1,141**	**(577)**	**(2,519)**

31 Earnings per share

The following table sets forth details of the calculation of earnings per share:

Year ended December 31, in CHF m	2003	2002	2001
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**1,675**	(4,080)	(904)
Income/(loss) from discontinued operations, net of tax	**(346)**	(447)	122
Extraordinary items, net of tax	**7**	18	0
Cumulative effect of accounting changes, net of tax	**(566)**	61	123
Net income available for common shares for basic EPS	**770**	(4,448)	(659)
Interest on convertible securities	1)	2)	2)
Net income available for common shares for diluted EPS	**770**	(4,448)	(659)
Weighted-average common shares outstanding for basic EPS	**1,168,883,452**	1,154,529,909	1,134,355,261
Potential dilutive common shares			
Contingent issuable shares	**23,956,296**	2)	2)
Incremental shares from assumed conversions			
Convertible securities	1)	2)	2)
Share options	**7,606,650**	2)	2)
Adjusted weighted-average common shares for diluted EPS	**1,200,446,398**	1,154,529,909	1,134,355,261
Basic earnings per share, in CHF			
Income/(loss) from continuing	**1.43**	(3.53)	(0.80)

operations before extraordinary items and cumulative effect of accounting changes			
Income/(loss) from discontinued operations, net of tax	**(0.30)**	(0.39)	0.11
Extraordinary items, net of tax	**0.01**	0.02	0.00
Cumulative effect of accounting changes, net of tax	**(0.48)**	0.05	0.11
Net income/(loss)	**0.66**	(3.85)	(0.58)

Diluted earnings per share, in CHF			
Income/(loss) from continuing operations before extraordinary items and cumulative effect of accounting changes	**1.39**	(3.53)	(0.80)
Income/(loss) from discontinued operations, net of tax	**(0.29)**	(0.39)	0.11
Extraordinary items, net of tax	**0.01**	0.02	0.00
Cumulative effect of accounting changes, net of tax	**(0.47)**	0.05	0.11
Net income/(loss)	**0.64**	(3.85)	(0.58)

1) For 2003, the computation of the diluted earnings per share excludes the effect of the potential exchange of convertible securities into 40,413,838 shares, as the effect would be antidilutive.
2) For 2002 and 2001, the computation of the diluted earnings per share excludes the effect of the contingent issuable shares, the potential exchange of convertible securities and the potential exercise of share options, as the effect would be antidilutive.

32 Income taxes

The following table sets forth the details of current and deferred taxes:

Year ended December 31, in CHF m	2003	2002	2001
Switzerland	**466**	391	570
Foreign	**955**	(208)	634
Current income tax expense	**1,421**	183	1,204
Switzerland	**39**	(547)	179
Foreign	**(1,473)**	255	(1,589)
Deferred income tax expense/(benefit)	**(1,434)**	(292)	(1,410)
Income tax expense/(benefit)	**(13)**	(109)	(206)
Expense/(benefit) for income taxes on discontinued operations	**124**	0	3
	(183)	0	56

Expense/(benefit) for income taxes on cumulative effect of accounting changes			
Income tax expense/(benefit) reported in shareholders' equity related to:			
Cumulative translation adjustment	**(16)**	14	0
Unrealized gains/losses on securities	**(217)**	(384)	(602)
Minimum pension liability adjustment	**(59)**	(142)	(60)
Gains/losses on cash flow hedges	**3**	(1)	(8)
Share based compensation and treasury shares	**58**	8	(257)

The following table is a reconciliation of taxes computed at the Swiss statutory rate of 25% to the actual income tax expense/(benefit):

Year ended December 31, in CHF m	2003	2002	2001
Income tax expense/(benefit) computed at the statutory tax rate	**441**	(1,062)	(217)
Increase/(decrease) in income taxes resulting from:			
Tax rate differential	**(598)**[1)]	(243)	(622)
Non-deductible amortization of goodwill and intangible assets	**502**	165	490
Other non-deductible expenses	**394**	1,322	267
Additional taxable income	**311**	23	125
Lower taxed income	**(452)**	(968)	(484)
Changes in tax law and rates	**(471)**[1)]	156	189
Changes in deferred tax valuation allowance	**(114)**	856	302
Other	**(26)**	(358)	(256)
Income tax expense/(benefit)	**(13)**	(109)	(206)

[1)] In December 2003, the German government abolished the tax exemption for realized gains on equities and dividend income for investments held by life and health insurance companies. Retroactive changes were also made to the taxation of investment funds. This change resulted in a release of the deferred tax provision that the Group was holding in respect of realized and unrealized gains in investment funds. The change resulted in a tax benefit of CHF 782 million for the year ended December 31, 2003, of which CHF 711 million was allocated to the policyholders. The impact on net profit was CHF 71 million for the year ended December 31, 2003.

At December 31, 2003, the Group had accumulated undistributed earnings from foreign subsidiaries of CHF 5,983 million. No deferred tax has been recorded, as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Foreign income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes was CHF 2,525 million, CHF –1,624 million and CHF –2,243 million at December 31, 2003, 2002 and 2001, respectively.

Net operating loss carry-forwards were CHF 10,530 million at December 31, 2003, of which CHF 2,707 million have no expiration date and CHF 7,823 million expire at various dates through to 2023. Net operating loss carry-forwards were CHF 13,260 million at December 31, 2002.

The following table sets forth details of the tax effect of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities:

December 31, in CHF m	2003	2002
Insurance technical provisions	**1,611**	1,394
Employment compensation and benefits	**1,611**	1,910
Investment securities	**420**	1,119
Deferred policy acquisition costs	**40**	31
Provisions	**1,813**	2,644
Derivatives	**349**	639
Real estate	**435**	334
NOL carry-forwards	**3,289**	3,943
Other	**1,795**	2,213
Gross deferred tax asset before valuation allowance	**11,363**	14,227
Less valuation allowance	**(1,653)**	(1,931)
Gross deferred tax assets net of valuation allowance	**9,710**	12,296
Insurance technical provisions	**(888)**	(561)
Employment compensation and benefits	**(245)**	(216)
Investment securities	**(1,209)**	(2,926)
Present value of future profits	**(1,155)**	(1,384)
Deferred policy acquisition costs	**(755)**	(728)
Business combinations	**(906)**	(2,415)
Derivatives	**(365)**	(613)
Software capitalization	**(83)**	(142)
Leasing	**(119)**	(139)
Real estate	**(411)**	(558)
Other	**(824)**	(1,244)
Gross deferred tax liabilities	**(6,960)**	(10,926)
Net deferred tax assets/(liabilities)	**2,750**	1,370

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences, net of the existing valuation allowances as of December 31, 2003. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

The valuation allowance was CHF 1,155 million at January 1, 2001. The valuation allowance increased CHF 245 million in 2001. The valuation allowance increased CHF 531 million in 2002 and decreased CHF 278 million in 2003.

33 Employee compensation

The Group's share-based compensation program is an important element of its overall compensation packages for key employees and senior executives. This program represents a portion of the Group's bonuses and is also used for retention incentives and special awards. Awards are generally granted in the form of shares or share options. At February 10, 2004, the Group had conditional capital of 46,525,413 shares available for future share-based compensation awards. However, the Group is also permitted to satisfy its obligation for these awards by purchasing treasury shares.

In the third quarter of 2003, the Group introduced three-year vesting for share options and certain shares, primarily those related to non-Swiss Credit Suisse First Boston program participants. The Group will expense such awards as they vest over the three-year service period.

On September 9, 2003, the Group completed its option reduction program, which entitled employees to exchange on a value-for-value basis certain existing share options for new share options and shares. The exercise price of the new share options was 10% above the market price of the Group's shares on the valuation date. These share options are restricted for one year following the exchange and expire seven years after the exchange. The new shares were granted at the market price of the Group's shares on the valuation date and are restricted for one year following the exchange. In accordance with SFAS 123, the Group did not recognize any compensation expense as a result of the exchange. The following table provides a summary of the exchange resulting from the option reduction program.

	Number of options/shares in m	Weighted-average exercise price in CHF	Weighted-average fair value in CHF	Total fair value CHF m
Exchanged options	(66.6)	56.40	14.40	(958.5)
New options	2.7	50.55	14.73	39.5
New shares	20.0	–	45.95	919.0

In prior years, certain employees received a part of their compensation in the form of a financial instrument linked to Credit Suisse First Boston's long-term performance. Each unit entitles a holder to a potential future cash payment linked to Credit Suisse First Boston's operating return on average allocated capital, taking into account the Group's cost of capital. Units are subject to vesting and forfeiture provisions. The number of units received by an individual was based upon a fixed monetary amount approved by the Compensation Committee on the date of grant. In 2002 and 2001, employees were granted units with an initial value of USD 68 million and USD 304 million, respectively. No units were granted during 2003.

