

Kayne Anderson MLP Investment CO

Form 497

June 25, 2007

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Filed pursuant to Rule 497  
under the Securities Act of 1933,  
as amended, File No. 333-140488

**PROSPECTUS SUPPLEMENT**

(To Prospectus Dated April 16, 2007)

**\$185,000,000**

**Auction Rate Senior Notes**

**\$185,000,000 Series F, due July 9, 2047**

**\$25,000 Denominations**

Kayne Anderson MLP Investment Company is a non-diversified, closed-end management investment company that began investment activities on September 28, 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our net assets plus any borrowings (our total assets ) in energy-related master limited partnerships and their affiliates (collectively, MLPs ), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies ).

We are offering \$185,000,000 aggregate principal amount of auction rate senior notes Series F ( Series F Notes ) in this Prospectus Supplement. This Prospectus Supplement does not constitute a complete prospectus, but should be read in conjunction with our Base Prospectus dated April 16, 2007, which accompanies this Prospectus Supplement. This Prospectus Supplement does not include all information that you should consider before purchasing any Series F Notes. You should read this Prospectus Supplement and our Base Prospectus before purchasing any Series F Notes.

The Series F Notes offered in this Prospectus Supplement, together with Series A, B, C and E Notes currently outstanding, are referred to as Senior Notes. Individual series of Senior Notes are referred to as a series. Except as otherwise described in this Prospectus Supplement, the terms of this series and all other series are the same.

*(continued on following page)*

**Investing in Series F Notes involves certain risks. See Risk Factors beginning on page 11 of the accompanying Base Prospectus and The Auction Auction Risk beginning on page S-14 of this Prospectus Supplement.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Supplement is truthful or complete. Any representation to the contrary is a criminal offense.

**Per \$25,000**

	<b>Principal Amount of Series F Notes</b>	<b>Total</b>
Public offering price	\$ 25,000	\$ 185,000,000
Underwriting discounts and commissions	\$ 250	\$ 1,850,000
Proceeds, before expenses, to us(1)	\$ 24,750	\$ 183,150,000

(1) We estimate that we will incur approximately \$175,000 in expenses in connection with this offering.

The underwriters expect to deliver the Series F Notes in book-entry form, through the facilities of The Depository Trust Company, to broker-dealers on or about June 26, 2007.

**Citi** **Merrill Lynch & Co.**  
**Stifel Nicolaus**

June 22, 2007

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*(continued from previous page)*

Capitalized terms used but not defined in this Prospectus Supplement shall have the meanings given to such terms in the Third Supplemental Indenture, dated as of June 26, 2007, between us and The Bank of New York Trust Company, N.A., as Trustee, a copy of which is available from us upon request.

We will issue Series F Notes without coupons in \$25,000 denominations and any integral multiple thereof. The principal amount of Series F Notes will be due and payable on July 9, 2047 (the Stated Maturity). There is no sinking fund with respect to Series F Notes. Series F Notes will be our unsecured obligations and, upon our liquidation, dissolution or winding up, will rank: (1) senior to all of our outstanding common stock and any preferred stock (including the ARP Shares referred to below); (2) on a parity with our obligations to any unsecured creditors and any unsecured senior securities representing our indebtedness, including Series A, B, C and E Notes referred to below, additional Series F Notes and any other series of our auction rate senior notes; and (3) junior to our obligations to any secured creditors, including our obligations under our revolving credit facility. We may redeem Series F Notes prior to their Stated Maturity in certain circumstances described in this Prospectus Supplement.

Holders of Series F Notes will be entitled to receive cash interest payments at an annual rate that may vary for each rate period. The initial rate period is from the issue date through July 10, 2007. The annual interest rates for the initial rate period will be 5.15%. For subsequent rate periods, Series F Notes will pay interest at a rate determined by an auction conducted in accordance with the procedures described in this Prospectus Supplement. The initial Auction Date will be July 10, 2007. Generally, following the initial rate period, each rate period for Series F Notes will be seven (7) days.

Series F Notes will not be listed on any exchange or automated quotation system. Generally, investors only may buy and sell Series F Notes through an order placed at an auction with or through certain broker-dealers or in a secondary market that those broker-dealers may maintain. These broker-dealers are not required to maintain a market in Series F Notes, and a secondary market, in the unlikely event that one develops, may not provide investors with liquidity.

We are managed by KA Fund Advisors, LLC, a subsidiary of Kayne Anderson Capital Advisors, L.P. (together, Kayne Anderson), a leading investor in MLPs. As of May 31, 2007, Kayne Anderson and its affiliates managed approximately \$8.6 billion, including approximately \$4.2 billion in MLPs and other Midstream Energy Companies.

We invest in equity securities of (1) MLPs, including preferred, common and subordinated units and general partner interests, (2) owners of such interests in MLPs, and (3) other Midstream Energy Companies. Additionally, we may invest in debt securities of MLPs and other Midstream Energy Companies. Under normal market conditions, we intend to invest 50% of our total assets in publicly traded securities of MLPs and other Midstream Energy Companies, and may invest up to 50% of our total assets in unregistered or otherwise restricted securities of MLPs and other Midstream Energy Companies, including securities issued by private companies.

This offering is conditioned upon Series F Notes receiving a rating of Aaa from Moody's Investors Service Inc. (Moody's) and AAA from Fitch Ratings (Fitch). Our common stock is traded on the New York Stock Exchange under the symbol KYN.

We issued three series of auction rate senior notes due in 2045, in an aggregate principal amount of \$260 million (Series A, B and C Notes), on March 28, 2005 and one series of auction rate senior notes due in 2045, in an aggregate principal amount of \$60 million (Series E Notes), on December 14, 2005. Series A, B, C and E Notes are rated Aaa and AAA by Moody's and Fitch, respectively. As of May 31, 2007, the aggregate principal amount of Series A, B, C and E Notes represented approximately 14.0% of our total assets. Series A, B, C and E Notes are on a parity with each other. Series A, B, C and E Notes are referred to collectively herein as the Senior Notes. On April 12, 2005, we issued

an aggregate amount of \$75 million of Series D Auction Rate Preferred Stock ( ARP Shares ). The ARP Shares are rated Aa and AA by Moody s and Fitch, respectively. As of May 31, 2007, the aggregate amount of ARP Shares represented approximately 3.3% of our total assets. We may issue additional ARP Shares, Senior Notes or other series of our auction rate preferred stock or auction rate senior notes in the future. The ARP Shares and Senior Notes, as well as any other series of our auction rate preferred stock or auction rate senior notes, are intended to increase funds available for investment. This practice, which is known as leverage, is speculative and involves significant risks.

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

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**You should rely only on the information contained in this Prospectus Supplement and the accompanying Base Prospectus, which we refer to collectively as the Prospectus. This Prospectus Supplement and the accompanying Base Prospectus set forth concisely the information about us that a prospective investor ought to know before investing. This Prospectus Supplement, which describes the specific terms of this offering, and also adds to and updates information contained in the accompanying Base Prospectus and the documents incorporated by reference in the Base Prospectus. The Base Prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this Prospectus Supplement and the accompanying Base Prospectus, you should rely on the information contained in this Prospectus Supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date and incorporated by reference into the Base Prospectus or Prospectus Supplement, the statement in the incorporated document having the later date modifies or supersedes the earlier statement. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in or incorporated by reference in this Prospectus Supplement and the accompanying Base Prospectus is accurate only as of the respective dates on their front covers. Our business, financial condition, results of operations and prospects may have changed since that date.**

You should read this Prospectus Supplement and the accompanying Base Prospectus before deciding whether to invest and retain it for future reference. A statement of additional information, dated April 16, 2007 ( SAI ), as supplemented from time to time, containing additional information about us, has been filed with the Securities and Exchange Commission ( SEC ) and is incorporated by reference in its entirety into the Prospectus. You may request a free copy of our stockholder reports and our SAI, the table of contents of which is on page 68 of the accompanying Base Prospectus, by calling (877) 657-3863, or by writing to us. Electronic copies of the Prospectus, our stockholder reports and our SAI are also available on our website (<http://www.kaynemlp.com>). You may also obtain copies of these documents (and other information regarding us) from the SEC's web site (<http://www.sec.gov>).

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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus Supplement, the accompanying Base Prospectus and the statement of additional information contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms, or the negative of such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Base Prospectus. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the ability of the MLPs and other Midstream Energy Companies in which we invest to achieve their objectives, our ability to source favorable private investments, the timing and amount of distributions and dividends from the MLPs and other Midstream Energy Companies in which we intend to invest, the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors section of the Base Prospectus accompanying this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Base Prospectus are made as of the date of this Prospectus Supplement or the accompanying Base Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. We acknowledge that, notwithstanding the foregoing statements, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors section of the Base Prospectus accompanying this Prospectus Supplement as well as in Auction Risk and Certain Considerations Affecting Auction Rate Securities Existing Holder's Ability to Resell Auction Rate Securities May Be Limited in the section of this Prospectus Supplement entitled The Auction. We urge you to review carefully that section for a more complex discussion of the risks of an investment in our Series F Notes.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary contains basic information about us but does not contain all of the information that is important to your investment decision. You should read this summary together with the more detailed information contained elsewhere in this Prospectus Supplement and accompanying Base Prospectus and in the statement of additional information, especially the information set forth under the heading Risk Factors beginning on page 11 of the accompanying Base Prospectus and Auction Risk and Certain Considerations Affecting Auction Rate Securities Existing Holder's Ability to Resell Auction Rate Securities May Be Limited beginning on pages S-14 and S-18, respectively, of the section of this Prospectus Supplement entitled The Auction.*

**The Company**

Kayne Anderson MLP Investment Company, a Maryland corporation, is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act ). Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in MLPs and other Midstream Energy Companies. We also must comply with the SEC's rule regarding investment company names, which requires us, under normal market conditions, to invest at least 80% of our total assets in MLPs so long as MLP is in our name. Our currently outstanding shares of common stock are listed on the New York Stock Exchange ( NYSE ) under the symbol KYN.

We began investment activities in September 2004 following our initial public offering. After the payment of offering expenses and underwriting discounts, we received approximately \$711 million from the proceeds of the initial public offering and after subsequent exercises by the underwriters of their over allotment option, the aggregate net proceeds were approximately \$786 million. Since that time we have completed the following capital raising transactions: (a) four series of auction rate senior notes in an aggregate principal amount of \$320 million, (b) one series of auction rate preferred stock in an amount of \$75 million, (c) two underwritten public offerings of our common stock for aggregate proceeds after the payment of offering expenses and underwriting discounts of approximately \$205 million, and (d) one direct placement of our common stock to purchasers in a privately negotiated transaction for proceeds after the payment of offering expenses of approximately \$28 million. As of May 31, 2007, we had 42.9 million shares of common stock outstanding, net assets applicable to our common stock of \$1.5 billion and total assets of \$2.3 billion.

**Investment Adviser**

KA Fund Advisors, LLC ( KAFA ) is our investment adviser, responsible for implementing and administering our investment strategy. KAFA is a subsidiary of Kayne Anderson Capital Advisors, L.P. ( KACALP ) and together with KAFA, Kayne Anderson ), a SEC-registered investment adviser. As of May 31, 2007, Kayne Anderson and its affiliates managed approximately \$8.6 billion, including approximately \$4.2 billion in MLPs and other Midstream Energy Companies. Kayne Anderson has invested in MLPs and other Midstream Energy Companies since 1998. We believe that Kayne Anderson has developed an understanding of the MLP market that enables it to identify and take advantage of public MLP investment opportunities. In addition, Kayne Anderson's senior professionals have developed a strong reputation in the energy sector and have many long-term relationships with industry managers, which we believe gives Kayne Anderson an important advantage in sourcing and structuring private investments.

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**The Offering**

Series F Notes offered by us	Series F Notes in an aggregate principal amount of \$185,000,000. Series F Notes will be sold in denominations of \$25,000 and any integral multiple thereof. The Series F Notes are being offered by Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated. See Underwriting.
Use of proceeds	We estimate that our net proceeds from this offering after expenses will be approximately \$183.2 million. We intend to use a portion of the net proceeds to retire our short-term debt of approximately \$121.5 million as of June 21, 2007, which we incurred in connection with the acquisition of equity portfolio securities. We intend to invest the remainder of the net proceeds of this offering in accordance with our investment objective as soon as practicable. As of June 22, 2007, we have two pending investments for an aggregate amount of \$45.8 million. We anticipate completing these investments in the next 30 days. See Use of Proceeds and Recent Developments.
Trustee	The Bank of New York Trust Company, N.A.
Auction Agent	The Bank of New York
Risk factors	See Risk Factors and other information included in the accompanying Base Prospectus, as well as Auction Risk and Certain Considerations Affecting Auction Rate Securities Existing Holder s Ability to Resell Auction Rate Securities May Be Limited under The Auction in this Prospectus Supplement, for a discussion of factors you should carefully consider before deciding to invest in Series F Notes.

**Table of Contents****Recent Developments**

On March 19, 2007, we declared a quarterly dividend of \$0.48 per share to common stockholders of record on April 4, 2007, which was paid on April 13, 2007.

On April 23, 2007, we issued 3,600,000 shares of our common stock at a price of \$36.70 per share in a public offering, in which we received \$127,780,200 in net proceeds (before offering expenses and after deducting the underwriting discount). Net proceeds from the offering were used to repay a portion of our borrowings under our revolving credit line.

On May 4, 2007, our Board of Directors accepted the resignation of Terrence J. Quinn from the Board, and elected Michael C. Morgan to serve the remainder of Mr. Quinn's term. Mr. Morgan, who is not an interested person as defined in Section 2(a)(19) of the 1940 Act, was elected by our stockholders to our Board of Directors for a three-year term on June 15, 2007 at our annual meeting of stockholders. The following table sets forth information regarding Mr. Morgan's principal occupation and other affiliations over the past five years. The addresses for all Directors are 1800 Avenue of the Stars, Second Floor Los Angeles, CA 90067 and 717 Texas Avenue, Suite 3100, Houston, Texas 77002. All of our Directors currently serve on the Board of Directors of Kayne Anderson Energy Total Return Fund, Inc., a closed-end investment company registered under the 1940 Act, that is advised by Kayne Anderson.

<b>Name (Year Born)</b>	<b>Position Held with Registrant</b>	<b>Term of Office/ Time of Service</b>	<b>Principal Occupations During Past Five Years</b>	<b>Other Directorships Held by Director</b>
Michael C. Morgan (born 1968)	Director	3-year term (until the 2010 Annual Meeting of Stockholders)/ served since May 2007	Since 2004, Mr. Morgan has served as President and Chief Executive Officer of Portcullis Partners, LP, a privately owned investment partnership. Since 2003, Mr. Morgan has also served as an Adjunct Professor in the Practice of Management at the Jones Graduate School of Management at Rice University. From 2001 to 2004, Mr. Morgan was President of Kinder Morgan, Inc., an energy transportation and storage company, and of Kinder Morgan Energy Partners, L.P., a publicly traded pipeline limited partnership.	Kayne Anderson Energy Total Return Fund, Inc.; Kinder Morgan, Inc.

On May 16, 2007, we issued 820,916 shares of our common stock in a privately negotiated direct placement to certain purchasers. Net proceeds (approximately \$28 million after deducting offering expenses) from the offering were used to repay a portion of our borrowings under our revolving credit line.

On May 18, 2007, we entered into an agreement to purchase 0.4 million Common Units and 0.9 million Class D Units from Atlas Energy Resources, LLC at a weighted average price of \$25.00 per unit which constitutes an aggregate purchase price of \$32.7 million. Atlas Energy will use the proceeds from the sale of the Common Units and Class D Units to partially finance the purchase of DTE Oil & Gas Company. The acquisition is expected to close within the next 30 days.

On June 15, 2007, we declared a quarterly dividend of \$0.49 per share to common stockholders of record on July 5, 2007, which will be paid on July 12, 2007.

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On June 19, 2007 we entered into an agreement to purchase 0.4 million common units from Universal Compression Partners, L.P. at a price of \$34.75 per unit which constitutes an aggregate purchase price of \$13.1 million. We expect this transaction to close in the next 30 days.

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**USE OF PROCEEDS**

We estimate that we will receive net proceeds from this offering of approximately \$183.2 million, after deducting the underwriting discount and our net estimated offering expenses.

We intend to use the net proceeds of this offering to repay the indebtedness owed under our existing secured credit facility. As of June 21, 2007, we had approximately \$121.5 million aggregate principal amount outstanding on our credit facility. Amounts repaid under our credit facility will remain available for future borrowings. Outstanding balances under the credit facility accrue interest at a variable annual rate equal to the one-month LIBOR rate plus 100 basis points on the outstanding balance. As of June 21, 2007, the current rate is 6.32%.

We will invest the remainder of the net proceeds of this offering in accordance with our investment objective as soon as practicable. As of June 22, 2007, we have pending investments in Atlas Energy Resources, LLC for \$32.7 million and Universal Compression Partners, L.P. for \$13.1 million. We anticipate completing these investments within the next 30 days. See Prospectus Supplement Summary Recent Developments. Until the remaining net proceeds are invested, we anticipate investing such proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

We intend to reborrow under our existing secured credit facility to make investments in portfolio companies in accordance with our investment objective.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization: (i) as of February 28, 2007, (ii) pro forma to reflect (a) the outstanding balance under our secured credit facility as of June 21, 2007, (b) the issuance of 168,885 shares of our common stock on April 13, 2007, pursuant to our automatic dividend reinvestment plan, (c) the issuance of 3,600,000 shares of our common stock on April 23, 2007 in an underwritten public offering, and (d) the issuance of 820,916 shares of our common stock on May 16, 2007 in a direct placement to certain purchasers; and (iii) pro forma as adjusted to give effect to the issuance of the Series F Notes offered by this Prospectus Supplement and accompanying Base Prospectus and the retirement of the outstanding balance under our secured credit facility with a portion of the net proceeds of such offering.

	Actual (Unaudited)	Pro Forma (dollars in 000s, except share and per share data) (Unaudited)	Pro Forma As Adjusted (Unaudited)
Cash and Cash Equivalents	\$ 1,018	\$ (1)	\$ 61,650(1)
Short-Term Debt:			
Secured credit facility	\$ 107,000	\$ 121,500(1)	\$ (1)
Long-Term Debt:			
Senior Notes Series A(2)	\$ 85,000	\$ 85,000	\$ 85,000
Senior Notes Series B(2)	85,000	85,000	85,000
Senior Notes Series C(2)	90,000	90,000	90,000
Senior Notes Series E(2)	60,000	60,000	60,000
Senior Notes Series F(2)			185,000
Total Debt:	\$ 427,000	\$ 441,500	\$ 505,000
Preferred Stock:			
Series D Auction Rate Preferred Stock, \$0.001 par value per share, liquidation preference \$25,000 per share (3,000 shares issued and outstanding, 10,000 shares authorized)(2)	\$ 75,000	\$ 75,000	\$ 75,000
Common Stockholders Equity:			
Common stock, \$0.001 par value per share, 199,990,000 shares authorized (38,265,172 shares issued and outstanding; 42,854,973 shares issued and outstanding Pro Forma and Pro Forma as Adjusted)(2)	\$ 38	\$ 43(3)	\$ 43(3)
Paid-in capital	916,332	1,078,265(4)(5)	1,078,265(4)(5)
Net investment loss, net of income taxes less dividends and distributions	(175,212)	(181,008)(5)	(181,008)(5)
Accumulated realized gains on investments and interest rate swap contracts, net of income taxes	33,912	33,912	33,912
Net unrealized gains on investments, options and interest rate swap contracts, net of income taxes	409,954	409,954	409,954

Net assets applicable to common stockholders	\$ 1,185,024	\$ 1,341,166	\$ 1,341,166
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- (1) As described under Use of Proceeds, we intend to use a portion of the net proceeds from this offering to repay the borrowings outstanding under our secured credit facility. Pro Forma and Pro Forma as Adjusted reflect the issuance of 3,600,000 shares of our common stock on April 23, 2007 and the issuance of 820,916 shares of our common stock on May 16, 2007 and the outstanding balance under our credit facility as of June 21, 2007, which was approximately \$121.5 million. As of June 20, 2007 we have pending investments in Atlas Energy Resources, LLC and Universal Compression Partners, L.P. for \$32.7 million and \$13.1 million, respectively. We anticipate closing these investments within the next 30 days. We intend to reborrow under our credit facility to make investments in portfolio companies in accordance with our investment objective.
- (2) We do not hold any of these outstanding securities for our account.
- (3) Reflects the issuance of 168,885 shares of our common stock on April 13, 2007 pursuant to our automatic dividend reinvestment plan, the issuance of 3,600,000 shares of our common stock (aggregate par value \$4) on April 23, 2007 in an underwritten public offering, and the issuance of 820,916 shares of our common stock (aggregate par value \$1) on May 16, 2007 in a direct placement to certain purchasers.
- (4) Reflects the proceeds of the issuance of shares of common stock offered: (i) on April 23, 2007 (\$127,651), net of \$0.001 par value per share of common stock, the underwriting discount and the net estimated offering costs borne by us, and (ii) on May 16, 2007 (\$28,448), net of \$0.001 par value per share of common stock and the estimated offering costs borne by us.
- (5) Reflects the issuance of our common stock on April 13, 2007 pursuant to our automatic dividend reinvestment plan (\$5,796).



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**ASSET COVERAGE REQUIREMENTS**

This offering is conditioned upon the Series F Notes receiving a rating of Aaa from Moody's Investors Service, Inc. and AAA from Fitch Ratings. The 1940 Act and the Ratings Agencies impose asset coverage requirements which may limit our ability to engage in certain types of transactions and may limit our ability to take certain actions without confirming with the Rating Agencies that such action will not impair the ratings.

We are required to satisfy two separate asset maintenance requirements with respect to outstanding Senior Notes: (1) we must maintain Eligible Assets having an aggregated Discounted Value at least equal to the Senior Notes Basic Maintenance Amount as of each Valuation Date in accordance with guidelines set forth by each Rating Agency; and (2) we must satisfy the 1940 Act Senior Notes Asset Coverage.

The Discount Factors and guidelines for calculating the Discounted Value of our portfolio for purposes of determining whether the Senior Notes Basic Maintenance Amount has been satisfied have been established by Moody's and Fitch in connection with our receipt from Moody's and Fitch of the Aaa and AAA Credit Ratings and the Aaa and AAA Credit Ratings, respectively, with respect to Series A, B, C and E Notes on their original issue dates and with respect to Series F Notes on their Original Issue Date. We estimate that on the Original Issue Date of Series F Notes, the 1940 Act Senior Notes Asset Coverage (as defined herein), based on the composition of our portfolio as of February 28, 2007 (adjusted to reflect: (a) the issuance of 168,885, 3,600,000 and 820,916 shares of our common stock on April 13, 2007, April 23, 2007 and May 16, 2007, respectively; and (b) the outstanding balance under our credit facility as of June 21, 2007), and after giving effect to the issuance of Series F Notes offered by this Prospectus Supplement and accompanying Base Prospectus (\$185,000,000) would be 380%.

The Senior Notes Basic Maintenance Amount is defined in the Rating Agency Guidelines. Each Rating Agency may amend the definition of Senior Notes Basic Maintenance Amount from time to time. A copy of the current Rating Agency Guidelines will be provided to any holder of Senior Notes promptly upon written request by such holder to us at 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067. See Rating Agency Guidelines in the Prospectus for a more detailed description of our asset maintenance requirements.

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**DESCRIPTION OF SERIES F NOTES**

Senior Notes of each series, including the Series F Notes, will rank on a parity with any other series of Senior Notes as to the payment of interest and distribution of assets upon liquidation. All Senior Notes rank senior to our common and preferred stock as to the payment of interest and distribution of assets upon liquidation. Under the 1940 Act, we may only issue one class of senior securities representing indebtedness.

Series F Notes will be issued by us pursuant to the terms of an Indenture, dated as of March 28, 2005, and a Third Supplemental Indenture (the Supplemental Indenture ), dated as of June 26, 2007 (referred to herein collectively as the Indenture ), between us and The Bank of New York Trust Company, N.A., as Trustee (the Trustee ). The following summaries of certain significant provisions of the Indenture are not complete and are qualified in their entirety by the provisions of the Indenture, a more detailed summary of which is contained in Appendix A to the SAI, which is on file with the SEC and is incorporated herein by reference. Whenever defined terms are used, but not defined in this Prospectus Supplement, the terms have the meaning given to them in the Supplemental Indenture, a copy of which is available from us upon request.

**General**

Our board of directors (the Board of Directors ) has authorized us to issue notes representing indebtedness pursuant to the term of the Indenture. Currently, the Indenture provides for the issuance of up to \$185,000,000 aggregate principal amount of Series F Notes. The principal amount of Series F Notes are due and payable on July 9, 2047. Series F Notes, when issued and sold pursuant to the terms of the Indenture, will be issued in fully registered form without coupons and in denominations of \$25,000 and any integral multiple thereof, unless otherwise provided in the Indenture. Series F Notes will be our unsecured obligations and, upon our liquidation, dissolution or winding, will rank: (1) senior to our outstanding common stock and any preferred stock, including the ARP Shares; (2) on a parity with any of our unsecured creditors and Series A, B, C and E Notes, any additional Series F Notes and any other series of our auction rate senior notes; and (3) junior to any of our secured creditors. Series F Notes will be subject to optional and mandatory redemption as described below under Redemption, and acceleration of maturity, as described in the accompanying Base Prospectus under Description of Debt Securities Events of Default and Acceleration of Maturity of Debt Securities; Remedies.

In addition to serving as the Trustee, The Bank of New York Trust Company, N.A. will act as the transfer agent, registrar and paying agent for Series F Notes unless or until the Board of Directors resolves to enter into an agreement with another entity.

The Bank of New York, a New York banking corporation, will act as Auction Agent for Series F Notes in connection with the Auction Procedures described below. The Auction Agent generally will serve merely as our agent, acting in accordance with our instructions.

We have the right, to the extent permitted by applicable law, to purchase or otherwise acquire any Series F Notes, so long as we are current in the payment of interest on Series F Notes and on any other notes of us ranking on a parity with Series F Notes with respect to the payment of interest.

