CREDIT SUISSE

Annual General Meeting of CREDIT SUISSE GROUP
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Speech by Walter B. Kielholz
Chairman of the Board of Directors

Dear Shareholders, Ladies and Gentlemen

Our 2008 Annual General Meeting is taking place in an extremely difficult and challenging environment. This statement will probably come as no surprise to you. During the next 20 minutes, I would like to give you my assessment of where we stand today.

But before I do so, there are three important points I wish to make:
- First: we can report a very good result for 2007. Our net income was only a few percentage points below our result for 2006, which was a record year.
- Second: the financial year 2008 has not started at all well. We recorded a significant loss for the first quarter.
- Third: the performance of the Credit Suisse share has been unsatisfactory in recent months, highlighting the skepticism facing the entire finance industry and the uncertainty about future potential profits. In our opinion, our valuation does not adequately reflect the comparatively strong position of Credit Suisse. The fact that most of our competitors fared worse than we did and that the Credit Suisse share performed in line with the relevant sector indices is of little comfort.

This raises various questions about the future:
- What does the rest of the year hold in store for Credit Suisse?
- What type of environment will the global banking industry be confronted with once the current crisis has ended?
- Is there a need for a fundamental change of strategic direction at Credit Suisse?

Please allow me to begin with a brief analysis of the current situation. The roots of what we refer to today simply as the 'subprime crisis' are relatively clear but its effects are highly complex and far reaching. The key stages in the development of the crisis can be described as follows:

It began with the end of a boom in the US real estate market that had lasted more than 10 years and saw property prices soar in many places. The subprime segment of the US mortgage market was at the very center of the storm that has swept through the financial markets in the last 12 months. This segment has grown strongly in recent years and – with a volume of USD 1,400 billion – today accounts for around 15% of the US mortgage market. I am referring here to loans to borrowers with poor credit ratings. These mortgages were made available far too readily – mainly by unregulated specialist brokers who usually offered very high lending limits, often coupled with very enticing terms and conditions.

However, as US dollar interest rates began to rise and property prices stagnated and began to fall, more and more mortgage borrowers got into severe difficulties. A rapidly growing number of forced sales strengthened the reversal in property prices and the downward spiral began.

The credit losses subsequently incurred by the banks were further exacerbated by developments in a second area: I am referring to the market for collateralized credit risks and structured products. With the primary goal of achieving broader risk diversification, growing volumes of mortgages were transferred off bank balance sheets, bundled in special purpose vehicles and sold on to investors in tranches with different credit ratings. Depending on their level of risk tolerance, investors selected tranches that were in line with their investment strategy. It should be noted here that the securities rating agencies had, for quite some time, been assigning good credit ratings to high-risk tranches, in addition to which specialized insurers provided cover against potential default risks. As a result of the problems in the subprime segment, the market prices of these investment products came under massive pressure as investor confidence was lost.

This loss of confidence, which subsequently affected large areas of investments and spread across the banking system in general, was a decisive factor in the worsening of the credit crisis. During the late summer of 2007, entire market segments dried up, meaning there was an absence of both buyers and price data. It proved extremely difficult to value products in these illiquid markets. The subprime crisis rapidly developed into a liquidity crisis in the banking sector. And because no one knew exactly how many risks were concealed on the balance sheets of which institutions, banks and investors in general adopted a very cautious position vis-à-vis the international money market, resulting in a massive increase in risk premiums. In fact, some refinancing terms were no longer available.

Decisive interventions by the central banks prevented a severe crisis in the financial system. They supplied the markets with the necessary liquidity in three stages (September 2007, December 2007 and, in particular, March 2008). This eased the situation in the money markets but risk premiums remain very volatile and are still higher than average. And nervousness is still widespread.

You all know the impacts these developments have had. Financial institutions operating in the relevant area of investment banking, in particular, saw the value of their securities holdings plummet. In its latest report about financial stability, the International Monetary Fund (IMF) estimates that globally, writedowns totaling over USD 250 billion are to be expected in the narrow subprime segment alone. Of this sum, 50% relates to the US and 43% to institutions in Europe. Asia has been only marginally affected. In view of the scale of these writedowns, the valuation adjustments recorded by Credit Suisse in this area are relatively moderate.

