CREDIT SUISSE GROUP
Form 6-K
February 15, 2006

FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 under the Securities Exchange Act of 1934

For the month of February 15, 2006

Commission File Number 001-15244

CREDIT SUISSE GROUP

(Translation of registrant's name into English)

Paradeplatz 8, P.O. Box 1, CH-8070 Zurich, Switzerland
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____

CREDIT SUISSE GROUP
Paradeplatz 8
P.O. Box
CH-8070 Zurich
Switzerland

Telephone +41 844 33 88 44
Fax +41 44 333 88 77
media.relations@credit-suisse.com

Credit Suisse Group reports net income of CHF 5.9 billion for 2005

Zurich, February 15, 2006 **Credit Suisse Group today reported net income of CHF 5,850 million for the full year 2005, compared to net income of CHF 5,628 million for 2004. Net income for 2005 includes a non-cash charge in the Corporate Center in the fourth quarter of CHF 421 million after tax for certain share-based compensation awards as well as a CHF 624 million after-tax charge in Institutional Securities in the second quarter to increase the reserve for certain private litigation. Fourth-quarter 2005 net income totaled CHF 1,103 million, compared to net income of CHF 959 million in the fourth quarter of 2004 and CHF 1,918 million in the previous quarter. The Group recorded net new assets of CHF 58.4 billion for the full year 2005 and a return on equity of 15.4%. The Board of Directors will propose a dividend of CHF 2.00 per share to the Annual General Meeting on April 28, 2006.**

Financial Highlights

in CHF million	**12 mths 2005**	Change in % vs 12 mths 2004	**4Q2005**	Change in % vs 3Q2005	Change in % vs 4Q2004
Net revenues	**60,632**	10	**14,218**	(8)	10
Total operating expenses	**27,954**	14	**7,703**	10	26
Net income	**5,850**	4	**1,103**	(42)	15
Return on equity - Group	**15.4%**	–	**11.2%**	–	–
Return on equity - Banking	**16.2%**	–	**10.8%**	–	–

Return on equity - Winterthur	**11.7%**		**11.4%**		
Basic earnings per share (in CHF)	**5.17**		**0.98**		
BIS tier 1 ratio	**11.3%**				

Oswald J. Grübel, CEO of Credit Suisse Group, stated, "2005 was a decisive year for Credit Suisse Group, as we merged our banking entities while simultaneously growing our business and delivering improved profitability. In particular, our businesses capitalized on increased client activity to produce stronger revenues."

He added, "Our 2005 results show that we are making good progress in transforming the underlying profitability of our business. Our new integrated structure will help us to further enhance our growth and returns for our shareholders."

Back to Contents

Media Release
February 15, 2006

Credit Suisse Group Banking Business Results

in CHF million		**12 mths 2005**	Change in % vs 12 mths 2004	**4Q2005**	Change in % vs 3Q2005	Change in % vs 4Q2004
Private Banking	Net revenues	**7,729**	8	**1,986**	(2)	16
	Total op. expenses	**4,431**	7	**1,162**	3	17
	Net income	**2,647**	7	**653**	(10)	6
Corporate & Retail Banking	Net revenues	**3,458**	3	**861**	(2)	7
	Total op. expenses	**2,186**	7	**558**	1	17
	Net income	**1,069**	19	**254**	(4)	(1)
Institutional Securities	Net revenues	**15,102**	15	**3,622**	(16)	25
	Total op. expenses	**13,643**	20	**3,347**	(2)	27
	Net income	**1,080**	(18)	**336**	(45)	25
Wealth & Asset Management	Net revenues	**5,234**	25	**1,478**	18	44
	Total op. expenses	**2,687**	6	**780**	14	16
	Net income	**663**	25	**182**	80	189

Private Banking reported net income of CHF 653 million in the fourth quarter of 2005, up 6% compared to the fourth quarter of 2004, mainly reflecting improved commissions and fees and trading revenues, partly offset by higher compensation and benefits. Compared to the third quarter of 2005, net income declined 10%, primarily reflecting higher other expenses. In addition, an increase in commissions and fees during the quarter was more than offset by lower trading revenues and lower net interest income. For the full year 2005, Private Banking posted record net income of CHF 2,647 million. This 7% increase versus 2004 was mainly attributable to strong revenues related to the increase in assets under management, higher trading revenues and an increase in brokerage volumes. The gross margin was 123.4 basis points for the fourth quarter of 2005, down 4.8 basis points from the fourth quarter of 2004 and down 7.5 basis points from the previous quarter. The gross margin for the full year 2005 was 129.2 basis points, in line with Private Banking's mid-term target of 130 basis points but down 4.5 basis points from 2004. The cost/income ratio was 58.5% for the fourth quarter of 2005, up 0.7 percentage points versus the fourth quarter of 2004, and was 57.3% for the full year 2005, down 0.5 percentage points versus 2004.

Corporate & Retail Banking recorded net income of CHF 254 million for the fourth quarter of 2005, slightly below the fourth quarter of 2004 and down 4% compared to the previous quarter. Net income for the full year 2005 totaled CHF 1,069 million - a record result. This represents a 19% improvement versus the full year 2004, driven primarily by net releases of provisions for credit losses of CHF 96 million in 2005 compared to net provisions of CHF 122 million in 2004, reflecting the ongoing favorable credit environment. The result also reflects higher net revenues, partially offset by an increase in total operating expenses. In the fourth quarter of 2005, net releases of provisions of CHF 23 million were recorded, compared to net releases of CHF 6 million in the fourth quarter of 2004 and CHF 10 million in the previous quarter. The return on average allocated capital was 19.2% for the fourth quarter of 2005, a decline of 1.6 percentage points from the fourth quarter of 2004. Corporate & Retail Banking achieved a strong return on average allocated capital of 20.7% for the full year 2005, a substantial improvement of 2.7 percentage points compared to 2004.

Back to Contents

Media Release
February 15, 2006

Institutional Securities reported net income of CHF 336 million for the fourth quarter of 2005, an increase of 25% compared to the fourth quarter of 2004. This result reflects a significant rise in investment banking net revenues, driven primarily by increased industry-wide activity. This improvement was offset by higher total operating expenses. Fourth-quarter 2005 net income was positively impacted by certain tax-related items that resulted in a tax benefit of CHF 132 million. Compared to the strong third quarter of 2005, Institutional Securities' net income decreased 45%, due primarily to lower trading revenues in a generally less favorable market environment. For the full year 2005, net income totaled CHF 1,080 million, a decrease of 18% compared to 2004. Excluding the CHF 624 million after-tax charge in the second quarter of 2005 to increase the reserve for certain private litigation matters, net income increased 30% versus the prior year to CHF 1,704 million in 2005. The pre-tax margin (excluding minority interest-related revenues and expenses) was 7.9% for the full year 2005. Excluding the impact of the CHF 960 million pre-tax litigation charge in the second quarter of 2005, the pre-tax margin (excluding minority interest-related revenues and expenses) improved to 14.4% in 2005 from 12.7% in 2004.

Wealth & Asset Management posted net income of CHF 182 million for the fourth quarter of 2005, an increase of 189% compared to the fourth quarter of 2004, due primarily to higher revenues in all key business areas and lower severance costs, offset in part by higher other expenses. Compared to the third quarter of 2005, net income rose 80%, reflecting higher revenues in Alternative Capital and Credit Suisse Asset Management, offset in part by higher other expenses. Net income for the full year 2005 increased 25% to CHF 663 million compared to 2004, mainly reflecting a higher level of investment-related gains in Alternative Capital.

Net New Assets

Net New Assets and Assets under Management (AuM) for the Full Year 2005

in CHF billion	**Net New Assets 2005**	**Total AuM 31.12.05**	Change in AuM % vs 31.12.04
Private Banking	**42.7**	**659.3**	22.3
Corporate & Retail Banking	**2.0**	**57.8**	7.2
Institutional Securities	**(2.0)**	**14.5**	(4.6)
Wealth & Asset Management [1]	**12.5**	**599.4**	26.7
Life & Pensions	**3.2**	**126.0**	9.1
Non-Life	**n/ a**	**27.3**	13.3
Credit Suisse Group	**58.4**	**1,484.3**	21.6

[1] Excluding assets managed on behalf of other entities within Credit Suisse Group n/ a: not applicable

Private Banking generated record net new assets of CHF 42.7 billion for the full year 2005, reflecting a high level of inflows across all regions. The resulting growth rate of 7.9% significantly exceeded both its 2004 growth rate of 5.2% and its mid-term target of 5%. In the fourth quarter of 2005, Private Banking recorded net new asset inflows of CHF 8.6 billion. Wealth & Asset Management reported CHF 12.5 billion of net new assets for the full year 2005, reflecting inflows of CHF 6.8 billion in Private Client Services, CHF 4.9 billion in Alternative Capital and CHF 0.8

billion in Credit Suisse Asset Management. Overall, Credit Suisse Group recorded CHF 58.4 billion of net new assets for 2005. The Group's total assets under management stood at CHF 1,484.3 billion as of December 31, 2005, up 21.6% from December 31, 2004.

Back to Contents

Media Release
February 15, 2006

Insurance Business

Commenting on the insurance business, Oswald J. Grübel stated, "Winterthur achieved good progress in 2005 as it improved its overall financial results and strengthened its operating performance. This underscores the effectiveness of the measures implemented over the past three years to improve Winterthur's performance. I am convinced that Winterthur still has further potential to grow and to enhance its profitability."

Credit Suisse Group Insurance Business Results

in CHF million		**12 mths 2005**	Change in % vs 12 mths 2004	**4Q2005**	Change in % vs 3Q2005	Change in % vs 4Q2004
Life & Pensions	Net revenues	**18,197**	10	**3,627**	(15)	(8)
	Total op. expenses	**1,883**	6	**412**	(33)	0
	Net income	**490**	(6)	**152**	58	0
Non-Life	Net revenues	**11,688**	1	**2,890**	(2)	2
	Total op. expenses	**2,850**	(9)	**754**	3	(23)
	Net income	**578**	181	**126**	(34)	□

Life & Pensions recorded net income of CHF 490 million for the full year 2005 as it continued its focus on technical performance, reflected by an improved risk margin, while maintaining good growth dynamics. The 6% decline in net income compared to 2004 was primarily attributable to the adverse net impact after tax and policyholder participations of CHF 61 million related to changes in actuarial assumptions and models in the third quarter of 2005, which strengthened the reserves and reduced insurance-related intangible assets. Total operating expenses increased by 6%, also driven by this effect. Fourth-quarter 2005 net income was stable at CHF 152 million compared to the same period of 2004. For the full year 2005, total business volume grew 5%, or CHF 908 million, compared to the previous year, reflecting strong growth in the deposit business in the UK, Central and Eastern Europe and Japan, and solid growth in gross premiums written in Germany, Spain and the Swiss group life business. Net investment income increased 21% in 2005 compared to 2004, due primarily to significantly higher market appreciation on the underlying assets backing the unit-linked business, which were credited to policyholder account balances.

Non-Life reported net income of CHF 578 million for the full year 2005, compared to net income of CHF 206 million in 2004. This result primarily reflects improved underwriting results and the non-recurrence of the 2004 charge related to the sale of Winterthur International in 2001. In the fourth quarter of 2005, Non-Life posted net income of CHF 126 million, compared to a net loss of CHF 177 million in the fourth quarter of 2004. For the full year 2005, net premiums earned were unchanged compared to 2004, reflecting selective underwriting. The combined ratio fell by 3.5 percentage points due to an overall reduction in claims as well as improvements in cost and claims management. The expense ratio improved slightly to 24.6% for the full year 2005. The net investment return decreased from 4.4% to 4.2% in 2005, primarily reflecting lower realized gains in bonds.

Back to Contents

Media Release
February 15, 2006

Change in Accounting Treatment of Share-Based Compensation Awards

Following recent guidance from and discussions with US Securities and Exchange Commission (SEC) staff through February 10, 2006, regarding the appropriate period over which to expense share-based compensation awards that have a non-competition provision with scheduled vesting beyond an employees eligibility for early retirement, Credit Suisse Group changed its accounting treatment of certain share-based compensation awards. As a result, the Group recorded a non-cash charge in the Corporate Center in the fourth quarter of 2005 for certain share-based compensation awards granted in 2005. This resulted in a CHF 630 million increase in banking compensation and benefits and a CHF 421 million reduction in net income for the fourth quarter and full year 2005. This non-cash charge represents an acceleration of compensation expenses that would otherwise have been reflected in future years.

Share Buyback Program

In connection with its share buyback program, as of February 10, 2006, the Group had repurchased 26,152,200 shares in the amount of CHF 1.4 billion.

Dividend Proposal

The Board of Directors of Credit Suisse Group will propose a dividend of CHF 2.00 per share for the financial year 2005 to the Annual General Meeting on April 28, 2006. This compares to a dividend of CHF 1.50 per share for the financial year 2004. If approved by the shareholders at the Annual General Meeting, the dividend will be paid on May 4, 2006.

Outlook

Credit Suisse Group's current outlook for global economic growth and the capital markets is positive. It believes that growth will continue to be robust and that inflation will remain under control, resulting in only moderate rises in interest rates. Provided there are no major adverse geopolitical developments or external events, the Group expects the equity markets to outperform the bond markets, with the US dollar remaining well supported. While oil prices may reach new highs in the early part of 2006, it anticipates that they may trend lower later in the year.

Information

Credit Suisse Media Relations, telephone +41 844 33 88 44, media.relations@credit-suisse.com Credit Suisse Investor Relations, telephone +41 44 333 71 49, investor.relations@credit-suisse.com

For additional information on Credit Suisse Groups fourth-quarter and full-year 2005 results, please refer to the Groups Quarterly Report Q4 2005, as well as the Groups slide presentation for analysts and the press, which are available on the Internet at: www.credit-suisse.com/results

Credit Suisse Group

Credit Suisse Group is a leading global financial services company headquartered in Zurich. Credit Suisse, the banking business of Credit Suisse Group, provides its clients with investment banking, private banking and asset management services worldwide. Credit Suisse offers advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as retail clients in Switzerland. Credit Suisse Group also includes Winterthur, a Swiss general insurer with a focus on international business activities. Credit Suisse Group is active in over 50 countries and employs approximately 63,000 people. Credit Suisse Groups registered shares (CSGN) are listed in Switzerland and, in the form of American Depositary Shares (CSR), in New York. Further information about Credit Suisse Group and Credit Suisse can be found at www.credit-suisse.com. Further information about Winterthur can be found at www.winterthur.com.

Back to Contents

Media Release
February 15, 2006

Cautionary Statement Regarding Forward-Looking Information

This press release contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to our plans, objectives or goals; our future economic performance or prospects; the potential effect on our future performance of certain contingencies; and assumptions underlying any such statements. Words such as “believes,” “anticipates,” “expects,” "intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include (i) market and interest rate fluctuations; (ii) the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations in particular; (iii) the ability of counterparties to meet their obligations to us; (iv) the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations; (v) political and social developments, including war, civil unrest or terrorist activity; (vi) the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations; (vii) the ability to maintain sufficient liquidity and access capital markets; (viii) operational factors such as systems failure, human error, or the failure to properly implement procedures; (ix) actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations; (x) the effects of changes in laws, regulations or accounting policies or practices; (xi) competition in geographic and business areas in which we conduct our operations; (xii) the ability to retain and recruit qualified personnel; (xiii) the ability to maintain our reputation and promote our brands; (xiv) the ability to increase market share and control expenses; (xv) technological changes; (xvi) the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users; (xvii) acquisitions, including the ability to integrate successfully acquired businesses; (xviii) the adverse resolution of litigation and other contingencies; and (xix) our success at managing the risks involved in the foregoing. We caution you that the foregoing list of important factors is not exclusive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, as well as the risks identified in our most recently filed Form 20-F and reports on Form 6-K furnished to the US Securities and Exchange Commission.

