

**Financial Report 2006**  
Bank Hofmann

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## Bank Hofmann Group at a glance

<b>Bank Hofmann Group (US GAAP)</b>			
Development from 2004 to 2006			
in CHF million	2006	2005	2004
Total income	231.9	215.2	203.8
Total expenses	-127.2	-120.0	-114.1
<b>Gross profit <sup>1)</sup></b>	<b>104.7</b>	<b>95.2</b>	<b>89.7</b>
Taxes	22.2	20.8	20.4
<b>Net profit</b>	<b>89.4</b>	<b>83.1</b>	<b>80.8</b>

<sup>1)</sup> Before depreciation, losses, extraordinary income

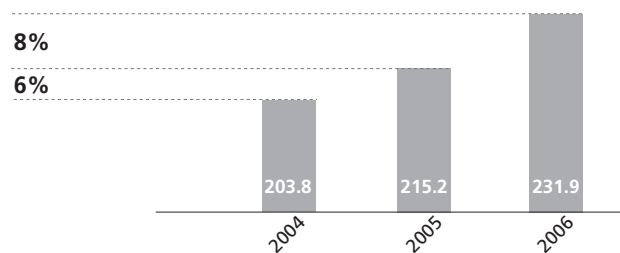
### Key figures

in CHF billion	2006	2005	2004
Total assets <sup>1)</sup>	25.6	23.1	19.5
Balance sheet total	2.7	2.7	2.4
Cost/income Ratio (%)	54.8%	55.8%	56.0%
Staff	333	353	347

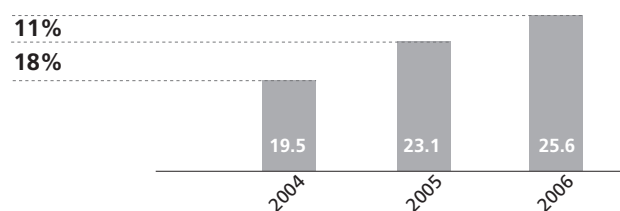
<sup>1)</sup> Including custody and commercial assets.

The figures for the Bank Hofmann Group are unaudited.

### Development of gross income (2004 to 2006) (in CHF million)



### Development of total assets (2004 to 2006) (in CHF billion)



Ladies and gentlemen

Last financial year was one of the most successful years in Bank Hofmann's 109-year history. Supported by the sustained positive development of the global economy and the stock markets, the Bank Hofmann Group maintained and strengthened the gratifying growth of previous years.

Thanks to a marked increase in commission payments for asset management services, which account for roughly three quarters of our gross income, and the positive earnings trend in the lending business, Bank Hofmann Group's gross income rose by 7.8% to CHF 231.9 million (CHF 215.2 million). Systematic cost management meant that operating expenses increased by only 6% to CHF 127.2 million (CHF 120.0 million), despite extraordinary costs occasioned by the merger with Clariden Leu. As a result, operating profit climbed by 10% to CHF 104.7 million (CHF 95.2 million) and there was a further improvement in productivity (cost/income ratio) to 54.8% (55.8%). The Bank Hofmann Group's assets under management reached a total of CHF 25.6 billion at the end of 2006, which was 10.8% higher than the previous year's peak of CHF 23.1 billion.

During the year under review, the projects aimed at establishing an onshore strategy for Germany, a traditional core market of ours, at achieving further improvements in quality of service, and at developing the growth markets of Eastern Europe, gave way to preparations for the merger to form Clariden Leu. An important step here was the start of construction work at the Metropol office building in Zurich which will in future house the front-office functions of the new Clariden Leu created by the merger of the independent private banks of Credit Suisse Group.

The merger of Bank Hofmann, Clariden, Bank Leu, BGP Banca di Gestione Patrimoniale and Credit Suisse Fides, five strong units with excellent market positions, will give rise to a new exclusive private bank in the form of Clariden Leu. This strategic move from a position of strength provides Clariden Leu with broad-based foundations for further healthy growth. The significantly strengthened capital base, combined with the backing of a leading global financial services business as the principal shareholder, will give the new bank additional, long-term stability.

At the same time, the merger will enable us to continue to perfect our services by combining the knowledge and experience of our staff with those of our four equally successful sister companies. As a result, we shall continue to systematically gear our services to the needs and concerns of our clients.

We would like to thank our clients, business partners and staff for their loyalty and confidence which have enabled our bank to develop successfully and have paved the way for Clariden Leu to get off to a strong start.