Series F Notes have no voting rights, except to the extent required by law or as otherwise provided in the Indenture relating to the acceleration of maturity upon the occurrence and during the continuance of an event of default.

**Securities Depository**

The nominee of the Securities Depository is expected to be the sole holder of record of Series F Notes. Accordingly, each purchaser of Series F Notes must rely on (1) the procedures of the Securities Depository and, if such purchaser is not a member of the Securities Depository, such purchaser's Agent Member, to receive interest payments and notices, and (2) the records of the Securities Depository and, if such purchaser is not a member of the Securities Depository, such purchaser's Agent Member, to evidence its ownership of Series F Notes.

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Beneficial Owners will not receive any certificates representing their ownership interests in Series F Notes. The Depository Trust Company ( DTC ) will initially act as Securities Depository for the Agent Members with respect to Series F Notes.

### **Interest and Rate Periods**

*General.* Series F Notes will bear interest at the Applicable Rate determined as set forth below under Determination of Interest Rate. Interest on Series F Notes shall be payable when due as described below. If we do not pay interest when due, it will trigger an event of default under the Indenture (subject to the cure provisions), and we will be restricted from declaring dividends and making other distributions with respect to our common stock and any preferred stock.

On the Business Day next preceding each Interest Payment Date, we are required to deposit with the Paying Agent sufficient funds for the payment of interest. We do not intend to establish any reserves for the payment of interest.

All moneys paid to the Paying Agent for the payment of interest shall be held in trust for the payment of such interest to the holders. Interest will be paid by the Paying Agent to the holders as their names appear on our securities ledger or securities records, which holder(s) is expected to be the nominee of the Securities Depository. The Securities Depository will credit the accounts of the Agent Members of the Beneficial Owners in accordance with the Securities Depository's normal procedures. The Securities Depository's current procedures provide for it to distribute interest in same-day funds to Agent Members who are, in turn, expected to distribute such interest to the persons for whom they are acting as agents. The Agent Member of a Beneficial Owner will be responsible for holding or disbursing such payments on the applicable Interest Payment Date to such Beneficial Owner in accordance with the instructions of such Beneficial Owner.

Interest in arrears for any past rate period may be subject to a Default Rate of interest (described below) and may be paid at any time, without reference to any regular Interest Payment Date, to the holders as their names appear on our securities ledger or securities records on such date, not exceeding fifteen (15) days preceding the payment date thereof, as may be fixed by the Board of Directors. Any interest payment shall first be credited against the earliest accrued but unpaid interest. No interest will be payable in respect of any payment or payments which may be in arrears. See Default Period below.

The amount of interest payable on each Interest Payment Date of each rate period of less than one year (or in respect of interest on another date in connection with a redemption during such rate period) shall be computed by multiplying the Applicable Rate (or the Default Rate) for such rate period (or a portion thereof) by a fraction, the numerator of which will be the number of days in such rate period (or portion thereof) that such Series F Notes were outstanding and for which the Applicable Rate or the Default Rate was applicable and the denominator of which will be 360, multiplying the amount so obtained by \$25,000, and rounding the amount so obtained to the nearest cent. During any rate period of one year or more, the amount of interest per Series F Note payable on any Interest Payment Date (or in respect of interest on another date in connection with a redemption during such rate period) shall be computed as described in the preceding sentence.

*Determination of Interest Rate.* The interest rate for the initial rate period (*i.e.*, the period from and including the Original Issue Date to and including the initial Auction Date) and the initial Auction Date are set forth on the cover page of the Prospectus Supplement. After the initial rate period, subject to certain exceptions, Series F Notes will bear interest at the Applicable Rate that the Auction Agent advises us has resulted from an auction.

The initial rate period for Series F Notes shall be fifteen (15) days. Rate periods after the initial rate period shall either be Standard Rate Periods or, subject to certain conditions and with notice to holders, Special Rate Periods.

A Special Rate Period will not be effective unless Sufficient Clearing Bids exist at the auction in respect of such Special Rate Period (that is, in general, the aggregate amount of Series F Notes subject to Buy

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Orders by Potential Beneficial Owners is at least equal to the aggregate amount of Series F Notes subject to Sell Orders by existing Beneficial Owners).

Interest will accrue at the Applicable Rate from the Original Issue Date and shall be payable on each Interest Payment Date thereafter. For rate periods of 30 days or less, Interest Payment Dates shall occur on the first Business Day following such rate period and, if greater than 30 days, then on a monthly basis on the first Business Day of each month within such rate period and on the Business Day following the last day of such rate period. Interest will be paid through the Securities Depository on each Interest Payment Date.

Except during a Default Period as described below, the Applicable Rate resulting from an auction will not be greater than the Maximum Rate, which is equal to the applicable percentage of the Reference Rate, subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers. The applicable percentage will be determined based on the lower of the credit ratings assigned on that date to Series F Notes by Moody's and Fitch, as follows:

<b>Moody's Credit Rating</b>	<b>Fitch Credit Rating</b>	<b>Applicable Percentage</b>
Aa3 or above	AA- or above	200%
A3 to A1	A- to A+	250%
Baa3 to Baa1	BBB- to BBB+	275%
Below Baa3	Below BBB-	300%

The Reference Rate is the greater of (1) the applicable AA Composite Commercial Paper Rate (for a rate period of fewer than 184 days) or the applicable Treasury Index Rate (for a rate period of 184 days or more), or (2) the applicable LIBOR. For Standard Rate Periods or less only, the Applicable Rate resulting from an auction will not be less than the Minimum Rate, which is 70% of the applicable AA Composite Commercial Paper Rate. No Minimum Rate is specified for auctions in respect to rate periods of more than the Standard Rate Period.

The Maximum Rate for Series F Notes will apply automatically following an auction for the notes in which Sufficient Clearing Bids have not been made (other than because all Series F Notes were subject to Submitted Hold Orders). If an auction for any subsequent rate period is not held for any reason, including because there is no Auction Agent or Broker-Dealer, then the Interest Rate on Series F Notes for any such rate period shall be the Maximum Rate (except for circumstances in which the Interest Rate is the Default Rate, as described below).

The All Hold Rate will apply automatically following an auction in which all of the outstanding Series F Notes are subject to (or are deemed to be subject to) Submitted Hold Orders. The All Hold Rate is 80% of the applicable AA Composite Commercial Paper Rate.

Prior to each auction, Broker-Dealers will notify Beneficial Owners and the Trustee of the term of the next succeeding rate period as soon as commercially reasonable after the Broker-Dealers have been so advised by us. After each auction, on the Auction Date, Broker-Dealers will notify Beneficial Owners of the Applicable Rate for the next succeeding rate period and of the Auction Date of the next succeeding auction.

*Notification of Rate Period.* We will designate the duration of subsequent rate periods of Series F Notes; provided, however, that no such designation is necessary for a Standard Rate Period and, provided further, that any designation of a Special Rate Period shall be effective only if (1) notice has been given as provided herein, (2) any failure to pay in a timely manner to the Trustee the full amount of any interest on, or the redemption price of, Series F Notes shall have

been cured as provided above, (3) Sufficient Clearing Bids shall have existed in an auction held on the Auction Date immediately preceding the first day of such proposed Special Rate Period, (4) if we shall have mailed a Notice of Redemption with respect to any Series F Notes, the redemption price with respect to such Series F Notes shall have been deposited with the Paying Agent, and (5) we have confirmed that as of the Auction Date next preceding the first day of such Special Rate Period, we have Eligible Assets with an aggregate Discounted Value at least equal to the Series F Notes Basic Maintenance Amount, and we have consulted with the Broker-Dealers and have provided notice of such designation and otherwise complied with the Rating Agency Guidelines.

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*Designation of a Special Rate Period.* If we propose to designate any Special Rate Period, not fewer than 7 (or two Business Days in the event the duration of the rate period prior to such Special Rate Period is fewer than 8 days) nor more than 30 Business Days prior to the first day of such Special Rate Period, notice shall be (1) made by press release and (2) communicated by us by telephonic or other means to the Trustee and the Auction Agent and confirmed in writing promptly thereafter. Each such notice shall state (A) that we propose to exercise our option to designate a succeeding Special Rate Period, specifying the first and last days thereof and (B) that we will by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such Special Rate Period, notify the Auction Agent and the Trustee, who will promptly notify the Broker-Dealers, of either (x) our determination, subject to certain conditions, to proceed with such Special Rate Period, subject to the terms of any Specific Redemption Provisions, or (y) our determination not to proceed with such Special Rate Period, in which latter event the succeeding rate period shall be a Standard Rate Period.

No later than 3:00 p.m., New York City time, on the second Business Day next preceding the first day of any proposed Special Rate Period, we shall deliver to the Trustee and the Auction Agent, who will promptly deliver to the Broker-Dealers and Existing Holders, either:

(1) a notice stating (A) that we have determined to designate the next succeeding rate period as a Special Rate Period, specifying the first and last days thereof and (B) the terms of any Specific Redemption Provisions; or

(2) a notice stating that we have determined not to exercise our option to designate a Special Rate Period.

If we fail to deliver either such notice with respect to any designation of a proposed Special Rate Period to the Auction Agent or we are unable to make the confirmation described above by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such proposed Special Rate Period, we shall be deemed to have delivered a notice to the Auction Agent with respect to such rate period to the effect set forth in clause (2) above, thereby resulting in a Standard Rate Period.

*Default Period.* Subject to cure provisions, a Default Period with respect to Series F Notes will commence on any date we fail to deposit irrevocably in trust in same-day funds, with the Paying Agent by 3:00 p.m., New York City time,

(A) the full amount of any accrued interest on Series F Notes payable on the Interest Payment Date (an Interest Default ), or

(B) the full amount of any redemption price (the Redemption Price ) payable on the date fixed for redemption (the Redemption Date ) (a Redemption Default and together with an Interest Default, hereinafter referred to as Default ).

We shall notify the Auction Agent in writing that a Default Period is in effect. Subject to cure provisions, a Default Period with respect to an Interest Default or a Redemption Default shall end on the Business Day on which, by 3:00 p.m., New York City time, we have deposited irrevocably in trust in same-day funds with the Paying Agent all unpaid interest and any unpaid Redemption Price. In the case of an Interest Default, the Applicable Rate for each rate period commencing during a Default Period will be equal to the Default Rate, and each subsequent rate period commencing after the beginning of a Default Period shall be a Standard Rate Period; provided, however, that the commencement of a Default Period will not by itself cause the commencement of a new rate period.

No auction shall be held during a Default Period with respect to an Interest Default applicable to Series F Notes. No Default Period with respect to an Interest Default or Redemption Default shall be deemed to commence if the amount of any interest or any Redemption Price due (if such default is not solely due to our willful failure) is deposited irrevocably in trust, in same-day funds with the Paying Agent by 3:00 p.m., New York City time within three Business



Days after the applicable Interest Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount of such non-payment

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based on the actual number of days comprising such period divided by 360. The Default Rate shall be equal to the Reference Rate multiplied by three.

### **Redemption**

*Optional Redemption.* To the extent permitted under the 1940 Act and Maryland law, we may redeem Series F Notes having a rate period of one year or less, in whole or in part, out of funds legally available therefor, on the Interest Payment Date upon not less than 15 days and not more than 40 days notice prior to the date fixed for redemption. This optional redemption is not available during the initial rate period or during any period during which we do not otherwise have the option to redeem Series F Notes. The optional redemption price shall equal the aggregate principal amount of Series F Notes to be redeemed, plus an amount equal to accrued interest to the date fixed for redemption. Series F Notes having a rate period of more than one year are redeemable at our option, in whole or in part, out of funds legally available therefor, prior to the end of the relevant rate period, upon not less than 15 days, and not more than 40 days, prior notice, subject to any Specific Redemption Provisions, which may include the payment of a redemption premium determined by the Board of Directors after consultation with the Broker Dealers at the time of the designation of such rate period. We shall not effect any optional redemption unless (1) we have available on the date fixed for redemption Deposit Securities with maturity or tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount (including any applicable premium) due to Holders of Series F Notes by reason of the redemption of such Series F Notes and (2) we would have Eligible Assets with an aggregate Discounted Value at least equal to the Senior Notes Basic Maintenance Amount immediately subsequent to such redemption.

*Mandatory Redemption.* If we fail to maintain Eligible Assets with an aggregate Discounted Value at least equal to the Senior Notes Basic Maintenance Amount as of any Valuation Date or fail to satisfy the 1940 Act Senior Notes Asset Coverage as of the last Business Day of any month, and that failure is not cured within ten Business Days following the Valuation Date in the case of a failure to maintain the Senior Notes Basic Maintenance Amount or on the last Business Day of the following month in the case of a failure to maintain the 1940 Act Senior Notes Asset Coverage as of that last Business Day (each an Asset Coverage Cure Date), Series F Notes will be subject to mandatory redemption out of funds legally available therefor. See Asset Coverage Requirements.

The principal amount of Series F Notes to be redeemed in such circumstances will be equal to the lesser of (1) the minimum principal amount of Series F Notes the redemption of which, if deemed to have occurred immediately prior to the opening of business on the relevant Asset Coverage Cure Date, would result in our having Eligible Assets with an aggregated Discounted Value at least equal to the Senior Notes Basic Maintenance Amount or sufficient to satisfy the 1940 Act Senior Notes Asset Coverage, as the case may be, in either case as of the relevant Asset Coverage Cure Date (provided that, if there is no such minimum principal amount of Series F Notes the redemption of which would have such result, we will redeem all Series F Notes then outstanding), and (2) the maximum principal amount of Series F Notes that can be redeemed out of funds expected to be available therefor on the Mandatory Redemption Date (as defined below) at the Mandatory Redemption Price (as defined below).

Any redemption of less than all of the outstanding Senior Notes will be made from Series F Notes that we designate. We shall designate the principal amount of Series F Notes to be redeemed on a pro rata basis among the Holders in proportion to the principal amount of Series F Notes they hold, by lot or such other method as we deem equitable. We will not make any optional or mandatory redemption of less than all outstanding Series F Notes unless the aggregate principal amount of Series F Notes to be redeemed is equal to \$25,000 or integral multiples thereof. Any redemption of less than all Series F Notes outstanding will be made in such a manner that all Series F Notes outstanding after such redemption are in authorized denominations.

We are required to effect such a mandatory redemption not later than 40 days after the Asset Coverage Cure Date (the Mandatory Redemption Date ), except that if we do not have funds legally available for the redemption of, or we are not otherwise legally permitted to redeem, all of the outstanding Series F Notes which are subject to mandatory redemption, or we otherwise are unable to effect such redemption on or

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prior to such Mandatory Redemption Date, we will redeem those Series F Notes, and other Senior Notes to be redeemed on the earliest practicable date on which we will have such funds available, upon notice to record owners of Series F Notes and the Paying Agent. Our ability to make a mandatory redemption may be limited by the provisions of the 1940 Act or Maryland law. The redemption price per Series F Note in the event of any mandatory redemption will be the principal amount, plus an amount equal to accrued but unpaid interest to the date fixed for redemption, plus (in the case of a rate period of more than one year) a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions (the Mandatory Redemption Price ).

*Redemption Procedure.* Pursuant to Rule 23c-2 under the 1940 Act, we will file a notice of our intention to redeem with the SEC in order to provide at least the minimum notice required by such rule or any successor provision (notice currently must be filed with the SEC generally at least 30 days prior to the redemption date). We will deliver a notice of redemption to the Auction Agent and the Trustee containing the information described below one Business Day prior to the giving of notice to Holders in the case of an optional redemption and on or prior to the 30th day preceding the Mandatory Redemption Date in the case of a mandatory redemption. The Trustee will use its reasonable efforts to provide notice to each Holder of Series F Notes called for redemption by electronic or other reasonable means not later than the close of business on the Business Day immediately following the day on which the Trustee determines the Series F Notes to be redeemed (or, during a Default Period with respect to such Series F Notes, not later than the close of business on the Business Day immediately following the day on which the Trustee receives notice of redemption from us). Such notice will be confirmed promptly by the Trustee in writing not later than the close of business on the third Business Day preceding the redemption date by providing a notice to each Holder of record of Series F Notes called for redemption, the Paying Agent (if different from the Trustee) and the Securities Depository ( Notice of Redemption ). The Notice of Redemption will be addressed to the registered owners of Series F Notes at their addresses appearing on our books or share records. Such notice will set forth (1) the redemption date, (2) the principal amount and identity of Series F Notes to be redeemed, (3) the redemption price (specifying the amount of accrued interest to be included therein and the amount of the redemption premium, if any), (4) that interest on Series F Notes to be redeemed will cease to accrue on such redemption date, and (5) the provision of the Indenture under which redemption shall be made. No defect in the Notice of Redemption or in the transmittal or mailing will affect the validity of the redemption proceedings, except as required by applicable law.

If less than all of the outstanding Series F Notes are redeemed on any date, we will select the amount per Holder to be redeemed on such date on a pro rata basis in proportion to the principal amount of Series F Notes held by such Holder, by lot or by such other method we determine to be fair and equitable, subject to the terms of any Specific Redemption Provisions and subject to maintaining authorized denominations as described above. Series F Notes may be subject to mandatory redemption as described herein notwithstanding the terms of any Specific Redemption Provisions. The Trustee will give notice to the Securities Depository, whose nominee will be the record holder of all Series F Notes, and the Securities Depository will determine Series F Notes to be redeemed from the account of the Agent Member of each Beneficial Owner. Each Agent Member will determine the principal amount of Series F Notes to be redeemed from the account of each Beneficial Owner for which it acts as agent. An Agent Member may select for redemption Series F Notes from the accounts of some Beneficial Owners without selecting for redemption any Series F Notes from the accounts of other Beneficial Owners. In this case, in selecting Series F Notes to be redeemed, the Agent Member will select by lot or other fair and equitable method. Notwithstanding the foregoing, if neither the Securities Depository nor its nominee is the record Beneficial Owner of all Series F Notes, we will select the particular principal amount to be redeemed by lot or by such other method as we deem fair and equitable, as contemplated above.

If Notice of Redemption has been given, then upon the deposit of funds with the Paying Agent sufficient to effect such redemption, interest on such Series F Notes will cease to accrue and such Series F Notes will no longer be deemed to be outstanding for any purpose and all rights of the holder of Series F Notes so called for redemption will cease and

terminate, except the right of the holder of such Series F Notes to receive the redemption price, but without any interest or additional amount. We will be entitled to receive

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from the Paying Agent, promptly after the date fixed for redemption, any cash deposited with the Paying Agent in excess of (1) the aggregate redemption price of Series F Notes called for redemption on such date and (2) such other amounts, if any, to which holders of Series F Notes called for redemption may be entitled. We will be entitled to receive, from time to time after the date fixed for redemption, from the Paying Agent the interest, if any, earned on such funds deposited with the Paying Agent and the owners of Series F Notes so redeemed will have no claim to any such interest. Any funds so deposited which are unclaimed two years after such redemption date will be paid, to the extent permitted by law, by the Paying Agent to us. After such payment, Holders of Series F Notes called for redemption may look only to us for payment.

So long as any Series F Notes are held of record by the nominee of the Securities Depository, the redemption price for those Series F Notes will be paid on the redemption date to the nominee of the Securities Depository. The Securities Depository's normal procedures provide for it to distribute the amount of the redemption price to Agent Members who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

Notwithstanding the provisions for redemption described above, no Series F Notes may be redeemed unless all interest in arrears on the outstanding Series F Notes, and any indebtedness of ours ranking on a parity with Series F Notes, have been or are being contemporaneously paid or set aside for payment, except that the foregoing shall not prevent the purchase or acquisition of all the outstanding Series F Notes pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding Series F Notes.

Except for the provisions described above, nothing contained in the Indenture limits any legal right of ours to purchase or otherwise acquire Series F Notes outside of an auction at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of interest on or the mandatory or optional redemption price with respect to, any Series F Notes for which Notice of Redemption has been given, and we are in compliance with the 1940 Act Series F Notes Asset Coverage and have Eligible Assets with an aggregate Discounted Value at least equal to Series F Notes Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. If less than all outstanding Series F Notes are redeemed or otherwise acquired by us, we shall give notice of such transaction to the Trustee, in accordance with the procedures agreed upon by the Board of Directors.

## **Payment Restrictions on Shares**

Under the 1940 Act, we may not declare any dividend on common stock or make any distribution with respect to our common stock and preferred stock or purchase or redeem any common or preferred stock if, at the time of such declaration (and after giving effect thereto), asset coverage with respect to Series F Notes and any other senior securities representing indebtedness (as defined in the 1940 Act), would be less than 300% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its common or preferred shares). Dividends may be declared upon any preferred stock, however, if Series F Notes and any other senior securities representing indebtedness have an asset coverage of at least 200% at the time of declaration after deducting the amount of such dividend.

Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of beneficial interest) and evidencing indebtedness and could include our obligations under the Senior Notes, our revolving credit facility or any other of our borrowings (collectively referred to as Borrowings). For purposes of determining asset coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in

consideration of any loan, extension or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term "senior security" also does not include any such promissory note or other evidence of indebtedness

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in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of our total assets at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 days and is not extended or renewed; otherwise, it is presumed not to be for temporary purposes. For purposes of determining whether the 200% and 300% asset-coverage requirements described above apply in connection with interest payments or distributions on or purchases or redemptions of stock, such asset coverage may be calculated on the basis of values determined as of a time within 48 hours (not including Sundays or holidays) next preceding the time of the applicable determination.

In addition, a declaration of a dividend or other distribution on, or repurchase or redemption of, common or preferred stock is restricted (1) at any time that an event of default under Series F Notes or any other Borrowings has occurred and is continuing; or (2) if, after giving effect to such declaration, we would not have eligible portfolio holdings with an aggregated Discounted Value at least equal to any asset coverage requirements associated with such Series F Notes or other Borrowings; or (3) we have not redeemed the full amount of Series F Notes or other Borrowings, if any, required to be redeemed by any provision for mandatory redemption.

## **THE AUCTIONS**

### **General**

*Auction Agency Agreement.* We have entered into an Auction Agency Agreement (the *Auction Agency Agreement*) with the Auction Agent (currently, The Bank of New York) which provides, among other things, that the Auction Agent will follow the Auction Procedures for purposes of determining the Applicable Rate for Series F Notes so long as the Applicable Rate for Series F Notes is to be based on the results of an auction.

The Auction Agent may terminate the Auction Agency Agreement upon notice to us on a date no earlier than 60 days after the notice or upon notice to us on a date specified by the Auction Agent if we fail to pay the amounts due to the Auction Agent within 30 days of invoice. If the Auction Agent should resign, we will use our best efforts to enter into an agreement with a successor Auction Agent containing substantially the same terms and conditions as the Auction Agency Agreement. We may remove the Auction Agent provided that prior to such removal we have entered into such an agreement with a successor Auction Agent.

### **Auction Risk**

You may not be able to sell your Series F Notes at an auction if the auction fails; that is, if there are more Series F Notes offered for sale than there are buyers for those Series F Notes. Also, if you place hold orders (orders to retain Series F Notes) at an auction only at a specified rate, and that bid rate exceeds the rate set at the auction, you will not retain your Series F Notes. Finally, if you buy Series F Notes or elect to retain Series F Notes without specifying a rate below which you would not wish to buy or continue to hold those Series F Notes, and the auction sets a below-market rate, you may receive a lower rate of return on your Series F Notes than the market rate.

### **Auction Procedures**

Prior to the Submission Deadline on each Auction Date for Series F Notes, each customer of a Broker-Dealer listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder thereof (a *Beneficial Owner*) may submit orders with respect to Series F Notes that Broker-Dealer as follows:

Hold Order indicating the *Beneficial Owner*'s desire to hold Series F Notes without regard to the Applicable Rate for the next rate period.



Bid to Sell indicating the Beneficial Owner's desire to sell the principal amount of outstanding Series F Notes, if any, held by such Beneficial Owner if the Applicable Rate for the next

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succeeding rate period shall be less than the rate per annum specified by such Beneficial Owner (also known as a hold at rate order).

**Bid to Purchase** a current Beneficial Owner or a Potential Beneficial Owner may submit bids offering to purchase a certain amount of outstanding Series F Notes if the Applicable Rate determined on the Auction Date is higher than the rate specified in the Bid. A Bid specifying a rate higher than the Maximum Rate on the Auction Date will not be accepted.

**Sell Order** an order by a current Beneficial Owner desire to sell a specified principal amount of Series F Notes, regardless of the Applicable Rate for the upcoming rate period.

Orders submitted (or the failure to submit orders) by Beneficial Owners under certain circumstances will have the effects described below. A Beneficial Owner of Series F Notes that submits a Bid with respect thereto to its Broker-Dealer having a rate higher than the Maximum Rate for Series F Notes on the Auction Date will be treated as having submitted a Sell Order with respect to such Series F Notes. A Beneficial Owner that fails to submit an order with respect to Series F Notes to its Broker-Dealer will be deemed to have submitted a Hold Order with respect to Series F Notes; provided, however, that if a Beneficial Owner fails to submit an order with respect to Series F Notes to its Broker-Dealer for an auction relating to a Special Rate Period of more than twenty-eight (28) days, the Beneficial Owner will be deemed to have submitted a Sell Order with respect to such Series F Notes. A Sell Order constitutes an irrevocable offer to sell Series F Notes subject thereto. A Beneficial Owner that offers to become the Beneficial Owner of additional Series F Notes is, for purposes of such offer, a Potential Beneficial Owner as discussed below.

A customer of a Broker-Dealer that is not a Beneficial Owner of Series F Notes but that wishes to purchase Series F Notes, or that is a Beneficial Owner of Series F Notes that wishes to purchase additional Series F Notes (in each case, a Potential Beneficial Owner ), may submit bids to its Broker-Dealer in which it offers to purchase such principal amount of outstanding Series F Notes specified in such bid if the Applicable Rate therefor determined on such Auction Date shall not be less than the rate specified in such Bid. A Bid placed by a Potential Beneficial Owner of Series F Notes specifying a rate higher than the Maximum Rate for Series F Notes on the Auction Date therefor will not be accepted.