Back to Contents

Media Release
February 15, 2006

Presentation of the fourth-quarter and full-year 2005 results

Analyst and Media Conference

- February 15, 2006, 10.00 a.m. CET / 9.00 a.m. GMT / 4.00 a.m. EST Credit Suisse Forum St. Peter, Zurich

- Simultaneous interpreting: German English, English German

- **Internet**
  Live broadcast at: www.credit-suisse.com/results
  Video playback available approximately 3 hours after the event

- **Telephone**
  Live audio dial-in on +41 91 610 5600 (Europe), +44 207 107 0611 (UK) and
  +1 866 291 4166 (US); ask for Credit Suisse Group quarterly results.
  Please dial in 10-15 minutes before the start of the presentation

  Telephone replay available approximately 1 hour after the event on +41 91 612 4330 (Europe), +44 207 108 6233 (UK) and
  +1 866 416 2558 (US); conference ID English 082#, conference ID German 387#

- **Speakers**
  Oswald J. Grübel, Chief Executive Officer of Credit Suisse Group
  Renato Fassbind, Chief Financial Officer of Credit Suisse Group

Page 7 of 7

Oswald J. Grübel Walter B. Kielholz
Chief Executive Officer Chairman of the Board of Directors

Dear shareholders

2005 was a decisive year for Credit Suisse Group. We merged our two banking entities, Credit Suisse and Credit Suisse First Boston, to create an integrated global bank combining our core businesses of investment banking, private banking and asset management under a single brand. Our new, more efficient structure will provide a solid foundation for our future growth.

While focusing on the implementation of our strategy in 2005, we also succeeded in growing our business. The Group's banking business benefited from high levels of client activity during the year.

Driven by stronger net revenues, Credit Suisse Group reported improved profitability in 2005. Net income for the full year totaled CHF 5,850 million, up 4% compared to 2004. This includes a non-cash charge in the Corporate Center in the fourth quarter of CHF 421 million after tax for certain share-based compensation awards as well as a CHF 624 million after-tax charge in Institutional Securities in the second quarter to increase the reserve for certain private litigation matters. The Group's return on equity was 15.4%, with a return on equity of 16.2% for the banking business and 11.7% for the insurance business. In the fourth quarter of 2005, the Group's net income totaled CHF 1,103 million, compared to net income of CHF 959 million in the fourth quarter of 2004.

Our 2005 results, which are reported here on the basis of the Group's organizational structure in 2005, show that we are making good progress in strengthening the underlying profitability of our business. We are convinced that the operational efficiency of our new integrated structure will help us to further enhance our profitability and returns for our shareholders in 2006.

Fourth-quarter and full-year 2005 segment results

In the following discussion, we briefly present our fourth-quarter and full-year 2005 results for our individual banking and insurance segments.

Private Banking provides wealth management products and services to high-net-worth individuals in Switzerland and many other markets around the world.

Private Banking reported record net income of CHF 2,647 million in 2005, up 7% from 2004, primarily reflecting strong revenues related to the increase in assets under management, higher trading revenues and an increase in brokerage volumes. While net revenues remained strong throughout 2005, an increase in operating expenses impacted profitability, particularly in the fourth quarter of 2005. Nonetheless, Private Banking reported net income of CHF 653 million in the fourth quarter, an increase of 6% over the same quarter of 2004. The rise in operating expenses was related mainly to ongoing strategic investments in growth opportunities as well as key business initiatives in growth markets in Asia and the Middle East in 2005. The opening of a new financial consultancy and advisory office in Mumbai in the fourth quarter of 2005 represented another milestone in the implementation of these initiatives.

Private Banking reported excellent net new asset inflows across all regions in 2005, with record net new assets of CHF 42.7 billion, representing a growth rate of 7.9%. In the fourth quarter of 2005, Private Banking generated net new asset inflows of CHF 8.6 billion.

Corporate & Retail Banking, which offers banking products and services to corporate and retail clients in Switzerland, reported net income of CHF 1,069 million in 2005 – a record result. This 19% increase in net income versus 2004 and the significantly improved return on average allocated capital of 20.7% were primarily attributable to net releases of provisions for credit losses of CHF 96 million in 2005 compared to net provisions of CHF 122 million in 2004. The result also reflects higher net revenues, partially offset by an increase in total operating expenses. In the fourth quarter of 2005, Corporate & Retail Banking recorded net income of CHF 254 million, slightly below the fourth quarter of 2004.

The Corporate & Retail Banking segment represents a significant part of our Swiss operations. One of its growth areas in 2005 was the residential mortgages business, where we experienced an increase in volumes of approximately 9%. Even as we become a fully integrated global bank, our Swiss home market continues to make a major contribution to our results.

Institutional Securities provides securities and investment banking services to institutional, corporate and government clients worldwide.

During 2005, Institutional Securities focused on key client segments and its investment banking business benefited from increased levels of market activity. This resulted in higher revenues and further demonstrated its leadership position in key products such as IPOs, leveraged finance, emerging markets, prime brokerage and advanced execution services and reflected the increasing importance of our financial sponsor client base.

Net income for 2005 totaled CHF 1,080 million. Excluding the CHF 624 million after-tax charge in the second quarter of 2005 to increase the reserve for certain private litigation matters, net income for the full year increased 30% to CHF 1,704 million. In the fourth quarter of 2005, Institutional Securities reported net income of CHF 336 million, up 25% from the fourth quarter of 2004. Significant growth in investment banking revenues during the quarter was offset by higher total operating expenses. In addition, net income was positively impacted by certain tax-related items that resulted in a CHF 132 million tax benefit in the fourth quarter of 2005.

Looking at 2005, we can see clear improvements in the development of revenues. Equity underwriting revenues rose 25% versus 2004 – a strong result that was reflected in the league tables, with Credit Suisse ranking first in IPO market share globally and in the Americas, as well as in Europe, Middle East and Africa (EMEA).

Debt underwriting revenues were up 8% in 2005 versus 2004. The leveraged finance franchise remained strong as corporate issuance continued to shift from the high-yield securities market to the syndicated loans market.

In its advisory business, Credit Suisse increased its revenues by 23% over 2004, while improving its rankings to tenth in global announced mergers and acquisitions (up from eleventh in 2004) and to eighth in global completed mergers and acquisitions (up from ninth in 2004).

Total trading revenues grew by 14% year-on-year, reflecting improved results in both fixed income and equity trading. These results highlight improvements in key growth areas including commercial and residential mortgage-backed securities and emerging markets.

Wealth & Asset Management offers international asset management services – including a broad range of investment funds – to institutional and private investors. It also provides financial advisory services to wealthy individuals and corporate clients.

In the Wealth & Asset Management segment, we reported strong net income of CHF 663 million for 2005. This 25% increase over the prior year was mainly attributable to higher investment-related gains in Alternative Capital. Net new assets grew by CHF 10.2 billion versus 2004 to CHF 12.5 billion. In the fourth quarter of 2005, Wealth & Asset Management benefited from higher revenues in all key business areas, with net income of CHF 182 million compared to CHF 63 million in the fourth quarter of 2004.

Integration of the banking businesses

January 1, 2006, marked the official launch of Credit Suisse's integrated global structure. The integrated organization now operates under a single brand, providing us with a solid foundation from which we can better serve our clients and respond effectively to the challenges that our industry will face in the future. We expect to generate significant revenue growth and cost synergies in the coming years as a result of the integration.

At our Investor Day presentation in December 2005, we stated that Credit Suisse Group aims to achieve total pre-tax benefits from revenue growth and cost synergies of CHF 1.3 billion in 2008, which would result in a positive net income benefit of around CHF 1.0 billion.

As an integrated bank, we are committed to delivering our combined experience and expertise to our clients by drawing on our tradition of innovation across our businesses and regions. With global divisions dedicated to investment banking, private banking and asset management, we can now provide more comprehensive solutions for our clients, create synergies for revenue growth, increase efficiencies and grow shareholder value. Our regional structure enables us to leverage our resources and to develop cross-divisional strategies that span the Americas, Asia Pacific, Europe, Middle East and Africa (EMEA) and Switzerland.

We will continue to develop strong bases in the home markets of our Investment Banking, Private Banking and Asset Management businesses. In the US – historically the home market of our Investment Banking business – we serve corporate and institutional clients and offer comprehensive advice and products for high-net-worth private clients. In Switzerland, Private Banking and our private client and business banking activities play a key role in the integrated Credit Suisse.

Expanding into new markets is nevertheless an important focus of our growth strategy for Credit Suisse. In Investment Banking, our growth markets are in selected countries in Latin America, Europe and Asia. We will continue to develop our business, particularly in those countries where we have established expertise in a wide range of products. In Private Banking, we are also targeting Asia, the Middle East, Europe and Latin America, where we expect to see significant wealth creation in the coming years. To strengthen our local market presence, we are establishing hubs in important regional centers and expanding our local footprint in key strategic locations. In Asset Management, we have a strong global presence and will further enhance our position by expanding our footprint in Asia in key markets where we see significant opportunities.

Winterthur

Our insurance business, Winterthur, achieved good progress in 2005 as it further strengthened its overall financial results and operating performance. Life & Pensions recorded net income of CHF 490 million for the full year 2005 as it continued its focus on technical performance, reflected by an improved risk margin, while maintaining good growth dynamics. The 6% decline in net income compared to 2004 was primarily attributable to the adverse impact of a change in actuarial models and assumptions. Fourth-quarter 2005 net income was stable at CHF 152 million compared to the fourth quarter of 2004. In Non-Life, net income increased from CHF 206 million in 2004 to CHF 578 million in 2005. This improvement was driven partly by the non-recurrence of the after-tax charge of CHF 242 million recorded in the fourth quarter of 2004 to increase provisions for contingencies related to the sale of Winterthur International in 2001. Other important drivers were improved underwriting results and our favorable claims experience, which contributed to an unusually low combined ratio. For the fourth quarter of 2005, Non-Life posted net income of CHF 126 million, compared to a net loss of CHF 177 million in the same period of last year. Adjusting for the above-mentioned charge of CHF 242 million, the improvement in profitability was still substantial. The main factors contributing to this improvement were a favorable claims experience and strict cost and claims management.

Change in accounting treatment of share-based compensation awards

Following recent guidance from and discussions with US Securities and Exchange Commission (SEC) staff through February 10, 2006, regarding the appropriate period over which to expense share-based compensation awards that have a non-competition provision with scheduled vesting beyond an employee's eligibility for early retirement, Credit

Suisse Group announced a change to its accounting treatment of certain share-based compensation awards on February 13, 2006. As a result, the Group recorded a non-cash charge in the Corporate Center in the fourth quarter of 2005 for certain share-based compensation awards granted in 2005. This resulted in a CHF 630 million increase in banking compensation and benefits and a CHF 421 million reduction in net income for the fourth quarter and full year 2005. This non-cash charge represents an acceleration of compensation expenses that would otherwise have been reflected in future years.

Dividend proposal

Our priority is clear: we want to generate long-term value for our shareholders by offering superior service to our clients and by securing a leading position in our industry. At the same time, we are committed to balancing our long-term targets with the short-term expectations of our shareholders. Accordingly, as of February 10, 2006, we had repurchased 26,152,200 shares with a value of CHF 1.4 billion in connection with our share buyback program. We maintained strong capital ratios in 2005 and reported a consolidated BIS tier 1 ratio of 11.3% at year-end 2005. Credit Suisse Group is also committed to maintaining a competitive dividend policy. The Board of Directors of Credit Suisse Group will propose a dividend of CHF 2.00 per share for the financial year 2005 to the Annual General Meeting on April 28, 2006. This compares to a dividend of CHF 1.50 per share for the financial year 2004. If approved by the shareholders at the Annual General Meeting, the dividend will be paid on May 4, 2006.

Outlook

Our current outlook for global economic growth and the capital markets is positive. We believe that growth will continue to be robust and that inflation will remain under control, resulting in only moderate rises in interest rates. Provided there are no major adverse geopolitical developments or external events, we expect the equity markets to outperform the bond markets, with the US dollar remaining well supported. While oil prices may reach new highs in the early part of 2006, we anticipate that they may trend lower later in the year.

Yours sincerely

Walter B. Kielholz Oswald J. Grübel Chairman of the Board of Directors Chief Executive Officer

February 2006

Net income/(loss)

				12 months	
in CHF m	4Q2005	3Q2005	4Q2004	2005	2004
Private Banking	**653**	728	616	**2,647**	2,473
Corporate & Retail Banking	**254**	264	257	**1,069**	901
Institutional Securities	**336**	612	269	**1,080**	1,313
Wealth & Asset Management	**182**	101	63	**663**	530
Life & Pensions	**152**	96	152	**490**	522
Non-Life	**126**	190	(177)	**578**	206
Corporate Center	**(600)**	(73)	(221)	**(677)**	(317)
Credit Suisse Group	**1,103**	1,918	959	**5,850**	5,628

Net revenues

12 months

in CHF m	4Q2005	3Q2005	4Q2004	2005	2004
Private Banking	**1,986**	2,021	1,717	**7,729**	7,170
Corporate & Retail Banking	**861**	879	803	**3,458**	3,348
Institutional Securities [1)]	**3,622**	4,303	2,906	**15,102**	13,120
Wealth & Asset Management [2)]	**1,478**	1,250	1,028	**5,234**	4,202
Life & Pensions	**3,627**	4,246	3,939	**18,197**	16,618
Non-Life	**2,890**	2,937	2,835	**11,688**	11,533
Corporate Center	**(246)**	(218)	(333)	**(776)**	(852)
Credit Suisse Group	**14,218**	15,418	12,895	**60,632**	55,139

1) Including CHF 86 million, CHF 85 million, CHF -13 million, CHF 379 million and CHF 128 million in 4Q2005, 3Q2005, 4Q2004, 12 months 2005 and 12 months 2004, respectively, in minority interest revenues relating primarily to the FIN 46R consolidation.
2) Including CHF 468 million, CHF 438 million, CHF 256 million, CHF 1,695 million and CHF 960 million in 4Q2005, 3Q2005 and 4Q2004, 12 months 2005 and 12 months 2004, respectively, in minority interest revenues relating primarily to the FIN 46R consolidation.

Highlights of 2005

In 2005, Credit Suisse Group merged its two banking entities, Credit Suisse and Credit Suisse First Boston, to create an integrated global bank combining its core businesses of investment banking, private banking and asset management.

The integrated global structure was launched on January 1, 2006, and a new brand was implemented.

The Private Banking segment reported record net income of CHF 2,647 million in 2005. Net new assets totaled CHF 42.7 billion for the full year, reflecting excellent inflows across all regions.

Credit Suisse continued to build its global Private Banking presence throughout 2005 and invested in key international markets, especially in Asia and the Middle East.

The Swiss-based Corporate & Retail Banking business generated net income of CHF 1,069 million for 2005. This record result was primarily attributable to a favorable credit environment and good net revenues.

Institutional Securities focused on key client segments in 2005. Net income for the full year totaled CHF 1,080 million.

The segment achieved higher revenues and gains in market share in key products such as IPOs, leveraged finance, emerging markets, prime brokerage and advanced execution services in 2005.

The Wealth & Asset Management segment posted strong net income of CHF 663 million for 2005, mainly reflecting higher investment-related gains in Alternative Capital.

The insurance business, Winterthur, achieved good progress in 2005 as it improved its overall financial results and strengthened its operating performance.