Walter Berchtold  
Chairman  
of the Board of Directors



Beat Spühler  
Chief Executive  
Officer

### Key data from the statement of income

<b>Bank Hofmann AG, Zurich</b>			
Development from 2004 until 2006			
In CHF million	2006	2005	2004
<b>Income</b>			
Interest rate business	42.8	40.5	41.3
Commissions business	148.5	139.9	135.0
Trading business	19.1	21.4	19.1
Other	8.7	8.5	10.9
<b>Expenses</b>			
Personnel expenses	-74.6	-69.4	-66.2
Operating expenses	-42.5	-42.4	-40.0
Total income	219.1	210.4	206.3
Total expenses	-117.2	-111.8	-106.3
<b>Gross profit</b>	<b>101.9</b>	<b>98.6</b>	<b>100.0</b>
Depreciation, losses	-3.6	-4.0	-3.6
Extraordinary expenses/income	3.8	3.2	6.0
Cumulative effect arising from the change in accounting principles	0.0	0.0	-2.4
Taxes	-20.5	-19.9	-21.3
<b>Net profit</b>	<b>81.7</b>	<b>78.0</b>	<b>78.8</b>

### Key figures

In CHF billion	2006	2005	2004
Assets under management <sup>1)</sup>	23.8	21.7	18.5
Balance sheet total	0.0	2.6	2.4
Return on equity (%)	57.1	45.3	34.3
Cost/income ratio (%)	53.5	53.1	51.5
Staff	307	332	325

<sup>1)</sup> Since 2003 excl. custody and commercial assets.

### **Balance sheet**

In the year under review the balance sheet total saw a further increase, up by CHF 66 million to a total of CHF 2,664 million.

On the asset side, claims under money market instruments increased by CHF 44 million. The CHF 119 million decrease in lending to clients (as a result of due dates falling) was offset by a CHF 143 million increase in bank lendings. The volume of mortgages rose by a marginal CHF 7 million, and financial assets declined by CHF 46 million (likewise as a result of due dates falling). Investments in refurbishment work on the Metropol building are also reflected in the CHF 14 million increase in tangible assets. Other assets increased by CHF 24 million.

On the liabilities side, liabilities to banks increased by CHF 137 million, reflecting higher interest rates. Other liabilities towards clients decreased by CHF 93 million as a result of shifts in assets held in portfolios. Deferred liabilities increased by CHF 10 million, and other liabilities by CHF 1 million. Provisions and accruals remained practically unchanged against the previous year. The net profit for the year shows a year-on-year increase of CHF 4 million.

### **Statement of income**

At CHF 219 million, gross income was up 4% on the previous year (CHF 210 million). 20% (19%) came from interest-related activities, 68% (67%) from net commission and 9% (10%) from trading operations.

Income from commission business and services amounted to CHF 148 million (CHF 140 million), benefiting above all from a positive stock market environment. At CHF 19.1 million, income from trading was slightly lower than in the previous year (CHF 21.4 million). Interest income improved to CHF 43 million (CHF 40 million) as a result of higher interest rates.

It is gratifying to note that operating expenses rose year-on-year only by just under 5% to CHF 117 million (CHF 112 million). Personnel expenses saw an increase of CHF 5 million or 8%. By contrast, operating expenses remained practically unchanged compared with the previous year.

At CHF 102 million, the operating result (gross profit) was higher than in the previous year (CHF 99 million). Reported net profit rose 5% year-on-year to CHF 82 million (CHF 78 million).

### **Distribution of net profit**

The ordinary dividend of CHF 74 million (CHF 71 million) proposed to the General Meeting comprises the annual net profit (CHF 82 million) less the allocation to the general legal reserve and profit carried forward (CHF 8 million).

## Balance Sheet

### Assets

	Notes	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Liquid funds		19,461	25,102
Claims under money market instruments	4.6	245,180	201,399
Claims against banks		473,634	330,485
Claims against clients	4.1	824,451	943,704
Mortgage claims	4.1	922,919	915,685
Trading inventories of securities and precious metals	4.2	218	14
Financial assets	4.2, 4.6	9,448	55,025
Participations	4.2, 4.3, 4.4	8,026	7,933
Tangible assets	4.4	64,680	50,620
Prepaid expenses		15,123	11,202
Other assets	4.5	80,555	56,729
<b>Total assets</b>		<b>2,663,695</b>	<b>2,597,898</b>
– Total subordinated claims		0	0
– Total claims against members of the Group and significant participations		184,009	124,309

### Liabilities

	Notes	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Liabilities to banks		1,449,636	1,312,282
Other liabilities to clients		880,623	973,617
Deferred liabilities		49,178	39,058
Other liabilities	4.5	58,786	57,501
Provisions and accruals	4.9	77,105	77,781
Authorized capital	4.10	30,000	30,000
General legal reserve		36,552	29,602
Other reserves		0	0
Profit carried forward		107	43
Net profit for the year		81,708	78,014
<b>Total liabilities</b>		<b>2,663,695</b>	<b>2,597,898</b>
– Total subordinated liabilities		80,000	55,000
– Total liabilities to members of the Group and significant participations		752,174	582,063

## Off-balance-sheet transactions

	Notes	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Contingent liabilities	4.1, 5.1	147,078	206,809
Irrevocable commitments	4.1	17,484	31,021
Liabilities for calls on shares and other equity		0	0
Confirmed loans	5.2	0	0
Derivative financial instruments	5.3		
– positive replacement values		55,931	49,237
– negative replacement values		57,454	54,334
– contractual volumes		4,696,141	4,820,216
Fiduciary transactions	5.4	3,989,745	3,325,793