Each Broker-Dealer shall submit in writing, which shall include a writing delivered via e-mail or other electronic means to the Auction Agent, prior to the submission deadline on each Auction Date, all orders for Series F Notes subject to an auction on such Auction Date accepted by such Broker-Dealer, designating itself (unless otherwise permitted by us) as an existing Beneficial Owner in respect of Series F Notes subject to orders submitted or deemed submitted to it by Beneficial Owners and as a Potential Beneficial Owner in respect of Series F Notes subject to orders submitted to it by Potential Beneficial Owners. However, neither we nor the Auction Agent will be responsible for a Broker-Dealer's failure to comply with these procedures. Any order placed with the Auction Agent by a Broker-Dealer as or on behalf of an Existing Beneficial Owner or a Potential Beneficial Owner will be treated in the same manner as an order placed with a Broker-Dealer by a Beneficial Owner or Potential Beneficial Owner. Similarly, any failure by a Broker-Dealer to submit to the Auction Agent an order in respect of Series F Notes held by it or by its customers who are Beneficial Owners will be treated in the same manner as a Beneficial Owner's failure to submit to its Broker-Dealer an order in respect of Series F Notes held by it. A Broker-Dealer also may submit orders to the Auction Agent for its own account as an Existing Beneficial Owner or Potential Beneficial Owner, provided it is not an affiliate of us.

If Sufficient Clearing Bids for Series F Notes exist (that is, the aggregate principal amount of outstanding Series F Notes subject to submitted bids of Potential Beneficial Owners specifying one or more rates between the Minimum Rate (for Standard Rate Periods or shorter periods, only) and the Maximum Rate (for all rate periods) exceeds or is equal to the sum of the aggregate principal amount of outstanding Series F Notes subject to submitted Sell Orders),

the Applicable Rate for the next succeeding rate period will be the lowest rate specified in the submitted bids which, taking into account such rate and all lower rates bid by Broker-Dealers as or on behalf of Existing Beneficial Owners and Potential Beneficial Owners, would result in Existing Beneficial Owners and Potential Beneficial Owners owning the aggregate principal amount of Series F Notes for purchase in the auction. If Sufficient Clearing Bids of Series F Notes do not exist (other than

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because all of the outstanding Series F Notes subject to Submitted Hold Orders), then the Applicable Rate for all Series F Notes for the next succeeding rate period thereof will be equal to the Maximum Rate. In such event, Beneficial Owners that have submitted or are deemed to have submitted Sell Orders may not be able to sell in such auction all aggregate principal amount subject to such Sell Orders. In any particular auction, if all outstanding Series F Notes are the subject of Submitted Hold Orders, the Applicable Rate for such Series F Notes for the next succeeding rate period will be the All Hold Rate (such a situation is called an All Hold Auction ).

The Auction Procedures include a pro rata allocation of Series F Notes for purchase and sale, which may result in an Existing Beneficial Owner continuing to hold or selling, or a Potential Beneficial Owner purchasing, a number of Series F Notes that is less than the number of Series F Notes specified in its order. To the extent the allocation procedures have that result, Broker-Dealers that have designated themselves as Existing Beneficial Owners or Potential Beneficial Owners in respect of customer orders will be required to make appropriate pro rata allocations among their respective customers.

Settlement of purchases and sales will be made on the next Business Day (also an Interest Payment Date) after the Auction Date through the Securities Depository. Purchasers will make payment through their Agent Members in same-day funds to the Securities Depository against delivery to their respective Agent Members. The Securities Depository will make payment to the sellers Agent Members in accordance with the Securities Depository's normal procedures, which now provide for payment against delivery by their Agent Members in same-day funds.

## **Certain Considerations Affecting Auction Rate Securities**

*Role of Broker-Dealers.* Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated (the Broker-Dealers ) have been appointed by the issuers or obligors of various auction rate securities to serve as a dealer in the auctions for those securities and are paid by the issuers or obligors for their services. The Broker-Dealers receive broker-dealer fees from such issuers or obligors at an agreed upon annual rate that is applied to the principal amount of securities sold or successfully placed through them in such auctions.

The Broker-Dealers are designated in the Broker-Dealer Agreements as the Broker-Dealers to contact Existing Holders and Potential Holders and solicit Bids for Series F Notes. After each auction for Series F Notes the Auction Agent will pay a service charge to each Broker-Dealer. We will provide the Auction Agent with the funds to pay the service charges. The service charge will be in an amount equal to: (i) in the case of any auction immediately preceding a rate period of less than one year, the product of (A) a fraction the numerator of which is the number of days in the rate period (calculated by counting the first day of such rate period but excluding the last day thereof) and the denominator of which is 360, times (B) 1/4 of 1%, times (C) \$25,000, times (D) the sum of the aggregate number of Series F Notes placed by such Broker-Dealer, or (ii) the amount mutually agreed upon by us and the Broker-Dealers in the case of any auction immediately preceding a rate period of one year or longer. For purposes of the preceding sentence, Series F Notes will be placed by a Broker-Dealer if such Series F Notes were (a) the subject of Hold Orders deemed to have been submitted to the Auction Agent by the Broker-Dealer and were acquired by such Broker-Dealer for its own account or were acquired by such Broker-Dealer for its customers who are Beneficial Owners, or (b) the subject of an order submitted by such Broker-Dealer that is (1) a submitted Bid of an Existing Beneficial Owner that resulted in such existing Beneficial Owner continuing to hold such Series F Notes as a result of the auction or (2) a submitted Bid of a Potential Beneficial Owner that resulted in such Potential Beneficial Owner purchasing such Series F Notes as a result of the auction or (3) a valid Hold Order. The Broker-Dealers may share a portion of such service charges with other dealers that submit Orders through it that are filled in the auction.

*Bidding by Broker-Dealers.* A Broker-Dealer is permitted, but not obligated, to submit Orders in auctions for Series F Notes for its own account either as a buyer or seller and routinely does so in the auction rate securities market in its

sole discretion. If the Broker-Dealer submits an Order for its own account, it would have an advantage over other Bidders because a Broker-Dealer would have knowledge of the other

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Orders placed through it in that auction for Series F Notes and thus could determine the rate and size of its Order so as to increase the likelihood that (i) its Order will be accepted in the auction for Series F Notes and (ii) the auction for Series F Notes will clear at a particular rate. For this reason, and because the Broker-Dealers are appointed and paid by us to serve as a Broker-Dealer in the auction for Series F Notes, a Broker-Dealer's interests in serving as a Broker-Dealer in an auction may differ from those of Existing Holders and Potential Holders who participate in auctions for Series F Notes. See Role of Broker-Dealers. A Broker-Dealer would not have knowledge of Orders submitted to the Auction Agent by any other firm that is, or may in the future be, appointed to accept Orders pursuant to a Broker-Dealer Agreement.

The Broker-Dealers are the only Broker-Dealers appointed by us to serve as a Broker-Dealer in the auctions for Series F Notes, and as long as that remains the case, they will be the only Broker-Dealers that submit Orders to the Auction Agent in the auctions for Series F Notes. As a result, in such circumstances, the Broker-Dealers may discern the clearing rate before the Orders are submitted to the Auction Agent and set the clearing rate with their respective Orders.

A Broker-Dealer may place one or more bids in an auction for Series F Notes for its own account to acquire securities for its inventory, to prevent an Auction Failure (which occurs if there are insufficient clearing bids and results in the auction rate being set at the Maximum Rate) or to prevent an auction from clearing at a rate that the Broker-Dealer believes does not reflect the market for Series F Notes. A Broker-Dealer may place such Bids even after obtaining knowledge of some or all of the other Orders submitted through it. When bidding in an auction for Series F Notes for its own account, a Broker-Dealer also may Bid inside or outside the range of rates that it posts in its Price Talk (as defined herein). See Price Talk.

A Broker-Dealer also may encourage bidding by others in auctions for Series F Notes, including to prevent an Auction Failure or to prevent an auction for Series F Notes from clearing at a rate that a Broker-Dealer believes does not reflect the market for Series F Notes. A Broker-Dealer may encourage such Bids even after obtaining knowledge of some or all of the other Orders submitted through it.

Bids by a Broker-Dealer or by those it may encourage to place Bids are likely to affect (i) the Applicable Rate including preventing the Applicable Rate from being set at the Maximum Rate or otherwise causing Potential Beneficial Owners to receive a lower rate than they might have received had a Broker-Dealer not Bid (or not encouraged others to Bid) and (ii) the allocation of Series F Notes being auctioned, including displacing some Potential Beneficial Owners who may have their Bids rejected or receive fewer Series F Notes than they would have received if a Broker-Dealer had not Bid (or encouraged others to Bid). Because of these practices, the fact that an auction for Series F Notes clears successfully does not mean that an investment in Series F Notes involves no significant liquidity or credit risk. A Broker-Dealer is not obligated to continue to place such Bids (or to continue to encourage other Bidders to do so) in any particular auction for Series F Notes to prevent an Auction Failure or an auction for Series F Notes from clearing at a rate a Broker-Dealer believes does not reflect the market for Series F Notes. Investors should not assume that a Broker-Dealer will place Bids or encourage others to do so or that Auction Failures will not occur. Investors should also be aware that Bids by a Broker-Dealer (or by those it may encourage to place Bids) may cause lower Applicable Rates to occur.

The statements herein regarding Bidding by a Broker-Dealer apply only to a Broker-Dealer's auction desk and any other business units of a Broker-Dealer that are not separated from the auction desk by an information barrier designed to limit inappropriate dissemination of bidding information.

In any particular auction for Series F Notes, if all outstanding Series F Notes are the subject of Submitted Hold Orders, the Applicable Rate for the next succeeding Auction Period will be the All Hold Rate, which situation is an All Hold Auction. If a Broker-Dealer holds any Series F Notes for its own account on an Auction Date, a

Broker-Dealer may, but is not obligated to submit a Sell Order into the auction for Series F Notes with respect to such Series F Notes, which would prevent that auction for Series F Notes from being an All Hold Auction. A Broker-Dealer may, but is not obligated to, submit Bids for its own account in that same auction for Series F Notes, as set forth above.

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*Price Talk.* Before the start of an auction for Series F Notes, a Broker-Dealer, in its discretion, may make available to its customers who are Existing Holders and Potential Holders a Broker-Dealer's good faith judgment of the range of likely clearing rates for the auction for Series F Notes based on market and other information. This is known as Price Talk. Price Talk is not a guaranty that the Applicable Rate established through the auction for Series F Notes will be within the Price Talk, and Existing Holders and Potential Holders are free to use it or ignore it. A Broker-Dealer occasionally may update and change the Price Talk based on changes in our credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Potential Holders should confirm with a Broker-Dealer the manner by which such Broker-Dealer will communicate Price Talk and any changes to Price Talk.

*All-or-Nothing Bids.* The Broker-Dealers will not accept all-or-nothing Bids (*i.e.*, Bids whereby the bidder proposes to reject an allocation smaller than the entire quantity Bid) or any other type of Bid that allows the bidder to avoid Auction Procedures that require the pro rata allocation of Series F Notes where there are not sufficient Sell Orders to fill all Bids at the Winning Bid Rate.

*No Assurances Regarding Auction Outcomes.* The Broker-Dealers provide no assurance as to the outcome of any auction. The Broker-Dealers also do not provide any assurance that any Bid will be successful, in whole or in part, or that the auction for Series F Notes will clear at a rate that a bidder considers acceptable. Bids may be only partially filled, or not filled at all, and the Applicable Rate on any Series F Notes purchased or retained in the auction may be lower than the market rate for similar investments.

The Broker-Dealers will not agree before an auction to buy Series F Notes from, or sell Series F Notes to, a customer after the auction.

*Deadlines.* Each particular auction for Series F Notes has a formal deadline by which all Bids must be submitted by the Broker-Dealers to the Auction Agent. This deadline is called the Submission Deadline. To provide sufficient time to process and submit customer Bids to the Auction Agent before the Submission Deadline, each Broker-Dealer imposes an earlier deadline for all customers, called the Broker-Dealer Deadline, by which bidders must submit Bids to a Broker-Dealer. The Broker-Dealer Deadline is subject to change by a Broker-Dealer. Potential Beneficial Owners should consult with their Broker-Dealer as to its Broker-Dealer Deadline. A Broker-Dealer may allow for correction of clerical errors after the Broker-Dealer Deadline and prior to the Submission Deadline. A Broker-Dealer may submit Bids for its own account at any time until the Submission Deadline and may change Bids it has submitted for its own account at any time until the Submission Deadline.

*Existing Holder's Ability to Resell Auction Rate Securities May Be Limited.* An Existing Holder may sell, transfer or dispose of a Series F Note only: (i) in an auction for Series F Notes, only pursuant to a Bid or Sell Order in accordance with the Auction Procedures, (ii) outside an auction, only to or through a Broker-Dealer, or (iii) by transferring Series F Notes to us or any affiliate; provided, however, that (a) a sale, transfer or other disposition of an aggregate principal amount of Series F Notes from a customer of a Broker-Dealer listed on the records of that Broker-Dealer as the holder of such Series F Notes to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of the foregoing if such Broker-Dealer remains the Existing Beneficial Owner of Series F Notes so sold, transferred or disposed of immediately after such sale, transfer or disposition and (b) in the case of all transfers other than pursuant to auctions, the Broker-Dealer (or other person, if permitted by us) to whom such transfer is made shall advise the Auction Agent of such transfer.

Existing Holders will be able to sell all of the Series F Notes that are the subject of their Submitted Sell Orders only if there are bidders willing to purchase all those Series F Notes in the auction for Series F Notes. If Sufficient Clearing Bids have not been made, Existing Holders that have submitted Sell Orders will not be able to sell in the auction for



Series F Notes all, and may not be able to sell any, of Series F Notes subject to such Submitted Sell Orders. As discussed above (See Bidding by Broker-Dealers ), a Broker-Dealer may submit a Bid in an auction for Series F Notes to avoid an Auction Failure, but it is not obligated to do so. There may not always be enough bidders to prevent an Auction Failure in the absence of bidding by

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a Broker-Dealer in the auction for Series F Notes for its own account or encouraging others to Bid. Therefore, Auction Failures are possible, especially if our credit were to deteriorate, if a market disruption were to occur or if, for any reason, a Broker-Dealer were unable or unwilling to Bid.

Between auctions for Series F Notes, there can be no assurance that a secondary market for Series F Notes will develop or, if it does develop, that it will provide Existing Holders the ability to resell Series F Notes on the terms or at the times desired by an Existing Holder. A Broker-Dealer, in its own discretion, may decide to buy or sell Series F Notes in the secondary market for its own account from or to investors at any time and at any price, including at prices equivalent to, below, or above par for Series F Notes. However, a Broker-Dealer is not obligated to make a market in Series F Notes and may discontinue trading in Series F Notes without notice for any reason at any time. Existing Holders who resell between auctions for Series F Notes may receive an amount less than par, depending on market conditions. We can provide no assurance that any secondary trading market of Series F Notes will provide owners with liquidity of investment. Series F Notes are not listed on any exchange or automated quotation system. Investors who purchase Series F Notes in an auction for Series F Notes for a Special Rate Period should note that, because the interest rate on such Series F Notes will be fixed for the length of such rate period, the value of Series F Notes may fluctuate in response to changes in interest rates, and may be more or less than their original cost if sold on the open market in advance of the next auction for Series F Notes, depending upon market conditions.

If an Existing Holder purchased Series F Notes through a dealer which is not a Broker-Dealer for the securities, such Existing Holder's ability to sell its securities may be affected by the continued ability of its dealer to transact trades for Series F Notes through a Broker-Dealer.

The ability to resell Series F Notes will depend on various factors affecting the market for Series F Notes, including news relating to us, the attractiveness of alternative investments, investor demand for short term securities, the perceived risk of owning Series F Notes (whether related to credit, liquidity or any other risk), the tax or accounting treatment accorded Series F Notes (including U.S. generally accepted accounting principles as they apply to the accounting treatment of auction rate securities), reactions of market participants to regulatory actions (such as those described in Securities and Exchange Commission Settlements below) or press reports, financial reporting cycles and market conditions generally. Demand for Series F Notes may change without warning, and declines in demand may be short-lived or continue for longer periods.

*Resignation of the Auction Agent or a Broker-Dealer Could Impact the Ability to Hold Auctions.* The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving us at least 60 days notice and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place. The Broker-Dealer Agreement provides that a Broker-Dealer thereunder may resign upon five days' notice and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any auction period during which there is no duly appointed Auction Agent or Broker-Dealer, it will not be possible to hold auctions for Series F Notes, with the result that the interest rate on Series F Notes will be determined as described in the supplemental indenture.

*Securities and Exchange Commission Settlements.* On May 31, 2006, the SEC announced that it had settled its investigation of 15 firms, including Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the Settling Broker-Dealers), that participate in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the firms had managed auctions for auction rate securities in which they participated in ways that were not adequately disclosed or that did not conform to disclosed auction procedures. As part of the settlement, the Settling Broker-Dealers agreed to pay a civil penalty. In addition, the Settling Broker-Dealers, without admitting or denying the SEC's allegations, agreed to provide to customers written descriptions of its material auction practices and procedures, and to implement procedures reasonably designed to detect and prevent any failures by that Settling Broker-Dealer to conduct the

auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or Series F Notes. The SEC's investigation is continuing as to other entities that participate in the auction rate securities market.

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In addition, on January 9, 2007, the SEC announced that it had settled its investigation of three banks, including The Bank of New York (the Settling Auction Agents), that participate as auction agents in the auction rate securities market, regarding their respective practices and procedures in this market. The SEC alleged in the settlement that the Settling Auction Agents allowed broker-dealers in auctions to submit bids or revise bids after the submission deadlines and allowed broker-dealers to intervene in auctions in ways that affected the rates paid on the auction rate securities. As part of the settlement, the Settling Auction Agents agreed to pay civil penalties. In addition, each Settling Auction Agent, without admitting or denying the SEC's allegations, agreed to provide to broker-dealers and issuers written descriptions of its material auction practices and procedures and to implement procedures reasonably designed to detect and prevent any failures by that Settling Auction Agent to conduct the auction process in accordance with disclosed procedures. No assurance can be offered as to how the settlement may affect the market for auction rate securities or Series F Notes.

## **Additional Information**

*Securities Depository.* DTC will act as the Securities Depository for the Agent Members with respect to Series F Notes. One certificate for Series F Notes will be registered in the name of Cede & Co., as nominee of the Securities Depository. Such certificate will bear a legend to the effect that such certificate is issued subject to the provisions restricting transfers of Series F Notes contained in the Indenture. We also will issue stop-transfer instructions to the transfer agent for Series F Notes. Cede & Co. will be the holder of record of each series of all Senior Notes and beneficial owners of such Series F Notes will not be entitled to receive certificates representing their ownership interest in such Series F Notes.

DTC, a New York-chartered limited purpose trust company, performs services for its participants (including the Agent Members), some of whom (and/or their representatives) own DTC. DTC maintains lists of its participants and will maintain the positions (ownership interests) held by each such participant (the Agent Member) in Series F Notes, whether for its own account or as a nominee for another person.

## **Concerning The Auction Agent**

The Auction Agent is acting as non-fiduciary agent for us in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent will not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and will not be liable for any error of judgment made in good faith unless the Auction Agent will have been negligent in ascertaining the pertinent facts.

The Auction Agent may rely upon, as evidence of the identities of the Existing Holders of Series F Notes, the Auction Agent's registry of Existing Holders, the results of auctions and notices from any Broker-Dealer (or other Person, if permitted by us) with respect to transfers described under The Auctions in the Prospectus Supplement and notices from us. The Auction Agent is not required to accept any such notice for an Auction unless it is received by the Auction Agent by 3:00 p.m., New York City time, on the Business Day preceding such auction.

**Table of Contents****UNDERWRITING**

Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated are acting as the underwriters in this offering. Subject to the terms and conditions stated in the underwriting agreement dated the date of this Prospectus Supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of Series F Notes set forth opposite the underwriter's name.

<b>Underwriter</b>	<b>Series F Notes</b>
Citigroup Global Markets Inc.	\$ 87,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	87,500,000
Stifel, Nicolaus & Company, Incorporated	10,000,000
Total	\$ 185,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Series F Notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the Series F Notes if they purchase any of the Series F Notes. Each underwriter or an affiliate thereof intends to participate in future auctions as a Broker-Dealer for the Series F Notes.

After the auction, which includes the newly issued Series F Notes, payment by each purchaser of Series F Notes sold through the auction will be made in accordance with the procedures described under "The Auctions."

The underwriters propose to offer some of the Series F Notes directly to the public at the public offering price set forth on the cover page of this Prospectus Supplement and some of the Series F Notes to dealers at the public offering price less a concession not to exceed 0.55% of the principal amount of the Series F Notes. The underwriters may allow, and dealers may reallow, a concession not to exceed 0.15% of the principal amount of the Series F Notes on sales to other dealers. Investors must pay for any Series F Notes on or before June 26, 2007. After the initial offering of the Series F Notes to the public, the representatives may change the public offering price and concessions.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the Series F Notes).

	<b>Paid by Us</b>
Per Series F Note	1.00%

We estimate that we will incur approximately \$175,000 in expenses in connection with this offering. Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to reimburse us for certain expenses in connection with the offering.

We and Kayne Anderson have agreed that, for a period of 90 days from the date of this Prospectus Supplement, we and they will not, without the prior written consent of Citigroup Global Markets Inc., on behalf of the underwriters, sell, contract to sell, or otherwise dispose of any of our auction rate senior notes or auction rate preferred stock ( Senior Securities ), or any securities convertible into or exchangeable for Senior Securities or grant any options or warrants to purchase our Senior Securities, other than the sale of Series F Notes to the underwriters pursuant to the underwriting agreement and the issuance and sale of up to \$150,000,000 of other Senior Securities. Citigroup Global Markets Inc., on behalf of the underwriters, in its sole discretion, may release any of the securities subject to this lock-up agreement at any time without notice.

The underwriters and their affiliates have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters and their

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affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated have acted and may act in the future as co-lead managers and joint book-running managers of initial public offerings of other funds managed by Kayne Anderson.

We anticipate that the underwriters may from time to time act as brokers or dealers and receive fees in connection with the execution of our portfolio transactions after the underwriters have ceased to be underwriters and, subject to certain restrictions, each may act as a broker while it is an underwriter. We anticipate that the underwriters or one of their affiliates may from time to time act in auctions as a Broker-Dealer or dealer and receive fees as described under Description of Senior F Notes.

A prospectus in electronic format may be made available by one or more of the underwriters. In those cases, prospective investors may view offering terms online and prospective investors may be allowed to place orders online. The underwriters may agree to allocate a number of Series F Notes for sale to their online brokerage account holders. The underwriters will make such allocations on the same basis as other allocations. In addition, Series F Notes may be sold by the underwriters to securities dealers who resell Series F Notes to online brokerage account holders.

We and Kayne Anderson have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The respective addresses of the underwriters are: Citigroup Global Markets Inc., 388 Greenwich Street, New York, New York 10013; Merrill Lynch, Pierce, Fenner & Smith Incorporated, 4 World Financial Center, 250 Vesey Street, New York, New York 10080; and Stifel, Nicolaus & Company, Incorporated, 501 North Broadway, St. Louis, Missouri 63102.

As of June 18, 2007, our Independent Directors, excluding Ms. Costin, and their immediate family members do not beneficially own securities in entities directly or indirectly controlling, controlled by, or under common control with, our underwriters. Due to her ownership of securities issued by one of the underwriters in this offering, Ms. Costin is expected to be treated as an interested person of us, as defined in the 1940 Act, during and until the completion of this offering, and, in the future, may be treated as an interested person during subsequent offerings of our securities if the relevant offering is underwritten by the underwriter in which Ms. Costin owns securities.

**LEGAL MATTERS**

Certain legal matters in connection with Series F Notes will be passed upon for us by Paul, Hastings, Janofsky & Walker llp, Los Angeles, California, and for the underwriters by Sidley Austin llp, New York, New York. Paul, Hastings, Janofsky & Walker llp and Sidley Austin llp may rely as to certain matters of Maryland law on the opinion of Venable llp, Baltimore, Maryland.

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**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Exchange Act and the 1940 Act, and are required to file reports, including annual and semi-annual reports, proxy statements and other information with the SEC. We voluntarily file quarterly shareholder reports. Our most recent shareholder report filed with the SEC is for the period ended February 28, 2007. These documents are available on the SEC's EDGAR system and can be inspected and copied for a fee at the SEC's public reference room, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Additional information about the operation of the public reference room facilities may be obtained by calling the SEC at (202) 551-5850.

This Prospectus Supplement and the accompanying Base Prospectus do not contain all of the information in our registration statement, including amendments, exhibits, and schedules. Statements in this Prospectus Supplement and the accompanying Base Prospectus about the contents of any contract or other document are not necessarily complete and in each instance reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference. Additional information about us can be found in our Registration Statement (including amendments, exhibits, and schedules) on Form N-2 filed with the SEC. The SEC maintains a web site (<http://www.sec.gov>) that contains our Registration Statement, other documents incorporated by reference, and other information we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

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**UNAUDITED FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTHS ENDED FEBRUARY 28, 2007**

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**KAYNE ANDERSON MLP INVESTMENT COMPANY**  
**SCHEDULE OF INVESTMENTS**  
**FEBRUARY 28, 2007**  
**(amounts in 000 s)**  
**(UNAUDITED)**

Description	No. of Shares/Units	Value
<b>Long-Term Investments 163.0%</b>		
<b>Equity Investments(a) 163.0%</b>		
<b>Pipeline MLP(b) 134.7%</b>		
Atlas Pipeline Partners, L.P.	401	\$ 19,273
Boardwalk Pipeline Partners, LP	522	19,146
Buckeye Partners, L.P.	157	7,702
Copano Energy, L.L.C.	1,959	129,474
Crosstex Energy, L.P.	2,586	97,174
Crosstex Energy, L.P. Senior Subordinated Units, Unregistered(c)(d)	356	11,911
DCP Midstream Partners, LP	138	5,103
Duncan Energy Partners L.P.(d)	124	2,981
Eagle Rock Energy Partners, L.P.	10	195
Enbridge Energy Management, L.L.C.(e)	399	20,363
Enbridge Energy Partners, L.P.	1,608	84,924
Energy Transfer Partners, L.P.	4,262	235,116
Enterprise Products Partners L.P.	5,359	163,511
Global Partners LP	385	11,142
Hiland Partners, LP	156	8,483
Holly Energy Partners, L.P.	226	10,437
Kinder Morgan Management, LLC(e)	2,907	145,377
Magellan Midstream Partners, L.P.	3,920	165,026
MarkWest Energy Partners, L.P.	908	58,915
Martin Midstream Partners L.P.	202	7,328
ONEOK Partners, L.P.	833	53,951
Plains All American Pipeline, L.P.	2,547	141,344
Plains All American Pipeline, L.P.(c)	565	31,062
Regency Energy Partners LP	663	18,244
Regency Energy Partners LP Unregistered(c)	905	23,680
Sunoco Logistics Partners L.P.	72	4,039
Targa Resources Partners LP(d)	380	9,158
TC PipeLines, LP	228	8,269
TC PipeLines, LP Unregistered(c)	868	29,935
TEPPCO Partners, L.P.	473	20,233
TransMontaigne Partners L.P.	71	2,300
Valero L.P.	481	30,296
Williams Partners L.P.	224	9,694
Williams Partners L.P. Class B, Unregistered(c)	183	7,556

Williams Partners L.P. Unregistered(c)	64	2,720
		1,596,062

See accompanying notes to financial statements.