Consolidated statements of income (unaudited)

						12 months		
in CHF m	4Q2005	3Q2005	4Q2004	Change in % from 3Q2005	Change in % from 4Q2004	2005	2004	Change in % from 2004
Interest and dividend income	**11,562**	10,439	7,710	11	50	**40,928**	30,953	32
Interest expense	**(9,131)**	(7,624)	(4,960)	20	84	**(29,335)**	(19,006)	54
Net interest income	**2,431**	2,815	2,750	(14)	(12)	**11,593**	11,947	(3)
Commissions and fees	**4,098**	3,797	3,289	8	25	**14,617**	13,577	8
Trading revenues	**1,811**	2,953	1,400	(39)	29	**7,507**	4,559	65
Realized gains/(losses) from investment securities, net	**259**	370	298	(30)	(13)	**1,489**	1,143	30
Insurance net premiums earned	**4,558**	4,439	4,519	3	1	**20,970**	20,580	2
Other revenues	**1,061**	1,044	639	2	66	**4,456**	3,333	34
Total noninterest revenues	**11,787**	12,603	10,145	(6)	16	**49,039**	43,192	14
Net revenues	**14,218**	15,418	12,895	(8)	10	**60,632**	55,139	10
Policyholder benefits, claims and dividends	**4,836**	5,619	5,402	(14)	(10)	**23,569**	22,295	6
Provision for credit losses	**(27)**	(48)	(127)	(44)	(79)	**(140)**	78	–
Total benefits, claims and credit losses	**4,809**	5,571	5,275	(14)	(9)	**23,429**	22,373	5
Insurance underwriting, acquisition and administration expenses	**986**	1,269	962	(22)	2	**4,307**	4,103	5
Banking compensation and benefits	**3,982**	3,595	2,634	11	51	**13,971**	11,951	17
Other expenses	**2,732**	2,109	2,501	30	9	**9,672**	8,395	15
Restructuring charges	**3**	0	8	–	(63)	**4**	85	(95)
Total operating expenses	**7,703**	6,973	6,105	10	26	**27,954**	24,534	14

Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes	**1,706**	2,874	1,515	(41)	13	**9,249**	8,232	12
Income tax expense	**86**	433	312	(80)	(72)	**1,356**	1,421	(5)
Minority interests, net of tax	**511**	510	255	0	100	**2,030**	1,127	80
Income from continuing operations before cumulative effect of accounting changes	**1,109**	1,931	948	(43)	17	**5,863**	5,684	3
Income/(loss) from discontinued operations, net of tax	**(6)**	(13)	11	(54)	–	**(27)**	(50)	(46)
Cumulative effect of accounting changes, net of tax	**0**	0	0	–	–	**14**	(6)	–
Net income	**1,103**	1,918	959	(42)	15	**5,850**	5,628	4

Return on equity - Group	**11.2%**	20.1%	10.6%	–	–	**15.4%**	15.9%	–
Earnings per share in CHF								
Basic earnings per share	**0.98**	1.67	0.82	–	–	**5.17**	4.80	–
Diluted earnings per share	**0.95**	1.63	0.80	–	–	**5.02**	4.75	–

Credit Suisse Group financial highlights

						12 months		
in CHF m, except where indicated	4Q2005	3Q2005	4Q2004	Change in % from 3Q2005	Change in % from 4Q2004	2005	2004	Change in % from 2004
Consolidated income statement								
Net revenues	**14,218**	15,418	12,895	(8)	10	**60,632**	55,139	10
Income from continuing operations before cumulative effect of accounting changes	**1,109**	1,931	948	(43)	17	**5,863**	5,684	3
Net income	**1,103**	1,918	959	(42)	15	**5,850**	5,628	4
Return on equity								
Return on equity - Group	**11.2%**	20.1%	10.6%	–	–	**15.4%**	15.9%	–
Return on equity - Banking	**10.8%**	22.7%	14.1%	–	–	**16.2%**	17.8%	–
Return on equity - Winterthur	**11.4%**	11.9%	(1.2%)	–	–	**11.7%**	9.2%	–
Earnings per share								
	0.98	1.67	0.82	–	–	**5.17**	4.80	–

Basic earnings per share in CHF								
Diluted earnings per share in CHF	**0.95**	1.63	0.80	–	–	**5.02**	4.75	–
Net new assets in CHF bn	**7.8**	19.0	3.5	–	–	**58.4**	32.9	–

in CHF m, except where indicated	31.12.05	30.09.05	31.12.04	Change in % from 30.09.05	Change in % from 31.12.04
Assets under management in CHF bn	**1,484.3**	1,404.6	1,220.7	5.7	21.6
Consolidated balance sheet					
Total assets	**1,339,052**	1,326,755	1,089,485	1	23
Shareholders' equity	**42,118**	38,634	36,273	9	16
Consolidated BIS capital data					
Risk-weighted assets	**232,891**	239,604	199,249	(3)	17
Tier 1 ratio	**11.3%**	11.1%	12.3%	–	–
Total capital ratio	**13.7%**	13.9%	16.6%	–	–
Number of employees					
Switzerland - banking segments	**20,194**	20,030	19,558	1	3
Switzerland - insurance segments	**5,928**	5,983	6,147	(1)	(4)
Outside Switzerland - banking segments	**24,370**	23,313	21,606	5	13
Outside Switzerland - insurance segments	**13,031**	13,460	13,221	(3)	(1)
Number of employees (full-time equivalents)	**63,523**	62,786	60,532	1	5
Stock market data					
Market price per registered share in CHF	**67.00**	57.30	47.80	17	40
Market price per American Depositary Share in USD	**50.95**	44.48	42.19	15	21
Market capitalization	**75,399**	62,181	53,097	21	42
Market capitalization in USD m	**57,337**	48,269	46,865	19	22
Book value per share in CHF	**37.43**	35.60	32.65	5	15
Shares outstanding	**1,125,360,183**	1,085,178,424	1,110,819,481	4	1

Additional information

For additional information on Credit Suisse Group's fourth-quarter and full-year 2005 results, please refer to the Group's Quarterly Report Q4 2005, as well as the Group's slide presentation for analysts and the press, which are available on the Internet at: www.credit-suisse.com/results.

The Quarterly Report (English only) can be ordered at

Credit Suisse ULLM 2 Uetlibergstrasse 231 8070 Zurich Fax: +41 44 332 7294

Photographs taken by John Wildgoose
Cover: Sean A. Dillon, Equity Sales (New York)
Page 4: Baoming Ma, Product Control (New York)
Page 5: Max Galka, CMOs (New York)

Cautionary Statement Regarding Forward-Looking Information

This document contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to our plans, objectives or goals; our future economic performance or prospects; the potential effect on our future performance of certain contingencies; and assumptions underlying any such statements. Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable laws. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include (i) market and interest rate fluctuations; (ii) the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations in particular; (iii) the ability of counterparties to meet their obligations to us; (iv) the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations; (v) political and social developments, including war, civil unrest or terrorist activity; (vi) the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations; (vii) the ability to maintain sufficient liquidity and access capital markets; (viii) operational factors such as systems failure, human error, or the failure to properly implement procedures; (ix) actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations; (x) the effects of changes in laws, regulations or accounting policies or practices; (xi) competition in geographic and business areas in which we conduct our operations; (xii) the ability to retain and recruit qualified personnel; (xiii) the ability to maintain our reputation and promote our brands; (xiv) the ability to increase market share and control expenses; (xv) technological changes; (xvi) the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users; (xvii) acquisitions, including the ability to integrate successfully acquired businesses; (xviii) the adverse resolution of litigation and other contingencies; and (xix) our success at managing the risks involved in the foregoing. We caution you that the foregoing list of important factors is not exclusive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, as well as the risks identified in our most recently filed Form 20-F and reports on Form 6-K furnished to the US Securities and Exchange Commission.

CREDIT SUISSE GROUP Paradeplatz 8 CH-8070 Zurich Switzerland www.credit-suisse.com

5520204 English

Credit Suisse Group
Quarterly Report 2005/Q4

Credit Suisse Group financial highlights

in CHF m, except where indicated	4Q2005	3Q2005	4Q2004	Change in % from 3Q2005	Change in % from 4Q2004	12 months 2005	12 months 2004	Change in % from 2004
Consolidated income statement								
Net revenues	**14,218**	15,418	12,895	(8)	10	**60,632**	55,139	10
Income from continuing operations before cumulative effect of accounting changes	**1,109**	1,931	948	(43)	17	**5,863**	5,684	3
Net income	**1,103**	1,918	959	(42)	15	**5,850**	5,628	4
Return on equity								
Return on equity - Group	**11.2%**	20.1%	10.6%	–	–	**15.4%**	15.9%	–
Return on equity - Banking	**10.8%**	22.7%	14.1%	–	–	**16.2%**	17.8%	–
Return on equity - Winterthur	**11.4%**	11.9%	(1.2%)	–	–	**11.7%**	9.2%	–
Earnings per share								
Basic earnings per share in CHF	**0.98**	1.67	0.82	–	–	**5.17**	4.80	–
Diluted earnings per share in CHF	**0.95**	1.63	0.80	–	–	**5.02**	4.75	–
Net new assets in CHF bn	**7.8**	19.0	3.5	–	–	**58.4**	32.9	–

in CHF m, except where indicated	31.12.05	30.09.05	31.12.04	Change in % from 30.09.05	Change in % from 31.12.04
Assets under management in CHF bn	**1,484.3**	1,404.6	1,220.7	5.7	21.6
Consolidated balance sheet					
Total assets	**1,339,052**	1,326,755	1,089,485	1	23
Shareholders' equity	**42,118**	38,634	36,273	9	16
Consolidated BIS capital data					
Risk-weighted assets	**232,891**	239,604	199,249	(3)	17
Tier 1 ratio	**11.3%**	11.1%	12.3%	–	–
Total capital ratio	**13.7%**	13.9%	16.6%	–	–
Number of employees					
Switzerland - banking segments	**20,194**	20,030	19,558	1	3

Switzerland - insurance segments	**5,928**	5,983	6,147	(1)	(4)
Outside Switzerland - banking segments	**24,370**	23,313	21,606	5	13
Outside Switzerland - insurance segments	**13,031**	13,460	13,221	(3)	(1)
Number of employees (full-time equivalents)	**63,523**	62,786	60,532	1	5
Stock market data					
Market price per registered share in CHF	**67.00**	57.30	47.80	17	40
Market price per American Depositary Share in USD	**50.95**	44.48	42.19	15	21
Market capitalization	**75,399**	62,181	53,097	21	42
Market capitalization in USD m	**57,337**	48,269	46,865	19	22
Book value per share in CHF	**37.43**	35.60	32.65	5	15
Shares outstanding	**1,125,360,183**	1,085,178,424	1,110,819,481	4	1

Cover: Sean A. Dillon, Equity Sales (New York). Photographer: John Wildgoose

Contents

Enquiries
Cautionary statement regarding forward-looking information

Oswald J. Grübel
Chief Executive Officer
Credit Suisse Group

Dear shareholders, clients and colleagues

2005 was a decisive year for Credit Suisse Group. We merged our two banking entities, Credit Suisse and Credit Suisse First Boston, to create an integrated global bank combining our core businesses of investment banking, private banking and asset management under a single brand. Our new structure is the foundation for our future growth.

While focusing on the implementation of our strategy in 2005, we also succeeded in growing our business. In particular, the Group's banking business benefited from high levels of client activity during the year. Driven by stronger net revenues, Credit Suisse Group reported improved profitability in 2005. Net income for the full year totaled CHF 5,850 million, up 4% compared to 2004. This includes a non-cash charge in the fourth quarter of 2005 of CHF 421 million after tax relating to a change in the Group's accounting for share-based awards as well as a CHF 624 million after-tax charge in Institutional Securities in the second quarter of 2005 to increase the reserve for certain private litigation matters. The Group's return on equity decreased to 15.4% from 15.9% in 2004, with a return on equity of 16.2% for the banking business and 11.7% for the insurance business. In the fourth quarter of 2005, the Group's net income totaled CHF 1,103 million, compared to net income of CHF 959 million in the fourth quarter of 2004.

Our 2005 results show that we are making good progress in strengthening the underlying profitability of our business. I am convinced that our new integrated structure will help us further enhance our profitability and returns for our shareholders.

Banking segments

Private Banking reported strong revenues - related to the increase in assets under management, higher trading revenues and an increase in brokerage volumes – as well as excellent inflows of net new assets across all regions in 2005. Its full-year net income was a record CHF 2,647 million, up 7% from 2004. In the fourth quarter of 2005, Private Banking reported net income of CHF 653 million, an increase of 6% compared to the fourth quarter of 2004. Net new assets for the year totaled CHF 42.7 billion, representing a strong growth rate of 7.9%. We continued to build our global Private Banking presence throughout 2005 and invested in key international markets, especially in Asia and the Middle East. During the fourth quarter of 2005, Private Banking's net revenues remained at the same high level as in the previous quarter, supported by sound asset-based revenues. Fourth-quarter 2005 operating expenses increased mainly due to ongoing investments in strategic growth markets.

Our Swiss-based Corporate & Retail Banking business achieved a record result for 2005, with net income of CHF 1,069 million – an increase of 19% compared to the previous year. Its return on average allocated capital was 20.7%, compared to 18.0% in 2004. The main factors contributing to this strong performance were a favorable credit environment and good net revenues, which benefited from an improved level of commissions and fees. Although net income improved for the full year, fourth-quarter 2005 net income was slightly below the fourth quarter of 2004.

During 2005, Institutional Securities focused on key client segments and benefited from increased levels of market activity. This resulted in higher revenues and gains in market share in key products such as initial public offerings, leveraged finance, prime brokerage and advanced execution services. Net income for 2005 totaled CHF 1,080 million. Excluding the CHF 624 million after-tax charge in the second quarter of 2005 to increase the reserve for certain private litigation matters, net income for the full year increased 30% to CHF 1,704 million. In the fourth quarter of 2005, Institutional Securities reported net income of CHF 336 million, a 25% increase from the fourth quarter of 2004. Significant growth in investment banking revenues during the quarter was offset by higher operating expenses.

In Wealth & Asset Management, we reported strong net income of CHF 663 million for 2005. This 25% increase over the prior year was mainly attributable to higher investment-related gains in Alternative Capital. Net new assets for the year totaled CHF 11.5 billion, a CHF 8.9 billion increase compared to 2004. In the fourth quarter of 2005, Wealth & Asset Management benefited from higher revenues in all key business areas, with net income of CHF 182 million compared to CHF 63 million in the fourth quarter of 2004.

Winterthur

Winterthur, our insurance business, achieved good progress in 2005 as it further strengthened its overall financial results and operating performance. Life & Pensions continued its focus on technical performance, reflected by an improved risk margin, while maintaining good growth dynamics. For the full year 2005, Life & Pensions reported net income of CHF 490 million. This 6% decrease compared to 2004 was primarily attributable to specific effects related to taxes and changes in actuarial models and assumptions. Fourth-quarter 2005 net income was stable at CHF 152 million compared to the fourth quarter of 2004. In Non-Life, net income for 2005 increased from CHF 206 million to CHF 578 million. This improvement was partly driven by the after-tax charge of CHF 242 million booked in the fourth quarter of 2004 to increase provisions for contingencies related to the sale of Winterthur International in 2001. Other important drivers were improved underwriting results and lower claims, which contributed to a substantially lower combined ratio. For the fourth quarter of 2005, Non-Life posted net income of CHF 126 million compared to a net loss of CHF 177 million, including the above-mentioned charge, in the same period of last year. The main factors contributing to this substantial improvement were a favorable claims experience and continued strict cost and claims management.

Creating benefits as an integrated global bank

We launched the newly integrated global structure of Credit Suisse on January 1, 2006, and expect to generate significant revenue growth and cost synergies from the integration in the coming years. At our Investor Day in December 2005, we stated that Credit Suisse Group aims to achieve total pre-tax benefits from revenue growth and cost synergies of CHF 1.3 billion in 2008, which should result in a positive net income benefit of around CHF 1.0 billion. Our priority is clear: we want to generate value for our shareholders by offering superior service to our clients and by securing a leading position in our industry. At the same time, we are committed to balancing our long-term targets with the short-term expectations of our shareholders. Accordingly, as of February 10, 2006, we had repurchased 26,152,200 shares in the amount of CHF 1.4 billion under our share buyback program. We maintained strong capital ratios with a consolidated BIS tier 1 ratio of 11.3% at year-end 2005. Credit Suisse Group is also committed to a competitive dividend policy. The Board of Directors of Credit Suisse Group will therefore propose a dividend of CHF 2.00 per share for 2005 to the Annual General Meeting on April 28, 2006. This compares to a dividend of CHF 1.50 per share for the previous year.

Outlook

Our current outlook for global economic growth and the capital markets is positive. We believe that growth will continue to be robust and that inflation will remain under control, resulting in only moderate increases in interest rates. Provided there are no major adverse geopolitical developments or external events, we expect the equity markets to outperform the bond markets, with the US dollar remaining well supported. While oil prices may reach new highs in the early part of 2006, we anticipate that they will trend lower later in the year.

Yours sincerely

Oswald J. Grübel February 2006

Credit Suisse Group

Credit Suisse Group recorded net income of CHF 1,103 million in the fourth quarter of 2005, an increase of CHF 144 million, or 15%, from net income of CHF 959 million in the fourth quarter of 2004. Net income for the full year 2005 was CHF 5,850 million, an increase of CHF 222 million, or 4%, compared to the full year 2004. The Group's fourth-quarter results reflect increased net income in Private Banking, Institutional Securities, Wealth & Asset Management and Non-Life, while net income in Corporate & Retail Banking was slightly lower and Life & Pensions net income remained flat compared to the fourth quarter of 2004. Net income was adversely affected by a change in the Group's accounting for share-based awards. See "Further guidance on accounting for share-based awards."

Factors affecting results of operations

The market environment in the fourth quarter of 2005 was generally favorable but certain sectors were more challenging than in the third quarter of 2005. The insurance segments continued to be challenged by the sustained low interest rate environment despite the recent interest rate increases.