Share options

Share options are granted at an exercise price that is generally equal to the market price of Credit Suisse Group's shares on the date of grant. In addition, a majority of the share options cannot be exercised until at least one year after the grant date, become exercisable over various periods and expire after ten years. The following table presents the share option activities during the periods indicated:

	2003		2002		2001	
	Number of options	Weighted-average exercise price in CHF	Number of options	Weighted-average exercise price in CHF	Number of options	Weighted-average exercise price in CHF
Outstanding January 1	**139,242,643**	**54.85**	87,576,423	66.81	54,988,916	62.03
Granted [1]	**134,995**	**41.11**	54,392,144	36.07	39,890,090	68.21
Exercised	**(1,838,561)**	**48.71**	(892,209)	52.88	(5,752,475)	39.53
Forfeited	**(2,487,166)**	**53.64**	(1,833,715)	70.49	(1,550,108)	34.42
Exchanged, net	**(63,895,780)**	**56.65**	–	–	–	–
Expired	**(1,634,000)**	**67.50**	–	–	–	–
Outstanding December 31	**69,522,131**	**53.07**	139,242,643	54.85	87,576,423	66.81
Exercisable December 31	**33,846,230**	**57.62**	26,150,828	53.97	15,742,784	45.45

[1] Includes options approved by the Compensation Committee subsequent to December 31 as part of the year-end compensation process. 36,380 of these options granted in 2003 are attributable to future service periods and are therefore not considered as outstanding for SFAS 123 purposes.

The table below provides additional information about share options outstanding as of December 31, 2003:

	Options outstanding			Options excercisable	
Range of exercise price in CHF	Number of options outstanding	Weighted average remaining life in years	Weighted average exercise price in CHF	Number of options exercisable	Weighted average exercise price in CHF
12.50 – 25.00	4,142,480	2.07	15.40	4,142,480	15.40
25.01 – 37.50	21,848,164	8.60	32.01	3,578,629	33.43
37.51 – 50.00	4,313,810	5.58	45.03	3,818,683	44.88
50.01 – 62.50	9,991,757	6.16	53.67	5,665,873	54.67
62.51 – 75.00	17,203,362	7.68	68.46	7,726,543	68.64
75.01 – 100.00	12,022,558	6.98	84.69	8,914,022	84.75
Total	**69,522,131**	**7.16**	**53.07**	**33,846,230**	**57.62**

The following amounts are the weighted-average fair values and exercise prices of options at the date of grant relating to share options whose exercise price was equal to the market price of Credit Suisse Group's shares at the date of grant. [1]

in CHF	2003	2002	2001

Weighted-average fair values of options at the date of grant	**13.78**	12.35	19.61
Weighted-average exercise prices per option granted	**41.11**	36.07	68.21

1) Weighted-average calculation includes options granted subsequent to the financial year-end as part of the financial year compensation.

The following table presents the weighted-average assumptions used to value share options under the Black-Scholes valuation model. 1)

December 31	2003	2002	2001
Expected dividend yield, in %	**1.99**	1.83	2.75
Expected life of share options, in years	**5**	5	5
Expected volatility, in %	**44.05**	44.54	37.70
Expected CHF risk free interest rates, in %	**1.69**	1.83	2.98

1) Weighted-average calculation includes options granted subsequent to the financial year-end as part of the financial year compensation.

Shares

Shares granted as compensation awards generally vest upon grant, whereas shares granted as retention awards generally vest between one and five years. The following table presents the share activities during the periods indicated:

Number of shares	Compensation Awards 1)	Retention Awards 2)	Total
Outstanding at December 31, 2000	32,202,648	48,087,488	80,290,136
Granted 3)	7,187,779	16,536,964	23,724,743
Settled	(14,363,376)	(15,499,395)	(29,862,771)
Forfeited	(276,052)	(3,002,763)	(3,278,815)
Outstanding at December 31, 2001	24,750,999	46,122,294	70,873,293
Granted 3)	7,388,257	9,399,011	16,787,268
Settled	(7,372,356)	(16,761,059)	(24,133,415)
Forfeited	(254,715)	(2,562,747)	(2,817,462)
Outstanding at December 31, 2002	24,512,185	36,197,499	60,709,684
Granted 3) 4)	7,312,190	66,374,099	73,686,289
Settled	(10,262,710)	(12,210,961)	(22,473,671)
Forfeited	(297,063)	(2,802,825)	(3,099,888)
Outstanding at December 31, 2003	**21,264,602**	**87,557,812**	**108,822,414**

1) The weighted-average grant-date fair values per share of compensation awards granted during 2003, 2002 and 2001 were CHF 46.61, CHF 32.22 and CHF 70.75, respectively.
2) The weighted-average grant-date fair values per share of retention awards granted during 2003, 2002 and 2001 were CHF 42.38, CHF 40.37 and CHF 69.22, respectively.
3) Includes shares approved by the Compensation Committee subsequent to December 31 as part of the year-end-compensation process. 26,637,264, 5,709,943 and 5,538,269 of these shares, for 2003, 2002 and 2001, respectively, are attributable to future service periods and are therefore not considered as outstanding for SFAS 123 purposes.
4) Includes 20,000,608 shares granted in the option reduction program and 19,187,860 special equity retention awards.

34 Pension and post-retirement benefits

The provisions of SFAS No. 87, Employers Accounting for Pensions (SFAS 87) have been applied to the Group's most significant plans. Both the assets and covered employees within these principal plans comprise in excess of 95% of the respective assets and covered employees in all of the Group's defined benefit plans. The measurement date for the Group's principal plans is September 30.

Swiss pension plans

The pension funds of the Group in Switzerland are defined benefit plans and are set up as trusts domiciled in Zurich and Winterthur. All employees in Switzerland are covered by these plans. The pension plan benefits exceed the minimum benefits required under Swiss law. The defined benefit plans in Switzerland comprise approximately 65% of all the Group's employees participating in defined benefit plans, approximately 85% of the fair value of plan assets and approximately 80% of the pension benefit obligation of all defined benefit plans of the Group.

Employee contributions are calculated as a percentage of the employees' salary level and age, varying between 7.5% and 10.5%. The Group's contributions are 167% of the employees' contributions for the Credit Suisse Group pension plan. For the Winterthur Swiss pension plan, the Group contributes at least the difference between the statutory costs of the plan and the contributions of the insured, the yield on the Pension Fund assets and the surplus from the Group insurance contracts, but in any event an amount equal to at least 100% of the employees' contribution.

International pension plans

Various pension plans cover the Group's employees in non-Swiss locations, including both defined benefit and defined contribution plans. Retirement benefits under the plans depend on age, contributions and salary. The Group's funding policy with respect to these plans is consistent with local government and tax requirements. The assumptions used are derived based on local economic conditions. The Group's most significant non-Swiss defined benefit plans exist in the United States, the United Kingdom and Germany. These retirement plans provide benefits in the event of retirement, death, disability or employment termination.

Post-retirement benefits other than pensions

In the United States and Canada, the Group sponsors post-retirement benefit plans and provides health care benefits for certain active and retired employees.

Defined benefit plans

The following table sets forth details of net periodic pension expenses for the Swiss and international defined benefit plans:

Year ended December 31, in CHF m	2003	2002	2001

Service costs on benefit obligation	**490**	554	467
Interest costs on benefit obligation	**683**	687	637
Expected return on plan assets	**(897)**	(936)	(863)
Amortization of			
Unrecognized transition obligation/(asset)	**69**	68	67
Prior service cost	**40**	36	3
Unrecognized (gains)/losses	**32**	11	(28)
Net periodic pension costs	**417**	420	283
Settlement (gains)/losses	**(1)**	10	–
Curtailment (gains)/losses	**0**	17	–
Disposals	**4**	(4)	–
Termination losses	**49**	39	59
Total pension costs	**469**	482	342

The following table shows the changes in the benefit obligation and the fair value of plan assets during 2003 and 2002, and the amounts included in the Group's condensed consolidated balance sheet for the Group's defined benefit pension and other post-retirement benefit plans as of December 31, 2003 and 2002, respectively:

	Pension benefits		Post-retirement benefits	
in CHF m	2003	2002	2003	2002
Benefit obligation January 1	**16,781**	16,113	**72**	70
Benefit obligation of countries added in current year	**200**	96	**–**	–
Plan participant contributions	**215**	210	**1**	1
Service cost	**490**	554	**2**	2
Interest cost	**683**	687	**6**	5
Plan amendments	**3**	162	**–**	–
Settlements	**(1)**	(76)	**–**	–
Curtailments	**(11)**	(19)	**–**	–
Disposals	**(89)**	(3)	**–**	–
Special termination benefits	**49**	39	**–**	–
Actuarial (gain)/losses	**313**	75	**28**	7
Business combinations	**–**	32	**–**	5
Benefit payments	**(778)**	(761)	**(6)**	(5)
Exchange rate (gains)/losses	**(73)**	(328)	**(10)**	(13)
Benefit obligation December 31 [1)]	**17,782**	16,781	**93**	72
Fair value of plan assets January 1	**14,364**	14,702	**–**	–
Assets of countries added in current year	**275**	81	**–**	–
Actual return on plan assets	**720**	(369)	**–**	–
Group contributions	**901**	758	**5**	5

Plan participant contributions	**215**	210	**1**	–
Settlements	**–**	(90)	**–**	–
Curtailments	**–**	(17)	**–**	–
Disposals	**(66)**	–	**–**	–
Special termination benefits	**–**	35	**–**	–
Business combinations	**–**	25	**–**	–
Benefit payments	**(778)**	(761)	**(6)**	(5)
Exchange rate (gains)/losses	**(55)**	(210)	**–**	–
Fair value of plan assets December 31	**15,576**	14,364	**–**	–
Total amount recognized December 31				
Funded status of the plan	**(2,206)**	(2,417)	**(93)**	(72)
Unrecognized				
Net transition obligation/(asset)	**(9)**	58	**–**	–
Prior service cost	**341**	378	**(1)**	(2)
Net actuarial (gains)/losses	**2,414**	2,089	**24**	1
4th quarter employer contributions	**116**	299	**1**	1
Net amount recognized	**656**	407	**(69)**	(72)
Amounts recognized in the balance sheet consist of				
Prepaid benefit costs	**547**	348	**–**	–
Accrued benefit liability	**(998)**	(1,056)	**(69)**	(72)
Intangible asset	**266**	329	**–**	–
Accumulated other comprensive income	**841**	786	**–**	–
Net amount recognized	**656**	407	**(69)**	(72)

[1)] The accumulated benefit obligation for all defined benefit pension plans in Switzerland was CHF 13,665 and CHF 12,568 for the years ended December 31, 2003 and 2002, respectively.