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Total operating expenses were CHF 3,452 million in the third quarter of 2006, down CHF 50 million compared to the third quarter of 2005. Compensation and benefits decreased CHF 132 million, or 6%, due primarily to lower compensation accruals in line with lower revenues. The compensation/revenue ratio of 53.5% in the third quarter of 2006 was at the same level as the first and second quarters of 2006 and a decline from 55.5% for the full year 2005. For 2006, total compensation and benefits expense is targeted at 53.5% of net revenues, with discretionary bonus representing a considerable portion of the total amount. Compensation and benefits for a given year are determined by the strength and breadth of business results, staffing levels and the impact of share-based compensation programs. Other expenses increased CHF 82 million, or 7%, due primarily to higher commission expenses resulting from higher transaction volumes. Compared to the second quarter of 2006, total operating expenses increased CHF 319 million, or 10%, primarily reflecting credits received from the insurance settlements in the second quarter of 2006. Excluding the insurance settlements, total operating expenses decreased CHF 155 million, or 4%. Compensation and benefits decreased CHF 133 million, or 6%, due to lower compensation accruals in line with lower revenues. Other expenses increased CHF 452 million, or 60%, due primarily to the insurance settlements. Excluding the insurance settlements, other expenses were down slightly from the second quarter of 2006.

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

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
<b>Net interest income</b>	<b>688</b>	857	712	(20)	(3)	<b>2,293</b>	2,951	(22)
Commissions and fees	<b>1,853</b>	2,310	1,832	(20)	1	<b>6,105</b>	4,725	29
Trading revenues	<b>1,580</b>	1,132	1,779	40	(11)	<b>5,655</b>	3,728	52
Other revenues	<b>70</b>	137	78	(49)	(10)	<b>331</b>	408	(19)
<b>Total noninterest revenues</b>	<b>3,503</b>	3,579	3,689	(2)	(5)	<b>12,091</b>	8,861	36
<b>Net revenues</b>	<b>4,191</b>	4,436	4,401	(6)	(5)	<b>14,384</b>	11,812	22
<b>Provision for credit losses</b>	<b>(19)</b>	16	(40)	–	(53)	<b>(58)</b>	(60)	(3)
Compensation and benefits	<b>2,241</b>	2,374	2,373	(6)	(6)	<b>7,695</b>	6,485	19
Other expenses	<b>1,211</b>	759 <sub>1)</sub>	1,129	60	7	<b>3,138<sub>1)</sub></b>	4,074 <sub>2)</sub>	(23)
<b>Total operating expenses</b>	<b>3,452</b>	3,133	3,502	10	(1)	<b>10,833</b>	10,559	3
<b>Income from continuing operations before taxes</b>	<b>758</b>	1,287	939	(41)	(19)	<b>3,609</b>	1,313	175

1) Includes credits from insurance settlements for litigation and related costs of CHF 474 million. 2) Includes a CHF 960 million charge to increase the reserve for certain private litigation matters.

The following table presents the revenue details of the Investment Banking segment:

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
Debt underwriting	451	613	408	(26)	11	1,520	1,090	39
Equity underwriting	224	313	263	(28)	(15)	786	588	34
<b>Underwriting</b>	<b>675</b>	<b>926</b>	<b>671</b>	<b>(27)</b>	<b>1</b>	<b>2,306</b>	<b>1,678</b>	<b>37</b>
Advisory and other fees	377	405	433	(7)	(13)	1,115	1,027	9
<b>Total investment banking</b>	<b>1,052</b>	<b>1,331</b>	<b>1,104</b>	<b>(21)</b>	<b>(5)</b>	<b>3,421</b>	<b>2,705</b>	<b>26</b>
Fixed income	2,137	1,939	1,969	10	9	6,843	5,438	26
Equity	1,062	1,146	1,341	(7)	(21)	4,285	3,319	29
<b>Total trading</b>	<b>3,199</b>	<b>3,085</b>	<b>3,310</b>	<b>4</b>	<b>(3)</b>	<b>11,128</b>	<b>8,757</b>	<b>27</b>
Other (including loan portfolio)	(60)	20	(13)	–	362	(165)	350	–
<b>Net revenues</b>	<b>4,191</b>	<b>4,436</b>	<b>4,401</b>	<b>(6)</b>	<b>(5)</b>	<b>14,384</b>	<b>11,812</b>	<b>22</b>

Total investment banking revenues include debt underwriting, equity underwriting and advisory and other fees. In the third quarter of 2006, investment banking revenues were CHF 1,052 million, down CHF 52 million, or 5%, compared to the third quarter of 2005, reflecting lower revenues in equity underwriting and advisory and other fees, partly offset by an increase in debt underwriting revenues. Total investment banking revenues were down 21% compared to the strong second quarter of 2006, primarily reflecting lower debt and equity underwriting revenues in a less favorable market environment from the first half of the year. Investment banking performance remained solid in light of the weaker market environment in the quarter.

Debt underwriting revenues were CHF 451 million in the third quarter of 2006, up CHF 43 million, or 11%, compared to the third quarter of 2005. These results primarily reflected higher revenues in leveraged finance. Debt underwriting revenues were down 26% compared to the second quarter of 2006, reflecting lower results in leveraged finance driven by a decline in global high-yield new issuances and syndicated lending activity. Through the third quarter of 2006, Credit Suisse ranked third in global high-yield securities new issuance volumes. Credit Suisse was ranked number one in Leveraged Finance Research for the eighth consecutive year according to Institutional Investor's "2006 All American Fixed Income Research Team" poll.

Equity underwriting revenues in the third quarter of 2006 were CHF 224 million, down CHF 39 million, or 15%, compared to the third quarter of 2005, primarily reflecting lower industry-wide equity issuance activity and a decline in initial public offering market share. Equity underwriting revenues were down CHF 89 million, or 28%, compared to the second quarter of 2006, due to lower industry-wide equity issuance activity with more challenging equity markets from the first half of the year. Credit Suisse ranked fifth in global initial public offering market share through the third quarter of 2006 and maintained a leading position in financial sponsor-backed equity offerings. Credit Suisse participated in a number of key equity transactions across a broad range of industries and geographies in the third quarter, including initial public offerings for KazMunai Gaz Exploration and Production (privatization of the exploration and production business of Kazakhstan's national oil company) and Qimonda AG (memory products

business of German-based Infineon Technologies AG) and a follow-on offering for Bayer AG.

Advisory and other fees were CHF 377 million in the third quarter of 2006, down CHF 56 million, or 13%, compared to the third quarter of 2005, due primarily to a number of high-fee transactions in the third quarter of 2005. For the first nine months of 2006, Credit Suisse ranked eighth in global announced mergers and acquisitions and tenth in global completed mergers and acquisitions, with improved market shares from the second quarter. Credit Suisse ranked fourth in global announced mergers and acquisitions in the third quarter of 2006. Credit Suisse's market leadership in leveraged buyout (LBO) transactions contributed to the higher market shares in the quarter. Credit Suisse advised clients in six of the top ten LBOs announced globally this year for a total of USD 92 billion in transaction value. Credit Suisse advised in two of the top three mergers and acquisitions transactions based on equity value announced in the third quarter of 2006, both of which were LBO transactions: the sale of HCA Inc. to a private equity consortium, and a private equity consortium's acquisition of Freescale Semiconductor. The advisory and other fees results also reflected higher revenues from the private fund group, which raises capital for hedge funds, private equity funds and real estate funds.

Total trading revenues include results from fixed income and equity sales and trading. Total trading revenues for the third quarter of 2006 were CHF 3,199 million, down CHF 111 million, or 3%, compared to the third quarter of 2005, due to weaker results in equity trading. Total trading revenues were up CHF 114 million, or 4%, compared to the second quarter of 2006.

Investment Banking's average daily VaR in the third quarter of 2006 was CHF 80 million, up from CHF 64 million in the third quarter of 2005 and down from CHF 95 million in the second quarter of 2006. Compared to the second quarter of 2006, average daily VaR decreased mainly due to reduced interest rate and credit spread VaR exposures and increased diversification between fixed income and equity risk types. Average economic risk capital increased CHF 1.9 billion compared to the third quarter of 2005, in line with the strategy to extend incremental capital to support high-growth and high-margin activities with notable increases in the structured products business.

Fixed income trading recorded revenues of CHF 2,137 million in the third quarter of 2006, up CHF 168 million, or 9%, compared to the third quarter of 2005. These results reflected higher revenues in commercial mortgage-backed securities, global foreign exchange and collateralized debt obligations, partially offset by weaker results in residential mortgage-backed securities and asset-backed securities. Results in the third quarter of 2005 included a positive CHF 216 million adjustment to the fair value of retained interests in residential mortgage-backed securities. Excluding this adjustment, fixed income trading revenues increased CHF 384 million, or 22%, from the third quarter of 2005. Fixed income markets remained challenging in the third quarter of 2006 as the yield curve flattened, but market conditions recovered from a slow start to the quarter with increased activity in the latter part of the quarter. The commodities business continued its growth with higher revenues than the third quarter of 2005. Compared to the second quarter of 2006, fixed income trading revenues increased 10%, due primarily to improved results in emerging markets trading, global foreign exchange and fixed income proprietary trading, partially offset by weaker results in leveraged finance, which was impacted by lower levels of high-yield new issuances, residential mortgage-backed securities and collateralized debt obligations. Credit Suisse announced during the quarter a second strategic alliance with Glencore International to build a derivatives and structured trading business in base and precious metals, in addition to the previously announced alliance in the oil and petroleum products market.

Equity trading revenues of CHF 1,062 million decreased CHF 279 million, or 21%, compared to the third quarter of 2005, due primarily to significantly lower results in derivatives, partially offset by improved results in prime services. The derivatives business made a positive revenue contribution in the quarter despite uneven performance in the business. Equity proprietary trading had a solid quarter but was down from the third quarter of 2005. Client-driven activity in the cash businesses remained steady and improved from the third quarter of 2005. Advanced execution services (AES) had a strong quarter with higher revenues benefiting the US cash business. For a second consecutive year, Credit Suisse's AES trading platform was recognized as "Best Algorithmic Trading Service" by Financial News in its annual IT Excellence Awards for 2006. Prime services also had a strong quarter. Despite more challenging market

conditions for hedge funds, Credit Suisse's hedge fund balances increased as clients continued to direct new prime broker business to the Bank. Credit Suisse was ranked the number three Prime Broker (up from fourth last year) in Institutional Investor's "Top 100 Hedge Funds" survey. Compared to the second quarter of 2006, equity trading revenues decreased CHF 84 million, or 7%, reflecting weaker results in the derivatives, convertibles and cash businesses, partially offset by stronger results in equity proprietary trading. Derivatives had uneven performance in the business, and the convertibles business was negatively impacted by more challenging market conditions. The cash businesses had seasonally slower client-driven activity compared to the second quarter of 2006.

Other (including loan portfolio) recorded a loss of CHF 60 million in the third quarter of 2006 compared to a loss of CHF 13 million in the third quarter of 2005, due primarily to lower gains from private equity-related investments not managed as part of Asset Management and higher interest costs related to allocated goodwill. Compared to the second quarter of 2006, other (including loan portfolio) revenues decreased CHF 80 million, primarily reflecting lower gains from private equity-related investments not managed as part of Asset Management and losses on credit default swaps used to hedge the loan portfolio compared to gains on such credit default swaps in the second quarter.

The following tables present key information of the Investment Banking segment:

	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Cost/income ratio	<b>82.4%</b>	70.6%	79.6%	<b>75.3%</b>	89.4%
Pre-tax income margin	<b>18.1%</b>	29.0%	21.3%	<b>25.1%</b>	11.1%
Compensation/revenue ratio	<b>53.5%</b>	53.5%	53.9%	<b>53.5%</b>	54.9%
Average economic risk capital, in CHF m	<b>16,103</b>	15,817	14,229	<b>15,987</b>	12,725
Pre-tax return on average economic risk capital <sup>1)</sup>	<b>21.5%</b>	35.3%	28.9%	<b>32.8%</b>	16.3%
Average one-day, 99% VaR, in CHF m	<b>80</b>	95	64	<b>82</b>	65

1) Calculated using a return excluding interest costs for allocated goodwill.

	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
Total loans, in CHF m	<b>42,309</b>	38,190	34,762	11	22
Non-performing loans/total loans	<b>0.5%</b>	0.5%	0.4%	–	–
Impaired loans/total loans	<b>0.6%</b>	1.0%	1.5%	–	–

## Private Banking

Private Banking provides comprehensive advice and a broad range of investment products and services tailored to the complex needs of high-net-worth individuals all over the world through its Wealth Management business. In Switzerland, Private Banking provides banking products and services to business and retail clients through its Corporate & Retail Banking business.

Private Banking reported income from continuing operations before taxes of CHF 1,022 million in the third quarter of 2006, almost unchanged from the third quarter of 2005. Third quarter 2006 revenues of CHF 2,682 million were slightly lower compared to the third quarter of 2005, reflecting low client activity in July and August that improved in September with more favorable market conditions. Higher asset-based revenues related to the increased level of assets under management were offset by lower transaction-based revenues. Operating expenses of CHF 1,679 million in the third quarter of 2006 were also flat compared to the third quarter of 2005, reflecting higher expenses related to strategic growth initiatives in Wealth Management offset by lower performance-related compensation accruals and continuing cost management. Net new assets were CHF 11.1 billion in the third quarter of 2006, with positive contributions from all regions. These inflows contributed to an increase in assets under management of CHF 45.1 billion, or 5%, from June 30, 2006 to CHF 904.2 billion. Compared to the second quarter of 2006, income from continuing operations before taxes declined CHF 101 million, or 9%, primarily reflecting lower client activity and less favorable market conditions throughout much of the third quarter.

Credit Suisse continues to provide best-in-class services, a leading product platform and innovative solutions for clients. It became one of the first international banks to offer onshore wealth management services in Russia, launching operations in Moscow in the third quarter of 2006. Continued investment in the global franchise has resulted in strong asset inflows across a broad client base. In addition, Credit Suisse launched more than 200 new product offerings, particularly tailor-made solutions in structured investments, in the third quarter.

Private Banking reported a pre-tax income margin of 38.1% for the third quarter of 2006, which was almost unchanged from the third quarter of 2005, reflecting slightly lower net revenues, flat operating expenses and a small increase in net releases of provisions for credit losses. Net revenues of CHF 2,682 million were mainly driven by lower trading revenues of CHF 124 million, down CHF 98 million, or 44%, due to lower client activity, and a negative impact from changes in the fair value of interest rate derivatives. Net interest income was CHF 1,009 million, an increase of CHF 63 million, or 7%, compared to the third quarter of 2005, mainly related to a higher liability margin. Commissions and fees remained stable compared to the third quarter of 2005, as increases in asset-based revenues related to the higher level of assets under management were offset by lower transaction-based revenues largely reflecting lower revenues from brokerage and product issuance.

Provisions for credit losses for Private Banking in the third quarter of 2006 resulted in net releases of CHF 19 million compared to net releases of CHF 6 million in the third quarter of 2005, reflecting the continued favorable credit environment.

Private Banking's total operating expenses were CHF 1,679 million in the third quarter of 2006, which reflected slightly lower compensation and benefits and flat other expenses compared to the third quarter of 2005. Compensation and benefits reflected higher personnel expenses from the ongoing international growth initiatives in Wealth

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Management, which were more than offset by lower performance-related compensation accruals. Other expenses reflected higher marketing activity and growth-related costs offset by lower commission expenses and infrastructure-related costs.

As of September 30, 2006, assets under management for Private Banking were CHF 904.2 billion, an increase of CHF 45.1 billion, or 5%, compared to June 30, 2006. This increase reflected higher equity market valuations and foreign exchange-related movements and healthy net new assets of CHF 11.1 billion, with inflows from all regions.

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

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
<b>Net interest income</b>	<b>1,009</b>	1,050	946	(4)	7	<b>3,025</b>	2,792	8
Commissions and fees	<b>1,508</b>	1,606	1,510	(6)	0	<b>4,921</b>	4,277	15
Trading revenues	<b>124</b>	173	222	(28)	(44)	<b>600</b>	557	8
Other revenues	<b>41</b>	84	38	(51)	8	<b>159</b>	153	4
<b>Total noninterest revenues</b>	<b>1,673</b>	1,863	1,770	(10)	(5)	<b>5,680</b>	4,987	14
<b>Net revenues</b>	<b>2,682</b>	2,913	2,716	(8)	(1)	<b>8,705</b>	7,779	12
<b>Provision for credit losses</b>	<b>(19)</b>	(5)	(6)	280	217	<b>(32)</b>	(50)	(36)
Compensation and benefits	<b>910</b>	1,020	918	(11)	(1)	<b>3,001</b>	2,700	11
Other expenses	<b>769</b>	775	767	(1)	0	<b>2,283</b>	2,189	4
<b>Total operating expenses</b>	<b>1,679</b>	1,795	1,685	(6)	0	<b>5,284</b>	4,889	8
<b>Income from continuing operations before taxes</b>	<b>1,022</b>	1,123	1,037	(9)	(1)	<b>3,453</b>	2,940	17

The following tables present key information of the Private Banking segment:

	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Cost/income ratio	<b>62.6%</b>	61.6%	62.0%	<b>60.7%</b>	62.8%
Pre-tax income margin	<b>38.1%</b>	38.6%	38.2%	<b>39.7%</b>	37.8%
Net new assets, in CHF bn	<b>11.1</b>	16.6	18.8	<b>42.5</b>	41.5
Average economic risk capital, in CHF m	<b>4,466</b>	4,619	4,741	<b>4,622</b>	4,698
Pre-tax return on average economic risk capital <sup>1)</sup>	<b>93.4%</b>	99.0%	88.9%	<b>101.3%</b>	84.7%

1) Calculated using a return excluding interest costs for allocated goodwill.



	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
Assets under management, in CHF bn	<b>904.2</b>	859.1	837.6	5.2	8.0

### Wealth Management

Wealth Management reported income from continuing operations before taxes of CHF 684 million for the third quarter of 2006, down CHF 37 million, or 5%, from the third quarter of 2005. The pre-tax income margin of 37.1% was 1.6 percentage points lower, with marginally lower net revenues of CHF 1,843 million and a slight increase in operating expenses. Net interest income increased, benefiting from a higher liability margin. Asset-based commissions and fees also increased, reflecting higher assets under management. These increases were offset by decreased transaction-based revenues, mainly related to reduced revenues from brokerage and product issuance due to lower client activity. Total operating expenses in the third quarter of 2006 were CHF 1,161 million, a slight increase compared to the third quarter of 2005. Compensation and benefits increased due to higher personnel expenses mainly related to strategic growth initiatives offset in part by lower performance-related compensation accruals due to lower results and revised expectations of year-end bonus payments. Other expenses were flat compared to the third quarter of 2005, reflecting continued focus on cost management notwithstanding the ongoing strategic investments.

During the third quarter of 2006, Wealth Management's net new assets were CHF 10.9 billion, reflecting inflows from key markets in all regions, resulting in a rolling four quarter average growth rate of 7.2% in the third quarter of 2006, a decline from 8.6% in the second quarter of 2006. Net new assets for the first nine months of 2006 were CHF 41.9 billion, an annualized growth rate of 8.1%. Gross margin on assets under management was 100.7 basis points in the third quarter of 2006, 13.6 basis points below the third quarter of 2005. The asset-based margin decreased 3.1 basis points, primarily as the 12% growth in average assets under management exceeded the 5% growth in the underlying interest income. The transaction-based margin decreased 10.5 basis points compared to the third quarter of 2005, mainly as a result of the decrease in brokerage and product issuance revenues reflecting lower client activity. The gross margin on assets under management for the first nine months of 2006 was 112.6 basis points, a slight decrease of 1.1 basis points, mainly driven by the slower growth of underlying net interest income compared to the growth in average assets under management. The asset-based margin decreases also reflect the dilution effect from the continuing strong growth in net new assets.

The following table presents the results of the Wealth Management business:

9 months

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in CHF m	3Q	2Q	3Q	Change in % from 2Q 2006	Change in % from 3Q 2005	2006	2005	Change in % from 2005
	2006	2006	2005					
Net interest income	<b>453</b>	517	417	(12)	9	<b>1,428</b>	1,229	16
Total noninterest revenues	<b>1,390</b>	1,517	1,447	(8)	(4)	<b>4,676</b>	4,028	16
<b>Net revenues</b>	<b>1,843</b>	2,034	1,864	(9)	(1)	<b>6,104</b>	5,257	16
<b>Provision for credit losses</b>	<b>(2)</b>	0	4	–	–	<b>(2)</b>	23	–
Compensation and benefits	<b>629</b>	702	607	(10)	4	<b>2,066</b>	1,771	17
Other expenses	<b>532</b>	553	532	(4)	0	<b>1,614</b>	1,505	7
<b>Total operating expenses</b>	<b>1,161</b>	1,255	1,139	(7)	2	<b>3,680</b>	3,276	12
<b>Income from continuing operations before taxes</b>	<b>684</b>	779	721	(12)	(5)	<b>2,426</b>	1,958	24

The following tables present key information of the Wealth Management business:

	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Cost/income ratio	<b>63.0%</b>	61.7%	61.1%	<b>60.3%</b>	62.3%
Pre-tax income margin	<b>37.1%</b>	38.3%	38.7%	<b>39.7%</b>	37.2%
Net new assets, in CHF bn	<b>10.9</b>	16.5	16.8	<b>41.9</b>	36.0
Net new asset growth (rolling four quarter average)	<b>7.2%</b>	8.6%	7.4%	–	–
Net new asset growth	<b>6.1%</b>	9.0%	10.6%	<b>8.1%</b>	8.5%
Gross margin on assets under management	<b>100.7 bp</b>	112.8 bp	114.3 bp	<b>112.6 bp</b>	113.7 bp
of which asset-based	<b>69.3 bp</b>	71.0 bp	72.4 bp	<b>71.1 bp</b>	73.3 bp
of which transaction-based	<b>31.4 bp</b>	41.8 bp	41.9 bp	<b>41.5 bp</b>	40.4 bp
Net margin (pre-tax) on assets under management	<b>37.4 bp</b>	43.2 bp	44.2 bp	<b>44.8 bp</b>	42.3 bp

	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
	Assets under management, in CHF bn	<b>753.2</b>	714.1	693.3	5.5

## Corporate &amp; Retail Banking

Corporate & Retail Banking reported income from continuing operations before taxes of CHF 338 million in the third quarter of 2006, up CHF 22 million, or 7%, from the third quarter of 2005. The pre-tax income margin was 40.3% in the third quarter of 2006, up 3.2 percentage points compared to the third quarter of 2005, reflecting lower operating expenses and higher releases of provisions for credit losses, which more than offset the impact of slightly lower net revenues. Net revenues for the third quarter of 2006 were CHF 839 million, a decrease of CHF 13 million, or 2%, compared to the third quarter of 2005. The positive developments from asset-based revenues and higher net interest income were more than offset by lower trading revenues. Compared to the second quarter of 2006, net revenues decreased by CHF 40 million, or 5%, due to lower transaction-based revenues, which were negatively impacted by changes in the fair value of interest rate derivatives. Provisions for credit losses in the third quarter of 2006 resulted in net releases of CHF 17 million compared to net releases of CHF 10 million in the third quarter of 2005, reflecting the continued favorable credit environment. Total operating expenses were CHF 518 million, CHF 28 million, or 5%, below the third quarter of 2005. This decrease was driven by lower performance-related compensation accruals. Other expenses remained stable, reflecting effective cost management.

The pre-tax return on average economic risk capital in the third quarter of 2006 was 48.1%, up 8.1 percentage points compared to the third quarter of 2005, indicating excellent profitability in a competitive market. The increase was mainly driven by the 11% decrease in the average economic risk capital in the third quarter of 2006, as the risk profile of the lending portfolio continued to improve.