The US economy remained resilient despite higher energy prices, an increase in corporate bankruptcies early in the quarter and higher-than-expected consumer and producer price indices. The main US equity markets recorded gains of 2% to 3% during the quarter. In Europe, the Swiss Market Index increased 16% during the quarter and the other main European equity markets showed solid gains, despite sluggish economic growth and the uncertainty generated during the election of the new German Chancellor. China continues to lead the economic growth in Asia and the revival of the Japanese economy continued through the end of the year.

The US Federal Reserve continued to increase short-term interest rates, raising short-term rates to 4.25% in December 2005. The yield curve continued to flatten and became inverted at the end of 2005, with long-term interest rates falling below short-term rates. Despite worries about Europe's fragile economic recovery, the European Central Bank raised its benchmark interest rate for the first time in five years, motivated by inflation fears. Both the Bank of England and Japan kept benchmark rates stable during the quarter. Credit spreads in the US widened slightly in response to the flatter Treasury curve, creating less favorable trading conditions in the quarter. Stronger-than-expected global economic and corporate earnings growth contributed to healthy underwriting activity in the quarter. The Swiss franc closed largely flat against the US dollar compared to the beginning of the fourth quarter of 2005, however, significant volatility was seen during the quarter.

The global credit environment remained favorable for lenders, with a corresponding positive impact on the Group's provision for credit losses.

Industry-wide volume of announced mergers and acquisitions in the fourth quarter of 2005 was higher than in the fourth quarter of 2004. The volume of announced mergers and acquisitions transactions during the quarter reached the highest level since the third quarter of 2000, driven by easy access to capital and strong activity by financial sponsors. Activity in global mergers and acquisitions during 2005 was at its highest level since 2000, with strong contributions from the US, Europe and Asia.

Equity underwriting volumes in the fourth quarter of 2005 continued to strengthen with an increase in industry-wide equity capital markets activity compared to the fourth quarter of 2004 and to the prior quarter. Global equity capital markets volume in 2005 reached its highest level in five years driven by significant increases in IPO activity in both Europe and Asia.

Industry-wide volumes for debt issuance in the fourth quarter of 2005 increased compared to the fourth quarter of 2004 and to the previous quarter. However, high-yield debt saw volume declines versus both periods, while investment grade debt volumes increased only slightly. After a record-setting 2004, global high-yield corporate debt issuance declined considerably in 2005, posting three consecutive quarters of fewer than 100 issues per period, the longest stretch since early 2003. Although global investment grade debt issuance volume in 2005 marked a new annual high, quarterly volumes declined steadily throughout the year.

Summary of segment results

Private Banking reported net income of CHF 653 million in the fourth quarter of 2005, compared to CHF 616 million in the fourth quarter of 2004. For the full year 2005, net income was CHF 2,647 million, an increase of CHF 174 million, or 7%, compared to the full year 2004. Both fourth-quarter and full-year net revenues were driven by higher commissions and fees and increased trading revenues, reflecting higher assets under management and higher client transaction volume, which were partially offset by higher compensation and benefits reflecting growth initiatives in key markets and higher performance-related compensation.

Corporate & Retail Banking reported net income of CHF 254 million in the fourth quarter of 2005, slightly lower compared to the fourth quarter of 2004. For the full year 2005, net income was CHF 1,069 million, an increase of CHF 168 million, or 19%, compared to the full year 2004. Fourth-quarter 2005 net revenues were driven by higher trading revenues and increased net interest income compared to the fourth quarter of 2004, while net revenues for the full year 2005 benefited from increased commissions and fees and higher trading revenues. Higher net income in both the fourth quarter of 2005 and full year 2005 reflected releases of credit provisions and higher compensation and benefits.

Institutional Securities reported net income of CHF 336 million in the fourth quarter of 2005, an increase of CHF 67 million, or 25%, compared to the fourth quarter of 2004, reflecting higher net revenues, including a significant increase in investment banking revenues, which was offset by an increase in total operating expenses, both compensation and benefits and other expenses. In addition, the fourth-quarter net income was positively impacted by certain tax-related items that resulted in a tax benefit of CHF 132 million. For the full year 2005, Institutional Securities reported net income of CHF 1,080 million, a decrease of CHF 233 million, or 18%, compared to the full year 2004. This result includes a second-quarter 2005 after-tax charge of CHF 624 million, to increase the reserve for certain private litigation matters.

Wealth & Asset Management reported net income of CHF 182 million in the fourth quarter of 2005, an increase of CHF 119 million, or 189%, compared to the fourth quarter of 2004, with increased revenues in all key business areas. For the full year 2005, net income was CHF 663 million, an increase of CHF 133 million, or 25%, driven primarily by higher investment-related gains.

Both Institutional Securities and Wealth & Asset Management maintained a disciplined approach to compensation expenses. The compensation to revenue ratio for the combined segments (excluding minority interest revenues) was 51.9% in the fourth quarter of 2005, compared to 52.9% in the fourth quarter of 2004 and 51.9% in the third quarter of 2005. For the full year 2005, the compensation to revenue ratio for the combined segments (excluding minority interest revenues) was 51.9%, compared to 53.1% for the full year 2004.

Life & Pensions reported net income of CHF 152 million in the fourth quarter of 2005, unchanged compared to the fourth quarter of 2004. In 2005, Life & Pensions continued its focus on technical performance, reflected by an improved risk margin, while maintaining good growth dynamics, reporting net income of CHF 490 million. The decrease of CHF 32 million, or 6%, compared to 2004 was primarily attributable to the adverse impact of a change in actuarial assumptions and models of CHF 61 million after tax and policyholder participations. In addition, net income in 2005 included an increase in the valuation of deferred tax assets (by decreasing the related valuation allowance) in relation to tax loss carry-forwards created in prior years.

Non-Life reported net income of CHF 126 million in the fourth quarter of 2005, compared to a net loss of CHF 177 million in the fourth quarter of 2004, which included a charge of CHF 242 million after tax related to the sale of Winterthur International in 2001. The related dispute with XL Capital Ltd (XL) was decided in Winterthur's favor in the fourth quarter of 2005 and accordingly no further provisions were recorded in connection with this dispute. For the full year 2005, net income was CHF 578 million, an increase of CHF 372 million, or 181%, compared to the full year 2004, which reflected the impact of the Winterthur International provisions discussed above. The results in 2005 reflected improved underwriting results and a benefit from the increase in the valuation of deferred tax assets (by decreasing the related valuation allowance) primarily in relation to tax loss carry-forwards created in prior years.

The following table sets forth an overview of segment results:

4Q2005, in CHF m	Private Banking	Corporate & Retail Banking	Institutional Securities	Wealth & Asset Management	Life & Pensions	Non-Life	Corporate Center	Credit Suisse Group
Net revenues	**1,986**	**861**	**3,622**	**1,478**	**3,627**	**2,890**	**(246)**	**14,218**
Policyholder benefits, claims and dividends	–	–	–	–	2,984	1,858	(6)	4,836
Provision for credit losses	2	(23)	(12)	0	6	1	(1)	(27)
Total benefits, claims and credit losses	**2**	**(23)**	**(12)**	**0**	**2,990**	**1,859**	**(7)**	**4,809**
Insurance underwriting, acquisition and administration expenses	–	–	–	–	373	612	1	986
Banking compensation and benefits	592	270	2,019	340	–	–	761	3,982
Other expenses	570	288	1,328	440	38	140	(72)	2,732
Restructuring charges	0	0	0	0	1	2	0	3
Total operating expenses	**1,162**	**558**	**3,347**	**780**	**412**	**754**	**690**	**7,703**
Income from continuing operations before taxes and minority interests	**822**	**326**	**287**	**698**	**225**	**277**	**(929)**	**1,706**
Income tax expense/(benefit)	164	71	(132)	60	61	137	(275)	86
Minority interests, net of tax	5	1	83	456	12	7	(53)	511
Income from continuing operations	**653**	**254**	**336**	**182**	**152**	**133**	**(601)**	**1,109**
	0	0	0	0	0	(7)	1	(6)

Income/(loss) from discontinued operations, net of tax								
Net income	**653**	**254**	**336**	**182**	**152**	**126**	**(600)**	**1,103**

Credit Suisse Group consolidated results

The Group reported net revenues of CHF 14,218 million in the fourth quarter of 2005, an increase of CHF 1,323 million, or 10%, compared to the fourth quarter of 2004. Net revenues were CHF 60,632 million for the full year 2005, an increase of CHF 5,493 million, or 10%, compared to the full year 2004.

Net interest income, which includes dividend income, was CHF 2,431 million in the fourth quarter of 2005, a decrease of CHF 319 million, or 12%, compared to the fourth quarter of 2004, and a decrease of CHF 384 million, or 14%, compared to the third quarter of 2005. This was due primarily to an increase in interest expense in Institutional Securities as a result of higher short-term borrowing costs and higher financing liabilities. For the full year 2005, net interest income was CHF 11,593 million, a decrease of CHF 354 million, or 3%, due mainly to the increase in interest expense in Institutional Securities. This was partially offset by increases in the insurance segments of CHF 256 million due to lower interest expense and increased dividend receipts as corporations declared generally higher dividends in line with economic improvements.

Commissions and fees rose by CHF 809 million, or 25%, to CHF 4,098 million compared to the fourth quarter of 2004, due mainly to significantly higher underwriting and advisory and other fees in Institutional Securities. In addition, the increase reflected higher asset-based commissions and fees due to increased assets under management and higher brokerage volumes and product sales in Private Banking, and higher asset management and administrative fees in Wealth & Asset Management. For the full year 2005, commissions and fees were CHF 14,617 million, an increase of CHF 1,040 million, or 8%, compared to the full year 2004. This improvement was generated largely by higher asset-based commissions and brokerage volumes in Private Banking, increased investment banking revenues in Institutional Securities, and higher placement fees and management fees in Wealth & Asset Management.

Trading revenues of CHF 1,811 million increased by CHF 411 million, or 29%, compared to the fourth quarter of 2004, due mainly to improved performance in the commercial mortgage-backed securities and collateralized debt obligations businesses in Institutional Securities. In addition, Private Banking recorded an increase due mainly to client foreign exchange trading. Further, Corporate & Retail Banking recorded increases due to the positive impact of changes in the fair value of interest rate derivatives. Trading revenues decreased by CHF 1,142 million, or 39%, compared to the third quarter of 2005, due mainly to a decrease in both fixed income and equity trading in Institutional Securities, which largely reflected a generally less favorable market environment. For the full year 2005, trading revenues increased by CHF 2,948 million, or 65%, to CHF 7,507 million, with all banking segments recording increases, the largest of which were in Institutional Securities and Private Banking. The increase in Institutional Securities was driven by increases in both fixed income and equity trading results, while the increase in Private Banking was driven by client foreign exchange trading and trading execution. In addition, Life & Pensions recorded an increase of CHF 784 million compared to the full year 2004, primarily reflecting the market appreciation of the underlying assets backing unit-linked products which is credited to policyholder account balances.

Net realized gains/(losses) from investment securities decreased CHF 39 million, or 13%, to CHF 259 million in the fourth quarter of 2005, due mainly to a decrease in Institutional Securities compared to the fourth quarter of 2004. For the full year 2005, net realized gains/(losses) from investment securities increased CHF 346 million, or 30%, to CHF

1,489 million, primarily due to higher net realized gains on equity securities in Life & Pensions.

Insurance net premiums earned increased CHF 39 million, or 1%, to CHF 4,558 million compared to the fourth quarter of 2004. For the full year 2005, insurance net premiums earned increased CHF 390 million, or 2%, to CHF 20,970 million driven primarily by positive sales performance in Life & Pensions in Germany, Spain and the Swiss group life business. Other revenues were CHF 1,061 million in the fourth quarter of 2005 compared to CHF 639 million in the fourth quarter of 2004, an increase of CHF 422 million, or 66%. For the full year 2005, the Group reported other revenues of CHF 4,456 million, an increase of CHF 1,123 million, or 34%, compared to the full year 2004. The increases were due to higher other revenues in Wealth & Asset Management and Institutional Securities, primarily as a result of higher revenues from consolidation of certain private equity funds, as discussed under Minority interests below. This was partially offset by a decrease in the insurance segments due mainly to lower realized gains on other invested assets, including real estate, and increased asset management expenses.

Total benefits, claims and credit losses

The Group reported a net release of provisions for credit losses of CHF 27 million in the fourth quarter of 2005, compared to a net release of CHF 127 million in the fourth quarter of 2004. For the full year 2005, the Group reported a net release of CHF 140 million compared to a net increase in provisions for credit losses of CHF 78 million for the full year 2004. These releases largely reflected an ongoing favorable credit environment for lenders.

Compared to the fourth quarter of 2004, policyholder benefits, claims and dividends decreased CHF 566 million, or 10%, to CHF 4,836 million. This was largely due to a decrease in Life & Pensions of investment income credited to policyholder account balances of CHF 351 million compared to CHF 743 million in the fourth quarter of 2004. In addition, Non-Life reported lower claims and annuities incurred of CHF 1,722 million in the fourth quarter of 2005 compared to CHF 1,968 million in the fourth quarter of 2004 as a result of favorable claims experience. For the full year 2005, the Group recorded policyholder benefits, claims and dividends of CHF 23,569 million compared to CHF 22,295 million for the full year 2004, an increase of CHF 1,274 million, or 6%. This was due mainly to an increase in investment income credited to policyholder account balances in Life & Pensions.

Total operating expenses

The Group reported total operating expenses of CHF 7,703 million in the fourth quarter of 2005, an increase of CHF 1,598 million, or 26%, compared to the fourth quarter of 2004. This increase was driven primarily by higher banking compensation and benefits in line with the improved results, an incremental expense of CHF 630 million relating to a change in the Group’s accounting for share-based awards and, to a lesser extent, the impact of Private Banking’s growth initiatives in key strategic markets. In addition, other expenses included an adverse foreign exchange translation impact due to the strengthening of the US dollar against the Swiss franc in Institutional Securities and Wealth & Asset Management and higher professional fees in Wealth & Asset Management. For the full year 2005, the Group reported total operating expenses of CHF 27,954 million compared to CHF 24,534 million for the full year 2004, an increase of CHF 3,420 million, or 14%. This included a charge of CHF 960 million (USD 750 million) before tax in Institutional Securities to increase the reserve for certain private litigation matters. Excluding the impact of the litigation charge, total operating expenses increased by CHF 2,460 million, or 10%, mainly reflecting an increase in banking compensation and benefits. Corporate Center total operating expenses included costs relating to the integration of the banking businesses of CHF 84 million in the fourth quarter and CHF 128 million for the full year 2005.

Insurance underwriting, acquisition and administration expenses of CHF 986 million increased CHF 24 million, or 2%, compared to the fourth quarter of 2004, primarily reflecting increased amortization of deferred acquisition costs and present value of future profits in Life & Pensions and increased marketing and project costs in Non-Life. For the full year 2005, the Group reported insurance underwriting, acquisition and administration expenses of CHF 4,307 million, an increase of CHF 204 million, or 5%, compared to the full year 2004, primarily reflecting the negative effect of changes in actuarial assumptions and models in Life & Pensions recorded in the third quarter of 2005.

Banking compensation and benefits increased CHF 1,348 million, or 51%, to CHF 3,982 million in the fourth quarter of 2005 compared to the fourth quarter of 2004. For the full year 2005, banking compensation and benefits was CHF 13,971 million, an increase of CHF 2,020 million, or 17%. The increase in both the fourth quarter and the full year reflected higher performance-related compensation in the banking segments, in line with the improved results, as well as the impact of Private Banking's front office recruitment as part of its ongoing strategic investments in growth markets. Banking compensation and benefits in both periods was also impacted by a change in the Group's accounting for share-based compensation awards subject to a non-competition provision that have scheduled vesting beyond an employee's eligibility for early retirement. See "Further guidance on accounting for share-based awards."

Other expenses amounted to CHF 2,732 million in the fourth quarter of 2005, an increase of CHF 231 million, or 9%, compared to the fourth quarter of 2004, due in part to the adverse foreign exchange translation impact in Institutional Securities and Wealth & Asset Management and higher professional fees in Wealth & Asset management. This was partially offset by a decline in Non-Life as a result of a provision of CHF 310 million recorded in the fourth quarter of 2004 relating to the sale of Winterthur International to XL. For the full year 2005, the Group reported other expenses of CHF 9,672 million, an increase of CHF 1,277 million, or 15%, compared to the full year 2004, due mainly to the impact of the CHF 960 million litigation charge in Institutional Securities.