The following table sets forth information for pension plans with an accumulated benefit obligation in excess of plan assets:

December 31, in CHF m	2003	2002
Projected benefit obligation	**13,029**	12,774
Accumulated benefit obligation	**11,956**	11,606
Fair value of plan assets	**10,922**	10,327

The following table sets forth additional information on obligations and funded status:

Pension benefits

December 31, in CHF m	2003	2002
Increase in minimum liability included in other comprehensive income	**98**	546

The following table sets forth details of the weighted-average assumptions used to determine benefit obligations:

	Pension benefits		Post-retirement benefits	
December 31, in %	2003	2002	2003	2002
Discount rate	**4.1**	4.1	**6.0**	6.3
Salary increases	**2.5**	2.6	**–**	–

The following table sets forth details of the weighted-average assumptions used to determine net costs:

	Pension benefits		Post-retirement benefits	
December 31, in %	2003	2002	2003	2002
Discount rate	**4.1**	4.4	**6.3**	7.0
Salary increases	**2.5**	3.5	**–**	–
Expected long-term rate of return on plan assets [1)]	**5.4**	6.0	**–**	–

[1)] The expected long-term rate of return on plan assets used to determine the net benefit cost for 2003 of pension plans in Switzerland was 5.2 %.

The following table sets forth the assumed health care cost trend rate:

	Post-retirement benefits	
December 31, in %	2003	2002
Assumed health care cost increase	**4.6**	4.7

A 1% increase or decrease in the health care cost trend rate assumption would not have had a material impact on the accumulated post-retirement benefit obligation or expense.

The valuation of the defined benefit plans results in significant pension benefit costs that are calculated based on actuarial valuation methods. Inherent in these valuations are key assumptions, including discount rate and expected return on plan assets.

The discount rates used reflect the rates at which the pension benefits could be effectively settled. To determine discount rates, the Group considers several factors. Depending on the availability of adequate statistical data, the discount rate is based upon either high-quality corporate bond rates or government bond rates plus a premium to approximate high-quality corporate bond rates. Additionally, the change of the reference rates since the last measurement date is taken into consideration.

The expected rate of return on plan assets is determined on a plan-by-plan basis, taking into consideration the asset mix of the plan and observed historical returns. The rate of return on plan assets observed is compared to the long-term rate of return for those asset classes and, if available, also to benchmark indices for pension plan asset developments. Some plans are insured with life insurance. The assumption made to determine the expected rate of return for insured plans is derived from the guaranteed interest on the insurance contract plus an estimate for the expected participation of the pension fund in the investment returns of the insurer in excess of the minimal contractual interest rate (policyholder dividends). The expected return on plan assets is calculated based upon a market-related value of plan assets that recognizes changes in fair value of the plan assets in a systematic and rational manner over five years.

Gains and losses due to changes in the amount of the projected benefit obligation or plan assets resulting from experience different from that assumed and from changes in assumptions (e.g. change in discount rate) are included as a component of net periodic pension and post-retirement cost for a year if, at the beginning of the year, that unrecognized gain or loss exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets. The amount included in the net periodic pension and post-retirement cost is the excess divided by the average remaining service period of active employees expected to receive benefits of the plan.

Plan assets and investment policy for plans in Switzerland

The total fair value of plan assets for the pension plans in Switzerland is CHF 13,507 million for the year ended December 31, 2003. At December 31, 2003 and 2002, the total fair value of Credit Suisse Group securities included in the plan assets was CHF 381 million and CHF 395 million, respectively. In 2003 and 2002, respectively, the majority of these assets were invested in Credit Suisse Group bonds. The Group has two major pension plans in Switzerland, the Credit Suisse Group pension plan covering the majority of the employees of the banking units and the Winterthur Swiss pension plan. These two plans cover 67% and 29% of all plan assets in Switzerland, respectively. The majority of the plan assets of the Winterthur Swiss pension plan are fully insured with Winterthur Life Switzerland. The plan assets covered by this agreement amounted to CHF 3,664 million and CHF 3,521 million at December 31, 2003 and 2002, respectively.

The following table sets forth the weighted average asset allocation of the Group's pension plan assets for plans in Switzerland:

	Pension plan asset allocation	
December 31, in %	2003	2002
Equity securities	**12.9**	9.6
Debt securities	**29.8**	29.7
Real estate	**13.9**	12.9
Alternative investments	**5.7**	4.4
Insurance	**27.1**	27.8
Liquidity	**10.6**	15.6
Total	**100.0**	100.0

The Credit Suisse Group pension plan employs a total return investment approach, whereby a diversified mix of equities, fixed income investments and alternative investments are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity investments are diversified across Swiss and non-Swiss stocks as well as between growth, value, and small and large capitalization stocks. Other assets, such as real estate, private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Credit Suisse Group pension plan follows defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis. The range for the asset allocation is as follows:

	Pension plan target asset allocation	
Credit Suisse Group pension plan, in %	from	to
Equity securities	0.0	40.0
Debt securities	25.0	60.0
Real estate	15.0	28.0
Alternative investments	0.0	15.0
Liquidity	0.0	35.0
Amounts invested in non-CHF denominated investments	10.0	40.0

The Winterthur Swiss pension plan is an insured plan. The determination of the long-term rate of return is based on the bonus expectations of the insurance contracts with Winterthur Life. The plan assets are invested in insurance contracts with Winterthur Life and in Winterthur managed funds. The Investment Committee of the plan decided not to invest at its own risk until it expects to achieve a higher rate of return on assets than the return on the Winterthur portfolio. This decision is reviewed quarterly.

The Group expects to contribute CHF 405 million to its pension plans in Switzerland in 2004.

Defined Contribution Plans

Credit Suisse Group also contributes to various defined contribution plans primarily in the US and the UK but also in other countries throughout the world. The contribution to these plans during 2003, 2002 and 2001 were CHF 122 million, CHF 164 million and CHF 109 million, respectively.

35 Related party transactions

Loans to members of the Board of Directors of Credit Suisse Group[1)]

in CHF m	2003	2002	2001
Balance January 1	**30**	21	24
Additions	**6**	9	0
Reductions	**12**	0	3
Balance December 31	**24**	30	21

1) None of the members of the Board of Directors has any executive function within the Group, which would require aggregated disclosure of outstanding loans with those of the members of the Group Executive Board. Number of individuals with outstanding loans at the beginning of the year and at the end of the year was nine.

Loans to members of the Group Executive Board 1)

in CHF m	2003	2002	2001
Balance January 1	**22**	33	64
Additions	**6**	3	2
Reductions	**22**	14	33
Balance December 31	**6**	22	33

1) The number of individuals with outstanding loans at the beginning of the year and at the end of the year was five and seven, respectively.

Loans outstanding made by us or any of our subsidiaries to equity method investees:

in CHF m	2003	2002	2001
Balance January 1	**728**	276	771
Additions/(repayments), net	**(124)**	452	(495)
Balance December 31	**604**	728	276

A large majority of loans outstanding to members of the Board of Directors of Credit Suisse Group and the Group Executive Board are mortgages or loans against securities. All mortgage loans are granted either with variable interest rates or with fixed interest rates over a certain period. Typically, fixed mortgages are granted for periods of up to five years. Interest rates applied are based on refinancing costs plus a margin and are consistent with those applicable to other employees. When granting a loan to these individuals, the same credit approval and risk assessment procedures apply as for loans to all employees. Loans against securities are granted at interest rates applicable to similar loans granted to other employees. Interest rates applied are based on refinancing costs plus a margin. In principle, members of the Board of Directors are not granted employee conditions on any loans extended to them, but are generally subject to conditions applied to customers with a comparable credit standing. In addition, some individuals have outstanding loans in connection with certain private equity investment opportunities that Credit Suisse First Boston provides to some employees. Interest rates applied are based on refinancing costs plus a margin. Such loans are no longer extended. In addition, banking subsidiaries of Credit Suisse Group have entered into financing and other banking agreements with companies in which current members of the Board of Directors have a significant influence. As of December 31, 2003, the total exposure to such related parties amounted to CHF 72 million, including all advances and contingent liabilities. The highest exposure to such related parties for any of the years in the three-year period ended December 31, 2003, did not exceed CHF 87 million.