Several financial institutions were subsequently forced to raise fresh capital. Various government funds – so-called ‘sovereign wealth funds’ – came to their rescue. I am convinced that without these new shareholders, the recapitalization of various banks would have proved difficult. In a small number of cases, it was even necessary for the government to intervene: Northern Rock in the UK and, in particular, Bear Stearns in the US, are prime examples where the state and the market joined forces to find a solution. Meanwhile, in Germany, publicly owned banks rushed to the aid of stricken financial institutions.

In the first quarter of 2008 in particular – and especially in March – the effects of the credit crisis spread. Increasing evidence of a slowdown in the US economy, leading to what will hopefully be a mild recession, resulted in an increase in risk premiums in the markets for leveraged corporate loans, commercial real estate and consumer loans. This, in turn, led to significantly lower valuations. For example, it has become difficult to find investors willing to accept the original terms and conditions of private equity-led corporate transactions agreed in more favorable times. Hedge funds that had been the largest buyers of structured products and had thus far fared relatively well as a group, were hit by losses, resulting in forced sales of securities that depressed prices significantly in the first quarter of 2008.

Moving further away from the eye of the storm, the subprime crisis also left its mark on other institutional investors such as pension funds, insurers and investment funds.

One key question we must ask is how strongly the financial crisis is affecting the real economy inside and outside the US? Opinions on this vary. What should be pointed out, however, is the fact that the crisis hit the global economy at a time when it was – fortunately – extremely robust. Growth has not been limited to most industrialized nations but has also had a broad basis in the emerging markets. It is true that growth forecasts will have to be scaled down, the longer the uncertainty persists. But even if high oil prices and a weak US dollar are making the global economy work harder, we do not currently believe that we are facing a global recession. In fact, in view of certain signs of overheating, lower growth rates are not totally unwelcome.

This brings me to the end of my brief analysis. There is a great deal more that could be said on this topic. But there is one thing that observers and market participants agree on: this is the worst financial crisis since the Second World War. It would be unrealistic to think – or hope – that a globally active institution such as Credit Suisse with its diverse portfolio of businesses could pass through a storm of this dimension unscathed. The next question is: how is your company faring, given the continued turbulent conditions in the markets?

This brings me to the second part of my speech, Ladies and Gentlemen:

In both absolute terms and especially compared to the majority of our competitors, our results for the financial year 2007 are very good. Our net income totaled CHF 7.8 billion. That is only 6% below our record result for 2006, when we generated net income of CHF 8.3 billion in our banking business. Earnings per share were CHF 6.96, 3% below the record level achieved in 2006. At 18%, our return on equity was only marginally below our medium-term target of 20%. We recorded net new asset inflows of CHF 50.4 billion – which was also within our mid-term target range – although we had significant outflows in our institutional business. Our capital position, expressed in terms of the BIS tier 1 ratio, remained excellent at 11.1% at end-2007 and 9.8% as of March 31 under the stricter Basel II regime. We remain one of the best capitalized banks in our industry, even after our substantial first-quarter loss. This is a major advantage in today's very challenging markets.

These are our key figures for the financial year, which Brady Dougan will expand on when he discusses Credit Suisse's 2007 results in greater detail in his speech.

In view of the climate in the markets, we can be pleased with our net income for 2007. However, this result is overshadowed by the unfortunate events relating to the pricing of certain structured credit products. Shortly after we published our annual results, we had to inform shareholders that we had identified mismarks and errors in the pricing of structured credits during a control review. We acted swiftly and immediately reported the incident, announcing potential writedowns. We also initiated a review to determine the exact scale of the writedowns and the parties responsible.

Based on the results of the internal review and the conclusions of outside counsel, we determined that these mismarks and pricing errors were, in part, the result of intentional misconduct by a small number of traders. A series of control processes that are in place within the bank to prevent or detect such errors at an early stage, including the supervision and monitoring of these positions by trading and the related price testing and supervision by an independent unit, Product Control, were ineffective. Despite this system of controls, these errors were only discovered after the announcement of our annual results. This was too late and, as far as the Board of Directors is concerned, quite unacceptable. At first, we expected to write down CHF 3.1 billion – mainly in the first quarter of 2008. In the end, our review produced a lower figure of CHF 2.9 billion but indicated that it also related to the financial year 2007, forcing us to reduce our annual net income for 2007 by around CHF 800 million.