Income tax expense

The Group recorded an income tax expense of CHF 86 million compared to CHF 312 million in the fourth quarter of 2004, a decrease of CHF 226 million, or 72%. Net income was positively impacted by certain tax-related items that resulted in a tax benefit of CHF 132 million in Institutional Securities in the fourth quarter of 2005. These include the release of tax contingency accruals due to the favorable settlement of certain tax audits and a decrease in the full-year effective tax rate below the rate used to accrue taxes during prior quarters in 2005 as a result of changes in the geographic mix of taxable income. In addition, Non-Life reported an income tax expense of CHF 137 million in the fourth quarter of 2005 compared to an income tax benefit of CHF 50 million in the fourth quarter of 2004, due to improved profitability in most Non-Life operations, higher taxes in Switzerland related to the increased valuation of a subsidiary in 2005 and the fourth-quarter 2004 tax benefit of CHF 68 million relating to the sale of Winterthur International.

Income tax expense in the fourth quarter of 2005 was impacted by a change in the Group's accounting for share-based compensation awards subject to a non-competition provision that have scheduled vesting beyond an employee's eligibility for early retirement. See "Further guidance on accounting for share-based awards."

The Group tax expense is not impacted by investments that are required to be consolidated under the relevant accounting rules, primarily Financial Accounting Standards Board Interpretation No. 46 Revised (FIN 46R). The amount of income related to these investments varies from one period to the next and in the fourth quarter of 2005 amounted to CHF 539 million. Due mainly to this effect, the impact of certain tax-related items in Institutional Securities and the change in accounting for share-based compensation awards, the Group's effective tax rate in the fourth quarter of 2005 was 5% compared to the Swiss statutory rate of 22%.

Minority interests

Credit Suisse Group's net revenues and operating expenses include the consolidation of certain entities and private equity funds primarily under FIN 46R. The consolidation of these entities does not impact net income as the amounts recorded in net revenues and expenses are offset by equivalent amounts recorded in minority interests.

Minority interests were CHF 511 million in the fourth quarter of 2005, an increase of CHF 256 million, or 100%, compared to the fourth quarter of 2004. For the full year 2005, minority interests amounted to CHF 2,030 million compared to CHF 1,127 million for the full year 2004. Both the quarterly and full-year increases were due to increased investment-related gains.

Equity capital

Credit Suisse Group's consolidated BIS tier 1 ratio was 11.3% as of December 31, 2005, up from 11.1% as of September 30, 2005. The Group continued the share buyback program approved by the Annual General Meeting in 2005, repurchasing CHF 1.4 billion of own shares since the initiation of the program through February 10, 2006. Risk-weighted assets decreased compared to the third quarter of 2005, primarily reflecting securitization activity in the fourth quarter of 2005. Tier 1 capital decreased CHF 171 million with the contribution of fourth quarter net income offset by the continuing share buyback program and accruals related to the proposed 2005 dividends. The Group's shareholders' equity as of December 31, 2005 increased to CHF 42.1 billion from CHF 38.6 billion as of September 30, 2005 and includes the CHF 1.2 billion impact of conversion of the mandatory convertible securities.

The following table sets forth details of BIS data (risk-weighted assets, capital and ratios):

	Credit Suisse Group		
in CHF m, except where indicated	31.12.05	30.09.05	31.12.04
Risk-weighted positions	**218,899**	225,946	187,775
Market risk equivalents	**13,992**	13,658	11,474
Risk-weighted assets	**232,891**	239,604	199,249
Tier 1 capital	**26,348**	26,519	24,596
of which non-cumulative perpetual preferred securities	**2,170**	2,175	2,118
Tier 1 ratio	**11.3%**	11.1%	12.3%
Total capital	**31,918**	33,213	33,121
Total capital ratio	**13.7%**	13.9%	16.6%

As of January 1, 2004, Credit Suisse Group bases its capital adequacy calculations on US GAAP, which is in accordance with the Swiss Federal Banking Commission (SFBC) newsletter 32 (dated December 18, 2003). The SFBC has advised Credit Suisse Group that it may continue to include as Tier 1 capital CHF 2.2 billion as at December 31, 2005 (September 30, 2005: CHF 2.2 billion and December 31, 2004: CHF 2.1 billion) of equity from special purpose entities, which are deconsolidated under FIN 46R.

Winterthur's capital position remained stable, with shareholders' equity of CHF 9.7 billion at December 31, 2005, unchanged compared to September 30, 2005.

Net new assets

The Group reported net new assets of CHF 7.8 billion in the fourth quarter of 2005, a decrease of CHF 11.2 billion compared to the third quarter of 2005 and an increase of CHF 4.3 billion compared to the fourth quarter of 2004. For the full year 2005, the Group recorded net new assets of CHF 58.4 billion, an increase of CHF 25.5 billion compared to the full year 2004.

The following table sets forth details of assets under management and client assets:

in CHF bn	31.12.05	30.09.05	31.12.04	Change in % from 30.09.05	Change in % from 31.12.04

Private Banking					
Assets under management	**659.3**	637.2	539.1	3.5	22.3
Client assets	**698.4**	674.5	569.4	3.5	22.7
Corporate & Retail Banking					
Assets under management	**57.8**	56.3	53.9	2.7	7.2
Client assets	**122.0**	116.6	102.1	4.6	19.5
Institutional Securities					
Assets under management	**14.5**	14.4	15.2	0.7	(4.6)
Client assets	**69.6**	108.3	95.1	(35.7)	(26.8)
Wealth & Asset Management					
Assets under management [1)]	**599.4**	543.8	472.9	10.2	26.7
Client assets	**617.0**	561.3	488.9	9.9	26.2
Life & Pensions					
Assets under management	**126.0**	125.1	115.5	0.7	9.1
Client assets	**126.0**	125.1	115.5	0.7	9.1
Non-Life					
Assets under management	**27.3**	27.8	24.1	(1.8)	13.3
Client assets	**27.3**	27.8	24.1	(1.8)	13.3
Credit Suisse Group					
Discretionary assets under management	**742.5**	684.9	595.8	8.4	24.6
Advisory assets under management	**741.8**	719.7	624.9	3.1	18.7
Total assets under management	**1,484.3**	1,404.6	1,220.7	5.7	21.6
Total client assets	**1,660.3**	1,613.6	1,395.1	2.9	19.0

The following table sets forth details of net new assets:

				12 months	
in CHF bn	4Q2005	3Q2005	4Q2004	2005	2004
Private Banking	**8.6**	14.3	3.9	**42.7**	26.4
Corporate & Retail Banking	**0.2**	0.4	0.6	**2.0**	1.4
Institutional Securities	**0.0**	0.0	0.2	**(2.0)**	1.6
Wealth & Asset Management [1)]	**(0.8)**	4.0	0.2	**12.5**	2.3
Life & Pensions	**(0.2)**	0.3	(1.4)	**3.2**	1.2
Credit Suisse Group	**7.8**	19.0	3.5	**58.4**	32.9

[1)] Excluding assets managed on behalf of other entities within Credit Suisse Group. This differs from the presentation of the Wealth & Asset Management segment results, in which such assets are included.

Private Banking reported net new asset inflows of CHF 8.6 billion in the fourth quarter of 2005, with continued healthy contributions from strategic key markets in Asia and the European onshore business. Wealth & Asset Management recorded net asset outflows of CHF 0.8 billion, reflecting an outflow of CHF 3.4 billion in Credit Suisse

Asset Management, primarily due to redemptions in money market funds, partially offset by inflows in Alternative Capital and Private Client Services.

As of December 31, 2005, the Group's total assets under management amounted to CHF 1,484.3 billion, an increase of CHF 79.7 billion, or 5.7%, compared to September 30, 2005. Wealth & Asset Management assets under management increased CHF 55.6 billion in the fourth quarter of 2005, due to an internal transfer of a cash management business from the Institutional Securities prime services business to Credit Suisse Asset Management, market performance and exchange rate movements, which were partially offset by net asset outflows. In addition, Private Banking assets under management increased by CHF 22.1 billion, reflecting asset inflows and higher equity markets.

Further guidance on accounting for share-based awards

The Group early adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123R) as of January 1, 2005. In a December 2005 speech, the SEC staff provided further guidance on SFAS 123R, relating to accounting for share-based compensation awards subject to a non-competition provision that have scheduled vesting beyond an employee's eligibility for early retirement. The SEC staff noted that such share-based awards should generally be expensed over the period from grant date to the date an employee becomes eligible for early retirement, rather than over the entire vesting, or stated service, period, unless the non-competition provision and other factors establish an in-substance requisite service period that extends beyond the early retirement date. Based on a review of relevant share-based awards granted during 2005, the Group had previously concluded that the most appropriate service period to be used for expensing those awards is the vesting period. As a result of the December 2005 guidance, and based on subsequent discussions with the SEC staff, the Group has recorded in the fourth quarter of 2005 an incremental expense to reflect the full year cost of its 2005 share-based awards. This incremental expense reflects the attribution of the total cost of these awards over the period from the grant date to the date the employee becomes eligible for early retirement rather than over the vesting period that ranged from three to five years.

The impact of the Group's change in accounting was to increase fourth-quarter and full-year 2005 banking compensation and benefits by CHF 630 million, and to decrease fourth-quarter and full-year 2005 net income by CHF 421 million. This non-cash charge, recorded in the Corporate Center, represents the acceleration of compensation expense for share-based awards granted in 2005, principally to employees in the Institutional Securities and Wealth & Asset Management segments, that otherwise would have been recorded generally over vesting periods of three to five years. See "Notes to the condensed consolidated financial statements – unaudited – New accounting pronouncements."

Dividend proposal

Credit Suisse Group's Board of Directors will propose a dividend of CHF 2.00 per share to the Annual General Meeting on April 28, 2006. This compares with a dividend of CHF 1.50 per share in 2004. If approved by the Annual General Meeting on April 28, 2006, the dividend will be paid out on May 4, 2006.

Credit Suisse Group structure

In 2005 Credit Suisse Group comprised three divisions with six reporting segments: Credit Suisse, including the segments Private Banking and Corporate & Retail Banking; Credit Suisse First Boston, including the segments Institutional Securities and Wealth & Asset Management; and Winterthur, including the segments Life & Pensions and Non-Life.

The organizational chart presented below reflects the legal entity, division and segment structure that has been operational since May 16, 2005. The Bank is comprised of former Credit Suisse First Boston and former Credit Suisse, which were merged on May 13, 2005. The merger of these Swiss legal entities constituted the first step towards the creation of an integrated organization.

Effective January 1, 2006, the merged bank combined the Credit Suisse and Credit Suisse First Boston divisions in order to better address client needs in a rapidly changing market environment. The objective of the new integrated bank is to operate more efficiently and provide enhanced advisory services and products with a sharper focus on client needs. The new integrated bank is structured along three lines of business. Private Banking includes international and Swiss wealth management as well as services for private clients and corporate clients including pension funds in Switzerland. Investment Banking includes the products and services provided to corporate and investment banking clients. Asset Management includes asset management products and services. The integrated bank adopted the brand name Credit Suisse and a new logo to unite its businesses beginning January 16, 2006.

The organizational chart presented below reflects the legal entity, division and segment structure that was operational in 2005, and the following discussion is based on that operational and management structure.

Risk Management

Credit Suisse Group's overall position risk, measured on the basis of Economic Risk Capital (ERC), remained stable in the fourth quarter of 2005 compared with the previous quarter. The more narrowly defined average Value-at-Risk (VaR) in US dollar terms for the Group's trading books increased by 6% during the fourth quarter of 2005 to USD 53.2 million due to increased equity risk. The loan portfolios across the Group continued to benefit from a favorable credit environment, resulting in a net release of credit provisions of CHF 27 million in the fourth quarter of 2005.

Economic Risk Capital trends

The Group assesses risk and economic capital adequacy using its Economic Risk Capital (ERC) model. ERC is designed to measure all quantifiable risks associated with the Group's activities on a consistent and comprehensive basis. The Group assigns ERC for position risk, operational risk and expense risk. Position risk measures the potential annual economic loss associated with market, credit and insurance exposures that is exceeded with a given, small probability (1% for risk management purposes, 0.03% for capital management purposes). It is not a measure of the potential impact on reported earnings, since non-trading activities generally are not marked to market through earnings.

In the fourth quarter of 2005, the Group's 1-year, 99% position risk ERC remained stable compared to the third quarter of 2005, with higher counterparty and foreign exchange risks largely offset by lower emerging market and insurance underwriting risks.

In the fourth quarter of 2005, the contribution of the Credit Suisse First Boston division to the Group's ERC increased to 54% compared to the end of the third quarter of 2005. The contribution of Credit Suisse and Corporate Center stayed at 17% and 2%, respectively, with Winterthur decreasing to 27%.

Trading risks

The Group assumes trading risks through the trading activities of the Institutional Securities segment and, to a lesser extent, the trading activities of the Private Banking and Corporate & Retail Banking segments. The other segments do not engage in significant trading activities. Trading risks are measured using Value-at-Risk (VaR) as one of a range of risk measurement tools. VaR is the potential loss in fair value of trading positions due to adverse market movements over a defined time horizon and for a specified confidence level. The table below shows the Group's trading-related market risk on a consolidated basis, as measured by a 10-day VaR scaled to a 1-day holding period and based on a 99% confidence level. This means that there is a one in 100 chance of incurring a daily mark-to-market trading loss that is at least as large as the reported VaR.

The Group's average 1-day, 99% VaR in the fourth quarter of 2005 was CHF 69.3 million compared to CHF 64.2 million in the third quarter of 2005. In US dollar terms, the Group's average 1-day, 99% VaR was USD 53.2 million during the fourth quarter of 2005 compared to USD 50.4 million in the third quarter of 2005. The increase in average VaR was due to an increase in equity risk mainly from an increase in equity trading positions. The increase in equity risk was partially offset by a reduction in interest rate VaR due to reduced volatility observed over the last two years in the dataset used to compute VaR.

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 due to movements in financial market variables such as interest rates, equity prices and foreign exchange rates on 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. On average, an accurate 1-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.

The Group had no backtesting exceptions during the fourth quarter of 2005 (and no backtesting exceptions in the full year 2005). The histogram entitled "Credit Suisse Group trading revenue" compares the distribution of daily backtesting profit and loss in the fourth quarter of 2005 with the distribution of actual trading revenues, which includes fees, commissions, provisions and the profit and loss effects associated with any trading subsequent to the previous night's positions.

Loan exposure

The Group's total loan exposure grew 2% as of December 31, 2005, compared to September 30, 2005, driven mainly by a 14% increase in the Credit Suisse First Boston division.

Compared to September 30, 2005, the Group's total non-performing loans declined 13% and total impaired loans declined 10% as of December 31, 2005. All divisions reported reductions in total non-performing loans and total impaired loans during the fourth quarter, reflecting the continued favorable credit cycle.

In the fourth quarter of 2005, the Group recorded a net release of provisions for credit losses of CHF 27 million, compared to a net release of CHF 48 million in the previous quarter. The additions, releases and recoveries included in determining the allowance for loan losses are presented in the following tables.

Coverage of total impaired loans by valuation allowances at the Group increased to 67.5% at the end of the fourth quarter of 2005 compared to 66.1% at the end of the third quarter. Coverage of total non-performing loans and total impaired loans improved at the Credit Suisse First Boston division, but declined slightly at the Credit Suisse division.

The following table sets forth the Group's risk profile, using ERC as the common risk denominator:

Change Analysis: Brief Summary

in CHF m	31.12.05	Change in % from 30.09.05	Change in % from 31.12.04	31.12.05 vs 30.09.05
Interest Rate ERC, Credit Spread ERC & Foreign Exchange Rate ERC	**4,566**	3%	8%	Higher foreign exchange risk at Credit Suisse First Boston division
Equity Investment ERC	**4,082**	2%	39%	Higher equity trading risk at Credit Suisse First Boston division partially offset by lower equity exposures at Winterthur
Swiss & Retail Lending ERC	**2,301**	1%	(1%)	No material change
International Lending ERC & Counterparty ERC	**3,093**	5%	41%	Higher counterparty exposures at Credit Suisse First Boston division
Emerging Markets ERC	**1,965**	(5%)	(3%)	Lower Brazil exposures at Credit Suisse First Boston division partially offset by reduction of FX hedges at Winterthur mainly in Hungarian Forint and Polish Zloty
Real Estate ERC & Structured Asset ERC [1]	**3,715**	1%	27%	Higher US dollar exchange rate fully offset lower residential and commercial real estate exposures at Credit Suisse First Boston division
Insurance Underwriting ERC	**811**	(4%)	1%	Lower due to reduced exposures at Winterthur
Simple sum across risk categories	**20,533**	1%	18%	
Diversification benefit	**(6,651)**	5%	19%	
Total Position Risk ERC	**13,882**	0%	17%	

1-year, 99% position risk ERC, excluding foreign exchange translation risk. For an assessment of the total risk profile, operational risk ERC and expense risk ERC have to be considered. For a more detailed description of the Group’s ERC model, please refer to Credit Suisse Group's Annual Report 2004, which is available on the website: www.credit-suisse.com/annualreport2004. Prior period balances have been restated for methodology changes in order to maintain consistency over time.