Credit Suisse Group, together with its subsidiaries, is a global financial services provider and, in particular, has major retail and corporate banking operations in Switzerland. The Group, therefore, typically has relationships with many large companies including those in which Credit Suisse Group Board members assume management functions or board member responsibilities. With one exception, none of the members of the Board of Directors or companies affiliated with them have important business relationships with Credit Suisse Group or its banking subsidiaries. All relationships with the directors and their affiliated companies are in the ordinary course of business and are granted at arms' length.

36 Lease commitments

Operating leases

The following table sets forth details of future minimum operating lease commitments under non-cancellable operating leases:

Year ended December 31, in CHF m	2003
2004	**732**
2005	**672**
2006	**624**
2007	**548**
2008	**534**
Thereafter	**6,075**
Future operating lease commitments	**9,185**
Less minimum non-cancellable sublease rentals	**(1,394)**
Total net future minimum lease commitments	**7,791**

Rental expenses

The following table sets forth details of rental expenses for all operating leases:

Year ended December 31, in CHF m	2003	2002	2001
Minimum rentals	**770**	943	763
Sublease rental income	**(57)**	(34)	(43)
Total net rental expenses	**713**	909	720

37 Derivatives and hedging activities

Derivatives are generally either privately negotiated over-the-counter (OTC) contracts or standard contracts transacted through regulated exchanges. The Group's most frequently used derivative products include interest rate, cross-currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts, and foreign currency and interest rate futures. A description of the key features of these instruments and the key objectives of holding or issuing these instruments is set out below.

Swaps

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

Options

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

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

Forwards and Futures

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

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

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

In addition to the derivatives described above, the Group enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk, or that have non-standard interest or foreign currency terms. When such embedded derivative features are not considered clearly and closely related to the host instrument, the embedded features will be accounted for separately at fair value with subsequent changes in fair value reflected in the statement of income, provided the embedded features meet the definition of a derivative. Once separated, the derivative is recorded in the same line in the consolidated balance sheet as the host instrument.

On the date the derivative contract is entered into, the Group designates the derivative as belonging to one of the following categories:

- (1) Trading activities;

- (2) A risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
- (3) A hedge of the fair value of a recognized asset or liability;
- (4) A hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or a forecasted transaction; or
- (5) A hedge of a net investment in a foreign operation.

Trading activities

The Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Group's derivatives held at December 31, 2003, were used for trading activities.

Economic hedges

The Group uses interest rate derivatives to manage its net interest rate risk on certain of its core banking business assets and liabilities. However, these economic hedge relationships, while used to manage risk, do not qualify for hedge accounting treatment under US GAAP. Assets and liabilities subject to economic hedging are accounted for on an accrual basis with associated interest revenue and expense included in *Net interest income* . Derivatives used for economic hedging are accounted for at fair value with changes in fair value recorded in *Trading revenues* .

The Group also uses credit derivatives to manage the credit risk on certain of its loan portfolios. These derivatives also do not qualify for hedge accounting treatment under US GAAP. Loans subject to such economic hedges are accounted for on an accrual basis. Credit losses required to be recognized are recorded in the statement of income in *Provision for credit losses* when a loan is considered impaired. Credit derivatives used to hedge the credit risk in these loans are accounted for at fair value with changes in fair value recorded in *Trading revenues* .

Fair value hedges

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

In addition to hedging changes in fair value due to interest rate risk as discussed above, the Group uses:

- Cross-currency swaps to convert foreign currency denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities, and
- Foreign currency forward contracts to hedge the foreign currency risk associated with available-for-sale-securities. For such hedges, the time value portion of a foreign currency forward is excluded from the hedging relationship and is recorded in Trading revenues .

Derivatives that are designated and qualify as fair value hedges are recorded in the consolidated balance sheet at fair value with the carrying value of underlying hedged items also adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated statement of income as the change in fair value of the risk being hedged for the hedged assets or liabilities.

The following table sets forth details of fair value hedges:

December 31, in CHF m	2003	2002	2001
Net gain/(loss) of the ineffective portion	**50**	(6)	(14)
Fair value of open derivative transactions used as fair value hedges	**3,755**	2,342	(9)

Cash flow hedges

The Group uses cash flow hedging strategies to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Group also uses cross-currency swaps to convert foreign currency denominated fixed and floating rate assets or liabilities to fixed rate CHF assets or liabilities. Further, the Group uses derivatives to hedge the cash flows associated with forecasted transactions.

For cash flow hedges of forecasted transactions, the maximum length of time over which the Group hedges its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is 16 months.

The effective portion of the change in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recorded in *Accumulated other comprehensive income* (AOCI). These amounts are reclassified into earnings when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in earnings). The ineffective portion of the change in the fair value of a cash flow hedging derivative is recorded in *Trading revenues* .

The following table sets forth details of cash flow hedges:

December 31, in CHF m	2003	2002	2001
Net gain/(loss) of the ineffective portion	**1**	0	0
Expected reclassification from AOCI into earnings during the next twelve months	**(2)**	(5)	(8)
Fair value of open derivative transactions used as cash flow hedges	**94**	69	1

Net investment hedges

The Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The change in the fair value of a derivative used as a hedge of a net investment in a foreign operation is recorded in AOCI, to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in *Trading revenues* . The Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI, to the extent the hedge is effective.

The following table sets forth details of net investment hedges:

December 31, in CHF m	2003	2002	2001
Net gain/(loss) hedges included in the AOCI	**15**	0	0

Hedge documentation

The Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. All derivatives that are designated as fair value, cash flow or foreign currency hedges are linked to specific assets and liabilities on the balance sheet or specific forecasted transactions. The Group also formally assesses, at inception of a hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. When it is determined that a derivative has ceased to be highly effective, the Group discontinues hedge accounting prospectively as discussed below. The effectiveness of hedging relationships is determined by evaluating the statistical correlation between the hedged item and the hedging instrument.

Hedge discontinuation

The Group discontinues hedge accounting prospectively in the following circumstances:

- (1) It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);

- (2) The derivative expires or is sold, terminated, or exercised;

- (3) The derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or

- (4) The Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

When the Group discontinues hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried on the balance sheet at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Fair value adjustments to underlying hedged items will be amortized to the consolidated statement of income over the remaining life of the instrument. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in *AOCI* and be reclassified into earnings in the same period or periods during which the formerly hedged transaction affects earnings. When the Group discontinues hedge accounting because it is probable that a forecasted transaction will not occur within the required time period, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses that were previously recorded in *AOCI* will be recognized immediately in earnings. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the consolidated balance sheet, with changes in its fair value recognized in current period earnings, unless re-designated as a hedging instrument.

In 2001, the Group adopted SFAS 133, Accounting for Derivatives and Hedging Activities, as amended by SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, and SFAS 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. In accordance with the transition provisions of SFAS 133, the Group recorded the following in its 2001 consolidated financial statements:

- A net-of-tax cumulative adjustment of CHF 123 million in earnings to recognize the difference (attributable to the hedged risks) between the carrying values and fair values of related hedged assets and liabilities; and
- A net-of-tax cumulative adjustment of CHF 17 million in AOCI to recognize at fair value all derivatives that are designated as cash flow hedging instruments.

The Group reclassified CHF 14 million from the transition adjustment that was recorded in *AOCI* into earnings for the year ended December 31, 2001.

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

	Trading			Hedging		
December 31, 2003, in CHF bn	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Forward rate agreements	599.9	0.4	0.8	1.2	0.1	0.0
Swaps	7,340.1	138.4	136.7	56.1	2.4	0.4
Options bought and sold (OTC)	1,964.3	16.9	18.2	0.0	0.0	0.0
Futures	629.9	0.0	0.0	1.1	0.0	0.0
Options bought and sold (traded)	743.8	0.0	0.0	0.0	0.0	0.0
Interest rate products	**11,278.0**	**155.7**	**155.7**	**58.4**	**2.5**	**0.4**
Forwards	697.2	16.0	17.4	21.6	0.6	0.1
Swaps	460.5	24.3	22.8	4.5	1.4	0.0
Options bought and sold (OTC)	326.6	5.1	5.7	0.3	0.0	0.0
Futures	11.6	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	1.5	0.0	0.0	0.0	0.0	0.0
Foreign exchange products	**1,497.4**	**45.4**	**45.9**	**26.4**	**2.0**	**0.1**
Forwards	10.0	0.9	1.1	0.0	0.0	0.0
Swaps	2.2	0.2	0.1	0.0	0.0	0.0
Options bought and sold (OTC)	1.4	0.1	2.3	0.0	0.0	0.0
Futures	0.0	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	0.0	0.0	0.0	0.0	0.0	0.0
Precious metals products	**13.6**	**1.2**	**3.5**	**0.0**	**0.0**	**0.0**
Forwards	33.7	2.0	2.4	0.0	0.0	0.0
Swaps	32.7	1.4	1.4	0.0	0.0	0.0
Options bought and sold (OTC)	185.9	8.9	10.3	0.1	0.0	0.0
Futures	31.5	0.0	0.1	0.1	0.0	0.0
Options bought and sold (traded)	133.6	3.5	3.4	0.0	0.0	0.0

Equity/index-related products	**417.4**	**15.8**	**17.6**	**0.2**	**0.0**	**0.0**
Forwards	0.0	0.0	0.0	0.0	0.0	0.0
Swaps	272.1	4.0	5.8	0.5	0.0	0.0
Options bought and sold (OTC)	2.2	0.1	0.2	0.0	0.0	0.0
Futures	0.2	0.0	0.0	0.0	0.0	0.0
Options bought and sold (traded)	0.1	0.0	0.0	0.0	0.0	0.0
Other products	**274.6**	**4.1**	**6.0**	**0.5**	**0.0**	**0.0**
Total derivative instruments	**13,481.0**	**222.2**	**228.7**	**85.5**	**4.5**	**0.5**

The notional amount for derivative instruments (trading and hedging) was CHF 13,566.5 bn and CHF 12,570.5 bn as of December 31, 2003 and 2002, respectively.