This failure in our control processes was required to be disclosed as a 'material weakness' and explained in our Annual Report in accordance with Sarbanes-Oxley regulations which apply to our company because of our US listing. This statement of material weakness is made in the Annual Report by the Board of Directors and Management and, accordingly, is referred to by our auditors, KPMG, in their report.

Based on our review, we have adopted a series of measures to further improve the execution of our control processes. Although we took swift and decisive action, these incidents are, again, unacceptable. It is unacceptable that a small number of employees would jeopardize the good reputation of our company through intentional misconduct, and it is unacceptable that we were not in a position to implement our strict control processes adequately.

Unacceptable as this was, we should not forget that with net income of CHF 7.8 billion for 2007, Credit Suisse weathered the first part of the storm extremely well and, at the end of last year, was very well positioned relative to most of its peers.

The situation became more severe in the first quarter of 2008: The writedowns that we have had to record since the start of the crisis, including the adjustments in the first quarter of 2008, are now substantially higher but remain manageable in relative terms and are still at the lower end of the range recorded by peer companies in the US and Europe.

In the first quarter, we had to record writedowns totaling CHF 5.3 billion in various areas. Most of this was in areas that were not directly related to the subprime business but had seen very negative developments in market valuations in the course of March.

In fact, March 2008 was the worst month of the credit crisis to date – a fact that we and other institutions highlighted at an early stage. After still delivering profits in January and February, we recognized this trend in March and promptly informed our investors about an imminent loss. The problems are limited to leveraged finance and commercial and residential mortgage-backed securities, as well as the related structured products. We have recorded writedowns on positions in these areas. At the same time, we have significantly reduced our risk positions, and the valuation of the remaining risks reflects the very low market valuations of the positions at present.

Ladies and Gentlemen: Despite the losses on leveraged loans and commercial and residential mortgage-backed securities I have mentioned, we believe the current market valuations do not reflect the intrinsic value of these assets. The credit quality of the companies that Credit Suisse finances, which are part of our well-diversified portfolio, has not declined to the extent suggested by the corrections in market prices. The intrinsic value of commercial real estate in our portfolio remains good. It is primarily the shortage of liquidity in the market which has led to erratic developments in market prices – especially in recent months. We will therefore continue to reduce our remaining positions in a prudent fashion and try to recover a significant proportion of the writedowns over time.

It is also important to note that the majority of our businesses are performing well and we are benefiting from our well-diversified business model and global footprint. Even in investment banking - an area which is much maligned at present, many of our businesses are currently proving very successful. And in particular, our global Wealth Management business and our Swiss Corporate & Retail Banking business are both delivering very strong results. We are especially pleased by the good inflows of new client assets in this difficult environment. In his speech, Brady Dougan will take a more detailed look at the results for the first quarter, which we announced yesterday.

I remain of the opinion that Credit Suisse is in a very solid position relative to our peers. We have retained our very strong capital position and a comfortable liquidity position, our credit ratings are stable and good, and we have achieved a targeted reduction of risk positions. These measures have enabled us to retain our strategic flexibility; we are in a strong position to turn this crisis to our favor to gain additional market share and accelerate our growth. Moreover, at this point in time we are not forced to dilute the value of existing shares through the issuance of new capital.

We are also in a position to pursue our dividend policy. Today, we will propose to you a moderate increase in the dividend to CHF 2.50, following last year's distribution of a dividend of CHF 2.24, as well as a one-off payment of CHF 0.46 per share from the proceeds of the sale of Winterthur. We are also proposing the cancellation of the shares acquired through our share buyback program, as in previous years.

We will therefore also propose to you that the Board of Directors and Executive Board be granted discharge for the financial year 2007. The bank has performed well in 2007 in an adverse environment. We conducted an extensive review of the incident in the area of structured products, clearly identified the error and rapidly initiated the necessary corrective measures.