[1] This category comprises the real estate investments of Winterthur, Credit Suisse's commercial real estate exposures, Credit Suisse's residential real estate exposures, Credit Suisse’s asset-backed securities exposures as well as the real estate acquired at auction and real estate for own use in Switzerland.

The following table sets forth the trading-related market risk exposure for Credit Suisse Group on a consolidated basis, as measured by scaled 1-day, 99% VaR:

	4Q2005				3Q2005			
in CHF m	Minimum	Maximum	Average	31.12.05	Minimum	Maximum	Average	30.09.05
Credit Suisse Group [1]								
Interest rate & credit spread	35.9	73.5	56.8	**68.6**	47.0	73.4	60.4	53.8
Foreign exchange rate	6.1	19.4	11.3	**11.3**	6.0	16.8	9.4	11.1
Equity	40.0	62.6	49.1	**56.7**	33.4	54.6	42.7	40.1
Commodity	4.9	15.3	9.7	**10.6**	6.8	15.5	11.2	14.9
Diversification benefit	[2]	[2]	(57.6)	**(59.7)**	[2]	[2]	(59.5)	(57.9)
Total	50.9	87.6	69.3	**87.5**	48.6	76.9	64.2	62.0

1) Disclosure covers all trading books of Credit Suisse Group. Numbers represent daily 10-day VaR scaled to a 1-day holding period.
2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

The following table sets forth the gross loan exposure of the three divisions and Credit Suisse Group:

	Credit Suisse			Credit Suisse First Boston			Winterthur			Credit Suisse Group		
in CHF m	31.12.05	30.09.05	31.12.04	31.12.05	30.09.05	31.12.04	31.12.05	30.09.05	31.12.04	31.12.05	30.09.05	31.12.04
Consumer loans:												
Mortgages	**72,905**	71,348	67,119	**0**	0	0	**8,249**	8,131	8,485	**78,562**	77,302	75,604
Loans collateralized by securities	**16,261**	16,583	15,018	**0**	0	0	**4**	4	4	**16,265**	16,587	15,022
Other	**3,008**	2,434	2,319	**827**	883	540	**0**	0	0	**3,835**	3,317	2,859
Consumer loans	**92,174**	90,365	84,456	**827**	883	540	**8,253**	8,135	8,489	**98,662**	97,206	93,485
Corporate loans:												
Real estate	**26,232**	26,443	26,135	**558**	533	613	**1,311**	1,376	1,376	**28,101**	28,352	28,124
Commercial & industrial loans	**37,443**	39,522	33,126	**19,537**	16,593	13,501	**1,433**	1,469	958	**58,302**	57,476	47,585
Loans to financial institutions	**8,214**	7,565	6,279	**7,798**	7,675	5,351	**2,110**	2,071	2,096	**18,122**	17,311	13,726
Governments and public institutions	**1,652**	1,638	1,898	**786**	250	402	**2,223**	2,187	2,101	**4,661**	4,075	4,401
Corporate loans	**73,541**	75,168	67,438	**28,679**	25,051	19,867	**7,077**	7,103	6,531	**109,186**	107,214	93,836

Loans, gross	**165,715**	165,533	151,894	**29,506**	25,934	20,407	**15,330**	15,238	15,020	**207,848**	204,420	187,321
(Unearned income)/deferred expenses, net	**118**	125	142	**(64)**	(35)	(32)	**11**	7	5	**64**	97	116
Allowance for loan losses	**(1,735)**	(1,982)	(2,438)	**(456)**	(412)	(533)	**(51)**	(51)	(66)	**(2,241)**	(2,445)	(3,038)
Total loans, net	**164,098**	163,676	149,598	**28,986**	25,487	19,842	**15,290**	15,194	14,959	**205,671**	202,072	184,399

This disclosure presents the lending exposure of the Group from a risk management perspective. This presentation differs from other disclosures in this document.

The following table sets forth the impaired loan portfolio of the three divisions and Credit Suisse Group:

	Credit Suisse			Credit Suisse First Boston			Winterthur			Credit Suisse Group		
in CHF m	31.12.05	30.09.05	31.12.04	31.12.05	30.09.05	31.12.04	31.12.05	30.09.05	31.12.04	31.12.05	30.09.05	31.12.04
Non-performing loans	**1,157**	1,206	1,481	**143**	197	268	**22**	32	22	**1,323**	1,435	1,771
Non-interest earning loans	**830**	1,011	1,259	**11**	31	9	**4**	4	14	**845**	1,045	1,281
Total non-performing loans	**1,987**	2,217	2,740	**154**	228	277	**26**	36	36	**2,168**	2,480	3,052
Restructured loans	**21**	22	95	**55**	61	17	**0**	0	5	**77**	84	117
Potential problem loans	**726**	786	1,077	**303**	295	355	**47**	55	71	**1,074**	1,135	1,503
Total other impaired loans	**747**	808	1,172	**358**	356	372	**47**	55	76	**1,151**	1,219	1,620
Total impaired loans, gross	**2,734**	3,025	3,912	**512**	584	649	**73**	91	112	**3,319**	3,699	4,672
Valuation allowances as % of												
Total non-performing loans	**87.3%**	89.4%	89.0%	**296.1%**	180.7%	192.4%	**196.2%**	141.7%	183.3%	**103.4%**	98.6%	99.5%
Total impaired loans	**63.5%**	65.5%	62.3%	**89.1%**	70.5%	82.1%	**69.9%**	56.0%	58.9%	**67.5%**	66.1%	65.0%

The following table sets forth the movements in the allowance for loan losses of the three divisions and Credit Suisse Group:

	Credit Suisse			Credit Suisse First Boston			Winterthur			Credit Suisse Group		
in CHF m	4Q2005	3Q2005	4Q2004	4Q2005	3Q2005	4Q2004	4Q2005	3Q2005	4Q2004	4Q2005	3Q2005	4Q2004
Balance beginning of period	**1,982**	2,115	2,515	**412**	558	774	**51**	59	72	**2,445**	2,733	3,361
New provisions	**73**	63	69	**116**	24	62	**17**	2	7	**205**	90	138
Releases of provisions	**(93)**	(70)	(77)	**(111)**	(76)	(184)	**(10)**	(4)	(11)	**(214)**	(150)	(271)
Net additions/(releases) charged to income statement	**(20)**	(7)	(8)	**5**	(52)	(122)	**7**	(2)	(4)	**(9)**	(60)	(133)
Gross write-offs	**(236)**	(132)	(75)	**(61)**	(119)	(53)	**(10)**	(4)	(3)	**(307)**	(255)	(133)
Recoveries	**6**	8	6	**81**	2	5	**0**	0	0	**86**	10	11
Net write-offs	**(230)**	(124)	(69)	**20**	(117)	(48)	**(10)**	(4)	(3)	**(221)**	(245)	(122)
Allowances acquired/(deconsolidated)	**0**	0	0	**0**	0	(24)	**0**	0	0	**0**	0	(24)
Provisions for interest	**0**	(2)	12	**13**	17	21	**(3)**	0	0	**9**	16	33
Foreign currency translation impact and other adjustments, net	**3**	0	(12)	**6**	6	(68)	**6**	(2)	1	**17**	1	(77)
Balance end of period	**1,735**	1,982	2,438	**456**	412	533	**51**	51	66	**2,241**	2,445	3,038

Provision for credit losses disclosed in the Credit Suisse Group consolidated statements of income also includes provisions for lending-related exposure of CHF -18 million, CHF 12 million and CHF 6 million for 4Q2005, 3Q2005 and 4Q2004, respectively.

Private Banking

Private Banking provides wealth management products and services to high-net-worth individuals in Switzerland and many other markets around the world.

Private Banking reported net income of CHF 653 million in the fourth quarter of 2005, up CHF 37 million, or 6%, compared to the fourth quarter of 2004, but down CHF 75 million, or 10%, compared to the previous quarter of 2005.

The increase in net income compared to the fourth quarter of 2004 primarily reflected improved commissions and fees and trading revenues, partly offset by higher compensation and benefits. The decrease in net income compared to the previous quarter primarily reflected higher other expenses. Additionally, an increase in commissions and fees in the fourth quarter of 2005 was more than offset by lower trading revenues and net interest income as compared to the third quarter of 2005. For the full year 2005, Private Banking reported record net income of CHF 2,647 million, up CHF 174 million, or 7%, from 2004, primarily reflecting strong revenues related to the increase in assets under management, higher trading revenues and an increase in brokerage volumes. Private Banking had excellent net new asset inflows across all regions in 2005, with record net new assets of CHF 42.7 billion, a growth rate of 7.9% compared to 5.2% in 2004 and the mid-term target of 5%.

Private Banking continued to invest in growth opportunities and key business initiatives, including front office recruiting, in Asia and the Middle East. In the fourth quarter of 2005, Private Banking opened a new financial consultancy and advisory office in Mumbai, another milestone in its strategy to grow the wealth management business in Asia. Private Banking also continued the global rollout of its structured five-step client advisory process and strengthened its leading position in product innovation.

The following table presents the results of the Private Banking segment:

						12 months		
in CHF m	4Q2005	3Q2005	4Q2004	Change in % from 3Q2005	Change in % from 4Q2004	2005	2004	Change in % from 2004
Net interest income	**413**	449	436	(8)	(5)	**1,889**	1,932	(2)
Commissions and fees	**1,359**	1,306	1,149	4	18	**5,054**	4,732	7
Trading revenues including realized gains/(losses) from investment securities, net	**212**	252	113	(16)	88	**718**	374	92
Other revenues	**2**	14	19	(86)	(89)	**68**	132	(48)
Total noninterest revenues	**1,573**	1,572	1,281	0	23	**5,840**	5,238	11
Net revenues	**1,986**	2,021	1,717	(2)	16	**7,729**	7,170	8
Provision for credit losses	**2**	4	(2)	(50)	–	**25**	(6)	–
Compensation and benefits	**592**	601	446	(1)	33	**2,373**	2,095	13
Other expenses	**570**	524	546	9	4	**2,058**	2,050	0
Restructuring charges	**0**	0	1	–	(100)	**0**	(2)	(100)
Total operating expenses	**1,162**	1,125	993	3	17	**4,431**	4,143	7
Income from continuing operations before taxes and minority interests	**822**	892	726	(8)	13	**3,273**	3,033	8
Income tax expense	**164**	152	105	8	56	**595**	541	10
Minority interests, net of tax	**5**	12	5	(58)	0	**31**	19	63
Net income	**653**	728	616	(10)	6	**2,647**	2,473	7

The following table presents key information of the Private Banking segment:

12 months

	4Q2005	3Q2005	4Q2004	2005	2004
Cost/income ratio	**58.5%**	55.7%	57.8%	**57.3%**	57.8%
Gross margin	**123.4 bp**	130.9 bp	128.2 bp	**129.2 bp**	133.7 bp
of which asset-driven	**76.8 bp**	78.4 bp	84.1 bp	**79.1 bp**	81.9 bp
of which transaction-driven	**40.9 bp**	48.3 bp	39.2 bp	**45.6 bp**	45.0 bp
of which other	**5.7 bp**	4.2 bp	4.9 bp	**4.5 bp**	6.8 bp
Net margin	**40.9 bp**	47.9 bp	46.4 bp	**44.8 bp**	46.5 bp
Net new assets in CHF bn	**8.6**	14.3	3.9	**42.7**	26.4
Average allocated capital in CHF m	**3,940**	3,957	3,353	**3,808**	3,331

The following table outlines selected balance sheet and other data of the Private Banking segment:

	31.12.05	30.09.05	31.12.04	Change in % from 30.09.05	Change in % from 31.12.04
Assets under management in CHF bn	**659.3**	637.2	539.1	3.5	22.3
Total assets in CHF bn	**233.8**	222.0	188.7	5.3	23.9
Number of employees (full-time equivalents)	**13,077**	12,976	12,342	1	6

Net revenues were CHF 1,986 million in the fourth quarter of 2005, an increase of CHF 269 million, or 16%, versus the fourth quarter of 2004, but slightly lower than the high level of the previous quarter. The main drivers for the strong increase in net revenues compared to the fourth quarter of 2004 were significantly higher commissions and fees and increased trading revenues. Commissions and fees in the fourth quarter of 2005 were CHF 1,359 million, up CHF 210 million, or 18%, compared to the fourth quarter of 2004, reflecting higher commissions and fees related to the increase in assets under management, as well as higher brokerage volumes and product sales. Trading revenues in the fourth quarter of 2005 were CHF 212 million, an increase of CHF 99 million, or 88%, compared to the fourth quarter of 2004, mainly related to improved revenues from client foreign exchange trading. Net revenues for the full year 2005 increased to CHF 7,729 million, up CHF 559 million, or 8%, versus 2004. This improvement was driven by higher commissions and fees, reflecting the increase in assets under management and higher brokerage volumes, and higher trading revenues due to increased foreign exchange trading and trading execution, related to higher client transaction volume.

Total operating expenses were CHF 1,162 million in the fourth quarter of 2005, an increase of CHF 169 million, or 17%, versus the fourth quarter of 2004. Compensation and benefits increased CHF 146 million, or 33%, primarily reflecting growth initiatives in strategic key markets and higher performance-related compensation, in line with higher pre-tax income in the fourth quarter of 2005, and a very low level of performance-related compensation in the fourth quarter of 2004. Other expenses increased CHF 24 million, or 4%, driven by higher commission expenses. For the full year 2005, total operating expenses were CHF 288 million, or 7%, above 2004, mainly due to increased performance-related compensation, in line with higher pre-tax income and ongoing strategic investments in growth markets including front-office recruiting. Income tax expense was CHF 164 million in the fourth quarter of 2005, an increase of CHF 59 million, or 56%, compared to the fourth quarter of 2004. This increase was primarily due to an unusually low tax rate in the fourth quarter of 2004, which was positively impacted by the release of tax contingency accruals following the favorable resolution of open matters.

The cost/income ratio was 58.5% in the fourth quarter of 2005, 0.7 percentage points above the fourth quarter of 2004, as operating expenses, primarily compensation and benefits, increased at a higher rate than net revenues. For the full year 2005, the cost/income ratio was 57.3%, 0.5 percentage points below 2004, primarily reflecting higher revenues.

The gross margin was 123.4 basis points in the fourth quarter of 2005, a decrease of 4.8 basis points compared to the fourth quarter of 2004. The gross margin for the full year 2005 was 129.2 basis points, in line with Private Banking's mid-term target of 130 basis points. Compared to 2004, the gross margin decreased 4.5 basis points. The decrease in both periods was mainly related to lower net interest income during the periods while the average assets under management increased significantly. The decrease in gross margin further reflects the temporary dilution effect from the strong growth in net new assets during the year. The margin is expected to increase over the following 18 to 24 months as the client relationship fully develops.

Assets under management were CHF 659.3 billion as of December 31, 2005, an increase of CHF 22.1 billion, or 3%, compared to September 30, 2005, and CHF 120.2 billion, or 22%, compared to December 31, 2004. The main drivers of this growth were strong asset inflows of CHF 42.7 billion, the impact of favorable foreign exchange rate fluctuations and higher equity valuations. Net new assets were CHF 8.6 billion in the fourth quarter of 2005, with continued strong contributions from strategic key markets in Asia and the European onshore business.

Corporate & Retail Banking

Corporate & Retail Banking offers banking products and services to corporate and retail clients in Switzerland.