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

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
Net interest income	556	533	529	4	5	1,597	1,564	2
Total noninterest revenues	283	346	323	(18)	(12)	1,004	959	5
<b>Net revenues</b>	<b>839</b>	<b>879</b>	<b>852</b>	<b>(5)</b>	<b>(2)</b>	<b>2,601</b>	<b>2,523</b>	<b>3</b>
<b>Provision for credit losses</b>	<b>(17)</b>	<b>(5)</b>	<b>(10)</b>	<b>240</b>	<b>70</b>	<b>(30)</b>	<b>(73)</b>	<b>(59)</b>
Compensation and benefits	281	318	311	(12)	(10)	935	930	1
Other expenses	237	222	235	7	1	669	683	(2)
<b>Total operating expenses</b>	<b>518</b>	<b>540</b>	<b>546</b>	<b>(4)</b>	<b>(5)</b>	<b>1,604</b>	<b>1,613</b>	<b>(1)</b>
<b>Income from continuing operations before taxes</b>	<b>338</b>	<b>344</b>	<b>316</b>	<b>(2)</b>	<b>7</b>	<b>1,027</b>	<b>983</b>	<b>4</b>

The following tables present key information of the Corporate & Retail Banking business:

9 months

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	3Q 2006	2Q 2006	3Q 2005	2006	2005
Cost/income ratio	<b>61.7%</b>	61.4%	64.1%	<b>61.7%</b>	63.9%
Pre-tax income margin	<b>40.3%</b>	39.1%	37.1%	<b>39.5%</b>	39.0%
Net new assets, in CHF bn	<b>0.2</b>	0.1	2.0	<b>0.6</b>	5.5
Average economic risk capital, in CHF m	<b>2,816</b>	2,798	3,167	<b>2,837</b>	3,167
Pre-tax return on average economic risk capital <sup>1)</sup>	<b>48.1%</b>	49.3%	40.0%	<b>48.4%</b>	41.4%

1) Calculated using a return excluding interest costs for allocated goodwill.

	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
Assets under management, in CHF bn	<b>151.0</b>	145.0	144.3	4.1	4.6
Mortgage loans, in CHF bn	<b>66.0</b>	65.1	66.3	1.4	(0.5)
Other loans, in CHF bn	<b>33.9</b>	31.9	28.3	6.3	19.8
Non-performing loans/total loans	<b>1.4%</b>	1.5%	1.9%	–	–
Impaired loans/total loans	<b>1.9%</b>	2.0%	2.6%	–	–
Number of branches	<b>215</b>	215	215	0	0

## Asset Management

Asset Management combines the discretionary investment management functions of Credit Suisse and offers products across a broad range of investment classes, from equity, fixed income and multi-asset class products to alternative investments such as real estate, hedge funds, private equity and volatility management. Asset Management manages portfolios, mutual funds and other investment vehicles for government, institutional and private clients. Products are offered through both proprietary and third party distribution channels as well as through other channels within Credit Suisse.

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Asset Management's income from continuing operations before taxes was CHF 158 million in the third quarter of 2006, a decrease of CHF 42 million, or 21%, from the third quarter of 2005, reflecting higher operating expenses partially offset by higher net revenues. Compared to the second quarter of 2006, income from continuing operations before taxes increased CHF 131 million, primarily reflecting lower costs associated with the realignment of Asset Management.

The realignment of Asset Management continued in the third quarter of 2006 as part of the previously announced strategy to strengthen the business. Realignment costs in the third quarter were CHF 40 million, with CHF 22 million in severance-related costs and CHF 18 million in professional fees and other expenses. As part of the realignment of the US business, several traditional asset management products and strategies were transitioned to a more quantitatively-driven approach or were transferred to other regions. The previously announced headcount reduction is expected to be substantially complete by the end of 2006. In Australia, Asset Management exited from a retirement-related investment platform. In Japan, Asset Management is seeking to refocus its business to import capabilities and products that exist in its global network for both individual and institutional investors.

The following table presents the results of the Asset Management segment:

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
<b>Net interest income</b>	<b>(14)</b>	<b>(20)</b>	<b>(19)</b>	<b>(30)</b>	<b>(26)</b>	<b>(53)</b>	<b>(46)</b>	<b>15</b>
Commissions and fees	<b>581</b>	564	515	3	13	<b>1,706</b>	1,537	11
Trading revenues	<b>16</b>	5	8	220	100	<b>10</b>	31	(68)
Other revenues	<b>109</b>	126	144	(13)	(24)	<b>460</b>	522	(12)
<b>Total noninterest revenues</b>	<b>706</b>	695	667	2	6	<b>2,176</b>	2,090	4
<b>Net revenues</b>	<b>692</b>	675	648	3	7	<b>2,123</b>	2,044	4
<b>Provision for credit losses</b>	<b>(1)</b>	<b>(1)</b>	0	0	-	<b>0</b>	0	-
Compensation and benefits	<b>286</b>	255	253	12	13	<b>802</b>	695	15
Other expenses	<b>249</b>	394	195	(37)	28	<b>902</b>	584	54
of which commission expenses	<b>95</b>	81	67	17	42	<b>260</b>	209	24
<b>Total operating expenses</b>	<b>535</b>	649	448	(18)	19	<b>1,704</b>	1,279	33
<b>Income from continuing operations before taxes</b>	<b>158</b>	27	200	485	(21)	<b>419</b>	765	(45)

While continuing with its realignment in the third quarter, Asset Management has continued to generate strong net new assets, launch well-received new products and announce a number of new business initiatives. Assets under management increased from CHF 615.2 billion as of June 30, 2006 to CHF 659.6 billion as of September 30, 2006, reflecting positive inflows and market and foreign exchange-related movements of CHF 44.4 billion. Net inflows for the third quarter were CHF 21.2 billion, mainly due to money market assets of CHF 13.8 billion and alternative investment assets of CHF 6.2 billion. Net new assets in the first nine months of 2006 were CHF 53.7 billion, reflecting inflows of CHF 31.4 billion in money market assets, CHF 14.8 billion in alternative investment assets and CHF 6.0 billion in balanced assets.

As part of the strategy to expand Asset Management's alternative investments business, Credit Suisse has launched several growth initiatives through close collaboration with other firms with investment expertise in a variety of

different asset classes and investment styles. These initiatives will enable Asset Management to grow its leading alternative investments business across a variety of new products, sectors and regions. In the third quarter of 2006, Credit Suisse announced a joint initiative with Ospraie Management, in addition to an investment partnership with Abu Dhabi Future Energy Company and joint ventures with China Renaissance Capital Group and General Electric Infrastructure (Global Infrastructure Partners (GIP)). On October 11, 2006, GIP signed a definitive agreement to acquire London City Airport together with AIG Financial Products Corporation, each owning 50%. This important and high-profile deal is GIP's first investment.

The following table presents the revenue details of the Asset Management segment:

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
Asset management revenues	<b>535</b>	503	459	6	17	<b>1,532</b>	1,407	9
Private equity commissions and fees	<b>68</b>	57	50	19	36	<b>181</b>	147	23
<b>Net revenues before private equity and other investment-related gains</b>	<b>603</b>	560	509	8	18	<b>1,713</b>	1,554	10
Private equity and other investment-related gains	<b>89</b>	115	139	(23)	(36)	<b>410</b>	490	(16)
<b>Net revenues</b>	<b>692</b>	675	648	3	7	<b>2,123</b>	2,044	4

Third quarter 2006 net revenues were CHF 692 million, an increase of CHF 44 million, or 7%, compared to the third quarter of 2005. Net revenues before private equity and other investment-related gains were CHF 603 million, an increase of CHF 94 million, or 18%, compared to the third quarter of 2005. Asset management revenues, which consist primarily of fees from asset management and fund administration services provided to clients, increased CHF 76 million, or 17%, compared to the third quarter of 2005, in line with the development in assets under management over the previous twelve months. Private equity commissions and fees, which include private equity fund management fees, increased CHF 18 million, or 36%, from the third quarter of 2005, mainly reflecting increased investment and portfolio management fees based on higher assets under management and placement fees in connection with new private equity funds.

In the third quarter of 2006, Asset Management recorded private equity and other investment-related gains of CHF 89 million, a decrease of CHF 50 million, or 36%, compared to the strong third quarter of 2005. Compared to the second quarter of 2006, private equity and other investment-related gains decreased CHF 26 million, or 23%. Most of the private equity and other investment-related gains in the third quarter of 2006 reflected initial public offerings of firms in which the alternative investments business held significant participations. These initial public offerings include CommVault, a technology data storage company, and Warner Chilcott. Also, private equity gains were recorded in Nycomed. Both Nycomed and Warner Chilcott are pharmaceutical companies.

The following tables present key information of the Asset Management segment:

	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Cost/income ratio	<b>77.3%</b>	96.1%	69.1%	<b>80.3%</b>	62.6%
Pre-tax income margin	<b>22.8%</b>	4.0%	30.9%	<b>19.7%</b>	37.4%

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Net new assets, in CHF bn	<b>21.2</b>	15.5	5.1	<b>53.7</b>	20.4
of which private equity	<b>1.4</b>	2.6	1.5	<b>6.4</b>	3.3
of which advisory assets	<b>1.2</b>	0.4	1.1	<b>2.6</b>	2.1
Gross margin on assets under management	<b>43.4 bp</b>	44.0 bp	49.4 bp	<b>45.7 bp</b>	54.7 bp
Net margin (pre-tax) on assets under management	<b>9.9 bp</b>	1.7 bp	15.3 bp	<b>9.0 bp</b>	20.5 bp
Average economic risk capital, in CHF m	<b>1,511</b>	1,416	1,191	<b>1,428</b>	1,065
Pre-tax return on average economic risk capital <sup>1)</sup>	<b>49.3%</b>	15.4%	75.2%	<b>46.9%</b>	103.6%

1) Calculated using a return excluding interest costs for allocated goodwill.

in CHF bn	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
Assets under management	<b>659.6</b>	615.2	589.4	7.2	11.9
Private equity investments	<b>2.1</b>	1.9	1.4	10.5	50.0

Total operating expenses were CHF 535 million, an increase of CHF 87 million, or 19%, compared to the third quarter of 2005. Compensation and benefits increased CHF 33 million, or 13%, to CHF 286 million, which included severance-related costs of CHF 22 million associated with the realignment, as well as ongoing efforts to hire investment talent. Other expenses were CHF 249 million in the third quarter of 2006, an increase of CHF 54 million, or 28%, compared to the third quarter of 2005, primarily reflecting higher commission expenses, in line with higher assets under management, higher professional fees and costs associated with the realignment. Compared to the second quarter of 2006, total operating expenses decreased CHF 114 million, reflecting the lower realignment costs of CHF 40 million in the third quarter of 2006 compared to CHF 152 million in the second quarter.

Pre-tax income margin for the third quarter of 2006 was 22.8%, down 8.1 percentage points from the third quarter of 2005, with a 7% increase in net revenues offset by a 19% increase in operating expenses. Compared to the second quarter of 2006, pre-tax income margin increased 18.8 percentage points, reflecting higher revenues and significantly lower operating expenses due to the realignment costs recorded in the second quarter.

The following table presents total assets under management of the Asset Management segment by asset class:

in CHF bn	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
Money market	<b>93.7</b>	78.2	64.1	19.8	46.2
Fixed income	<b>118.8</b>	113.8	110.0	4.4	8.0
Balanced	<b>264.0</b>	251.1	254.6	5.1	3.7
Equities	<b>47.8</b>	46.1	47.7	3.7	0.2
Alternative <sup>1)</sup>	<b>135.3</b>	126.0	113.0	7.4	19.7
of which private equity	<b>30.6</b>	29.2	25.5	4.8	20.0
<b>Total assets under management</b>	<b>659.6</b>	615.2	589.4	7.2	11.9
of which discretionary assets	<b>566.4</b>	526.1	500.3	7.7	13.2
of which advisory assets	<b>93.2</b>	89.1	89.1	4.6	4.6

1) Alternative includes private equity, funds of hedge funds, real estate and indexed products.

Gross margin on assets under management was 43.4 basis points in the third quarter of 2006, a 6.0 basis point decrease from the third quarter of 2005, reflecting the 36% decrease in private equity and other investment-related gains and an increase in money market assets. Excluding private equity and other investment-related gains, gross margin on assets under management was 37.8 basis points in the third quarter of 2006 and 38.8 basis points in the third quarter of 2005.

Pre-tax return on average economic risk capital was 49.3% in the third quarter of 2006 compared to 75.2% in the third quarter of 2005, primarily reflecting higher position risk from growth initiatives in alternative investments.

#### Assets under management

##### Assets under management

Assets under management comprise assets which are placed with Group entities for investment purposes and include discretionary and advisory counterparty assets.

Discretionary assets are assets for which the customer fully transfers the discretionary power to a Group entity with a management mandate. Advisory assets include assets placed with the Group where the client is provided access to investment advice but retains discretion over investment decisions.

As of September 30, 2006, the Group's assets under management amounted to CHF 1,454.3 billion, an increase of CHF 83.4 billion, or 6.1%, compared to June 30, 2006. Private Banking assets under management increased CHF 45.1 billion in the third quarter of 2006 and assets under management in Asset Management increased CHF 44.4 billion, both reflecting growth in net new assets and positive market valuations and foreign exchange-related movements.

The following table sets forth information on assets under management:

in CHF bn	30.09.06	30.06.06	31.12.05	Change in % from	
				30.06.06	31.12.05
Investment Banking	<b>13.0</b>	13.2	14.5	(1.5)	(10.3)
Private Banking	<b>904.2</b>	859.1	837.6	5.2	8.0
Asset Management	<b>659.6</b>	615.2	589.4	7.2	11.9
Less assets managed on behalf of other segments	<b>(122.5)</b>	(116.6)	(107.6)	5.1	13.8
<b>Credit Suisse Group <sup>1)</sup></b>	<b>1,454.3</b>	1,370.9	1,333.9	6.1	9.0
of which discretionary	<b>658.2</b>	614.2	592.1	7.2	11.2



of which advisory	<b>796.1</b>	756.7	741.8	5.2	7.3
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1) Excludes CHF 162.5 billion, CHF 157.4 billion and CHF 153.3 billion as of September 30, 2006, June 30, 2006 and December 31, 2005, respectively, of assets managed by Winterthur. In June 2006, the Group announced a definitive agreement for the sale of Winterthur. For further details, see "Notes to the condensed consolidated financial statements - unaudited - Discontinued operations."

#### Net new assets

Net new assets include individual cash and securities transactions and new or repaid loans. Interest and dividend income credited to clients, commissions, interest and fees charged for banking services are not considered as they do not reflect success in acquiring assets under management. Changes due to currency and market movements as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

Net new assets were CHF 31.0 billion in the third quarter of 2006, an increase of CHF 0.9 billion compared to the second quarter of 2006. Strong inflows across all regions contributed to the net new assets of CHF 11.1 billion in Private Banking. Asset Management reported net new assets of CHF 21.2 billion, mainly in US-based money market products and alternative investment assets.

The following table sets forth information on net new assets:

in CHF bn	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Investment Banking	<b>(0.1)</b>	(0.1)	0.0	<b>0.0</b>	(2.0)
Private Banking	<b>11.1</b>	16.6	18.8	<b>42.5</b>	41.5
Asset Management	<b>21.2</b>	15.5	5.1	<b>53.7</b>	20.4
Less net new assets managed on behalf of other segments	<b>(1.2)</b>	(1.9)	(5.2)	<b>(7.7)</b>	(12.5)
<b>Credit Suisse Group <sup>1)</sup></b>	<b>31.0</b>	30.1	18.7	<b>88.5</b>	47.4

1) Excludes CHF 0.0 billion, CHF 0.1 billion, CHF 0.3 billion, CHF 3.8 billion and CHF 3.4 billion for 3Q 2006, 2Q 2006, 3Q 2005, nine months 2006 and nine months 2005, respectively, of net new assets managed by Winterthur. In June 2006, the Group announced a definitive agreement for the sale of Winterthur. For further details, see "Notes to the condensed consolidated financial statements – unaudited - Discontinued operations."

#### Client assets

Client assets is a broader measure than assets under management as it includes transactional and custody accounts (assets held solely for transaction-related or safekeeping/custody purposes) and assets of corporate clients and public institutions used primarily for cash management or transaction-related purposes.

The following table sets forth information on client assets:

in CHF bn	30.09.06	30.06.06	31.12.05	Change in % from	Change in % from
				30.06.06	31.12.05
Investment Banking	<b>61.8</b>	70.2	69.6	(12.0)	(11.2)
Private Banking	<b>1,029.1</b>	975.6	951.9	5.5	8.1

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Asset Management	<b>666.0</b>	621.2	596.0	7.2	11.7
Less client assets managed on behalf of other segments	<b>(122.5)</b>	(116.6)	(107.6)	5.1	13.8
<b>Credit Suisse Group <sup>1)</sup></b>	<b>1,634.4</b>	1,550.4	1,509.9	5.4	8.2

1) Excludes CHF 162.5 billion, CHF 157.4 billion and CHF 153.3 billion as of September 30, 2006, June 30, 2006 and December 31, 2005, respectively, of client assets held by Winterthur. In June 2006, the Group announced a definitive agreement for the sale of Winterthur. For further details, see “Notes to the condensed consolidated financial statements – unaudited - Discontinued operations.”

## Capital

### Credit Suisse Group

The Group’s consolidated BIS tier 1 ratio was 10.8% as of September 30, 2006, an increase from 10.6% as of June 30, 2006. The Group continued the share buyback program approved by the shareholders at the Annual General Meeting in 2005, repurchasing 62.7 million common shares in the amount of CHF 3.9 billion since the initiation of the program through September 30, 2006. In the third quarter of 2006, 11.3 million common shares in the amount of CHF 0.8 billion were repurchased and 34 million common shares in the amount of CHF 1.9 billion were extinguished. Risk-weighted assets increased compared to the second quarter of 2006, primarily reflecting an increase in capital requirements for interbank, commercial and private lending, OTC derivatives and financial investments partially offset by changes in regulatory treatment of certain leveraged and whole loans and a decrease in market risk equivalents. Tier 1 capital increased CHF 1,112 million from June 30, 2006, with the positive contribution of net income and the strengthening of the US dollar against the Swiss franc offset by additional dividend accruals and the deduction for shares repurchased through the Group’s share buyback program. The Group’s shareholders’ equity increased from CHF 38.9 billion as of June 30, 2006 to CHF 41.6 billion as of September 30, 2006, primarily due to the third quarter net income and the strengthening of the US dollar against the Swiss franc.

### Credit Suisse

Credit Suisse’s consolidated BIS tier 1 ratio increased to 9.5% as of September 30, 2006 compared to 9.4% as of June 30, 2006. Risk-weighted assets increased compared to the second quarter of 2006, primarily reflecting an increase in capital requirements for interbank, commercial and private lending, OTC derivatives and financial investments partially offset by changes in regulatory treatment of certain leveraged and whole loans and a decrease in market risk equivalents. Tier 1 capital increased CHF 1,059 million from June 30, 2006, with the positive contribution of net income and the strengthening of the US dollar against the Swiss franc offset by additional dividend accruals. The shareholder’s equity of Credit Suisse increased from CHF 22.5 billion as of June 30, 2006 to CHF 24.4 billion as of September 30, 2006, primarily due to the third quarter net income and the strengthening of the US dollar against the Swiss franc.

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

in CHF m, except where indicated	Credit Suisse Group			Credit Suisse		
	30.09.06	30.06.06	31.12.05	30.09.06	30.06.06	31.12.05
Risk-weighted positions	<b>236,448</b>	228,079	218,899	<b>219,060</b>	209,732	200,904
Market risk equivalents	<b>15,691</b>	16,852	13,992	<b>14,691</b>	16,011	12,499
<b>Risk-weighted assets</b>	<b>252,139</b>	244,931	232,891	<b>233,751</b>	225,743	213,403

<b>Total shareholders' equity</b>	<b>41,643</b>	38,882	42,118	<b>24,353</b>	22,506	25,788
Reconciliation to tier 1 capital:						
Non-cumulative perpetual preferred securities	<b>2,167</b>	2,142	2,170	<b>1,055</b>	1,035	1,044
Investment in insurance entities	<b>(4,321)</b>	(3,782)	(4,179)	<b>(13)</b>	(12)	(12)
Adjustments for goodwill, minority interests, disallowed unrealized gains on fair value measurement, own shares and dividend accruals	<b>(12,359)</b>	(11,224)	(13,761)	<b>(3,089)</b>	(2,282)	(6,257)
<b>Tier 1 capital</b>	<b>27,130</b>	26,018	26,348	<b>22,306</b>	21,247	20,563
Tier 1 ratio	<b>10.8%</b>	10.6%	11.3%	<b>9.5%</b>	9.4%	9.6%
Total capital	<b>33,269</b>	32,752	31,918	<b>33,235</b>	32,174	29,815
Total capital ratio	<b>13.2%</b>	13.4%	13.7%	<b>14.2%</b>	14.3%	14.0%

The Swiss Federal Banking Commission (EBK) has advised that Credit Suisse Group and Credit Suisse may continue to include as tier 1 capital CHF 2.2 billion and CHF 6.3 billion, respectively, as of September 30, 2006 (June 30, 2006: CHF 2.1 billion and CHF 6.2 billion, respectively and December 31, 2005: CHF 2.2 billion and CHF 6.5 billion, respectively) of equity from special purpose entities that are deconsolidated under FIN 46R.

## Risk management

Credit Suisse Group's overall position risk, measured on the basis of Economic Risk Capital (ERC), increased 9% in the third quarter of 2006 compared with the second quarter of 2006. Average Value-at-Risk (VaR) for the Group's trading books decreased by 15% during the third quarter of 2006 to CHF 80 million, mainly due to reduced interest rate and credit spread VaR exposures. The loan portfolios across the Group continued to benefit from a favorable credit environment, resulting in a net release of provisions for credit losses of CHF 40 million in the third quarter of 2006.

## Economic Risk Capital trends

The Group assesses risk and economic capital adequacy using its 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, as non-trading activities generally are not marked to market through earnings.

In the third quarter of 2006, the Group's one-year, 99% position risk ERC increased 9% compared to the second quarter of 2006, mainly due to increased commercial real estate loan originations and syndicated loan exposure.

The following table sets forth the Group's risk profile, using ERC as the common risk measure: <sup>1)</sup>

in CHF m	30.09.06	Change in % from 30.06.06	Change analysis: brief summary 30.09.06 vs 30.06.06
Interest rate ERC, Credit spread ERC, Foreign exchange rate ERC and Commodity ERC	<b>2,618</b>	(6%)	Reduced corporate bond, foreign exchange and commodity exposures in Investment Banking.
Equity investment ERC	<b>2,434</b>	10%	Higher equity trading exposures in Investment Banking and increased investment exposures in Asset Management.
Swiss corporate and retail lending ERC	<b>2,176</b>	2%	
International lending ERC & Counterparty ERC	<b>3,090</b>	6%	Due to increased syndication, bridge loan and counterparty exposures in Investment Banking.
Emerging markets ERC	<b>1,450</b>	(7%)	Reduced emerging market exposures in Investment Banking.
Real estate ERC & Structured asset ERC <sup>2)</sup>	<b>4,364</b>	33%	Increased commercial real estate loan originations and residential loan purchases in Investment Banking.
Insurance ERC	<b>88</b>	43%	Due to increased insurance exposures in Investment Banking.
<b>Simple sum across risk categories</b>	<b>16,220</b>	8%	
Diversification benefit	<b>(4,786)</b>	8%	
<b>Total Position Risk ERC - Group</b>	<b>11,434</b>	9%	

One-year, 99% position risk ERC, excluding foreign exchange translation risk. For an assessment of the total risk profile, operational risk ERC and business risk ERC must be considered. For a more detailed description of the Group's ERC model, please refer to Credit Suisse Group's Annual Report 2005, which is available on the website: [www.credit-suisse.com/annualreport2005](http://www.credit-suisse.com/annualreport2005). Prior period balances have been restated for methodology changes in order to maintain consistency over time.

1) Excluding Winterthur's position risks. 2) This category comprises the commercial and residential real estate and asset-backed securities exposure of the Investment Banking segment, 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 and Investment Banking, as measured on a scaled one-day, 99% VaR:

	3Q 2006			2Q 2006			3Q 2005				
	Minimum	Maximum	Average	Minimum	Maximum	Average	Minimum	Maximum	Average		
in CHF											
<b>Credit Suisse Group</b>											
1)											
Interest rate	43	63	51	46	49	79	67	58	47	73	6

& credit spread											
Foreign exchange rate	11	30	20	<b>17</b>	10	38	19	14	6	17	
Equity	49	73	61	<b>60</b>	51	90	65	62	33	55	4
Commodity	15	9	<b>8</b>	6	13	8	9	7	16	1	
Diversification benefit	2)	2)	(61)	<b>(78)</b>	2)	2)	(64)	(52)	2)	2)	(59)
<b>Total</b>	<b>53</b>	<b>106</b>	<b>80</b>	<b>53</b>	<b>75</b>	<b>124</b>	<b>95</b>	<b>91</b>	<b>49</b>	<b>77</b>	<b>6</b>
<b>Investment Banking</b>											
Interest rate & credit spread	41	63	50	<b>43</b>	49	79	67	58	47	73	6
Foreign exchange rate	11	30	20	<b>17</b>	10	38	19	15	6	12	
Equity	49	73	61	<b>60</b>	51	90	65	62	33	54	4
Commodity	15	9	<b>8</b>	6	13	8	9	5	14	1	
Diversification benefit	2)	2)	(60)	<b>(75)</b>	2)	2)	(64)	(53)	2)	2)	(58)
<b>Total</b>	<b>53</b>	<b>106</b>	<b>80</b>	<b>53</b>	<b>75</b>	<b>125</b>	<b>95</b>	<b>91</b>	<b>49</b>	<b>77</b>	<b>6</b>

Represents 10-day VaR scaled to a one-day holding period.

1) The VaR estimates for Credit Suisse Group are performed on a monthly basis and the VaR statistics for Credit Suisse Group refer to monthly numbers. 2) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

#### Trading risks

The Group primarily assumes trading risks through the trading activities of the Investment Banking segment. The other segments also engage in trading activities, but to a much lesser extent. 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. In order to show the aggregate market risk in the Group's trading books, the table below shows the trading-related market risk on a consolidated basis, as measured by a 10-day VaR scaled to a one-day holding period and based on a 99% confidence level. This means that there is a 1-in-100 chance of incurring a daily mark-to-market trading loss that is at least as large as the reported VaR.

Credit Suisse Group's average one-day, 99% VaR in the third quarter of 2006 was CHF 80 million, compared to CHF 95 million during the second quarter of 2006. This was mainly due to reduced interest rate and credit spread VaR exposures and increased diversification between fixed income and equity risk types ..

