CREDIT SUISSE

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Speech by Brady W. Dougan
Chief Executive Officer of Credit Suisse Group

Dear Shareholders

When I took over as CEO of Credit Suisse a year ago, the market environment for the banking industry could not have been better. Our results for the first quarter of 2007 exceeded all expectations and we produced an even stronger result in the second quarter.

But clouds were already gathering on the horizon. At Credit Suisse, we recognized that financial markets could not remain buoyant indefinitely. In fact, we had already begun to scale back our activities and risk positions in a number of areas. That proved to be a wise decision, and I'll discuss it in more detail later in my speech.

The speed and severity of the credit crisis that began last summer is extraordinary and has led to profound changes in our industry. Walter Kielholz addressed this topic in his speech. As a bank, this of course presented us with major challenges. Today, I will report to you, our shareholders, on Credit Suisse's performance during 2007. I'll also touch briefly on our performance in the first quarter of 2008, which we announced yesterday. Given the environment, I'll frame my comments around two questions:

How well has Credit Suisse navigated the adverse market conditions of the past 10 months, and how well is Credit Suisse positioned for the future?

Our relative performance and positioning demonstrates we have done better than many peer institutions. Without question, we have been affected, and yes, we have made some mistakes. But the bank proved resilient, and I'd like to highlight some of the reasons.

The first is our prudent approach to risk. As I mentioned at the beginning of my comments, despite the benign environment, as early as the fall of 2006, we began to see disturbing signs within the US subprime markets. We had growing concerns about credit quality, and the heavy supply in the market. As a result, we made the decision to cut back on origination and sales of structured products related to riskier US mortgages, and to reduce our positions. In contrast, many competitors remained very active in the market and were still building large portfolios of structured products. But we saw justification for our concerns and we stuck by our decision. As a result, our exposure to subprime mortgages and related securities has been low relative to many other firms, and remains low today.

But we do have considerable exposure to other areas affected by the market disruption, including leveraged lending and commercial mortgage-backed securities. What about these positions?

For one thing, the fundamentals of these markets are quite different from those of the US housing market. In these areas, our market leadership and expertise has been an advantage in managing our exposures, which we have reduced systematically over the past six months. And we will continue to assess these exposures in a disciplined fashion.

One of the major issues confronting our industry has been the lack of liquidity, and its impact on some banks' ability to access short-term funding. This is not an issue for Credit Suisse. Our conservative funding policy has enabled us to maintain a comfortable liquidity profile, and in fact, Credit Suisse has been a lender to other institutions in the market.

We have also benefited from our capital strength throughout this period. Our BIS tier 1 ratio was 11.1% at end-2007 and 9.8% at end-March under the more stringent Basel II regulations, making us one of the world's best capitalized large banks. This is an advantage for our institution; it is also an advantage for our clients. Having such a strong capital position ensures that we are seen as an island of stability by our clients in these challenging markets. And indeed, we have attracted new clients and new assets from our competitors.

These are all important reasons why we have fared better than many in an extremely difficult environment, and why we are well positioned going forward. In addition, we benefit from a diverse mix of high-margin, high-growth businesses, extensive global reach, and of course, our unique integrated banking model. These strengths combine to provide Credit Suisse with very real opportunities to drive growth and enhance efficiency across the entire market cycle. They have certainly helped us to weather the storms of 2007 and deliver net income from continuing operations of CHF 7.8 billion, 6% below 2006's record results, and a very strong performance on both a relative and an absolute basis.

But let's look at financial and business performance in 2007 in more detail:

Private Banking achieved record pre-tax income and net revenues in 2007. Recurring revenues improved sharply, reflecting our increased success in delivering high-value financial solutions to private clients. In global Wealth Management, we continued to expand our international operations. During 2007, we opened new offices in Australia, Austria, China, Israel, Kazakhstan, and in a number of locations in the US. Net new assets in Wealth Management totaled CHF 50.2 billion in 2007, above our target growth rate of 6.0% per annum.