To conclude my speech, I would like to turn to the future – although this is, of course, a difficult undertaking in view of the uncertain environment in which we find ourselves at present. Someone once said: “You should avoid making forecasts – especially about the future”.

This year will undoubtedly be one that separates the wheat from the chaff and, as I explained to you earlier, we are convinced that Credit Suisse belongs to the former, not the latter. We believe we will see significant opportunities for organic growth in many areas of business. We are attracting clients because of our strong capital position and solid funding. We are also attracting very good people. These advantages are enabling us to gain market share from our rivals. And we have the necessary financial resources to invest in our growth.

However, the global environment for financial institutions such as Credit Suisse – indeed for the whole banking sector – is set to change. Governments, supervisory authorities and central banks around the world are in the process of defining the regulatory response to the crisis. They are proceeding cautiously, and rightly so, to avoid an overreaction that could, in certain circumstances, lead to an excessively rapid reduction in the size of the banking sector and ultimately inhibit the financing of the economy, with devastating consequences.

We are under no illusion: the events of the last nine months make it impossible to think in terms of ‘business as usual’. The situation calls for a stronger response, both within companies and in the broader context. There are two things that we expect to happen. The first is a gradual increase in the capital requirements for the various areas of business that caused major problems in the current crisis. Second, however, we expect to see more stringent requirements regarding liquidity management at financial institutions. Both measures will serve to limit the risk profile, but also the potential profits, of all market participants. While this will not render activities in individual areas of business impossible, it will at least reduce them significantly.

It will also be necessary to strengthen risk management efforts globally, both in individual institutions and also across the financial system – possibly through a global risk monitoring system. Recent events have shown that only the systematic integration of risk management across all areas, as well as regular exchanges between various bodies, will enable problems to be identified more rapidly.

Another topic that needs to be addressed is complex financial instruments and investment products. The goal must be to create greater transparency and understanding about these products for all parties, thus enabling the related risks to be assessed more effectively. In connection with this, the methods used by rating agencies must be reviewed to restore trust in the quality of their immensely important work.

In addition, this is the first time that fair value accounting and valuation standards introduced only a few years ago have been tested 'live', as it were, in a crisis situation. Many critics have commented that these rules have added to the valuation problems and volatility. Regulators have called for a review of where the interpretation of accounting and disclosure standards needs to be improved and how these improvements can be made – so that trust in published financial results can be restored.

The official sector, i.e. the central banks and supervisory authorities, will – according to their announcements - also review their processes and tools, as well as the intensity with which they cooperate. This applies both on a country level as well as internationally. There have been a lot of positive developments in recent months, and the mutual exchange of information has been strengthened considerably by the current crisis. It is at difficult times, in particular, that the markets need clear signals and a coordinated approach.

Last but not least, many institutions will move rapidly to review their compensation and incentive systems – under the watchful eyes of supervisory authorities and shareholders - in order to correct incentives schemes in high-risk businesses that are either wrong or focus excessively on the short term. It is possible to take the initiative on an individual basis, as an institution – as we are doing at Credit Suisse. In recent years, for example, we have gradually increased the restricted share-based component of the discretionary compensation paid to employees to align staff and shareholder interests more widely. In the long term, however, these efforts will only succeed if we have broad cooperation across the entire industry. These changes are not only in the interest of shareholders but are also supported by employees who are committed to the long-term creation of value within the company.

Ladies and Gentlemen, that brings me to my very final point. It would certainly be naïve to say that these changes will have no impact on Credit Suisse's strategy. However, there is no question about the fact that we remain committed to the integrated bank. It is core to our strategy. We are convinced that this model creates value for our clients, employees and, in particular, for you our shareholders. Provided, of course, that we execute it diligently.

2007 was an extraordinary year for our industry. And, in some respects, 2008 looks set to become at least as challenging. Despite a few very unfortunate setbacks, however, Credit Suisse is well positioned. I would like to take this opportunity to express my sincere thanks to our around 50,000 employees worldwide for their considerable efforts in this grim environment and for their commitment to our clients and shareholders. And I would like to thank you, our shareholders, for your continued trust in Credit Suisse.

I will now hand you over to Brady Dougan, who will present you with details of our financial results.

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