Corporate & Retail Banking reported net income of CHF 254 million in the fourth quarter of 2005, slightly below the fourth quarter of 2004. The slight decrease from the fourth quarter of 2004 reflected higher total operating expenses, offset in part by higher revenues and releases of provisions for credit losses. For the full year 2005, Corporate & Retail Banking reported a 19% increase in net income to CHF 1,069 million, a record result. This primarily reflected net releases of provisions in 2005 compared to net provisions for credit losses in 2004. Additionally, in 2005, Corporate & Retail Banking substantially improved its return on average allocated capital to 20.7%, compared to 18.0% in 2004.

Net revenues were CHF 861 million in the fourth quarter of 2005, an increase of CHF 58 million, or 7%, compared to the fourth quarter of 2004 and slightly below the previous quarter. The strong increase compared to the fourth quarter of 2004 was primarily driven by higher trading revenues, which increased CHF 55 million, or 134%, mainly due to the positive impact of changes in the fair value of interest rate derivatives used for risk management purposes that did not qualify for hedge accounting. Net interest income increased CHF 27 million, or 5%, reflecting growth in mortgage volume. Commissions and fees increased CHF 11 million, or 5%, primarily reflecting higher product sales. Net revenues for the full year 2005 were CHF 3,458 million, up CHF 110 million, or 3%, compared to 2004, reflecting strong increases in commissions and fees from increased brokerage volumes, and increased trading revenues, mainly due to the positive impact of changes in the fair value of interest rate derivatives. Net interest income remained stable as an increase in lending volume was offset by pressure on asset and liability margins as a result of the low interest rate environment.

Corporate & Retail Banking recorded net releases of provisions for credit losses of CHF 23 million in the fourth quarter of 2005, compared to net releases of CHF 6 million in the fourth quarter of 2004. For the full year 2005, net releases of CHF 96 million were recorded compared to net provisions of CHF 122 million in 2004. The releases of provisions reflected the ongoing favorable credit environment. Total impaired loans declined from CHF 3.7 billion at December 31, 2004, and from CHF 2.8 billion at September 30, 2005, to CHF 2.5 billion at December 31, 2005.

The following table presents the results of the Corporate & Retail Banking segment:

						12 months		
in CHF m	4Q2005	3Q2005	4Q2004	Change in % from 3Q2005	Change in % from 4Q2004	2005	2004	Change in % from 2004
Net interest income	**524**	526	497	0	5	**2,078**	2,069	0
Commissions and fees	**221**	227	210	(3)	5	**889**	823	8
Trading revenues including realized gains/(losses) from investment securities, net	**96**	103	41	(7)	134	**383**	328	17
Other revenues	**20**	23	55	(13)	(64)	**108**	128	(16)
Total noninterest revenues	**337**	353	306	(5)	10	**1,380**	1,279	8
Net revenues	**861**	879	803	(2)	7	**3,458**	3,348	3
Provision for credit losses	**(23)**	(10)	(6)	130	283	**(96)**	122	–
Compensation and benefits	**270**	295	206	(8)	31	**1,164**	1,047	11
Other expenses	**288**	256	271	13	6	**1,022**	1,004	2
Total operating expenses	**558**	551	477	1	17	**2,186**	2,051	7
Income from continuing operations before taxes and minority interests	**326**	338	332	(4)	(2)	**1,368**	1,175	16
Income tax expense	**71**	74	74	(4)	(4)	**297**	272	9
Minority interests, net of tax	**1**	0	1	–	0	**2**	2	0
Net income	**254**	264	257	(4)	(1)	**1,069**	901	19

The following table presents key information of the Corporate & Retail Banking segment:

				12 months	
	4Q2005	3Q2005	4Q2004	2005	2004
Cost/income ratio	**64.8%**	62.7%	59.4%	**63.2%**	61.3%
Net new assets in CHF bn	**0.2**	0.4	0.6	**2.0**	1.4
Return on average allocated capital	**19.2%**	19.8%	20.8%	**20.7%**	18.0%
Average allocated capital in CHF m	**5,308**	5,330	4,956	**5,162**	5,004

The following table outlines selected balance sheet and other data of the Corporate & Retail Banking segment:

	31.12.05	30.09.05	31.12.04	Change in % from 30.09.05	Change in % from 31.12.04

Assets under management in CHF bn	**57.8**	56.3	53.9	2.7	7.2
Total assets in CHF bn	**111.0**	111.4	99.5	0.0	11.6
Mortgages in CHF bn	**66.3**	65.6	63.0	1.1	5.2
Other loans in CHF bn	**28.4**	28.2	23.7	0.7	19.8
Number of branches	**215**	215	214	–	–
Number of employees (full-time equivalents)	**8,469**	8,404	8,314	1	2

Total operating expenses were CHF 558 million in the fourth quarter of 2005, an increase of CHF 81 million, or 17%, compared to the fourth quarter of 2004. Compensation and benefits were CHF 270 million, an increase of CHF 64 million, or 31%, compared to the fourth quarter of 2004, reflecting a low level of performance-related compensation in the fourth quarter of 2004. Other expenses in the fourth quarter of 2005 were CHF 17 million, or 6%, above the fourth quarter of 2004, primarily reflecting higher marketing costs. For the full year 2005, total operating expenses increased CHF 135 million, or 7%, compared to 2004, due to higher performance-related compensation in line with higher pre-tax income.

Corporate & Retail Banking achieved a strong return on average allocated capital of 20.7% in 2005, an improvement of 2.7 percentage points compared to 2004 and well above the mid-term target of 15%. In the fourth quarter of 2005, the return on average allocated capital was 19.2%, a decrease of 1.6 percentage points compared to the fourth quarter of 2004.

The cost/income ratio was 64.8% in the fourth quarter of 2005, 5.4 percentage points higher than in the fourth quarter of 2004 and 2.1 percentage points higher than in the previous quarter, driven by the increase in total operating expenses. The cost/income ratio for the full year 2005 was 63.2%, 1.9 percentage points higher than in 2004, primarily reflecting increased compensation and benefits.

In 2005, Corporate & Retail Banking further expanded its Swiss residential mortgage business, reporting growth of approximately 9%. The growth in this business reflected increased marketing efforts and a wide range of mortgage products.

Institutional Securities

Institutional Securities provides securities and investment banking services to institutional, corporate and government clients worldwide.

Institutional Securities reported net income of CHF 336 million in the fourth quarter of 2005, an increase of CHF 67 million, or 25%, compared to the fourth quarter of 2004. Net revenues were CHF 3,622 million, up CHF 716 million, or 25%, compared to the fourth quarter of 2004, reflecting higher investment banking and trading revenues and the impact of foreign exchange translation into Swiss francs due to the strengthening of the US dollar against the Swiss franc. This improvement reflected a significant CHF 445 million, or 62%, increase in investment banking net revenues, a direct result of a continued focus on high-margin products and increased industry-wide activity. This improvement was offset by a CHF 708 million, or 27%, increase in operating expenses, driven largely by the foreign exchange translation impact and increased compensation accruals in line with higher net revenues. Net income was positively impacted by certain tax-related items that resulted in a CHF 132 million tax benefit in the fourth quarter of 2005. These include the release of tax contingency accruals due to the favorable settlement of certain tax audits and a decrease in the full-year effective tax rate below the rate used to accrue taxes during prior quarters in 2005 as a result of changes in the geographic mix of taxable income. Fourth quarter 2004 net income was positively impacted by a net credit release of CHF 118 million. Institutional Securities' net income in the fourth quarter of 2005 decreased CHF 276 million, or 45%, compared to the strong third quarter, primarily reflecting lower trading revenues in a generally less favorable market environment.

The following table presents the results of the Institutional Securities segment:

						12 months		
in CHF m	4Q2005	3Q2005	4Q2004	Change in % from 3Q2005	Change in % from 4Q2004	2005	2004	Change in % from 2004
Net interest income	**428**	713	827	(40)	(48)	**3,159**	3,720	(15)
Investment banking	**1,163**	1,126	718	3	62	**3,864**	3,328	16
Commissions and fees	**720**	681	649	6	11	**2,663**	2,702	(1)
Trading revenues including realized gains/(losses) from investment securities, net	**1,096**	1,617	626	(32)	75	**4,491**	2,680	68
Other revenues	**215**	166	86					

Income (loss) from continuing operations attributable to OM Group, Inc. common stockholders

$
0.26

$
(0.71
)

$

(3.19
)

(0.34
)

Loss from discontinued operations attributable to OM Group, Inc. common stockholders

(0.37
)

0.01

(0.38
)

0.01

Net income (loss) attributable to OM Group, Inc. common stockholders

$
(0.11
)

$
(0.70
)

$
(3.57
)

(0.33

)

We are providing adjusted operating profit (loss), adjusted EBITDA, and adjusted earnings per common share attributable to OM Group, Inc. common stockholders - assuming dilution, which are non-GAAP financial measures. The tables below present reconciliations of these amounts to the comparable U.S. GAAP amounts. We believe that the non-GAAP financial measures presented in the tables facilitate a comparative assessment of our operating performance and enhance investors' understanding of the performance of our operations. The non-GAAP financial information set forth in the tables below are not alternatives to reported results determined in accordance with U.S. GAAP.

19

	For the quarter ended June 30, 2013					
(in thousands)	Magnetic Technologies	Battery Technologies	Specialty Chemicals	Advanced Materials	Corporate	Consolidated
Operating profit (loss) - as reported	$1,153	$ 8,155	$8,167	$(381)	$(7,947)	$9,147
Charges related to cost-reduction initiatives	369	518	1,096	—	—	1,983
Adjusted operating profit	1,522	8,673	9,263	(381)	(7,947)	11,130
Depreciation and amortization	10,705	2,531	3,647	(333)	131	16,681
Adjusted EBITDA	$12,227	$ 11,204	$12,910	$(714)	$(7,816)	$27,811

	June 30, 2012					
(in thousands)	Magnetic Technologies	Battery Technologies	Specialty Chemicals	Advanced Materials	Corporate	Consolidated
Operating profit (loss) - as reported	$(30,146)	$ 6,063	$9,670	$923	$(9,698)	$(23,188)
Total VAC inventory purchase accounting step-up and LCM charges	31,545	—	—	—	—	31,545
Adjusted operating profit	1,399	6,063	9,670	923	(9,698)	8,357
Depreciation and amortization	10,010	2,509	3,986	4,271	147	20,923
Adjusted EBITDA	$11,409	$ 8,572	$13,656	$5,194	$(9,551)	$29,280

	For the six months ended June 30, 2013					
(in thousands)	Magnetic Technologies	Battery Technologies	Specialty Chemicals	Advanced Materials	Corporate	Consolidated
Operating profit (loss) - as reported	$7,512	$ 16,473	$15,212	$1,365	$(17,280)	$23,282
Charges related to cost-reduction initiatives	4,225	687	1,134	—	—	6,046
Adjusted operating profit	11,737	17,160	16,346	1,365	(17,280)	29,328
Depreciation and amortization	21,469	5,033	7,498	3,871	192	38,063
Adjusted EBITDA	$33,206	$ 22,193	$23,844	$5,236	$(17,088)	$67,391

	June 30, 2012					
(in thousands)	Magnetic Technologies	Battery Technologies	Specialty Chemicals	Advanced Materials	Corporate	Consolidated
Operating profit (loss) - as reported	$(16,243)	$ 11,718	$22,284	$12,034	$(19,453)	$10,340
Total VAC inventory purchase accounting step-up and LCM charges	47,272	—	—	—	—	47,272
Gain on sale of property	—	—	(2,857)	—	—	(2,857)
Adjusted operating profit	31,029	11,718	19,427	12,034	(19,453)	54,755
Depreciation and amortization	20,222	5,011	7,852	8,495	262	41,842
Adjusted EBITDA	$51,251	$ 16,729	$27,279	$20,529	$(19,191)	$96,597

Charges for cost-reduction initiatives in the three and six months ended June 30, 2013 are described above. VAC inventory purchase accounting step-up and LCM charges in the three and six months ended June 30, 2012 represent charges resulting from purchase accounting for the VAC acquisition and an LCM charge. These charges were a direct result of acquisition accounting and the rare earth price decline from the abnormal spike in rare earth prices that occurred following the acquisition of VAC in 2011 and had no impact on our cash balances and did not impact our liquidity.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013		2012		2013		2012	
(in thousands, except per share data)	$	Diluted EPS	$	Diluted EPS	$	Diluted EPS	$	Diluted EPS
Income (loss) from continuing operations attributable to OM Group, Inc. common stockholders - as reported	8,068	0.26	(22,753)	(0.71)	(101,170)	(3.17)	(10,685)	(0.33)
Add (Less):								
Loss on divestiture of Advanced Materials business	515	0.02	—	—	112,061	3.52	—	—
Charges related to cost-reduction initiatives	1,983	0.06	—	—	6,046	0.19	—	—
VAC inventory purchase accounting step-up and LCM charges	—	—	31,545	0.98	—	—	47,272	1.47
Gain on sale of property	—	—	—	—	—	—	(2,857)	(0.09)
Acceleration of deferred financing fees, net of tax	462	0.01	—	—	462	0.01	—	—
Tax effect of special items	(289)	(0.01)	(6,415)	(0.20)	(935)	(0.03)	(11,270)	(0.35)
Adjusted income from continuing operations attributable to OM Group, Inc.	$10,739	$0.34	$2,377	$0.07	$16,464	$0.52	$22,460	$0.70
Weighted average shares outstanding - diluted (a)		31,621		32,002		31,843		32,017

(a) For the six months ended June 30, 2013 and the three and six months ended June 30, 2012 , because the reported loss from continuing operations is income on an adjusted basis, we used diluted shares to calculate EPS.

Second Quarter of 2013 Compared with Second Quarter of 2012

The following table identifies, by segment, the components of change in net sales and operating profit for the three months ended June 30, 2013, compared with the three months ended June 30, 2012:

(in thousands)	Net sales	Operating profit - as reported	Adjusted operating profit
2012	$412,063	$(23,188)	$8,357
Change in 2013 from:			
Magnetic Technologies	(39,160)	31,299	123
Battery Technologies	5,000	2,092	2,610
Specialty Chemicals	(1,366)	(1,503)	(407)
Advanced Materials	(97,386)	(1,304)	(1,304)
Corporate	—	1,751	1,751
Intersegment items	237	—	—
2013	$279,388	$9,147	$11,130

Net sales decreased $132.7 million, or 32.2%, primarily due to lower sales in Magnetic Technologies driven by lower rare earth prices and lower volumes, the divestiture of Advanced Materials, and lower sales volumes in Specialty Chemicals, all partially offset by higher volumes in Battery Technologies.

Gross profit increased to $63.8 million, or 22.8% of sales, in the three months ended June 30, 2013, compared with $39.8 million, or 9.7% of sales, in the three months ended June 30, 2012, primarily due to acquisition-related and LCM charges in 2012 related to Magnetic Technologies inventory and lower sales. Excluding these charges and the 2012 rare earth pricing benefits, gross profit was lower in 2013 due to lower sales volumes at Magnetic Technologies, partially offset by higher sales volumes in Battery Technologies.

Selling, general and administrative expenses (“SG&A”) decreased to $54.6 million in the three months ended June 30, 2013 from $63.0 million in the three months ended June 30, 2012. SG&A as a percentage of net sales was 19.6% in the three months ended June 30, 2013 compared with 15.3% in the three months ended June 30, 2012; the higher percentage in 2013 is due to the divestiture of Advanced Materials, which had a low SG&A percentage.

The following table summarizes the components of Other expense, net for the three months ended June 30:

(in thousands)	2013	2012	Change
Interest expense	$(1,818)	$(11,177)	$9,359
Foreign exchange gain	2,838	6,028	(3,190)
Loss on divestiture of Advanced Materials business	(515)	—	(515)
Other expense, net	272	81	191
	$777	$(5,068)	$5,845

The decrease in interest expense is due to lower debt outstanding in 2013 compared to 2012. In both periods, interest expense of approximately $0.5 million was allocated to discontinued operations as part of UPC, since we were required to repay debt with the sales proceeds. The foreign exchange gain in the three months ended June 30, 2013 is primarily related to movements in Euro/U.S. dollar exchange rates and the resulting impact on the revaluation of non-functional currency cash and debt balances. The larger gain in 2012 was due to the foreign exchange impact of larger Euro-denominated debt balances.

See Note 4(b) in our Unaudited Condensed Consolidated Financial Statements included in this Form 10Q for discussion on the loss on divestiture of Advanced Materials business.