Our Private Banking business has excellent growth opportunities, both in the emerging markets, where the pace of wealth creation is accelerating, and in mature economies, which remain the largest wealth markets. To fuel growth, we plan to recruit 1,000 relationship managers by 2010, particularly in Asia, the Middle East and Latin America. Business goals for the coming year include increasing the percentage of assets we manage actively for clients, and our penetration of the ultra-high-net-worth market segment. We will also focus on our Swiss business, which is an exceptional source of stable and consistent earnings.

The second core component of our integrated platform is Investment Banking. Credit Suisse is one of a very small number of truly global investment banks. We operate in 57 locations across 26 countries, including our exceptionally deep and long-standing presence in the emerging economies of Latin America, Asia, Eastern Europe and the Middle East.

The dislocation of credit markets had a significant negative effect on investment banking results in 2007. Pre-tax income declined 39% from 2006 levels, with net revenues falling 7% to approximately CHF 19 billion. Net writedowns in leveraged finance and structured products totaled approximately CHF 3.2 billion in 2007, far less than many of our competitors.

We benefited from the increasing diversity of our investment banking revenue mix in 2007, and further diversification will continue to be a priority. We've reduced the scale of businesses impacted by the credit crisis, while shifting resources to, and investing in high-potential, high-margin areas such as algorithmic trading, commodities, derivatives, life finance and prime services. While our investment bank has withstood adverse markets relatively well, we've made mistakes that have resulted in hard lessons learned.

As our Chairman has mentioned, last month, we announced the results of an internal review into the revaluation of certain asset-backed securities that led to the restatement of 2007 earnings. The findings include evidence of intentional misconduct by a small group of traders. There are three things I want to stress to you as our shareholders:
1) This was an unacceptable situation;
2) Our fundamental risk management and product control processes are strong; this was a problem in execution – and of course, misconduct;
3) Decisive action is being taken, including a full plan of remediation.

Our third core business is Asset Management. We are strongly committed to this business; it is a core component of our integrated banking strategy as well as a very attractive, high-margin business on a stand-alone basis. In 2007, underlying financial performance was strong, reflecting the realignment of the business and our growth strategy. Those results, however, were masked by the losses incurred on securities purchased from our money market funds in the third and fourth quarters of the year. Net new assets in 2007 were also materially affected by the money market situation, as outflows of approximately CHF 28 billion offset CHF 25 billion in new assets in our alternative investment platform. We also had positive contributions from balanced mandates and fixed income. We believe that the alternative asset inflows will fuel revenue growth going forward. This business accounts for 40% of our recurring asset management revenues today. We are expanding the scale and geographic reach of our private equity offerings, and adding new in-house hedge fund capabilities. We also intend to build on the joint ventures and strategic partnerships we have established.
We recently announced that Rob Shafir, our CEO for the Americas, has been appointed CEO of the division. His focus will be on leading the business as a fully aligned component of the

integrated bank. While our businesses are all well positioned, we believe our greatest opportunities are as an integrated bank. The success of our integrated model, which we launched at the beginning of 2006, has far exceeded our expectations. And it is clear we are just beginning to tap the potential of our model to drive profitable growth and enhance efficiency.

Revenues generated through cross-divisional activities totaled approximately CHF 5.9 billion in 2007, roughly 17% of core net revenues. That is a 20% increase from the prior year, reflecting enhanced collaboration between all three businesses. And it is important to note these are high-quality ‘sticky’ revenues that tend to be less tied to market conditions. To drive growth, we have set a target of CHF 10 billion in cross-divisional revenues by 2010.

Let’s look at how our integrated model drives efficiency. In 2007, we completed our network of global operating hubs – we call them Centers of Excellence. Our COEs allow us to leverage resources across the entire organization, and tap talent where it is located around the world, at competitive cost levels. Overall, we believe we have made good progress in terms of efficiency and we have set ourselves the target to become a top-quartile performer, as measured by cost/income ratio, by 2010.