	2003		2002	
December 31, in CHF bn	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (trading and hedging) before netting	**226.7**	**229.2**	238.0	237.6
Replacement values (trading and hedging) after netting	**56.6**	**59.1**	55.9	54.2

38 Financial instruments with off-balance sheet risk

Guarantees

The following table sets forth details of contingent liabilities associated with guarantees:

	Maturity less than	Maturity between	Maturity between	Maturity greater	Total gross amount		Total net amount [1]	
December 31, in CHF m	1 year	1 to 3 years	3 to 5 years	than 5 years	2003	2002	2003	2002
Credit guarantees and similar instruments	4,933	2,206	1,901	1,107	**10,147**	8,927	**8,194**	7,026
Perfomance guarantees and similar instruments	3,240	1,043	1,063	194	**5,540**	5,156	**4,841**	4,673
Securities lending indemnifications	21,888	0	0	0	**21,888**	21,168	**21,888**	20,719
Market value guarantees	89,509	37,797	72,383	17,049	**216,738**	175,241	**216,738**	175,241
Other guarantees [2]	2,017	235	79	370	**2,701**	3,444	**2,701**	3,444
Total guarantees	121,587	41,281	75,426	18,720	**257,014**	213,936	**254,362**	211,103

[1] Total net amount relates to gross amount less any participations.

2) Contingent considerations in business combinations, loans sold with recourse, residual value guarantees and other indemnifications.

As of December 31, 2003, the Group's carrying value of amounts recorded for off-balance sheet risks was CHF 5.8 billion (CHF 11.6 billion as of December 31, 2002), including replacement value of market value guarantees reported on-balance sheet of CHF 5.7 billion as of December 31, 2003 (CHF 11.4 billion as of December 31, 2002).

The following table sets forth details of collateral in respect of guarantees:

December 31, in CHF m	Mortgage collateral	Other collateral	Without collateral	Total 2003
Credit guarantees and similar instruments	940	3,564	3,690	**8,194**
Perfomance guarantees and similar instruments	165	1,991	2,685	**4,841**
Securities lending indemnifications	0	21,888	0	**21,888**
Market value guarantees	0	8,091	208,647	**216,738**
Other guarantees	90	966	1,645	**2,701**
Total guarantees	1,195	36,500	216,667	**254,362**

Credit guarantees are contracts that require the Group to make payments should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

As part of the Group's commercial mortgage activities in the US, the Group sells certain commercial mortgages that it has originated to Federal National Mortgage Association (FNMA) and agrees to bear a percentage of the losses should the borrowers fail to perform. The Group also issues guarantees that require it to reimburse FNMA for losses on certain whole loans underlying mortgage-backed securities issued by FNMA.

The Group also provides guarantees to variable interest entities and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Under certain circumstances, the Group has provided investors in private equity funds sponsored by a Group entity guarantees of potential obligations of certain general partners to return amounts previously paid as carried interest to those general partners. To manage its exposure, the Group generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Group is obligated to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Group's residential mortgage securitization activities in the United States, the Group at times guarantees the collection by the servicer and remittance to the securitization trust of prepayment penalties.

Securities lending indemnifications are arrangements whereby the Group agrees to indemnify securities lending customers against losses incurred in the event that security borrowers do not return securities subject to the lending agreement and the collateral held is insufficient to cover the market value of the securities borrowed.

Market value guarantees are issued in the ordinary course of business in the form of derivative contracts such as written put options and credit default swaps. Included in this category are certain written over-the-counter (OTC) put option contracts, pursuant to which the counterparty can potentially force the Group to acquire the underlying financial instrument or require the Group to make a cash payment in an amount equal to the decline in value of the financial instrument underlying the OTC put option. Also included in this category are credit derivatives that may subject the Group to credit spread or issuer default risk because the change in credit spreads or the credit quality of the underlying financial instrument may obligate the Group to make a payment. The Group seeks to manage these OTC derivatives exposures by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable, as interest rates or exchange rates could theoretically rise without limit. The Group discloses the notional amounts in order to provide an indication of the underlying exposure. In addition, the Group carries all derivatives at fair value in the balance sheet.

Other guarantees include acceptances and transactions with recourse and all other guarantees that are not allocated to one of the captions above.

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.

In connection with the sale of assets or businesses, the Group sometimes provides the acquiror with certain indemnification provisions. These indemnification provisions vary by counterparty in scope and duration and depend upon the type of assets or businesses sold. These indemnification provisions generally shift the potential risk of certain unquantifiable and unknowable loss contingencies (e.g. relating to litigation, tax, intellectual property matters and adequacy of claims reserves) from the acquirer to the seller. The Group closely monitors all such contractual agreements to ensure that indemnification provisions are adequately provided for in the Group's financial statements. Contingencies with respect to significant indemnification provisions provided by the Group are discussed in note 3.

The Group provides indemnifications to certain counterparties in connection with its normal operating activities. The Group has determined that it is not possible to estimate the maximum amount 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 off-balance sheet commitments

The following table sets forth details of other off-balance sheet commitments:

December 31, in CHF m	Maturity less than 1 year	Maturity between 1 to 3 years	Maturity between 3 to 5 years	Maturity greater than 5 years	Total gross amount 2003	Total gross amount 2002	Total net amount 2003	Total net amount 2002
Irrevocable commitments under documentary credits	3,463	12	6	0	**3,481**	3,528	**3,212**	3,242
Undrawn irrevocable credit facilities	39,641	18,678	7,578	4,644	**70,541**	83,969	**70,541**	83,969
Forward reverse repurchase agreements	12,537	0	0	0	**12,537**	7,617	**12,537**	7,617
Other commitments	293	133	317	1,541	**2,284**	1,439	**2,283**	1,439
Other off-balance sheet commitments	55,934	18,823	7,901	6,185	**88,843**	96,553	**88,573**	96,267

The following table sets forth details of collateral in respect of other off-balance sheet commitments:

December 31, in CHF m	Mortgage collateral	Other collateral	Without collateral	Total 2003
Irrevocable commitments under documentary credits	7	592	2,613	**3,212**
Undrawn irrevocable credit facilities	605	37,038	32,898	**70,541**
Forward reverse repurchase agreements	0	12,537	0	**12,537**
Other commitments	0	396	1,887	**2,283**
Other off-balance sheet commitments	612	50,563	37,398	**88,573**

As of December 31, 2003, the Group's carrying value of amounts recorded for off-balance sheet risks was CHF 44 million (CHF 42 million as of December 31, 2002).

Irrevocable commitments under documentary credits include exposures from trade finance related to commercial letters of credit under which the Group guarantees payment to an exporter against presentation of shipping and other documents.

Undrawn irrevocable credit facilities represent unused irrevocable credit facilities with a notice period of six weeks or more.

Forward reverse repurchase agreements represent transactions where the initial cash exchange of the reverse repurchase transaction is in the future.

Other commitments include private equity commitments, firm commitments in underwriting securities, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for calls on shares and other equity instruments.

The following table sets forth details of outstanding commitments and other information:

December 31, in CHF m	2003	2002
Outstanding commitments		
Commitments to extend credit	**83,294**	88,851
Exposure with respect to the debts of other guaranteed	**15,096**	17,183

39 Securitization activity

The Group originates and purchases commercial and residential mortgages for the purpose of securitization. The Group sells these mortgage loans to qualified special purpose entities (QSPEs), which are not consolidated by the Group. These QSPEs issue securities that are backed by the assets transferred to the QSPEs and pay a return based on the returns on those assets. Investors in these mortgage-backed securities typically have recourse to the assets in the QSPE. The investors and the QSPEs have no recourse to the Group's assets. The Group is an underwriter of, and makes a market in, these securities.

The Group purchases loans and other debt obligations from clients for the purpose of securitization. The loans and other debt obligations are sold by the Group directly, or indirectly through affiliates, to QSPEs or other VIEs that issue collateralized debt obligations (CDOs). The Group structures, underwrites and makes a market in these CDOs.

The Group may retain interests in these securitized assets in connection with its underwriting and market-making activities. The Group's exposure in its securitization activities is limited to its retained interests. Retained interests in securitized financial assets are included at fair value in *trading assets* in the consolidated balance sheet. Any changes in the fair value of these retained interests are recognized in the consolidated statement of income. The fair values of retained interests are determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. The Group does not retain servicing responsibilities from its securitization transactions.

Gains and losses on securitization transactions depend in part on the carrying values of mortgages and CDOs involved in the transfer, and are allocated between the mortgages and CDOs sold and any retained interests according to the relative fair values at the date of sale.