We recorded income tax expense of $1.9 million on pre-tax income of $9.9 million for the three months ended June 30, 2013, resulting in an effective income tax rate of 18.7%. For the three months ended June 30, 2012, we recorded an income tax benefit of $5.3 million on pre-tax loss of $28.3 million, resulting in an effective income tax rate of 18.6%. These rates are lower than the U.S. statutory tax rate primarily due to income earned in tax jurisdictions with lower statutory rates than the U.S. and a tax efficient financing structure, partially offset by losses in certain jurisdictions (including the U.S.) with no corresponding tax benefit.

Six Months Ended June 30, 2013 Compared with the Six Months Ended June 30, 2012

The following table identifies, by segment, the components of change in net sales and operating profit for the six months ended June 30, 2013, compared with the six months ended June 30, 2012:

(in thousands)	Net sales	Operating profit - as reported	Adjusted operating profit
2012	$855,818	$10,340	$54,755
Change in 2013 from:			
Magnetic Technologies	(92,501)	23,755	(19,292)
Battery Technologies	9,002	4,755	5,442
Specialty Chemicals	(7,549)	(7,072)	(3,081)
Advanced Materials	(143,921)	(10,669)	(10,669)
Corporate	—	2,173	2,173
Intersegment items	276	—	—
2013	$621,125	$23,282	$29,328

Net sales decreased $234.7 million, or 27.4%, primarily due to lower sales in Magnetic Technologies driven by lower rare earth prices and lower volumes, the divestiture of the Advanced Materials business, and lower sales volumes in Specialty Chemicals, all partially offset by higher volumes in Battery Technologies.

Gross profit was relatively flat at $138.0 million, or 22.2% of sales, in the six months ended June 30, 2013, compared with $135.9 million, or 15.9% of sales, in the six months ended June 30, 2012. Gross margin percentage increased in 2013 due to the charges in 2012 for VAC purchase accounting step-up and LCM, offset by the positive impact of higher rare-earth pricing in 2012 .

Selling, general and administrative expenses (“SG&A”) decreased to $114.7 million in the six months ended June 30, 2013 from $125.6 million in the six months ended June 30, 2012. SG&A as a percentage of net sales was 18.5% in the six months ended June 30, 2013 compared with 14.7% in the six months ended June 30, 2012. SG&A was lower in

2013 due to the Advanced Materials divestiture, but was higher as a percentage of net sales due to the impact of lower sales in 2013.

The following table summarizes the components of Other expense, net for the six months ended June 30:

(in thousands)	2013	2012	Change
Interest expense	$(9,463)	$(22,733)	$13,270
Foreign exchange gain	164	898	(734)
Loss on divestiture of Advanced Materials business	(112,061)	—	(112,061)
Other expense, net	(386)	144	(530)
	$(121,746)	$(21,691)	$(100,055)

The decrease in interest expense is due to lower debt outstanding in 2013 compared to 2012.

See Note 4(b) in the Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q for discussion on the loss on the divestiture of the Advanced Materials business.

OM Group recorded income tax expense of $4.5 million on pre-tax loss of $98.5 million for the six months ended June 30, 2013, resulting in an effective income tax rate of negative 4.5%. For the six months ended June 30, 2012, the Company recorded income tax benefit of $0.3 million on pre-tax loss of $11.4 million, resulting in an effective income tax rate of 2.8%. The rates in both six-month periods were impacted by special items: in 2013 by the loss on sale of the Advanced Materials divestiture and the charges related to cost reduction actions, and in 2012 by the inventory charges in Magnetic Technologies related to purchase accounting. Excluding these special items, the effective income tax rates for the six months ended June 30, 2013 and June 30, 2012 were 26.8% and 33.8%, respectively. These rates are lower than the U.S. statutory tax rate primarily due to income earned in tax jurisdictions with lower statutory rates than the U.S. and a tax efficient financing structure, partially offset by losses in certain jurisdictions (including the U.S.) with no corresponding tax benefit.

Segment Results and Corporate Expenses

Magnetic Technologies

The segment is focused on developing and leveraging its substantial patent portfolio to enter new markets and increase market share and on reducing its cost structure.

The primary raw materials used by Magnetic Technologies include the rare earth materials dysprosium and neodymium. During 2011, rare earth material prices spiked abnormally and declined steadily throughout 2012. Rare earth materials are currently available from a limited number of suppliers, primarily in China. Supply of rare earth materials is expected to increase as additional sources outside of China become available.

The following table identifies the components of change in net sales and operating profit (loss):

(in millions)	Three Months Ended June 30, Net sales	Operating profit	Adjusted operating profit	Six Months Ended June 30, Net sales	Operating profit	Adjusted operating profit
2012	$168.0	$(30.1)	$1.4	$358.5	$(16.2)	$31.0
Increase (decrease) in 2013 from:						
Purchase accounting charges in 2012	—	31.5	—	—	47.2	—
LCM charges in 2012 (non-purchase accounting)	—	22.4	22.4	—	22.4	22.4
Volume/mix	(9.8)	(5.3)	(5.3)	(17.7)	(6.9)	(6.9)
Selling price	(0.8)	(0.8)	(0.8)	(1.6)	(1.6)	(1.6)
Rare earth pricing effects	(30.5)	(16.1)	(16.1)	(76.0)	(41.3)	(41.3)
Operating expenses, including savings from cost-reduction initiatives	—	1.5	1.5	—	5.1	5.1
Charges related to cost-reduction initiatives	—	(0.4)	—	—	(4.3)	—
Foreign currency	2.0	(0.6)	(0.6)	2.8	(0.5)	(0.5)
Other	—	(0.9)	(0.9)	—	3.6	3.6
2013	$128.9	$1.2	$1.5	$266.0	$7.5	$11.7

Charges related to cost-reduction initiatives in the second quarter and six months ended June 30, 2013 relate to the cost reduction actions previously described. Acquisition-related charges in the prior year periods represent inventory step-up charges resulting from purchase accounting for the VAC acquisition.

Net sales declined in the 2013 periods compared to the prior year periods due primarily to benefits in 2012 from rare earth prices. Net sales in the 2013 periods also were negatively impacted by lower sales volumes due primarily to economic weakness in European markets.

Operating profit was higher in the 2013 periods due to the negative impact in 2012 of purchase accounting and LCM charges, partially offset by rare-earth pricing benefits in 2012. Excluding these special items, operating profit was lower in the 2013 periods due to lower sales volumes due to economic weakness in European markets, partially offset by the positive impact of lower operating expense due in part to our cost reduction program.

Battery Technologies

The segment is focused on developing new battery chemistries and products, expanding its served markets and reducing its cost structure in response to the uncertainty of U.S. government spending.

The following table identifies the components of change in net sales and operating profit:

(in millions)	Three Months Ended June 30, Net sales	Operating profit	Adjusted operating profit	Six Months Ended June 30, Net sales	Operating profit	Adjusted operating profit
2012	$35.2	$6.1	$6.1	$72.2	$11.7	$11.7
Increase (decrease) in 2013 from:						
Volume	5.0	1.6	1.6	8.1	2.4	2.4
Selling price/mix	—	0.5	0.5	0.9	1.3	1.3

Charges related to cost-reduction initiatives	—	(0.5)	—	—	(0.7)	—
Other	—	0.5	0.5	—	1.8	1.8
2013	$40.2	$8.2	$8.7	$81.2	$16.5	$17.2

24

Charges related to cost-reduction initiatives in the three and six months ended June 30, 2013 relate to the cost reduction actions previously described.

Net sales and operating profit in the three and six months ended June 30, 2013 compared with the comparable periods of 2012 benefited from higher sales volumes, particularly into defense markets.

The Battery Technologies segment tracks backlog, which is equal to the value of unfulfilled orders for which funding is contractually obligated by the customer and for which revenue has not been recognized. At June 30, 2013, backlog was $132.1 million, compared to $128.0 million at December 31, 2012. Of this amount, $66.8 million is expected to be converted to sales in 2013, with the remainder in future periods.

Specialty Chemicals

This segment is focused on organic growth through broadened product offerings, leveraging our formulations and technical application expertise, as well as through geographic expansion and market penetration.

The following table identifies the components of change in net sales and operating profit:

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	Net sales	Operating profit	Adjusted operating profit	Net sales	Operating profit	Adjusted operating profit
2012	$84.8	$9.7	$9.7	$168.3	$22.3	$19.4
Increase (decrease) in 2013 from:						
Volume	(1.1)	(1.0)	(1.0)	(6.5)	(3.9)	(3.9)
Selling price/mix	(1.3)	1.3	1.3	(2.5)	1.7	1.7
Foreign currency	0.4	0.1	0.1	0.4	0.1	0.1
Charges related to cost-reduction initiatives	—	(1.1)	—	—	(1.2)	—
2012 gain on sale of land	—	—	—	—	(2.9)	(2.9)
Other	0.5	(0.8)	(0.8)	1.0	(0.9)	(0.9)
2013	$83.4	$8.2	$9.3	$160.7	$15.2	$16.3

Charges for cost-reduction initiatives in the three and six months ended June 30, 2013 relate to the cost reduction actions previously described. In the six months ended June 30, 2012, the Company sold land in China for a gain of $2.9 million.

Sales were almost flat in the second quarter of 2013 compared to 2012. Operating profit was down $1.5 million due primarily to charges related to cost reduction actions. The decrease in net sales and operating profit in the six months ended June 30, 2013 compared with the six months ended June 30, 2012 was primarily due to lower sales volumes, driven by weakness in the consumer electronics markets, as well as weak macroeconomic conditions impacting the coatings and additives markets.

Advanced Materials

As described above, we divested this business as of March 29, 2013. Activity in this segment beginning in the second quarter of 2013 represents performance under the transition agreements described above, which is expected to have minimal impact on the Company's operating profit and cash flows.

During 2012 and through the date of sale, this business manufactured inorganic products using unrefined cobalt and other metals, for the mobile energy storage, renewable energy, automotive systems, construction and mining, and industrial end markets. It also had a 55% interest in GTL.

For the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2013	2012	2013	2012
Net sales	$26.9	$124.3	$113.3	$257.2
Operating profit	$(0.4)	$0.9	$1.4	$12.0

Corporate Expenses

Corporate expenses are those expenses that support the operating segments but are not specifically allocated to an operating segment, including certain legal, finance, human resources and strategic development activities, as well as share-based compensation for the entire Company.

Corporate expenses were $7.9 million in the second quarter of 2013 as compared with $9.7 million in the second quarter of 2012. Corporate expenses were $17.3 million in the six months ended June 30, 2013 as compared with $19.5 million in the six months ended June 30, 2012. Corporate expenses were lower in the 2013 periods due to lower professional fees and lower incentive compensation expense.

Liquidity and Capital Resources

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Unaudited Condensed Statements of Consolidated Cash Flows, are presented in the following table (in millions) and discussed in the related narrative:

	Six months ended June 30,	
(in millions)	2013	2012
Net cash provided by (used for):		
Operating activities	$(6.8)	$63.1
Investing activities	344.1	(22.6)
Financing activities	(480.2)	(8.3)
Effect of exchange rate changes on cash	(1.5)	(3.8)
Cash used by discontinued operations	$(2.7)	$(3.0)
Net change in cash and cash equivalents	$(147.1)	$25.4

Operating Activities

In the first six months of 2013, cash outflow from operating activities was $6.8 million compared with a cash inflow of $63.1 million in the same period of the prior year. The cash flows from operating activities can fluctuate significantly from period-to-period due to profitability, working capital changes and the timing of payments for items such as income taxes, pensions and other items which impact reported cash flows. The amount in 2012 benefited from declining commodity prices in the Advanced Materials business.

Investing Activities

Net cash provided by investing activities in the first six months of 2013 included net proceeds of $365.4 million from the divestitures of the Advanced Materials and UPC businesses, less capital expenditures of $21.3 million primarily to expand capacity; to maintain and improve throughput; for compliance with environmental, health and safety regulations; and for other fixed asset additions at existing facilities. We expect to fund 2013 capital expenditures through cash generated from operations and cash on hand at June 30, 2013.

Financing Activities

The increase in cash used in financing activities as of June 30, 2013 compared to June 30, 2012 was primarily due to pre-payment of long-term debt from funds received when we divested our Advanced Materials and UPC businesses, additional pre-payment of long-term debt utilizing cash on hand and repurchases of common stock.

Financial Condition

Cash balances are held in numerous locations throughout the world. As of June 30, 2013, most of our cash and cash equivalents were held outside the United States, primarily in Germany and Taiwan, and most of our cash and cash

26

equivalents were denominated in U.S. dollars or Euros. Most of the amounts held outside the U.S. could be repatriated to the U.S. but, under current law, would be subject to U.S. income taxes, less applicable foreign tax credits. We intend to retain the majority of our cash balances outside of the U.S.

Debt and Other Financing Activities

Our obligations under the Senior Secured Credit Facility were repaid in the first six months of 2013. The Term A facility was repaid on May 31, 2013 with the proceeds from the divestiture of the UPC business as required and cash on hand. The Term B facilities were prepaid on March 29, 2013 with the proceeds from the divestiture of the Advanced Materials business and cash on hand, as required. The Senior Secured Credit Facility includes a $200 million undrawn revolving credit facility, which matures on August 2, 2016. See Note 5 in the Unaudited Condensed Consolidated Financial Statements included in this Form 10-Q for a more complete discussion of the Senior Secured Credit Facility.

Contractual Obligations

Since December 31, 2012, there have been no significant changes in the total amount of contractual obligations, or the timing of cash flows in accordance with those obligations, as reported in the Form 10-K for the year ended December 31, 2012, other than the repayment of the Senior Secured Credit Facility balance, discussed previously.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying unaudited condensed consolidated financial statements. In preparing these financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The application of accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates and assumptions, which may impact the comparability of our results of operations to similar businesses. There have been no changes to the critical accounting policies as stated in our Annual Report on Form 10-K for the year ended December 31, 2012.

Cautionary Statement for “Safe Harbor” Purposes under the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. This report contains statements that we believe may be “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not historical facts and generally can be identified by use of statements that include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee” or other words or phrases of similar import. Similarly, statements that describe the our objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that are difficult to predict, may be beyond our control and could cause actual results to differ materially from those currently anticipated. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Significant factors affecting these expectations are set forth under Item 1A — Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

A discussion of market risk exposures is included in Part II, Item 7a. Quantitative and Qualitative Disclosure About Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2012. There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 except as disclosed in Item 1A. Risk Factors in this form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures
We have carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2013. As defined in Rule 13a-15(e) under the Exchange Act, disclosure controls and procedures are controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures include components of the our internal control over financial reporting. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2013.

Internal Control over Financial Reporting
Except for the controls implemented to remediate the material weakness in our internal control over financial reporting regarding the classification of SG&A expenses and Cost of goods sold of the VAC business, which comprises our Magnetic Technologies segment, there were no changes in the Company's internal control over financial reporting, identified in connection with management's evaluation of internal control over financial reporting, that occurred during the three months ended June 30, 2013 and materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.
PART II - OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 except that the risk factor captioned "On January 21, 2013 we announced the signing of definitive agreements to exit our Advanced Materials business, but the arrangements are subject to customary closing conditions, including regulatory approvals, which might prevent their successful completion" is no longer applicable because the Advanced Materials closing occurred.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
April 1 - 30, 2013	363,600	$23.56	363,600	$36,444,562
May 1 - 31, 2013 (1)	22,605	23.46	22,500	35,916,904
June 1 - 30, 2013	—	—	—	35,916,904
Total April 1 - June 30, 2013	386,205	$23.55	386,100	$35,916,904

(1) Includes 105 shares of common stock of the Company surrendered to us by employees to pay required taxes applicable to the vesting of restricted stock, in accordance with the applicable long-term incentive plan previously approved by our stockholders and shares repurchased as part of publicly announced plans or programs.

(2) On January 21, 2013, we announced that our Board of Directors had authorized a share repurchase plan of up to $50 million of the Company's then outstanding common shares. By June 30, 2013, we repurchased 588,600 shares under this plan.

Item 6. Exhibits and Financial Statement Schedules
Exhibits are as follows:

31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)
32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. 1350
101.1	Instance Document
101.2	Schema Document
101.3	Calculation Linkbase Document
101.4	Labels Linkbase Document
101.5	Presentation Linkbase Document
101.6	Definition Linkbase Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OM GROUP, INC.

Date: August 1, 2013	By:	/s/ Christopher M. Hix
		Christopher M. Hix
		Vice President and Chief Financial Officer
		(Principal Financial Officer and Duly Authorized Officer)

31