Turning now to the results of the first quarter of 2008, which we announced just yesterday: The operating environment in the first quarter of 2008 continued to be extremely challenging for the entire industry. Market conditions deteriorated further in March, leading to additional writedowns of CHF 5.3 billion in our leveraged finance and structured products businesses within Investment Banking. As a result, Credit Suisse reported a net loss of CHF 2.1 billion in the first quarter of 2008. However, we have continued to reduce our risk positions since the early stages of the credit market crisis. Exposures in affected areas have declined significantly since September 30, 2007, for example by 65% in leveraged finance, 46% in commercial mortgages, and 66% in residential mortgages. These reductions are the result of our strong distribution capabilities in these areas.

While our first-quarter results are clearly unsatisfactory, we remain well positioned to advance our strategy and to capture growth opportunities arising out of the current market disruption. During the quarter, clients turned increasingly to the best capitalized and most stable financial institutions, including Credit Suisse, and we saw strong asset inflows in Private Banking and good client activity across a number of businesses, for example in Prime Services. Moreover, our capacity to generate revenues remains strong. Excluding the areas affected directly by the credit crisis, most of our businesses performed well, with revenues near, or in some cases above, those in the first quarter of 2007.

Growth momentum in most European and major emerging markets and, in particular, the robust economic environment in Switzerland helped to mitigate the adverse impact of the difficult markets on our business. In particular, we saw strong net new asset inflows in our Swiss businesses. In addition, we generated approximately CHF 1.2 billion of our core net revenues from cross-divisional activities. Our results demonstrate the benefits of our integrated banking model in terms of both diversification and collaboration.

As a leading global financial institution, we are committed to meeting our broader responsibilities. Most recently, there was an instance when we failed to live up to these high standards. You may have read in the press about the free footballs we have been distributing here in Switzerland. We thought that we had put in place the necessary arrangements to ensure that these were manufactured in accordance with the highest ethical standards and we were very disappointed to discover that we could not be absolutely certain that this was the case. For us, it is not acceptable that we cannot rule out completely that child labor was involved in the production of these footballs. We are still carrying out a thorough review of whether this allegation is correct. Credit Suisse has for years engaged in supporting the improvement of conditions for disadvantaged people. As part of our commitment to this, and regardless of the outcome of our internal review, we have decided to give UNICEF a contribution of CHF 1 million to support their efforts in combating child labor.

Last year, we reviewed our overall approach to corporate citizenship and decided to focus on four areas under the motto “Educate - innovate – participate”: The first area is our collaboration with the Red Cross. Earlier this month, we entered into a partnership with the International Committee of the Red Cross so we can make a direct contribution to alleviating suffering and hardship globally. This continues the bank’s tradition of supporting humanitarian causes, and supporting the communities in which we operate. The second area is education, where we plan to provide school places for more than 45,000 students in developing countries and emerging market economies: one for every employee at Credit Suisse. Third, we support microfinance and are developing and financing new initiatives to provide training for employees in microfinance institutions. Lastly, we want to address climate change: in 2006, Credit Suisse became the first major Swiss company to achieve greenhouse gas neutrality in Switzerland. We are now striving to achieve greenhouse gas neutrality globally by the end of 2009.

At the same time, we recognize our primary responsibility is to run our business effectively. We believe we have done so, in the face of many challenges.

Our performance in 2007 has demonstrated the strength and resilience of our business model. Now, in 2008, we must show that we can sustain the momentum we have established, and deliver a consistent, superior performance for our clients and shareholders.

The source of our success remains our people: their talent, their dedication and their commitment to serve the needs of our clients in extremely different market conditions. I am proud of what our people achieved in 2007, and proud of what they are focused on achieving in 2008. I want to thank them for their hard work and you, our shareholders, for your continued trust in Credit Suisse.

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