Various techniques are used to assess the accuracy of the VaR model, including backtesting. Daily backtesting profit and loss is compared with VaR calculated using 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. An accurate one-day, 99% VaR model should have no more than four backtesting "exceptions" per year. A backtesting exception occurs when the daily loss exceeds the daily VaR estimate.

Credit Suisse Group had no backtesting exceptions during the third quarter of 2006 and four backtesting exceptions in the last twelve months after a period of two years with no exceptions. The four backtesting exceptions occurred during the second quarter of 2006 and were driven by equity and foreign exchange market volatility during May 2006. During this period, equity and foreign exchange market volatility was significantly larger than the volatility reflected in the VaR model, which uses historic data on a preceding two year rolling basis. The VaR model is also subject to continuous assessment and evaluation to ensure it remains accurate given current market conditions and positions.

The histogram entitled "Credit Suisse Group trading revenue" reflects the distribution of daily actual trading revenues (which includes the profit and loss associated with trading positions as well as the fees, commissions and provisions relating to trading activities) during the third quarter of 2006 and 2005. The width of this distribution provides another indication of the day-to-day risk in our trading activities.

#### Loan exposure

The Group's total loan exposure increased 4% to CHF 206 billion as of September 30, 2006 compared to June 30, 2006, primarily due to increases in commercial and industrial loans, particularly in Investment Banking, as well as a slight increase in mortgages in Private Banking.

Compared to June 30, 2006, the Group's total non-performing loans declined 1% and total impaired loans declined 9% as of September 30, 2006. Private Banking and Investment Banking reported further reductions in total impaired loans during the third quarter.

In the third quarter of 2006, the Group recorded a net release of provisions for credit losses of CHF 40 million, compared to net new provisions of CHF 10 million in the second quarter of 2006. 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 decreased slightly from 68% as of June 30 to 65% as of September 30, 2006 with a small increase in Investment Banking and a small decrease in Private Banking. Coverage of total non-performing loans declined slightly in Private Banking and more notably in Investment Banking, which was largely a result of the resolution of a potential problem loan.

The following table sets forth the gross loan exposure for the Group and its primary lending segments:

in CHF m	Investment Banking			Private Banking			Credit Suisse Group		
	30.09.06	30.06.06	31.12.05	30.09.06	30.06.06	31.12.05	30.09.06	30.06.06	31.12.05 <sup>1)</sup>
<b>Consumer loans:</b>									
Mortgages	<b>0</b>	0	0	<b>75,977</b>	74,674	75,122	<b>75,977</b>	74,674	80,779
Loans collateralized by securities	<b>0</b>	0	0	<b>16,846</b>	15,809	17,203	<b>16,846</b>	15,809	17,207
Other	<b>991</b>	749	816	<b>3,843</b>	3,685	2,960	<b>4,834</b>	4,434	3,787
<b>Consumer loans</b>	<b>991</b>	749	816	<b>96,666</b>	94,168	95,285	<b>97,657</b>	94,917	101,773
<b>Corporate loans:</b>									
Real estate	<b>497</b>	493	508	<b>25,265</b>	25,290	24,728	<b>25,762</b>	25,783	26,597
	<b>23,867</b>	20,520	16,204	<b>40,778</b>	39,796	37,747	<b>64,816</b>	60,408	55,295

Commercial & industrial loans									
Loans to financial institutions	<b>16,501</b>	16,113	16,979	<b>747</b>	675	615	<b>17,248</b>	16,788	19,794
Governments and public institutions	<b>771</b>	749	784	<b>1,251</b>	1,348	1,380	<b>2,022</b>	2,097	4,389
<b>Corporate loans</b>	<b>41,636</b>	37,875	34,475	<b>68,041</b>	67,109	64,470	<b>109,848</b>	105,076	106,075
<b>Loans, gross</b>	<b>42,627</b>	38,624	35,291	<b>164,707</b>	161,277	159,755	<b>207,505</b>	199,993	207,848
(Unearned income)/deferred expenses, net	<b>(63)</b>	(58)	(64)	<b>84</b>	95	118	<b>21</b>	37	64
Allowance for loan losses	<b>(255)</b>	(376)	(465)	<b>(1,271)</b>	(1,359)	(1,726)	<b>(1,527)</b>	(1,736)	(2,241)
<b>Total loans, net</b>	<b>42,309</b>	38,190	34,762	<b>163,520</b>	160,013	158,147	<b>205,999</b>	198,294	205,671

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 for the Group and its primary lending segments:

in CHF m	Investment Banking			Private Banking			Credit Suisse Group		
	30.09.06	30.06.06	31.12.05	30.09.06	30.06.06	31.12.05	30.09.06	30.06.06	31.12.05 <sup>1)</sup>
Non-performing loans	<b>207</b>	198	143	<b>1,002</b>	993	1,157	<b>1,209</b>	1,192	1,323
Non-interest earning loans	<b>10</b>	10	11	<b>570</b>	604	830	<b>580</b>	614	845
<b>Total non-performing loans</b>	<b>217</b>	208	154	<b>1,572</b>	1,597	1,987	<b>1,789</b>	1,806	2,168
Restructured loans	<b>0</b>	14	55	<b>21</b>	7	21	<b>21</b>	21	77
Potential problem loans	<b>36</b>	160	303	<b>492</b>	574	726	<b>529</b>	733	1,074
<b>Total other impaired loans</b>	<b>36</b>	174	358	<b>513</b>	581	747	<b>550</b>	754	1,151
<b>Total impaired loans, gross</b>	<b>253</b>	382	512	<b>2,085</b>	2,178	2,734	<b>2,339</b>	2,560	3,319
<b>Valuation allowances as % of</b>									
Total non-performing loans	<b>118%</b>	181%	302%	<b>81%</b>	85%	87%	<b>85%</b>	96%	103%
Total impaired loans	<b>101%</b>	98%	91%	<b>61%</b>	62%	63%	<b>65%</b>	68%	68%

The following table sets forth the movements in the allowance for loan losses for the Group and its primary lending segments:

in CHF m	Investment Banking					Credit Suisse Group				
				Private Banking						
	3Q 2006	2Q 2006	3Q 2005	3Q 2006	2Q 2006	3Q 2005	3Q 2006	2Q 2006	3Q 2005 <sup>1)</sup>	
<b>Balance beginning of period</b>	<b>376</b>	442	562	<b>1,359</b>	1,561	2,112	<b>1,736</b>	2,054	2,733	

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Discontinued operations	0	0	0	0	0	0	0	(48)	0
Net additions charged to income statement	(35)	6	(51)	(19)	(4)	(6)	(54)	2	(60)
Gross write-offs	(111)	(78)	(117)	(82)	(199)	(135)	(192)	(278)	(255)
Recoveries	2	15	2	7	6	7	10	21	10
<b>Net write-offs</b>	<b>(109)</b>	<b>(63)</b>	<b>(115)</b>	<b>(75)</b>	<b>(193)</b>	<b>(128)</b>	<b>(182)</b>	<b>(257)</b>	<b>(245)</b>
Allowances acquired/(deconsolidated) and provisions for interest	16	18	18	3	2	(2)	18	20	16
Foreign currency translation impact and other adjustments, net	7	(27)	4	3	(7)	0	9	(35)	1
<b>Balance end of period</b>	<b>255</b>	<b>376</b>	<b>418</b>	<b>1,271</b>	<b>1,359</b>	<b>1,976</b>	<b>1,527</b>	<b>1,736</b>	<b>2,445</b>

Provision for credit losses disclosed in the Credit Suisse Group unaudited condensed consolidated statements of income also includes provisions for lending-related exposure of CHF 14 million, CHF 8 million and CHF 14 million for 3Q 2006, 2Q 2006 and 3Q 2005, respectively.

1) Not adjusted for discontinued operations.

Condensed consolidated financial statements

Consolidated statements of income (unaudited)

in CHF m	3Q 2006	2Q 2006	3Q 2005	Change in % from 2Q 2006	Change in % from 3Q 2005	9 months		Change in % from 2005
						2006	2005	
Interest and dividend income	12,825	13,110	9,229	(2)	39	37,252	25,725	45
Interest expense	(11,218)	(11,244)	(7,602)	0	48	(32,113)	(20,113)	60
<b>Net interest income</b>	<b>1,607</b>	1,866	1,627	(14)	(1)	<b>5,139</b>	5,612	(8)
Commissions and fees	3,919	4,425	3,693	(11)	6	12,578	10,279	22
Trading revenues	1,693	1,371	2,023	23	(16)	6,472	4,348	49
Other revenues	857	1,126	780	(24)	10	3,600	2,684	34
<b>Total noninterest revenues</b>	<b>6,469</b>	6,922	6,496	(7)	0	<b>22,650</b>	17,311	31
<b>Net revenues</b>	<b>8,076</b>	8,788	8,123	(8)	(1)	<b>27,789</b>	22,923	21
<b>Provision for credit losses</b>	<b>(40)</b>	10	(46)	-	(13)	<b>(91)</b>	(110)	(17)



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Compensation and benefits	<b>3,427</b>	3,697	3,595	(7)	(5)	<b>11,597</b>	9,990	16
Other expenses	<b>2,229</b>	1,903	2,036	17	9	<b>6,297</b>	6,701	(6)
<b>Total operating expenses</b>	<b>5,656</b>	5,600	5,631	1	0	<b>17,894</b>	16,691	7
<b>Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes</b>	<b>2,460</b>	3,178	2,538	(23)	(3)	<b>9,986</b>	6,342	57
Income tax expense	<b>367</b>	502	512	(27)	(28)	<b>1,584</b>	1,035	53
Minority interests	<b>625</b>	804	490	(22)	28	<b>2,720</b>	1,458	87
<b>Income from continuing operations before extraordinary items and cumulative effect of accounting changes</b>	<b>1,468</b>	1,872	1,536	(22)	(4)	<b>5,682</b>	3,849	48
Income from discontinued operations, net of tax	<b>424</b>	286	382	48	11	<b>996</b>	884	13
Extraordinary items, net of tax	<b>0</b>	0	0	–	–	<b>(24)</b>	0	–
Cumulative effect of accounting changes, net of tax	<b>0</b>	0	0	–	–	<b>0</b>	14	(100)
<b>Net income</b>	<b>1,892</b>	2,158	1,918	(12)	(1)	<b>6,654</b>	4,747	40

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

in CHF	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
<b>Basic earnings per share</b>					
Income from continuing operations before cumulative effect of accounting changes	<b>1.35</b>	1.68	1.33	<b>5.13</b>	3.36
Income from discontinued operations, net of tax	<b>0.39</b>	0.26	0.34	<b>0.89</b>	0.79
Extraordinary items, net of tax	<b>0.00</b>	0.00	0.00	<b>(0.02)</b>	0.00
Cumulative effect of accounting changes, net of tax	<b>0.00</b>	0.00	0.00	<b>0.00</b>	0.01
<b>Net income available for common shares</b>	<b>1.74</b>	1.94	1.67	<b>6.00</b>	4.16
<b>Diluted earnings per share</b>					
Income from continuing operations before cumulative effect of accounting changes	<b>1.29</b>	1.61	1.31	<b>4.91</b>	3.30
Income from discontinued operations, net of tax	<b>0.38</b>	0.25	0.32	<b>0.86</b>	0.74
Extraordinary items, net of tax	<b>0.00</b>	0.00	0.00	<b>(0.02)</b>	0.00

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Cumulative effect of accounting changes, net of tax	<b>0.00</b>	0.00	0.00	<b>0.00</b>	0.01
<b>Net income available for common shares</b>	<b>1.67</b>	1.86	1.63	<b>5.75</b>	4.05

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

Consolidated balance sheets (unaudited)

in CHF m	30.09.06	30.06.06	31.12.05	Change in % from 30.06.06	Change in % from 31.12.05
<b>Assets</b>					
Cash and due from banks	<b>29,802</b>	32,879	27,577	(9)	8
Interest-bearing deposits with banks	<b>6,869</b>	6,103	6,143	13	12
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	<b>337,445</b>	328,155	352,281	3	(4)
Securities received as collateral	<b>38,145</b>	29,875	23,950	28	59
Trading assets (of which CHF 172,706 m, CHF 152,589 mand CHF 151,793 m encumbered)	<b>468,654</b>	439,119	435,250	7	8
Investment securities (of which CHF 54 m, CHF 102 m and CHF 2,456 m encumbered)	<b>21,802</b>	21,737	121,565	0	(82)
Other investments	<b>19,835</b>	19,405	20,736	2	(4)
Loans, net of allowance for loan losses of CHF 1,527 m, CHF 1,736 m and CHF 2,241 m	<b>205,999</b>	198,294	205,671	4	0
Premises and equipment	<b>5,890</b>	5,706	7,427	3	(21)
Goodwill	<b>11,220</b>	10,977	12,932	2	(13)
Other intangible assets	<b>522</b>	521	3,091	0	(83)
Assets of discontinued operations held-for-sale	<b>180,784</b>	174,991	1,378	3	—
Other assets (of which CHF 34,112 m, CHF 28,955 m and CHF 4,860 m encumbered)	<b>146,146</b>	136,800	121,051	7	21
<b>Total assets</b>	<b>1,473,113</b>	1,404,562	1,339,052	5	10
<b>Liabilities and shareholders' equity</b>					
Deposits	<b>390,437</b>	377,344	364,238	3	7
Central bank funds purchased, securities sold under repurchase agreements and	<b>314,531</b>	282,701	309,803	11	2

securities lending transactions					
Obligation to return securities received as collateral	38,145	29,875	23,950	28	59
Trading liabilities	212,942	212,465	194,225	0	10
Short-term borrowings (of which CHF 2,882 m reported at fair value as of September 30, 2006)	22,742	21,779	19,472	4	17
Provisions from the insurance business	0	0	145,039	–	(100)
Long-term debt (of which CHF 48,946 m reported at fair value as of September 30, 2006)	149,917	142,737	132,975	5	13
Liabilities of discontinued operations held-for-sale	171,838	168,058	1,330	2	–
Other liabilities	115,381	115,995	98,055	(1)	18
Minority interests	15,537	14,726	7,847	6	98
<b>Total liabilities</b>	<b>1,431,470</b>	<b>1,365,680</b>	<b>1,296,934</b>	<b>5</b>	<b>10</b>
Common shares	607	624	624	(3)	(3)
Additional paid-in capital	24,364	24,553	24,639	(1)	(1)
Retained earnings	27,652	27,080	24,584	2	12
Treasury shares, at cost	(7,759)	(9,018)	(5,823)	(14)	33
Accumulated other comprehensive income/(loss)	(3,221)	(4,357)	(1,906)	(26)	69
<b>Total shareholders' equity</b>	<b>41,643</b>	<b>38,882</b>	<b>42,118</b>	<b>7</b>	<b>(1)</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,473,113</b>	<b>1,404,562</b>	<b>1,339,052</b>	<b>5</b>	<b>10</b>

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

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

9 months, in CHF m, except common shares outstanding	Common shares outstanding	Common shares	Additional paid-in capital	Retained earnings	Common shares in treasury at cost	Accumulated other comprehensive income/(loss)	Total
Balance January 1, 2005	1,110,819,481	607	23,435	20,501	(4,547)	(3,723)	36,273
Net income				4,747			4,747
Other comprehensive income, net of tax						1,742	1,742
Issuance of common shares	171,374		4				4
Issuance of treasury shares	167,096,611		10		8,614		8,624
Repurchase of treasury shares	(226,838,313)				(11,730)		(11,730)
Share-based compensation	33,929,271		(859)		1,600		741
Cash dividends paid				(1,767)			(1,767)

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Balance September 30, 2005	1,085,178,424	607	22,590	23,481	(6,063)	(1,981)	38,634
Balance January 1, 2006	1,125,360,183 <sup>1)</sup>	624	24,639	24,584	(5,823)	(1,906)	<b>42,118</b>
Net income				6,654			<b>6,654</b>
Cumulative effect of accounting changes, net of tax				60			<b>60</b>
Other comprehensive income, net of tax						(1,315)	<b>(1,315)</b>
Issuance of common shares	302,704		14				<b>14</b>
Cancellation of repurchased shares		(17)	(608)	(1,316)	1,941		<b>0</b>
Issuance of treasury shares	180,402,200		(73)		12,752		<b>12,679</b>
Repurchase of treasury shares	(245,829,686) <sup>2)</sup>				(17,340)		<b>(17,340)</b>
Share-based compensation	17,109,313		392		711		<b>1,103</b>
Cash dividends paid				(2,330)			<b>(2,330)</b>
<b>Balance September 30, 2006</b>	<b>1,077,344,714<sup>3)</sup></b>	<b>607</b>	<b>24,364</b>	<b>27,652</b>	<b>(7,759)</b>	<b>(3,221)</b>	<b>41,643</b>

1) At par value CHF 0.50 each, fully paid, net of 122,391,983 treasury shares. In addition to the treasury shares, a maximum of 217,698,047 unissued shares (conditional and authorized capital) were available for issuance without further approval of the shareholders. 2) Includes 36,557,800 shares repurchased in connection with Credit Suisse Group's share buyback program. 3) At par value CHF 0.50 each, fully paid, net of 136,710,156 treasury shares. 34,000,000 treasury shares which were approved for cancellation at the Annual General Meeting on April 28, 2006, were cancelled in the third quarter of 2006. In addition to the treasury shares, a maximum of 199,389,419 unissued shares (conditional and authorized capital) were available for issuance without further approval of the shareholders.

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

Comprehensive income (unaudited)

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Net income	<b>1,892</b>	2,158	1,918	<b>6,654</b>	4,747
Other comprehensive income/(loss)	<b>1,136</b>	(1,748)	145	<b>(1,315)</b>	1,742
<b>Comprehensive income</b>	<b>3,028</b>	410	2,063	<b>5,339</b>	6,489

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

## Consolidated statements of cash flows (unaudited)

in CHF m	9 months	
	2006	2005
<b>Operating activities of continuing operations</b>		
Net income	6,654	4,747
(Income)/loss from discontinued operations, net of tax	(996)	(884)
<b>Income from continuing operations</b>	<b>5,658</b>	<b>3,863</b>
<b>Adjustments to reconcile net income to net cash provided by/(used in) operating activities of continuing operations</b>		
Impairment, depreciation and amortization	771	685
Provision for credit losses	(91)	(110)
Deferred tax provision	330	(152)
Share of net income from equity method investments	38	(225)
Cumulative effect of accounting changes, net of tax	0	(14)
Trading assets and liabilities	(34,163)	(8,007)
(Increase)/decrease in accrued interest, fees receivable and other assets	(38,690)	(28,634)
Increase/(decrease) in accrued expenses and other liabilities	20,136	7,875
Other, net	(460)	(1,768)
<b>Total adjustments</b>	<b>(52,129)</b>	<b>(30,350)</b>
<b>Net cash provided by/(used in) operating activities of continuing operations</b>	<b>(46,471)</b>	<b>(26,487)</b>
<b>Investing activities of continuing operations</b>		
(Increase)/decrease in interest-bearing deposits with banks	(1,141)	(644)
(Increase)/decrease in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	(320)	(33,917)
Purchase of investment securities	(3,031)	(10,084)
Proceeds from sale of investment securities	1,062	286
Maturities of investment securities	4,402	7,251
Investments in subsidiaries and other investments	(3,639)	(1,667)
Proceeds from sale of other investments	2,705	1,144
(Increase)/decrease in loans	(20,090)	(13,691)
Proceeds from sales of loans	3,116	1,810
Capital expenditures for premises and equipment and other intangible assets	(1,144)	(642)
Proceeds from sale of premises and equipment and other intangible assets	19	53
Other, net	(42)	214
<b>Net cash provided by/(used in) investing activities of continuing operations</b>	<b>(18,103)</b>	<b>(49,887)</b>

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

Consolidated statements of cash flows continued (unaudited)

in CHF m	9 months	
	2006	2005
<b>Financing activities of continuing operations</b>		
Increase/(decrease) in deposits	29,331	41,598
Increase/(decrease) in short-term borrowings	4,165	(346)
Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	23,556	32,705
Issuances of long-term debt	59,569	33,595
Repayments of long-term debt	(40,456)	(21,138)
Issuances of common shares	14	4
Issuances of treasury shares	12,679	8,624
Repurchase of treasury shares	(17,340)	(11,730)
Dividends paid/capital repayments (including minority interests and trust preferred securities)	(2,354)	(1,794)
Other, net	1,853	174
<b>Net cash provided by/(used in) financing activities of continuing operations</b>	<b>71,017</b>	<b>81,692</b>
Effect of exchange rate changes on cash and due from banks	(570)	2,054
<b>Discontinued operations</b>		
Net cash provided by/(used in) operating activities of discontinued operations	(460)	3,873
Net cash provided by/(used in) investing activities of discontinued operations	(3,286)	(8,852)
Net cash provided by/(used in) financing activities of discontinued operations	98	(914)
<b>Net increase/(decrease) in cash and due from banks</b>	<b>2,225</b>	<b>1,479</b>
Cash and due from banks at beginning of period	27,577	25,648
<b>Cash and due from banks at end of period</b>	<b>29,802</b>	<b>27,127</b>

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

Supplemental disclosures of cash flow information (unaudited)

in CHF m	9 months	
	2006	2005
Cash paid during the year for income taxes	<b>1,575</b>	1,678
Cash paid during the year for interest	<b>31,039</b>	19,295
<b>Assets acquired and liabilities assumed in business acquisitions</b>		
Fair value of assets acquired	<b>194</b>	68
Fair value of liabilities assumed	<b>194</b>	37

Notes to the condensed consolidated financial statements unaudited

#### Summary of significant accounting policies

##### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of Credit Suisse Group (the Group) are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in Swiss francs (CHF). These condensed consolidated financial statements should be read in conjunction with the US GAAP consolidated financial statements and notes thereto for the year ended December 31, 2005, included in Credit Suisse Group's Annual Report 2005. For a description of the Group's significant accounting policies, see note 1 of the aforementioned consolidated financial statements.

Due to the Group's announcement in June 2006 regarding the sale of Winterthur, the results of operations of the Winterthur businesses being sold, which were previously reported as a separate segment of the Group, are reflected in Income from discontinued operations, net of tax in the consolidated statements of income for all periods presented. The assets and liabilities of Winterthur have been presented as Assets of discontinued operations held-for-sale and Liabilities of discontinued operations held-for-sale, respectively, in the consolidated balance sheet as of September 30 and June 30, 2006.

Certain financial information, which is normally included in annual financial statements prepared in accordance with US GAAP but not required for interim reporting purposes has been condensed or omitted. Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the condensed consolidated financial statements for the interim periods presented.

The results of operations for interim periods are not indicative of results for the entire year.

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

Recently adopted accounting standards

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

In June 2005, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force (EITF) Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights" (EITF 04-5). EITF 04-5 provides a framework for evaluating whether a general partner or a group of general partners controls a limited partnership and therefore should consolidate it. EITF 04-5 states that the presumption of general partner control is overcome only when the limited partners have substantive "kick-out rights" or "participating rights." These rights would allow a simple majority of the limited partners to dissolve or liquidate the partnership or otherwise remove the general partner "without cause" or effectively participate in significant decisions made in the ordinary course of the partnership business. EITF 04-5 was effective upon ratification for all newly formed limited partnerships and for existing limited partnership agreements that have been modified. This guidance was effective for the Group with respect to existing unmodified partnerships as of January 1, 2006.

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

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

SFAS 123R

In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), "Share-Based Payment" (SFAS 123R). SFAS 123R was effective for annual reporting periods beginning after June 15, 2005. The Group early adopted SFAS 123R as of January 1, 2005, applying the modified prospective method. The Group's policy is to expense share-based awards over the requisite service period.

The most significant accounting implications of the adoption of SFAS 123R for the Group were as follows: (i) inclusion of forfeitures in the estimate of compensation expense determined at the grant date rather than as they occur. The Group recorded a cumulative adjustment of approximately CHF 14 million during the first quarter of 2005 to reverse the expense previously recognized on all outstanding unvested awards expected to be forfeited. For new grants after January 1, 2005, forfeitures have been included in the initial estimation of the compensation expense at the grant date; (ii) recognition of compensation cost for all outstanding unvested awards as of January 1, 2005, that were previously accounted for under APB 25 and for which no expense was previously recognized, based on the original grant-date fair value of each award over the remaining requisite service period of the respective award (the recognition of this expense was not material); and (iii) adoption of changes to the presentation of the statement of cash flows in accordance with the revised standard.

In a December 2005 speech, the US Securities and Exchange Commission (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 the 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. As a result of the December 2005 guidance, and based on subsequent discussions with the SEC staff, the Group 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 reflected 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, represented the recognition of compensation expense for share-based awards granted in 2005 that otherwise would have been recorded in the segments, principally Investment Banking, generally over vesting periods of three to five years.

The share-based awards granted in March 2006 provide for early retirement eligibility no earlier than two years after the award grant date. These awards will be recorded as compensation expense in the Group's segments over the period from the grant date of March 2006 to the date an employee becomes eligible for early retirement if earlier than the three to five year vesting period.

#### SFAS 154

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, 'Accounting Changes' (APB 20) and FASB Statement No. 3, 'Reporting Accounting Changes in Interim Financial Statements (an Amendment of APB Opinion No. 28, 'Interim Financial Reporting')'" (SFAS 154). SFAS 154 requires retrospective application, unless impracticable, to prior periods' financial statements for voluntary changes in accounting principles and changes required by an accounting pronouncement in the unusual circumstances in which the pronouncement does not include specific transition provisions. This statement also requires that a change in depreciation, amortization or depletion method for long-lived, non-financial assets should be accounted for as a change in accounting estimate effected by a change in accounting principle (i.e., as a retrospective application). The guidance for reporting the correction of an error in previously issued financial statements and the change of an accounting estimate does not change from APB 20. SFAS 154 was effective for the Group as of January 1, 2006. The adoption of SFAS 154 did not have a material impact on the Group's financial condition, results of operations or cash flows.