The following table summarizes cash flows received from securitization trusts and pre-tax gains/(losses) recognized by the Group on securitizations:

Year ended December 31, in CHF m	2003	2002	2001
Commercial mortgages			
Proceeds from new securitizations	**10,045**	7,928	14,583
Gains/(losses) on securitizations and underwriting fees received [1)]	**333**	226	163
Residential mortgages			
Proceeds from new securitizations	**43,604**	39,184	28,692

Gains/(losses) on securitizations and underwriting fees received 1)	**(127)**	(164)	99
Collateralized debt obligations (CDO)			
Proceeds from new securitizations	**17,056**	16,108	18,815
Gains/(losses) on securitizations and underwriting fees received 1)	**95**	108	158

1) Includes the effects of hedging, underwriting and retained interest gains and losses but excludes all gains or losses, including net interest revenues, on assets prior to securitization. The net revenues earned while holding the residential mortgage loans prior to securitization significantly exceeded the amount of the losses from securitization.

Excluded from the table above are proceeds of CHF 54.4 billion related to the securitization of agency mortgage-backed securities for the year ended December 31, 2003. For the year ended December 31, 2003, the Group realized gains of CHF 60.8 million from these securitizations.

Key economic assumptions used in measuring, at the date of securitization, the fair value of the retained interests resulting from securitizations completed during the years ended December 31, 2003 and 2002, were as follows:

	2003			2002		
December 31, in CHF m	Commercial mortgage loans 1)	Residential mortgage loans	Collateralized debt obligations 2)	Commercial mortgage loans 1)	Residential mortgage loans	Collateralized debt obligations 2)
Weighted-average life (in years)	**2.8**	**4.5**	**8.7**	2.3	3.8	7.3
Prepayment speed assumption (in rate per annum) 3)	**n/a**	**200-325**	**n/a**	n/a	200-325	n/a
Cash flow discount rate (in rate per annum) in % 4)	**7.8-12.8**	**4.2-37.5**	**2.9-5.9**	9.2-17.6	4.3-7.5	6.0-11.4
Expected credit losses (in rate per annum) 5)	**0**	**0**	**0**	0	0	0

The following table sets forth the fair value of retained interests from securitizations as of December 31, 2003, key economic assumptions used to determine the fair value and the sensitivity of the fair value to immediate adverse changes in those assumptions:

in CHF m, except where indicated	Commercial mortgages 1) Floating rate	Residential mortgages Fixed rate	CDO 2) Fixed rate
Carrying amount / fair value of retained interests	293	2,748	740
Weighted-average life (in years)	2.4	4.2	10.4
	0.035	0.99	0.46

Weighted-average value change for one basis point movement			
Prepayment speed assumption [3]	n/a	250	n/a
Impact on fair value from 10% adverse change	n/a	1.4	n/a
Impact on fair value from 20% adverse change	n/a	(2.7)	n/a
Floating interest rate / cash flow discount rate [4]	9.7%	4.2%	4.0%
Impact on fair value from 10% adverse change	(3)	(46)	(27)
Impact on fair value from 20% adverse change	(5)	(92)	(54)
Expected credit losses [5]			
Impact on fair value from 10% adverse change [6]	0	(1)	0
Impact on fair value from 20% adverse change [6]	0	(3)	(1)

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
[2] Collateralized debt obligations are generally structured to be protected from prepayment risk.

[3] Prepaid speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the Constant Prepayment Rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 % thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the thirtieth month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR.
[4] The rate is based on the weighted average yield on the retained interest.
[5] Expected credit losses are not expected to be significant because a significant portion of the beneficial interest retained as of December 31, 2003 and 2002, represent investment-grade interests.
[6] The investment-grade retained interests were not subjected to credit stress because the subordinate bonds are expected to absorb the potential credit losses.

These sensitivities are hypothetical and should be used with caution. Changes in fair value based on a percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interests is calculated without changing any other assumption. Changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

40 Variable interest entities

FIN 46 requires the Group to consolidate all variable interest entities (VIEs) for which it is the primary beneficiary, defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. In December 2003, the FASB issued a revision of FIN 46, referred to as FIN 46R, to address various implementation issues that had arisen since the issuance of FIN 46 and to provide companies with the option of deferring the adoption of FIN 46R for certain VIEs to periods ending after March 15, 2004.

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 derivatives 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. As a part of these activities, the Group may retain interests in VIEs.

As of December 31, 2003, with the exception of certain VIEs that were subject to deferral under FIN 46R, the Group consolidated all VIEs for which it is the primary beneficiary under the original provisions of FIN 46 or the revised provisions of FIN 46R. The cumulative effect of the Group's adoption of FIN 46 for VIEs created before February 1, 2003, was an after-tax loss of CHF 15 million reported in the consolidated statement of income as *Cumulative effect of accounting changes* . The cumulative effect is determined by recording the assets, liabilities and non-controlling interests in the VIE at their carrying amounts as of the date of consolidation. The difference between the net amount added to the consolidated balance sheet and the amount of the previously recognized interest represents the cumulative effect. The effect of the Group's adoption of FIN 46 for VIEs created after January 31, 2003, is included in the consolidated financial statements.

The Group's involvement with VIEs may be broadly grouped into three primary categories: collateralized debt obligations (CDOs), commercial paper conduits and financial intermediation. The following table summarizes the estimated total assets by category related to non-consolidated VIEs:

December 31, 2003, in CHF m	VIEs total assets
Collateralized debt obligations	45,982
Commercial paper conduits	7,730
Financial intermediation	88,367
Total	**142,079**

The following table summarizes the total assets, by category, related to VIEs consolidated as a result of the Group being the primary beneficiary:

December 31, 2003, in CHF m	Carrying value of VIEs total assets
Collateralized debt obligations	2,425
Commercial paper conduits	1,715
Financial intermediation	1,401
Total assets consolidated pursuant to FIN 46	**5,541**

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 loans and other debt obligations are sold to qualifying special purpose entities (QSPEs) or VIEs that issue CDOs. VIEs issue CDOs to fund the purchase of assets such as investment-grade and high-yield corporate debt instruments. The Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets.

In connection with its CDO activities, the Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. The Group may also act as a derivatives counterparty to the VIEs and may invest in portions of the notes or equity issued by the VIEs. The Group also participates in synthetic CDO transactions, which use credit default swaps to exchange the underlying credit risk instead of using cash assets in a separate legal entity. The CDO entities may have actively managed (open) portfolios or static or unmanaged (closed) portfolios.

The Group has consolidated all CDO VIEs for which it is the primary beneficiary, as of December 31, 2003, resulting in the inclusion by the Group of approximately CHF 2.4 billion of assets and liabilities of these VIEs. 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 equal to the carrying value of these retained interests, which are reported as trading assets and carried at fair value and totaled CHF 1.1 billion as of December 31, 2003.

Commercial paper conduits

During 2003, the Group acted as the administrator and provider of liquidity and credit enhancement facilities for several commercial paper conduit vehicles (CP conduits). These CP conduits purchase assets, primarily receivables, from clients and provide liquidity through the issuance of commercial paper backed by these assets. The clients provide credit support to investors of the CP conduits in the form of over-collateralization and other asset-specific enhancements as described below. The Group does not sell assets to the CP conduits and does not have any ownership interest in the CP conduits. Several CP conduits were restructured and combined in 2003 and the combined CP conduit transferred the risk relating to a majority of its expected losses to a third party. This vehicle with commercial paper issued in the amount of CHF 7.7 billion as of December 31, 2003, was not consolidated by the Group.

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

As of December 31, 2003, the Group's maximum loss exposure to non-consolidated CP conduits was CHF 12.3 billion, with respect to CHF 7.7 billion of funded assets and the CP conduit's commitments to purchase CHF 4.6 billion of additional assets.

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. These activities include the use of VIEs to structure various fund-linked products to provide clients with investment opportunities in alternative investments. In addition, the Group provides financing to client sponsored VIEs, established to purchase or lease certain types of assets. For certain products structured to provide clients with investment opportunities, a VIE holds underlying investments and issues securities that provide investors with a return based on the performance of those investments. The investors typically retain the risk of loss on such 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 VIEs related to financial intermediation activities is estimated to be CHF 56.9 billion, as of December 31, 2003, which represents the total assets of the VIEs for which Credit Suisse First Boston is involved (CHF 52.0 billion) and the fair value of all contracts held by Credit Suisse Financial Services (CHF 4.9 billion). However, in many cases Credit Suisse First Boston's actual maximum risk of loss is limited to the contractual or fair value of the contracts with 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, which is retained by investors.

As of December 31, 2003, the Group deconsolidated approximately CHF 22.1 billion of assets and liabilities related to certain financial intermediation product entities that were previously consolidated by the Group through its holding of voting interests, but that are considered as VIEs under FIN 46R. For these entities, the Group is not the primary beneficiary and accordingly, discontinued consolidation of these entities upon adoption of FIN46R.

41 Concentrations of credit risk

Credit risk concentrations arise and exist when any particular exposure type becomes material relative to the size and capital of the Group. The Group monitors exposures by counterparties, country, industry, product and business segments to ensure that such concentrations are identified. Possible material exposures of any counterparty or counterparties are regularly identified as part of regulatory reporting of large exposures. The approval of country and regional limits aims to avoid any undue country risk concentration. From an industry exposure point of view, the combined credit exposure of the Group is diversified. Within Credit Suisse Financial Services a large portion of exposure is from individual clients, particularly in residential mortgages in Switzerland. At Credit Suisse First Boston, a large portion of the exposure relates to transactions with financial institutions. However, in both cases, the customer base is extensive and the number and variety of transactions are broad. For Credit Suisse First Boston the business is also geographically diverse with operations focused in the Americas, Europe and, to a lesser extent, Asia.

42 Fair value of financial instruments

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Estimates of fair values are significantly affected by the assumptions used, principally the timing of future cash flows and the discount rate. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. The disclosure requirements of SFAS No. 107, Disclosure about Fair Value of Financial Instruments (SFAS 107), exclude all non-financial instruments such as lease transactions, real estate and premises, equity method investments and pension and benefit obligations. Accordingly, the fair value amounts presented do not represent management's estimation of the underlying value of the Group as a whole.

For cash and other liquid assets and money market papers maturing within three months, the fair value is assumed to approximate book value, given the short-term nature of these instruments. This assumption also is applied to receivables and payables from the insurance business. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

For non-impaired loans where no quoted market prices are available, contractual cash flows are discounted using the market interest rates for loans with similar characteristics. For impaired loans, the book value, net of valuation adjustments, approximates fair value.

The securities and precious metals trading portfolio is carried on the balance sheet at fair value.

The fair values of positive replacement values of derivative instruments, negative replacement values of derivative instruments, financial investments from the banking business, investments from the insurance business, and non-consolidated participations are based on quoted market prices. Where these are not available, fair values are based on the quoted market prices of comparable instruments, or are estimated by discounting anticipated future cash flows or using other valuation techniques.

For deposit instruments, the fair value is calculated as follows: for deposit instruments with no stated maturity and those with original maturities of less than three months, the book value is assumed to approximate fair value due to the short-term nature of these liabilities. For deposit instruments with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

For medium-term notes, bonds and mortgage-backed bonds, fair values are estimated using quoted market prices or by discounting the remaining contractual cash flows using a rate at which the Group could issue debt with a similar remaining maturity as of the balance sheet date.

The following table sets forth the carrying value and the estimated fair values of financial assets and liabilities valued in accordance with SFAS 107. This statement requires the disclosure of fair value information about financial instruments, whether or not the fair values are recognized in the balance sheet:

	2003		2002	
December 31, in CHF m	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and due from banks	**24,799**	**24,799**	28,461	28,461
Interest bearing deposits with banks	**2,992**	**3,015**	2,618	2,622
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	**257,083**	**257,269**	267,634	267,923
Securities received as collateral	**15,151**	**15,151**	8,313	8,313
Trading assets	**296,076**	**296,076**	263,090	263,090
Investment securities	**105,807**	**105,642**	108,732	108,733
Loans	**177,179**	**179,714**	180,797	182,324
Other financial assets	**6,205**	**6,441**	13,264	13,460

Financial liabilities				
Deposits	**261,989**	**262,444**	245,265	246,808
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	**236,847**	**236,813**	251,843	251,860
Obligations to return securities received as collateral	**15,151**	**15,151**	8,313	8,313
Trading liabilities	**156,331**	**156,331**	140,398	140,398
Short-term borrowings	**11,497**	**11,497**	10,008	10,013
Long-term debt	**89,697**	**90,961**	105,440	106,456

43 Assets pledged or assigned

The following table sets forth details of assets pledged or assigned:

December 31, in CHF m	2003	2002
Book value of assets pledged and assigned as collateral	**142,320**	137,140
of which assets provided with the right to sell or repledge	**123,161**	126,088
Fair value of collateral received with the right to sell or repledge	**429,040**	383,555
of which sold or repledged	**406,910**	363,155

As of December 31, 2003 and 2002, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions, and margined broker loans. As of December 31, 2003 and 2002, a substantial portion of the collateral received by the Group had been sold or repledged in connection with repurchase agreements, securities sold, not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirement under securities laws and regulations, derivative transactions, and bank loans.

Other information

December 31, in CHF m	2003	2002
Cash restricted under foreign banking regulations	**8,923**	11,140
Swiss National Bank Liquidity 1 required cash reserves	**2,047**	1,744
Cash restricted under Swiss and foreign banking regulations	**10,970**	12,884

44 Capital adequacy

Banking businesses

The Group, on a consolidated basis, is subject to risk-based capital and leverage guidelines under Swiss Federal Banking Commission, or SFBC, and Bank for International Settlements, or BIS, guidelines. These guidelines are used to evaluate risk-based capital adequacy. All calculations through December 31, 2003, were performed on the basis of financial reporting under Swiss GAAP, the basis for the capital supervision by the Swiss regulator. As of January 1, 2004, the Group bases its capital adequacy calculations on US GAAP, which is in accordance with the SFBC newsletter 32 (dated December 18, 2003). The SFBC has advised the Group that it may continue to include as Tier 1 capital CHF 2.2 billion of equity from special purpose entities, which are deconsolidated under FIN 46R. For purposes of complying with SFBC and BIS capital requirements, total capital is divided into three categories:

Tier 1 capital includes primarily paid-in share capital, reserves (defined to include retained earnings), capital participations of minority shareholders in certain fully consolidated subsidiaries, the reserve for general banking risks according to Swiss GAAP, as well as the audited current-year profits or losses, less anticipated dividends. Among other items, this is reduced by the Group's holdings of its own shares outside the trading book and goodwill. Tier 1 capital is supplemented for capital adequacy purposes by Tier 2 capital, which consists primarily of hybrid capital and subordinated debt instruments. A further supplement is Tier 3 capital, which consists of certain unsecured subordinated debt obligations with repayment restrictions. The sum of all three capital tiers, less non-consolidated participations in the industries of banking, finance and insurance, equals total capital. Under both SFBC and BIS guidelines, a bank must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, of which the Tier 1 capital element must be at least 4%.

The ratios measure capital adequacy by comparing eligible capital with risk-weighted assets positions, which include balance sheet assets, net positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents and market positions in the trading portfolio.

In 2003, the SFBC refined the capital treatment of the Group's investment in Winterthur. According to the new decree, the capital charge for the insurance business will no longer be reflected as an addition to risk-weighted assets but as a reduction to the eligible tier capitals. Prior-year data were restated accordingly.

At December 31, 2003 and 2002, the Group was adequately capitalized under the regulatory provisions outlined under both SFBC and BIS guidelines.

The following table sets forth details of BIS risk-weighted assets:

December 31, in CHF m	2003	2002
Risk-weighted positions	**176,911**	185,742
Market risk equivalents	**13,850**	10,744
Total risk-weighted assets	**190,761**	196,486

All calculations through December 31, 2003, on the basis of Swiss GAAP. In 2003, the method for capital treatment of Winterthur was adapted in line with the new requirements defined by the Swiss regulator.

The following table sets forth details of BIS capital ratios:

December 31, in CHF m, except where indicated	2003	2002
Tier 1 capital	**22,287**	17,613
of which preferred securities	**2,167**	2,133
Tier 1 ratio	**11.7%**	9.0%
Total capital	**33,207**	28,311
Total capital ratio	**17.4%**	14.4%

All calculations through December 31, 2003, on the basis of Swiss GAAP. In 2003, the method for capital treatment of Winterthur was adapted in line with the new requirements defined by the Swiss regulator.

Broker-dealer operations

Certain Group broker-dealer subsidiaries are subject to capital adequacy requirements. As of December 31, 2003, the Group and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

Insurance businesses

The insurance entities of the Group are required to maintain minimum solvency margins in accordance with local insurance regulatory requirements. Insurance companies granted an insurance license in Switzerland are required to maintain solvency margins under the Swiss Insurance Supervisory Law and must adhere to the following capital requirements:

in CHF m	Non-life	Life
Capital	0.6 – 10.0	5.0 – 10.0
Organization fund [1]	up to 50% of capital	up to 50% of capital

[1] The use of the organization fund is restricted. It can be used to cover incorporation and start-up costs and extraordinary growth as well as any losses.

The solvency margin for non-life is the greater of two calculations: (1) the premium margin based on the gross premium income for the latest financial year; and (2) the claims margin, based on the gross average claims expense for the last three financial years. The premium margin is calculated by taking 16-18% of the appropriate premium income less a deduction of up to 50% for the gross claims incurred in the previous financial year that were reinsured. The claims margin is calculated by multiplying 23-26% by the appropriate claims expense of up to 50% for the gross claims incurred in the previous financial year that were reinsured. The required solvency margin is the higher of the above two margins.

Life insurance companies are required to maintain a margin of approximately 4% of insurance reserves (1% of separate account reserves) plus 0.03% of the amount at risk under insurance policies.

The minimum solvency margin requirements in Switzerland are similar to the requirements for European Union member countries in accordance with European Union directives. Regulators outside the EU impose various capital and solvency requirements on insurers operating within their jurisdiction. Additionally, some local regulators require companies to maintain solvency margins which are higher than the solvency margins provided for by the regulations.

At December 31, 2003, the Group's major insurance subsidiaries were in compliance with all applicable solvency requirements.

Dividend restrictions

Certain of the Group's subsidiaries are subject to legal restrictions on the amount of dividends they can pay, for example corporate law as defined by the Swiss Code of Obligations. At December 31, 2003, the Group was not subject to significant restrictions on its ability to pay dividends.