#### SFAS 155

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" (SFAS 155), which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140). Under SFAS 155, hybrid financial instruments which contain embedded derivatives that would otherwise require bifurcation may be accounted for at fair value, with changes in fair value recognized in the statement of income. The fair value designation may be applied on an instrument-by-instrument basis; however, the election to apply fair value accounting is irrevocable. SFAS 155 is effective for those instruments acquired or issued on or after an entity's fiscal year beginning after September 15, 2006, but early adoption is permitted as of the beginning of a fiscal year for which an entity has not previously issued interim financial statements. SFAS 155 allows limited retrospective application for existing bifurcated hybrid financial instruments. The Group elected to early adopt SFAS 155 as of January 1, 2006, and the impact of adoption was an increase to the Group's consolidated retained earnings of CHF 33 million, which included gross gains after tax of CHF 119 million and gross losses after tax of CHF 86 million and a corresponding decrease to the Group's consolidated liabilities of CHF 33 million as of January 1, 2006. Pre-tax income for the nine months ended September 30, 2006 increased CHF 21 million as a result of this change in accounting policy.

#### SFAS 156

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets" (SFAS 156), which amended SFAS 140. SFAS 156 requires that all separately recognized servicing rights after the effective date be initially measured at fair value and permits separately recognized servicing rights to be accounted for at fair value in

subsequent periods, with changes in fair value recognized in the statement of income. SFAS 156 permits an irrevocable election to apply fair value accounting for classes of servicing rights based on the different valuation and risk characteristics of the underlying assets and the way the economic risks are managed. SFAS 156 is effective on a prospective basis for fiscal years beginning after September 15, 2006, however early adoption is permitted as of the beginning of a fiscal year for which an entity has not previously issued interim financial statements. SFAS 156 allows limited retrospective application for existing separately recognized servicing rights. The Group elected to early adopt SFAS 156 as of January 1, 2006. The adoption of SFAS 156 did not have a material impact on the Group's financial condition, results of operations or cash flows.

#### FSP FTB 85-4-1

In March 2006, the FASB issued FSP No. FTB 85-4-1, "Accounting for Life Settlement Contracts by Third-Party Investors" (FSP FTB 85-4-1). FSP FTB 85-4-1 provides a contract-by-contract election to account for life settlement contracts on either a fair value basis, with changes in fair value recognized in the statement of income, or through use of the investment method. Under the investment method, the initial investment and continuing costs are capitalized; no income is recognized until death of the insured party. The guidance of FSP FTB 85-4-1 is effective for fiscal years beginning after June 15, 2006, and will permit early adoption; however, upon adoption, limited retrospective application of the measurement guidance is required. The Group elected to early adopt FSP FTB 85-4-1 as of January 1, 2006, and the impact of adoption was an increase to the Group's consolidated assets and retained earnings of CHF 27 million net of tax.

#### FSP FIN 46(R)-6

In April 2006, the FASB issued FSP No. FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)" (FSP FIN 46(R)-6). FSP FIN 46(R)-6 provides guidance regarding how contracts or arrangements that create or reduce variability should be assessed when determining if they are variable interest entities (VIEs) and when assessing the need for consolidation of VIEs. FSP FIN 46(R)-6 requires that evaluations of the variability created or absorbed in an entity from its contracts or arrangements be based on an analysis of the entity's design. In evaluating the design of an entity, an analysis must be performed as to the potential risks to which the entity is exposed as well as the risks that the entity was designed to create and pass along to its interest holders based on the purpose for which the entity was formed. The guidance of FSP FIN 46(R)-6 was adopted by the Group and applied effective July 1, 2006 to all new entities as well as entities previously analyzed under FIN 46(R) when a reconsideration event occurs. FSP FIN 46(R)-6 did not have a material impact on the Group's financial condition, results of operations or cash flows.

#### Standards to be adopted in future periods

##### FIN 48

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

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

The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Group is currently evaluating the impact of adopting FIN 48.

#### SFAS 157

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures for instruments carried at fair value. The statement applies only to fair value measurements which are already required or permitted by other accounting standards. It will affect current practice by eliminating the EITF 02-3 guidance which prohibits the recognition of gains or losses at the inception of derivative transactions whose fair value is primarily estimated based upon unobservable market data. SFAS 157 will also eliminate the use of blockage factors by brokers, dealers and investment companies that have been applying the applicable AICPA Audit and Accounting Guides. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, with early adoption permitted. The Group is currently evaluating the impact of adopting SFAS 157.

#### SFAS 158

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158). SFAS 158 requires an employer to: 1) recognize in the statement of financial condition the funded status of a benefit plan on a prospective basis; 2) recognize as a component of other comprehensive income, net of tax, the actuarial gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to SFAS No. 87, "Employers' Accounting for Pensions" (SFAS 87) or No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS 106). Amounts recognized in accumulated other comprehensive income, including gains or losses, prior service costs or credits and transition assets or obligations remaining from the initial application of SFAS 87 and 106, are to be adjusted as they are subsequently recognized as a component of net periodic benefit cost; 3) measure the defined benefit plan assets and obligations at the date of the employer's fiscal year-end statement of financial condition; and 4) disclose in the notes to the financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits and transition asset or obligation. SFAS 158 recognition provisions associated with the funded status of a benefit plan are effective as of the end of the fiscal year ending after December 15, 2006. The provision to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial condition is effective for fiscal years ending after December 15, 2008 with early adoption permitted. The Group is currently evaluating the impact of adopting SFAS 158.

#### SAB 108

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 on Quantifying Misstatements (SAB 108). SAB 108 requires registrants to use both a balance sheet approach and an income statement approach when quantifying and evaluating the materiality of a misstatement. In addition, SAB 108 provides guidance on correcting errors under this approach as well as providing transition guidance on correcting errors that existed prior to application of SAB 108. The guidance in SAB 108 is effective for the first fiscal year ending after November 15, 2006 with early adoption permitted. The Group will adopt SAB 108 as of December 31, 2006.

#### Discontinued operations

In June 2006, the Group announced a definitive agreement for the sale of Winterthur to AXA for cash consideration of CHF 12.3 billion. As a part of the sale agreement, AXA agreed to repay approximately CHF 1.1 billion of debt currently outstanding between the Group and Winterthur. The gain on the sale will be recognized at the time of closing, which is expected to occur by the end of 2006, subject to regulatory approvals and closing conditions. As of September 30, 2006, Winterthur's shareholder's equity was CHF 9.9 billion. The Group did not provide any indemnification in respect of Winterthur's insurance reserves in the sale agreement.

According to the sale agreement, certain banking and service agreements will continue to exist for a period not to exceed three years. These agreements may be terminated or renewed at any time. The costs and revenues associated

with these agreements are considered insignificant.

The businesses being acquired by AXA generated net revenues of CHF 6,612 million, CHF 7,332 million, CHF 22,219 million and CHF 23,647 million and net income of CHF 424 million, CHF 382 million, CHF 996 million and CHF 884 million, respectively, for the three-month and nine-month periods ended September 30, 2006 and 2005. These businesses had total assets of CHF 180.8 billion and total liabilities of CHF 171.8 billion as of September 30, 2006. The results of operations of the businesses being sold, which were reported as a separate segment of the Group prior to the second quarter of 2006, are now reflected in Income from discontinued operations, net of tax in the consolidated statements of income for all periods presented. The assets and liabilities of the businesses being sold have been presented as Assets of discontinued operations held-for-sale and Liabilities of discontinued operations held-for-sale, respectively, in the consolidated balance sheets as of September 30, 2006, and June 30, 2006.

Income amounts presented in discontinued operations relating to Winterthur differ from those previously reported in the segment results due to the elimination of intercompany transactions between Winterthur and Credit Suisse Group. Intercompany transactions are not eliminated for the purposes of presenting segment results, but are excluded from earnings when presented in the line item Income from discontinued operations, net of tax.

The following table summarizes the Income from discontinued operations:

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Total revenues	<b>6,612</b>	4,574	7,332	<b>22,219</b>	23,647
Total expenses	<b>(6,136)</b>	(4,232)	(7,028)	<b>(20,924)</b>	(22,527)
<b>Income before taxes from discontinued operations</b>	<b>476</b>	342	304	<b>1,295</b>	1,120
Income tax expense	<b>52</b>	56	(78)	<b>299</b>	236
<b>Income from discontinued operations, net of tax</b>	<b>424</b>	286	382	<b>996</b>	884

The following table summarizes the assets, liabilities and accumulated other comprehensive income/(loss) of discontinued operations held-for-sale:

in CHF m	30.09.06
<b>Assets</b>	
Cash and due from banks	3,550
Trading assets	23,511
Investment securities	97,931
Real estate held for investment	8,185
Loans, net of allowance for loan losses	15,755
Assets held for separate accounts	6,769
Other assets	25,083
<b>Assets of discontinued operations held-for-sale</b>	<b>180,784</b>
<b>Liabilities</b>	
Technical provisions from the insurance business	153,793
Liabilities held for separate accounts	6,769

Other liabilities	11,276
<b>Liabilities of discontinued operations held-for-sale</b>	<b>171,838</b>
<b>Accumulated other comprehensive income/(loss), net of tax</b>	
Gains/(losses) on cash flow hedge	(19)
Cumulative translation adjustment	(602)
Unrealized gains/(losses) on securities	432
Minimum pension liability adjustment	(90)
<b>Accumulated other comprehensive income/(loss) related to discontinued operations held-for-sale</b>	<b>(279)</b>

The income from discontinued operations in the third quarter of 2006 included the release of a provision of CHF 154 million related to the favorable resolution of a VAT dispute in the UK.

#### Segment reporting

The results of operations of Winterthur, which were reported as a separate segment of the Group prior to the second quarter of 2006, are now reflected in Income from discontinued operations, net of tax for all periods presented. For further details regarding the sale of Winterthur, see "Discontinued operations."

#### Net revenues

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Investment Banking	4,191	4,436	4,401	14,384	11,812
Private Banking	2,682	2,913	2,716	8,705	7,779
Asset Management	692	675	648	2,123	2,044
Corporate Center <sup>1)</sup>	511	764	358	2,577	1,288
<b>Credit Suisse Group</b>	<b>8,076</b>	<b>8,788</b>	<b>8,123</b>	<b>27,789</b>	<b>22,923</b>

1) Includes minority interest revenues of CHF 640 million, CHF 741 million, CHF 523 million, CHF 2,665 million and CHF 1,520 million in 3Q 2006, 2Q 2006, 3Q 2005, nine months 2006 and nine months 2005, respectively, from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such revenues.

Income from continuing operations before taxes, minority interests, extraordinary items and cumulative effect of accounting changes

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005

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Investment Banking	<b>758</b>	1,287	939	<b>3,609</b>	1,313
Private Banking	<b>1,022</b>	1,123	1,037	<b>3,453</b>	2,940
Asset Management	<b>158</b>	27	200	<b>419</b>	765
Corporate Center <sup>1)</sup>	<b>522</b>	741	362	<b>2,505</b>	1,324
<b>Credit Suisse Group</b>	<b>2,460</b>	3,178	2,538	<b>9,986</b>	6,342

1) Includes minority interest income of CHF 630 million, CHF 728 million, CHF 518 million, CHF 2,633 million and CHF 1,503 million in 3Q 2006, 2Q 2006, 3Q 2005, nine months 2006 and nine months 2005, respectively, from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest in such income.

Total assets in CHF m		30.09.06	31.12.05
Investment Banking	<b>1,084,666</b>		957,513
Private Banking	<b>320,906</b>		298,117
Asset Management	<b>19,601</b>		21,572
Corporate Center and other <sup>1)</sup>	<b>47,940</b>		61,850
<b>Credit Suisse Group</b>	<b>1,473,113</b>		1,339,052

1) Includes CHF 180.8 billion and CHF 178.7 billion of assets as of September 30, 2006 and December 31, 2005, respectively, related to Winterthur, which was reported as a separate segment of the Group prior to the second quarter of 2006.

Interest and dividend income and interest expense

The following table sets forth the details of interest and dividend income and interest expense:

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Interest income on loans	<b>1,907</b>	1,848	1,527	<b>5,480</b>	4,421
Interest income on investment securities	<b>181</b>	163	124	<b>506</b>	357
Interest and dividend income on trading assets	<b>4,528</b>	4,788	3,358	<b>13,359</b>	10,158
Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions	<b>4,836</b>	5,034	3,366	<b>14,214</b>	8,730
Other	<b>1,373</b>	1,277	854	<b>3,693</b>	2,059
<b>Total interest and dividend income</b>	<b>12,825</b>	13,110	9,229	<b>37,252</b>	25,725
Interest expense on deposits	<b>(3,256)</b>	(2,938)	(2,003)	<b>(8,837)</b>	(5,106)
Interest expense on short-term borrowings	<b>(156)</b>	(162)	(77)	<b>(437)</b>	(251)

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Interest expense on trading liabilities	(1,615)	(2,077)	(1,169)	(5,108)	(3,579)
Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions	(4,550)	(4,619)	(3,072)	(13,234)	(7,864)
Interest expense on long-term debt	(1,131)	(1,074)	(1,044)	(3,303)	(2,764)
Other	(510)	(374)	(237)	(1,194)	(549)
<b>Total interest expense</b>	<b>(11,218)</b>	<b>(11,244)</b>	<b>(7,602)</b>	<b>(32,113)</b>	<b>(20,113)</b>
<b>Net interest income</b>	<b>1,607</b>	<b>1,866</b>	<b>1,627</b>	<b>5,139</b>	<b>5,612</b>

Trading activities

The following table sets forth the details of trading-related revenues:

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Interest rate products	485	1,072	458	2,640	1,220
Equity/index-related products	641	5	1,190	2,071	1,967
Foreign exchange products	566	205	367	1,473	1,251
Other	1	89	8	288	(90)
<b>Trading revenues</b>	<b>1,693</b>	<b>1,371</b>	<b>2,023</b>	<b>6,472</b>	<b>4,348</b>
Interest and dividend income on trading assets	4,528	4,788	3,358	13,359	10,158
Interest expense on trading liabilities	(1,615)	(2,077)	(1,169)	(5,108)	(3,579)
<b>Trading interest income, net</b>	<b>2,913</b>	<b>2,711</b>	<b>2,189</b>	<b>8,251</b>	<b>6,579</b>
<b>Total trading-related revenues</b>	<b>4,606</b>	<b>4,082</b>	<b>4,212</b>	<b>14,723</b>	<b>10,927</b>

The following table sets forth the details of trading assets and liabilities:

in CHF m	30.09.06	31.12.05
<b>Trading assets</b>		
Debt securities	230,980	198,815
Equity securities <sup>1)</sup>	152,710	156,559
Derivative instruments	58,418	55,192
Other	26,546	24,684
<b>Total trading assets</b>	<b>468,654</b>	<b>435,250</b>
<b>Trading liabilities</b>		
Short positions	148,042	137,618
Derivative instruments	64,900	56,607
<b>Total trading liabilities</b>	<b>212,942</b>	<b>194,225</b>

1) Includes convertible bonds.

### Commissions and fees

The following table sets forth the details of commissions and fees:

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
<b>Commissions from lending business</b>	<b>352</b>	452	326	<b>1,133</b>	878
Investment and portfolio management fees	<b>1,279</b>	1,314	1,164	<b>3,854</b>	3,367
Commissions for other securities business	<b>57</b>	37	42	<b>154</b>	155
<b>Commissions and fees from fiduciary activities</b>	<b>1,336</b>	1,351	1,206	<b>4,008</b>	3,522
Underwriting fees	<b>538</b>	721	674	<b>1,860</b>	1,741
Brokerage fees	<b>1,118</b>	1,276	919	<b>3,826</b>	2,630
<b>Commissions, brokerage securities underwriting and other securities activities</b>	<b>1,656</b>	1,997	1,593	<b>5,686</b>	4,371
Fees for other customer services	<b>575</b>	625	568	<b>1,751</b>	1,508
<b>Commissions and fees</b>	<b>3,919</b>	4,425	3,693	<b>12,578</b>	10,279

### Loans

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

in CHF m	30.09.06	31.12.05
Banks	<b>0</b>	1,801
Commercial	<b>44,207</b>	43,972
Consumer	<b>81,587</b>	81,388
Public authorities	<b>1,273</b>	3,481
Lease financings	<b>3,136</b>	2,979
<b>Switzerland</b>	<b>130,203</b>	133,621
Banks	<b>7,888</b>	8,555
Commercial	<b>55,176</b>	46,110
Consumer	<b>12,972</b>	18,398
Public authorities	<b>968</b>	1,026
Lease financings	<b>298</b>	138



<b>Foreign</b>	<b>77,302</b>	74,227
<b>Loans, gross</b>	<b>207,505</b>	207,848
Deferred expenses, net	<b>21</b>	64
Allowance for loan losses	<b>(1,527)</b>	(2,241)
<b>Total loans, net</b>	<b>205,999</b>	205,671

As of September 30, 2006, the Group held CHF 19.4 billion in restricted loans, which represented collateral on secured borrowings. These loans are reported in Other assets and the related obligations are recorded in Other liabilities ..

The following table sets forth the movements in the allowance for loan losses:

in CHF m	3Q 2006	2Q 2006	3Q 2005 <sup>1)</sup>	9 months	
				2006	2005 <sup>1)</sup>
<b>Balance beginning of period</b>	<b>1,736</b>	2,054	2,733	<b>2,241</b>	3,038
Discontinued operations	<b>0</b>	(48)	0	<b>(51)</b>	0
Net additions charged to income statement	<b>(54)</b>	2	(60)	<b>(103)</b>	(125)
Gross write-offs	<b>(192)</b>	(278)	(255)	<b>(655)</b>	(660)
Recoveries	<b>10</b>	21	10	<b>73</b>	50
<b>Net write-offs</b>	<b>(182)</b>	(257)	(245)	<b>(582)</b>	(610)
Provisions for interest	<b>18</b>	20	16	<b>49</b>	58
Foreign currency translation impact and other adjustments, net	<b>9</b>	(35)	1	<b>(27)</b>	84
<b>Balance end of period</b>	<b>1,527</b>	1,736	2,445	<b>1,527</b>	2,445

Provision for credit losses disclosed in the income statement also includes provisions for lending-related exposure.

1) Not adjusted for discontinued operations.

The following table sets forth details of impaired loans, with or without a specific allowance. Loans are considered impaired when it is considered probable that the Group will not collect all amounts due under the loan terms.

in CHF m	30.09.06	31.12.05
With a specific allowance	<b>1,858</b>	2,803
Without a specific allowance	<b>481</b>	516
<b>Total impaired loans, gross</b>	<b>2,339</b>	3,319
Specific allowance for impaired loans <sup>1)</sup>	<b>1,176</b>	1,847

1) Included in the allowances for loan losses.

## Accumulated other comprehensive income

The following table sets forth the movements of accumulated other comprehensive income, net of tax:

in CHF m	Gains/(losses) on cash flow hedge	Cumulative translation adjustment	Unrealized gains/ (losses) on securities <sup>1)</sup>	Minimum pension liability adjustment	Accumulated other com- prehensive income/(loss)
Balance January 1, 2005	27	(3,998)	1,068	(820)	(3,723)
Increase/(decrease)	24	1,310	811	0	2,145
Reclassification adjustments, included in net profit	22	(12)	(413)	0	(403)
<b>Balance September 30, 2005</b>	<b>73</b>	<b>(2,700)</b>	<b>1,466</b>	<b>(820)</b>	<b>(1,981)</b>
Balance January 1, 2006	77	(2,497)	1,156	(642)	<b>(1,906)</b>
Increase/(decrease)	(94)	(450)	(491)	0	<b>(1,035)</b>
Reclassification adjustments, included in net profit	(3)	(104)	(173)	0	<b>(280)</b>
<b>Balance September 30, 2006</b> 2)	<b>(20)</b>	<b>(3,051)</b>	<b>492</b>	<b>(642)</b>	<b>(3,221)</b>

1) Presented net of adjustments to insurance policyholder liabilities, deferred acquisition costs and present value of future profits (shadow adjustments). 2) Accumulated other comprehensive income related to discontinued operations totalled CHF -279 million as of September 30, 2006.

## Earnings per share

The following table sets forth details of the calculation of earnings per share:

in CHF m	3Q 2006	9 months			
		2Q 2006	3Q 2005	2006	2005
Income from continuing operations before cumulative effect of accounting changes	<b>1,468</b>	1,872	1,536	<b>5,682</b>	3,849
Income from discontinued operations, net of tax	<b>424</b>	286	382	<b>996</b>	884
Extraordinary items, net of tax	<b>0</b>	0	0	<b>(24)</b>	0
Cumulative effect of accounting changes, net of tax	<b>0</b>	0	0	<b>0</b>	14
<b>Net income – as reported</b>	<b>1,892</b>	2,158	1,918	<b>6,654</b>	4,747
<b>Net income available for common shares for basic EPS <sup>1)</sup></b>	<b>1,892</b>	2,158	1,850	<b>6,654</b>	4,670
<b>Net income available for common shares for diluted EPS <sup>2)</sup></b>	<b>1,892</b>	2,158	1,936	<b>6,654</b>	4,830

<b>Weighted-average common shares outstanding for basic EPS, in m</b>	<b>1,084.4</b>	1,113.0	1,107.0	<b>1,108.4</b>	1,121.6
Effect of dilutive securities					
Convertible securities	<b>0.0</b>	0.0	40.4	<b>0.0</b>	40.4
Share options and warrants	<b>12.1</b>	14.1	10.5	<b>14.6</b>	9.2
Share awards	<b>38.7</b>	32.9	27.0	<b>35.0</b>	21.0
<b>Adjusted weighted-average common shares for diluted EPS <sup>3)</sup></b>	<b>1,135.2</b>	1,160.0	1,184.9	<b>1,158.0</b>	1,192.2
<b>Basic earnings per share, in CHF</b>					
Income from continuing operations before cumulative effect of accounting changes	<b>1.35</b>	1.68	1.33	<b>5.13</b>	3.36
Income from discontinued operations, net of tax	<b>0.39</b>	0.26	0.34	<b>0.89</b>	0.79
Extraordinary items, net of tax	<b>0.00</b>	0.00	0.00	<b>(0.02)</b>	0.00
Cumulative effect of accounting changes, net of tax	<b>0.00</b>	0.00	0.00	<b>0.00</b>	0.01
<b>Net income available for common shares</b>	<b>1.74</b>	1.94	1.67	<b>6.00</b>	4.16
<b>Diluted earnings per share, in CHF</b>					
Income from continuing operations before cumulative effect of accounting changes	<b>1.29</b>	1.61	1.31	<b>4.91</b>	3.30
Income from discontinued operations, net of tax	<b>0.38</b>	0.25	0.32	<b>0.86</b>	0.74
Extraordinary items, net of tax	<b>0.00</b>	0.00	0.00	<b>(0.02)</b>	0.00
Cumulative effect of accounting changes, net of tax	<b>0.00</b>	0.00	0.00	<b>0.00</b>	0.01
<b>Net income available for common shares</b>	<b>1.67</b>	1.86	1.63	<b>5.75</b>	4.05

1) The allocation of undistributed income related to the mandatory convertible securities is a reduction to the net income available to common shareholders for the purposes of the basic earnings per share calculation. 2) Under the if-converted method for calculating diluted earnings per share, the interest on the mandatory convertible securities is included when the effect is dilutive. 3) Weighted-average potential common shares relating to instruments that were not dilutive for the respective periods (and therefore not included in the EPS-calculation above), but could potentially dilute earnings per share in the future were 46.1 million, 38.1 million, 61.4 million, 38.9 million and 57.6 million for 3Q 2006, 2Q 2006, 3Q 2005, nine months 2006 and nine months 2005, respectively.

## Pension

The following table sets forth details of the net periodic pension cost for the Swiss and international defined benefit pension and other post-retirement defined benefit plans:

in CHF m	3Q 2006	2Q 2006	3Q 2005	9 months	
				2006	2005
Service costs on benefit obligation	<b>80</b>	94	60	<b>249</b>	199
Interest costs on benefit obligation	<b>124</b>	123	133	<b>370</b>	391
Expected return on plan assets	<b>(172)</b>	(172)	(170)	<b>(517)</b>	(509)
Amortization of					

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Unrecognized transition obligation/(asset)	0	0	(1)	(1)	(2)
Prior service cost	8	8	8	24	23
Unrecognized (gains)/losses	30	37	19	97	43
<b>Net periodic pension costs</b>	<b>70</b>	90	49	<b>222</b>	145
Settlement (gains)/losses	0	(5)	0	(5)	0
Curtailement (gains)/losses	0	(1)	0	(9)	(1)
<b>Total pension costs</b>	<b>70</b>	84	49	<b>208</b>	144

Credit Suisse Group previously disclosed in its financial statements for the year ended December 31, 2005, that it expected to contribute CHF 348 million to the pension plans in 2006. The calculation of the expected contributions for 2006 was subsequently revised to reflect the current funding status, resulting in an increase of anticipated contributions. As of September 30, 2006, CHF 310 million of contributions have been made. The Group presently anticipates contributing an additional CHF 84 million to fund its pension plans in 2006 for a total of CHF 394 million.

Guarantees and commitments

Guarantees

The following tables set forth details of contingent liabilities associated with guarantees:

As of September 30, 2006, in CHF m	Total gross amount	Total net amount <sup>1)</sup>	Carrying value	Collateral received
Credit guarantees and similar instruments	10,960	8,509	9	5,708
Performance guarantees and similar instruments	10,921	9,773	185	3,234
Securities lending indemnifications	40,460	40,460	–	40,460
Derivatives	638,469	638,469	5,190	2)
Other guarantees <sup>3)</sup>	3,720	3,720	24	1,558
<b>Total guarantees</b>	<b>704,530</b>	<b>700,931</b>	<b>5,408</b>	<b>50,960</b>

As of December 31, 2005, in CHF m	Total gross amount	Total net amount <sup>1)</sup>	Carrying value	Collateral received
Credit guarantees and similar instruments	9,976	7,616	11	3,484
Performance guarantees and similar instruments	8,275	7,425	233	3,737
Securities lending indemnifications	35,456	35,456	–	35,456
Derivatives	437,399	437,399	4,238	2)
Other guarantees <sup>3)</sup>	3,552	3,552	25	1,691

<b>Total guarantees</b>	494,658	491,448	4,507	44,368
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1) Total net amount equals gross amount less any participations. 2) Collateral for derivatives accounted for as guarantees is not considered significant. 3) Contingent considerations in business combinations, residual value guarantees and other indemnifications.