45 Assets under management

The following table sets forth details of assets under management and net new assets as prescribed by the Swiss Federal Banking Commission:

December 31, in CHF bn	2003
Assets in own-managed funds	**225.6**
Assets with discretionary mandates	**365.2**
Other assets under management	**609.6**
Assets under management (including double counting)	**1,200.4**
of which double counting [1]	**129.4**
Additional information	
Assets under management from the insurance business included in assets in own-managed funds and assets with discretionary mandates	**140.1**

Year ended December 31, in CHF bn	2003
Net new assets [2]	**4.5**

Assets under management are stated according to the guidelines of the accounting regulations of the Swiss Federal Banking Commission (SFBC Newsletter No. 29 on the disclosure of assets under management).

[1] Double counting consists of own-managed funds included in assets with discretionary mandate or in other assets under management.

[2] Credit Suisse Asset Management only includes net new assets on assets in own-managed funds and assets with discretionary mandate.

46 Litigation

In accordance with SFAS No. 5, Accounting for Contingencies (SFAS 5), Credit Suisse Group recorded in 2002 reserves for certain significant matters, including a reserve of USD 150 million for the agreement in principle with various US regulators relating to research analyst independence and the allocation of IPO shares to corporate executives and directors and a USD 450 million reserve for private litigation involving research analyst independence, certain IPO allocation practices, Enron and other related litigation. In 2003, Credit Suisse Group paid approximately USD 150 million with respect to the agreement with the US regulators relating to research analyst independence and the allocation of IPO shares to corporate executives and directors. The USD 450 million reserve recorded in 2002 for the private litigation noted above is management's best estimate of the potential exposure for this private litigation as of December 31, 2003.

Credit Suisse 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 and 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, Credit Suisse Group's defenses and its experience in similar cases or proceedings.

47 Credit Suisse Group Parent Company

Condensed Credit Suisse Group Parent Company financial information is prepared in accordance with Swiss Code of Obligation.

Condensed statement of income

Year ended December 31, in CHF m	2003	2002	2001
Interest income and income from securities	**258**	1,624	1,343
Income from investments in subsidiaries	**1,590**	1,820	3,141
Other income	**313**	335	555
Total income	**2,161**	3,779	5,039
Interest expenses	**471**	471	423
Compensation, benefits and directors' fees	**59**	105	115
Other expenses	**228**	134	182
Depreciation, write-offs and provisions	**102**	851	655
Tax expense/(benefit)	**20**	(2)	66
Total expenses	**880**	1,559	1,441
Net income	**1,281**	2,220	3,598

Condensed balance sheet

December 31, in CHF m	2003	2002
Assets		
Cash and due from banks	**2,231**	2,639
Securities	**1,183**	1,260
Advances to subsidiaries	**5,344**	4,330
Investment in subsidiaries	**34,108**	34,297
Other assets	**500**	981
Total assets	**43,366**	43,507
Liabilities and shareholders' equity		
Payable to third parties	**606**	257
Accrued expenses and other liabilities	**717**	1,410
Advances from subsidiaries	**5,070**	5,455
Long-term debt	**2,800**	3,400
Total liabilities	**9,193**	10,522
Share capital	**1,195**	1,190
Legal reserve	**13,101**	13,081
Reserve for own shares	**1,950**	1,950
Free reserves	**14,540**	14,540
Retained earnings, beginning balance	**2,106**	4
Net income	**1,281**	2,220
Total shareholders' equity	**34,173**	32,985
Total liabilities and shareholders' equity	**43,366**	43,507

Condensed statement of cash flow

Year ended December 31, in CHF m	2003	2002	2001
Cash flows from operating activities			
Net income	**1,281**	2,220	3,598
Net adjustments to reconcile net income to net cash provided by/(used in) operating activities	**422**	81	(531)
Net cash provided by/(used in) operating activities	**1,703**	2,301	3,067
Cash flows from investing activities			
Purchases of securities	**(831)**	(805)	(3,799)
Proceeds from sale of securities	**543**	3,814	4,469
	(1,003)	(3,907)	(1,143)

(Increase)/decrease of investments in and advances to subsidiaries			
Net cash provided by/(used in) investing activities	**(1,291)**	(898)	(473)
Cash flows from financing activities			
Increase/(decrease) of advances from subsidiaries	**(476)**	840	848
Repayments of long-term debt	**(250)**	0	(500)
Proceeds from Mandatory Convertible Securities	**0**	1,250	0
Proceeds from issuances of common shares	**25**	28	175
Dividends paid/repayment out of share capital	**(119)**	(2,379)	(2,392)
Net cash provided by/(used in) financing activities	**(820)**	(261)	(1,869)
Net increase/(decrease) in cash and due from banks	**(408)**	1,142	725
Cash and due from banks at beginning of financial year	**2,639**	1,497	772
Cash and due from banks at end of financial year	**2,231**	2,639	1,497
Supplemental disclosures of cash flow information			
Cash paid during the year for income taxes	**22**	53	31
Cash paid during the year for interests	**498**	483	429
Cash dividends received from subsidiaries	**1,590**	1,819	3,141

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Credit Suisse Group

Under date of April 26, 2004, we reported on the consolidated balance sheets of Credit Suisse Group and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003, which are included in the Company's Annual Report on Form 20-F. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules I, III and IV, included in the Company's Annual Report on Form 20-F. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 and 2 to the consolidated financial statements, in 2003 the Company changed its methods of accounting for certain nontraditional long-duration contracts and separate accounts, variable interest entities and share-based compensation and in 2002 the Company changed its methods of accounting for goodwill and intangible assets. As discussed in Note 37 to the consolidated financial statements, in 2001 the Company changed its method of accounting for derivative instruments and hedging activities.

KPMG Klynveld Peat Marwick Goerdeler SA

/s/ Brendan R. Nelson /s/ Peter Hanimann

Brendan R. Nelson Peter Hanimann

Chartered Accountant Certified Accountant

Auditors in Charge

Zurich, April 26, 2004

Schedule I

Summary of investments – other than investments in related parties from the insurance business

December 31, 2003, in CHF m	Cost1)	Fair value	Amount shown in the balance sheet
Swiss Federal Government, cantonal or local governmental entities	11,012	11,332	11,450
Foreign governments	17,310	17,733	17,733
Corporate debt securities	42,719	43,435	43,452

Other	8,564	8,658	8,687
Debt securities	**79,605**	**81,158**	**81,322**
Public utilities	225	246	246
Banks, trust and insurance companies	3,672	3,924	3,924
Industrial, miscellaneous and all other	9,187	9,543	9,543
Equity securities	**13,084**	**13,713**	**13,713**
Mortgage loans on real estate	11,054		11,054
Real estate	9,367		8,388
Policy loans	629		629
Separate account investments	3,991		3,991
Other long-term investments	4,395		4,395
Short-term investments	5,646		5,646
Other investments	**35,082**		**34,103**
Total investments	**127,771**		**129,138**

[1)] Original cost of equity securities and, as to fixed maturities, original cost reduced by repayments and adjustment for amortization of premiums and discounts.

Schedule III

Supplementary insurance information

In CHF m	Deferred policy acquisition costs	Future policy benefits, losses, claims and loss expenses (net)	Unearned premiums (net)	Other policy and claims benefits payable	Net premiums earned	Net investment income	Benefits, claims, losses and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses	Net premiums written
2003										
Life	2,387	98,053	17	6,372	11,404	5,632	(12,888)	(626)	(1,042)	11,411
Non-Life	802	17,947	2,615	1,727	10,419	921	(7,494)	(1,611)	(1,212)	10,541
Total	**3,189**	**116,000**	**2,632**	**8,099**	**21,823**	**6,553**	**(20,382)**	**(2,237)**	**(2,254)**	**21,952**
2002										
Life	2,166	88,577	15	5,550	12,192	411	(9,642)	(353)	(1,315)	12,235
Non-Life	2,613	20,799	6,404	1,335	10,115	(301)	(7,333)	(2,575)	(1,338)	10,335

Total	**4,779**	**109,376**	**6,419**	**6,885**	**22,307**	**110**	**(16,975)**	**(2,928)**	**(2,653)**	**22,570**
2001										
Life	2,206	88,117	13	7,963	11,506	2,971	(8,677)	(282)	(1,286)	11,522
Non-Life	1,568	20,308	6,009	1,501	10,653	1,348	(7,899)	(2,360)	(1,512)	11,170
Total	**3,774**	**108,425**	**6,022**	**9,464**	**22,159**	**4,319**	**(16,576)**	**(2,642)**	**(2,798)**	**22,692**

Schedule IV

Reinsurance

Year ended December 31, in CHF m	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Amount assumed to net in %
2003					
Life insurance in force	333,748	–	–	–	
Premiums					
Life	11,416	(83)	71	11,404	0.6%
Non-Life	10,735	(445)	129	10,419	1.2%
Total	**22,151**	**(528)**	**200**	**21,823**	**0.9%**
2002					
Life insurance in force	342,967	–	–	–	
Premiums					
Life	12,023	(34)	203	12,192	1.7%
Non-Life	10,286	(344)	173	10,115	1.7%
Total	**22,309**	**(378)**	**376**	**22,307**	**1.7%**
2001					
Life insurance in force	351,726	–	–	–	
Premiums					
Life	11,506	(208)	208	11,506	1.8%
Non-Life	11,292	(904)	265	10,653	2.5%
Total	**22,798**	**(1,112)**	**473**	**22,159**	**2.1%**