Guarantees provided by the Group are broadly classified as follows: Credit guarantees and similar instruments, Performance guarantees and similar instruments, Securities lending indemnifications, Derivatives and Other guarantees .. Readers are referred to note 34 “Guarantees and commitments” in the Credit Suisse Group Annual Report 2005 for a detailed description of guarantees.

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

#### Disposal-related contingencies and other indemnifications

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

#### Disposal-related contingencies

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

#### Other indemnifications

The Group provides indemnifications to certain counterparties in connection with its normal operating activities, for which it is not possible to estimate the maximum amount it could be obligated to pay. As a normal part of issuing its own securities, the Group typically agrees to reimburse holders for additional tax withholding charges or assessments resulting from changes in applicable tax laws or the interpretation of those laws. Securities that include these agreements to pay additional amounts generally also include a related redemption or call provision if the obligation to pay the additional amounts results from a change in law or its interpretation and the obligation cannot be avoided by the issuer taking reasonable steps to avoid the payment of additional amounts. Since such potential obligations are dependent on future changes in tax laws, the related liabilities the Group may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Group does not expect any potential liabilities in respect of tax gross-ups to be material.

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

## Other commitments

The following table sets forth details of other commitments:

As of September 30, 2006, in CHF m	Total gross amount	Total net amount <sup>1)</sup>	Collateral received
Irrevocable commitments under documentary credits	5,162	4,831	2,394
Loan commitments	223,118	222,056	140,953
Forward reverse repurchase agreements	12,535	12,535	12,535
Other commitments	6,074	6,074	572
<b>Total other commitments</b>	<b>246,889</b>	<b>245,496</b>	<b>156,454</b>

As of December 31, 2005, in CHF m	Total gross amount	Total net amount <sup>1)</sup>	Collateral received
Irrevocable commitments under documentary credits	5,345	5,042	2,761
Loan commitments	199,825	199,555	126,385
Forward reverse repurchase agreements	15,472	15,472	15,472
Other commitments	4,360	4,360	582
<b>Total other commitments</b>	<b>225,002</b>	<b>224,429</b>	<b>145,200</b>

1) Total net amount equals gross amount less any participations.

Other commitments of the Group are broadly classified as follows: Irrevocable commitments under documentary credits, Loan commitments, Forward reverse repurchase agreements and Other commitments. See note 34 “Guarantees and commitments” of the Credit Suisse Group Annual Report 2005 for a detailed description of other off-balance sheet commitments.

## Variable interest entities

FIN 46R “Consolidation of Variable Interest Entities An Interpretation of ARB No. 51”, requires the Group to consolidate all variable interest entities (VIEs) for which it is the primary beneficiary, defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. The Group consolidates all VIEs for which it is the primary beneficiary.

As a normal part of its business, the Group engages in transactions with entities that are considered VIEs. These transactions include selling or purchasing assets, acting as a counterparty in derivatives transactions and providing liquidity, credit or other support. Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investment opportunities, and as part of these activities, the Group may retain interests in VIEs. In general, investors in consolidated VIEs do not have recourse to the Group in the event of a default, except where a guarantee was provided to the investors or where the Group is the counterparty to a derivative transaction involving VIEs.

The Group's involvement with VIEs may be broadly grouped into three primary categories: Collateralized debt obligations (CDOs), Commercial paper conduits and Financial intermediation. Further details are available in notes 1, 2 and 36 of Credit Suisse Group's Annual Report 2005 regarding the Group's policy on consolidation of VIEs and the nature of the Group's involvement with these entities.

The following table sets forth the total assets by category related to non-consolidated VIEs:

in CHF m	Carrying value of VIEs' total assets	
	30.09.06	31.12.05
Collateralized debt obligations	<b>13,320</b>	20,515
Commercial paper conduits	<b>5,762</b>	8,528
Financial intermediation	<b>104,415</b>	78,909
<b>Total</b>	<b>123,497</b>	107,952

The following table sets forth the total assets by category related to VIEs consolidated as a result of the Group being the primary beneficiary:

in CHF m	VIEs' total assets	
	30.09.06	31.12.05
Collateralized debt obligations	<b>9,448</b>	3,365
Commercial paper conduits	<b>1</b>	1
Financial intermediation	<b>13,922</b>	14,032
<b>Total assets consolidated pursuant to FIN 46R</b>	<b>23,371</b>	17,398

#### Collateralized debt obligations

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

The Group has consolidated all CDO VIEs for which it is the primary beneficiary resulting in the inclusion by the Group of approximately CHF 9.4 billion and CHF 3.4 billion of assets and liabilities of these VIEs as of September 30, 2006 and December 31, 2005, respectively. The increase in the total assets consolidated primarily reflected the application of FSP FIN 46(R)-6. The beneficial interests issued by these VIEs are payable solely from the cash flows of the related collateral, and the creditors of these VIEs do not have recourse to the Group in the event of default.

The Group also retains certain debt and equity interests in open CDO VIEs that are not consolidated because the Group is not the primary beneficiary. The Group's exposure in these CDO transactions typically consists of the interests retained in connection with its underwriting or market-making activities. The Group's maximum loss exposure is equal to the carrying value of these retained interests, which are reported as trading assets and carried at fair value and totaled CHF 1.4 billion and CHF 1.0 billion as of September 30, 2006 and December 31, 2005, respectively.

#### Commercial paper conduits

The Group continues to act as the administrator and provider of liquidity and credit enhancement facilities for several commercial paper conduit vehicles (CP conduits). The Group does not sell assets to the CP conduits and does not have

any ownership interest in the CP conduits.

The Group's commitments to CP conduits consist of obligations under liquidity and credit enhancement agreements.

As of September 30, 2006 the Group's maximum loss exposure to non-consolidated CP conduits was CHF 14.4 billion, which consisted of CHF 5.8 billion of funded assets and the CP conduits' commitments to purchase CHF 8.6 billion of additional assets. As of December 31, 2005, the Group's maximum loss exposure was CHF 14.2 billion.

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

#### Financial intermediation

The Group has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. The investors typically retain the risk of loss on such transactions but the Group may provide principal protection on the securities to limit the investors' exposure to downside risk.

As a financial intermediary, the Group may administer or sponsor the VIE, transfer assets to the VIE, provide collateralized financing, act as a derivatives counterparty, advise on the transaction, act as investment advisor or investment manager, act as underwriter or placement agent or provide credit enhancement, liquidity or other support to the VIE. The Group also owns securities issued by the VIEs structured to provide clients with investment opportunities, for market-making purposes and as investments. The Group's maximum loss exposure to VIEs related to financial intermediation activities was CHF 29.6 billion and CHF 12.8 billion as of September 30, 2006 and December 31, 2005, respectively, which represents the notional amount of any guarantees and the fair value of all other interests held. Further, the Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Group's risk mitigation efforts, including hedging strategies and the risk of loss that is retained by investors.

#### Litigation

The Group has provided reserves for litigation, claims and proceedings in accordance with SFAS No. 5, "Accounting for Contingencies." The Group recorded in the second quarter of 2005 a CHF 960 million (USD 750 million) charge before tax, CHF 624 million after tax, in Investment Banking, to increase the reserve for private litigation involving Enron, certain IPO allocation practices, research analyst independence and other related litigation. The charge was in addition to the reserve for these private litigation matters of CHF 702 million (USD 450 million) before tax originally established in 2002 and brings the total reserve for these private litigation matters as of September 30, 2006, to CHF 1.3 billion (USD 1.0 billion) after deductions for settlements that have since taken place.

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



It is inherently difficult to predict the outcome of many of these matters. In presenting the condensed consolidated financial statements, management makes estimates regarding the outcome of these matters and records a reserve and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel, the Group's defenses and its experience in similar cases or proceedings as well as its assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

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

Report of Independent Registered  
Public Accounting Firm to the Board of Directors of  
Credit Suisse Group, Zurich

We have reviewed the accompanying condensed consolidated balance sheet of Credit Suisse Group and subsidiaries (the "Group") as of September 30, 2006, the related condensed consolidated statements of income and comprehensive income for the three and nine month periods ended September 30, 2006 and 2005, and the related condensed consolidated statements of changes in shareholders' equity and statements of cash flows for the nine-month periods ended September 30, 2006 and 2005. These condensed consolidated financial statements are the responsibility of the Group's management.

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

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

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Group as of December 31, 2005, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for the year then ended (not presented herein) prior to the restatement for the discontinued operations of Winterthur Swiss Insurance Company as described in the "Notes to the condensed consolidated financial statements unaudited," and in our report dated March 23, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG Klynveld Peat Marwick Goerdeler SA

David L. Jahnke Philipp Rickert  
 Certified Public Accountant/Swiss Certified Accountant  
 Auditor in charge

Zurich, Switzerland  
 October 31, 2006

## Information for investors

## Ticker symbols / Stock exchange listings

	Bloomberg	Reuters	Telekurs
SWX Swiss Exchange/virt-x	CSGN VX	CSGN.VX	CSGN,380
New York Stock Exchange (ADS) <sup>1)</sup>	CS US	CS.N	CS,065
	CSG share	ADS	
Swiss security number	1213853	570660	
ISIN number	CH0012138530	US2254011081	
CUSIP number		225 401 108	

1) One ADS represents one registered share.

Credit Suisse Group's ordinary shares are registered shares with a par value of CHF 0.50 per share and are listed on the Swiss Exchange/virt-x. In addition, Credit Suisse Group has a sponsored level II American Depositary Shares (ADS) program listed on the New York Stock Exchange for which Deutsche Bank Trust Company Americas acts as depositary. Each ADS represents one registered share of the Group.

Further information about historic share prices and other share-related statistics can be found within the Credit Suisse Group financial highlights section of this document and at [www.credit-suisse.com/investors](http://www.credit-suisse.com/investors).

## Ratings

		Moody's	Standard & Poor's	Fitch Ratings
<b>Credit Suisse Group</b>	Short term	–	A-1	F1+
	Long term	Aa3	A+	AA-
	Outlook	Stable	Stable	Stable
<b>Credit Suisse</b>	Short term	P-1	A-1+	F1+
	Long term	Aa3	AA-	AA-
	Outlook	Stable	Stable	Stable

## Foreign currency translation rates

The following table sets forth principal Swiss franc foreign exchange rates:

in CHF	Average rate			Closing rate		
	3Q 2006	2Q 2006	3Q 2005	30.09.06	30.06.06	31.12.05
1 USD	<b>1.24</b>	1.25	1.28	<b>1.2540</b>	1.2250	1.3137
1 EUR	<b>1.58</b>	1.57	1.55	<b>1.5884</b>	1.5664	1.5572
1 GBP	<b>2.31</b>	2.27	2.28	<b>2.3423</b>	2.2657	2.2692
100 JPY	<b>1.07</b>	1.09	1.14	<b>1.0620</b>	1.0716	1.1190

## Cautionary statement

regarding forward-looking information

This Quarterly Report 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 implement procedures properly; (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 brand; (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 acquired businesses successfully, and divestitures, including the ability to sell non-core assets; (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.

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Credit Suisse Group  
Quarterly Results 2006/Q3

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Cautionary statement

**Cautionary statement regarding forward-looking and non-GAAP information**

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward-looking statements.

A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions we express in these forward-looking statements, including those we identify in "Risk Factors" in our Annual Report on Form 20-F for the fiscal year ended December 31, 2005 filed with the US Securities and Exchange Commission, and in other public filings and press releases.

We do not intend to update these forward-looking statements except as may be required by applicable laws.

This presentation contains non-GAAP financial information. Information needed to reconcile such non-GAAP financial information to the most directly comparable measures under GAAP can be found in Credit Suisse Group's Quarterly Report 2006/Q3.

Credit Suisse Group Quarterly results 3Q06

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Financial highlights

1) From continuing operations, excluding minority interest revenues of CHF 640 m, CHF 741 m, CHF 523 m, CHF 2,665 m, CHF 1,520 m and minority interest expenses of CHF 10 m, CHF 13 m, CHF 5 m, CHF 32 m, CHF 17 m in 3Q06, 2Q06, 3Q05, 9M06 and 9M05, respectively, from the consolidation of certain private equity funds and other entities in which the Group does not have a significant economic interest

CHF m

Change in % from

Change  
in % from

Credit Suisse Group    Quarterly results 3Q06

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**3Q06**

2Q06

3Q05

**9M06**

9M05

Net revenues

7,436

(8)

(2)

25,124

17

Total operating expenses

5,646

1

0

17,862

7

Pre-tax income

1,830

(25)

(9)

7,353

52

**Net income**

**1,892**

**(12)**

**(1)**

**6,654**

**40**

Basic earnings per share in CHF

1.74

(10)

4

6.00

44

1)

1)

1)

1)

**3Q06**

2Q06

3Q05



**9M06**

9M05

Return on equity Group in %

18.9

21.6

20.1

21.7

16.9

Return on equity Banking in %

19.0

23.4

22.7

23.4

18.1

Cost/income ratio in %

75.9

69.4

74.0

71.1

77.9

Net new assets in CHF bn

31.0

30.1

18.7

88.5

47.4



Pre-tax income by segment

Pre-tax income

CHF m

939

200

1,123

27

**758**

**158**

1,037

1,287

**1,022**

Investment Banking

Private Banking

Asset Management

3Q05

2Q06

3Q06

1)

1) Includes credits of CHF 474 m from insurance settlements for litigation and related costs

2) Includes realignment costs of CHF 152 m, including CHF 127 m write-down of intangible assets

3) Includes realignment costs of CHF 40 m

2)

3)

Credit Suisse Group Quarterly results 3Q06

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Investment Banking with mixed third quarter results

Highlights third quarter 2006

Solid results in fixed income trading  
and investment banking<sup>1)</sup>

Weaker performance in equity trading

Improved results in all key businesses  
for the first nine months of 2006

1) equity underwriting, debt underwriting and advisory

Credit Suisse Group Quarterly results 3Q06

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Underwriting and advisory with good performance  
despite slowdown in market activity

Advisory

Debt underwriting

Equity underwriting

1,104

1,185

1,038

1,331

**1,052**

3Q05

4Q05

1Q06

2Q06

**3Q06**

Seasonal slowdown in underwriting  
activity resulted in lower revenues  
compared to 2Q06

Improved contribution from debt  
underwriting compared to 3Q05

Market share improvements in M&A  
and Equities from 2Q06

Market leader in leveraged buyout  
(LBO) transactions, advising clients in  
six of the top ten LBO deals  
announced globally in 2006

Underwriting and advisory revenues

CHF m

Comments on 3Q06

Credit Suisse Group Quarterly results 3Q06



Good fixed income trading results

1,969

1,566

2,767

1,939

**2,137**

3Q05

4Q05

1Q06

2Q06

**3Q06**

Stronger results in commercial mortgage-backed securities, global foreign exchange and collateralized debt obligations

Good growth in commodities trading in its first year of operation

Higher transaction revenues in residential mortgage-backed securities<sup>1)</sup>

Fixed income trading revenues

CHF m

Comments on 3Q06

1) Excluding the positive CHF 216 m adjustment to the fair value of retained interests in residential mortgage-backed securities in 3Q05

+10%

+9%

Credit Suisse Group Quarterly results 3Q06

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Lower equity trading performance

Uneven performance in the derivatives  
business contributed to revenue  
declines from prior quarters

Prime services with strong results and  
an increase in client balances

Steady client-driven activity in the  
cash businesses

Advanced execution services (AES)  
with continued strong revenue growth  
and award for Best Algorithmic  
Trading System in 2006

Equity trading revenues

CHF m

Comments on 3Q06

1,341

1,021

2,077

1,146

**1,062**

3Q05

4Q05

1Q06

2Q06

**3Q06**

(7%)

(21%)

Credit Suisse Group Quarterly results 3Q06

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Cost reduction program gaining traction

1) Excluding credits of CHF 474 m from insurance settlements for litigation and related costs in 2Q06

Compensation / Revenue ratio in %

2004

2005

9M06

56.5

55.5

53.5

Other expenses

CHF m

1,326

1,168

759

**3Q06**

**53.5**

**1,211**

Executing an aggressive program to achieve sustainable, long-term cost/income ratio reductions

Disciplined approach to compensation / revenue ratio

3Q06 non-compensation expenses down from 2Q06<sup>1)</sup>

Specific non-compensation expense targets for year-end 2006 run-rate and 2007 given to each business by category of expense and region

3Q05

4Q05

1Q06

2Q06

**3Q06**

1,129

*1,233<sup>1)</sup>*

Credit Suisse Group Quarterly results 3Q06

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Private Banking with steady pre-tax income and asset growth

Highlights third quarter 2006

Pre-tax income at the same level as strong 3Q05

Low level of client activity affecting transaction volumes through much of third quarter

Year-to-date net new assets growth of 8.1% above 6% mid-term target<sup>1)</sup>

Launch of additional onshore operations (e.g. Russia)

1) for Wealth Management

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Wealth Management with lower revenues and margin  
reflecting lower level of client activity

Net revenues and gross margin

1.9

1.9

2.2

2.0

**1.8**

109

125

113

101

114

0.0

1.0

2.0

3.0

30

55

80

105

130

CHF bn

Gross margin  
on AuM  
in bp  
(right-hand scale)

Net revenues  
in CHF bn  
(left-hand scale)

Rolling 4 quarters  
gross margin on  
AuM in bp  
(right-hand scale)

(9%)

(1%)

3Q05

4Q05

1Q06

2Q06

**3Q06**

bp

Credit Suisse Group Quarterly results 3Q06

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Margins on assets under management

Transaction-based margin

Asset-based margin

**Gross margin**

**Net margin**

9M05

40.4 bp

73.3 bp

**113.7 bp**

**42.3 bp**

**9M06**

**41.5 bp**

**71.1 bp**

**112.6 bp**

**44.8 bp**

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Wealth Management - Gross margin 3Q06 vs. 3Q05

**3Q06**

3Q05

652

**732**

Reduced transaction-based revenues due to lower client activity and volumes

Increase in underlying interest income of 5% below 12% growth rate in average AuM as lending business grows at a lower rate

Further dilution of asset-based margin from the international mix of AuM growth

+12%

Average AuM

CHF bn

Credit Suisse Group Quarterly results 3Q06

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Transaction-based

Asset-based

o/w Interest-related

o/w Non interest-related

**Net revenues**

Net revenues

CHF m

**3Q06**

3Q05

Change

in bp

Change in  
gross margin



684

1,180

417

763

**1,864**

575

1,268

437

831

**1,843**

(16%)

7%

5%

9%

**(1%)**

(10.5)

(3.1)

(1.7)

(1.4)

**(13.6)**

---

16.8

6.8

14.5

16.5

**10.9**

7.8

8.6

**7.2**

7.5

7.4

0

5

10

15

20

0

5

10

Wealth Management with steady asset growth

Net new assets and growth

3Q05

4Q05

1Q06

2Q06

3Q06

Net new assets in CHF bn (left-hand scale)

Net new asset growth in % <sup>1)</sup> (right-hand scale)

714.1

28.2

10.9

753.2

30.06.2006

Net new

assets

Market and  
FX related  
movements

30.09.2006

CHF bn

%

1) Rolling 4 quarter average

+5.5%

Assets under management

CHF bn

Credit Suisse Group Quarterly results 3Q06

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Wealth Management shows tight cost management with targeted growth

(10%) vs. 2Q06 due to higher personnel expenses offset by revised expectations of year-end bonus payments

**Compensation and benefits**

Stable against 3Q05

4% marginal decrease against 2Q06

**Other expenses**

3Q05

4Q05

1Q06

2Q06

**3Q06**

1,255

1,163

1,264

**1,161**

1,139

**Pre-tax income margin in %**

38.7	37.6	43.2	38.3	<b>37.1</b>
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<b>Pre-tax income margin in %</b>	9M05	<b>9M06</b>
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	37.2	<b>39.7</b>
--	------	-------------

9M06 pre-tax margin running at 40% mid-term target level

Operating expenses

CHF m

Credit Suisse Group Quarterly results 3Q06

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Corporate & Retail Banking achieved another strong result with good cost control and improving asset quality

Comments on 3Q06

**3Q06**

3Q05

4Q05

1Q06

2Q06

**338**

316

322

345

344

**Pre-tax income margin in %**

37.1	38.0	39.1	39.1	<b>40.3</b>
------	------	------	------	-------------

**Pre-tax return on average ERC in %**

40.0	42.4	48.4	49.3	<b>48.1</b>
------	------	------	------	-------------

Pre-tax income margin and pre-tax return on average economic risk capital (ERC) at high levels and well above mid-term target

+7%

Pre-tax income

CHF m

Credit Suisse Group Quarterly results 3Q06

Slide 15

Asset Management continues to reshape the business  
while launching growth initiatives

Highlights third quarter 2006

Strong net new assets of CHF 21.2 bn,  
generated in various asset classes

Increased fees from asset management  
and fund administration services

All business realignment efforts on track

Headcount reduction in U.S. in  
progress

Product repositioning, especially in  
US, Japan and Australia

CHF 40 m realignment costs in 3Q06

Growth initiatives launched in  
alternative investments

Credit Suisse Group Quarterly results 3Q06

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Increased fees and lower investment-related gains

3Q05

4Q05

1Q06

2Q06

**3Q06**

Asset management  
revenues and private  
equity commission  
and fees

509

549

550

560

139

208

206

115

**89**

**603**

Private equity and  
other investment-  
related gains

1) Based on revenues before private equity and other investment-related gains

+18%

+8%

Net revenues

CHF m



Gross margin on AuM<sup>1)</sup>

bp

38.8	39.1	36.2	36.5	<b>37.8</b>
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Credit Suisse Group Quarterly results 3Q06

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Operating expenses in line with business development

CHF m

Operating expenses

Reflects ongoing efforts to  
hire high quality  
investment talent

Realignment costs of  
CHF 22 m due to  
severance-related costs

**Compensation and benefits**

Increase in commission  
expenses in line with AuM

Realignment costs of  
CHF 18 m

**Other expenses**

253

252

261

255

286

195

264

259

394

249

3Q05

4Q05

1Q06

2Q06

**3Q06**

516

520

649<sup>1)</sup>

448

**Pre-tax income margin in %**

30.9                      31.8                      31.0                      4.0 / 26.5                      **22.8 / 28.6**

1) Including realignment costs of CHF 152 m

2) Including realignment costs of CHF 40 m

3) Excluding realignment cost

3)

3)

Credit Suisse Group    Quarterly results 3Q06

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Strong net new asset growth

Net new assets and growth

Net new assets in CHF bn (left-hand scale)

Net new asset growth<sup>1)</sup> in % (right-hand scale)

Assets under management

CHF bn

615.2

21.2

23.2

659.6

30.06.2006

Market and  
FX related  
movements

Net new  
assets

30.09.2006

+7.2%

**5.1**

**17.0**

**15.5**

-0.8

**21.2**

6.8

7.1

**9.9**

4.2

3.7  
-5  
0  
5  
10  
15  
20  
25  
30  
-2  
0  
2  
4  
6  
8  
10  
12  
3Q05  
4Q05  
1Q06  
2Q06  
3Q06  
CHF bn  
%

1) Rolling 4 quarter average

Credit Suisse Group Quarterly results 3Q06



14.2%

18.0%

20.5%

40.0%

7.3%

Balanced

Alternative

Fixed Income

Money Markets

Equities

Diversified growth in Assets under Management

Asset class mix

CHF bn

As of 30.06.2006

46

78

114

126

251

**48**

**94**

**119**

**135**

**264**

Equities

Money

Markets

Fixed

Income

Alternative

Balanced

30.09.2006

30.06.2006

Credit Suisse Group Quarterly results 3Q06

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Winterthur Group - Continued good performance

Highlights third quarter 2006

Due to pending sale, business reported as  
discontinued operations

Income from discontinued operations, net of tax  
of CHF 424 m

Includes CHF 154 m for a provision release in  
relation to taxes in the UK

Winterthur shareholder s equity increased  
CHF 1.1 bn to CHF 9.9 bn driven by increase in  
unrealized gains and strong retained earnings

Summary financial information available at  
[http://www.winterthur.com/worldwide/abw\\_fin\\_int.htm](http://www.winterthur.com/worldwide/abw_fin_int.htm)

Credit Suisse Group Quarterly results 3Q06

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Capital position

Risk-weighted assets (RWA)

CHF bn

Comments

240

233

11.1

11.3

10.8

10.6

**BIS tier 1 ratio in %**

**10.8**

248

245

**252**

62.7 m shares in the amount of  
CHF 3.9 bn have been repurchased to  
end of 3Q06

CHF 6 bn share buyback program to  
be completed by April 2007

RWA grew 3% with increases lending,  
derivatives and investments partially  
offset by changes in regulatory  
treatment of certain loans and a fall in  
market risk equivalents

Tier 1 capital increased 4% with  
contribution from retained earnings  
and FX movements offset by dividend  
accruals and share repurchases

4Q05

3Q05

1Q06

2Q06

**3Q06**

Credit Suisse Group Quarterly results 3Q06

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**Mid-term  
targets**

**9M06**

Pre-tax income margin

25.1%

> 20 %

Pre-tax return on average ERC

32.8%

> 25 %

Pre-tax income margin

39.7%

> 40 %

Net new asset annualized growth rate

8.1%

> 6 %

Pre-tax income margin

39.5%

> 35 %

Pre-tax return on average ERC

48.4%

> 35 %

Pre-tax income margin

19.7%

> 35 %

BIS Tier 1 ratio

(as of September 30, 2006)

10.8%

~ 10 %

Return on equity

21.7%

> 20 %

Credit Suisse Group Quarterly results 3Q06

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Credit Suisse Group  
consolidated

Corporate &  
Retail Banking

Wealth  
Management

Asset Management

Private  
Banking

Investment Banking

Key performance targets overview

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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.

CREDIT SUISSE GROUP

(Registrant)

By: /s/ Urs Rohner  
(Signature)\*  
General Counsel

Date: November 2, 2006

\*Print the name and title under the signature of the signing officer.

/s/ Charles Naylor  
Head of Corporate Communications

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