## Statement of Income

	Notes	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
<b>Income from interest rate transactions</b>			
Interest and discount income		73,476	56,632
Interest and dividend income from trading and financial investment activities		2,276	2,958
Interest expenses		-32,916	-19,122
<b>Subtotal income from interest rate transactions</b>		<b>42,836</b>	<b>40,468</b>
<b>Income from commission business and services</b>			
Commission income from credit transactions		3,253	4,620
Commission income from securities and investment transactions		170,911	156,143
Commission income from remaining services		781	831
Commission expenses		-26,469	-21,647
<b>Subtotal income from commission business and services</b>		<b>148,476</b>	<b>139,947</b>
<b>Income from trading transactions</b>	6.2	<b>19,130</b>	<b>21,435</b>
<b>Other ordinary income</b>			
Income from sales of financial assets		0	1,319
Income from participations		7,498	6,102
Income from real estate		338	344
Other ordinary income		852	786
Other ordinary expenses		-36	-15
<b>Subtotal other ordinary income</b>		<b>8,652</b>	<b>8,536</b>
<b>Gross income</b>		<b>219,094</b>	<b>210,386</b>
<b>Operating expenses</b>			
Personnel expenses	6.3	-74,645	-69,407
Operating expenses	6.4	-42,509	-42,403
<b>Subtotal operating expenses</b>		<b>-117,154</b>	<b>-111,810</b>
<b>Gross profit</b>		<b>101,940</b>	<b>98,576</b>
Depreciation of fixed assets	4.4	-1,749	-2,876
Provisions, accruals and losses		-1,807	-1,075
<b>Interim result</b>		<b>98,384</b>	<b>94,625</b>
Extraordinary income	6.5	3,833	3,242
Extraordinary expenses	6.5	0	0
Taxes		-20,509	-19,853
<b>Net profit for the year</b>		<b>81,708</b>	<b>78,014</b>

## Proposal on the distribution of net profit

### Distribution of net profit

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Net profit for the year	81,708	78,014
Profit carried forward	107	43
Distributable profit	81,815	78,057
<b>Proposal on the distribution of net profit</b>		
+ Withdrawal from other reserves	0	0
+ Withdrawal from the general legal reserve	0	0
- Allocation to the general legal reserve	7,250	6,950
- Allocation to other reserves	0	0
- Distribution on authorized capital	74,000	71,000
Profit carried forward	<b>565</b>	<b>107</b>

## Statement of source and application of funds

CHF 1,000	2006		2005	
	Source of funds	Application of funds	Source of funds	Application of funds
<b>Flow of funds from the operating result (internal financing)</b>	<b>93,578</b>	<b>75,597</b>	<b>84,873</b>	<b>146,881</b>
Net profit for the year	81,708		78,014	
Depreciation of fixed assets	1,750		2,876	
Provisions and accruals		676		81
Prepaid expenses		3,921	757	
Deferred liabilities	10,120		3,226	
Previous year's dividend		71,000		146,800
Income from sales of fixed assets				
<b>Own capital transactions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transactions involving tangible assets and participations</b>	<b>0</b>	<b>15,903</b>	<b>100</b>	<b>35,125</b>
Participations		93	100	458
Investments		15,810		34,667
<b>Flow of funds from banking business</b>	<b>304,807</b>	<b>168,039</b>	<b>221,427</b>	<b>387,622</b>
<b>Interbank business</b>	<b>138,692</b>	<b>43,781</b>	<b>0</b>	<b>175,199</b>
Liabilities to banks (of 90 days or more)	92,516			105,351
Claims against banks (of 90 days or more)	46,176			11,847
Claims under money market instruments		43,781		58,001
<b>Client business</b>	<b>119,253</b>	<b>100,228</b>	<b>110,872</b>	<b>135,819</b>
Other customer liabilities		92,994	95,269	
Mortgage claims		7,234		135,819
Claims against clients	119,253		15,603	
<b>Capital market business</b>	<b>45,577</b>	<b>204</b>	<b>27,677</b>	<b>0</b>
Trading inventories of securities and precious metals		204	166	
Financial assets	45,577		27,511	
<b>Other balance sheet items</b>	<b>1,285</b>	<b>23,826</b>	<b>82,878</b>	<b>76,604</b>
Other assets		23,826	82,878	
Other liabilities	1,285			76,604
<b>Liquidity</b>	<b>50,479</b>	<b>189,325</b>	<b>364,814</b>	<b>101,586</b>
Liquid funds	5,641			1,012
Claims against banks of 90 days or less		189,325		100,574
Liabilities to banks of 90 days or less	44,838		364,814	
<b>Balance</b>	<b>448,864</b>	<b>448,864</b>	<b>671,214</b>	<b>671,214</b>

### 1 Comments on business activities and staff headcount

#### a) Business activities and range of services

Our core business activity is private banking: Bank Hofmann offers its clients investment counseling services and professional portfolio management spanning a wide variety of strategies to reflect the various risk profiles and investment preferences of our international clientele.

Collateral (lombard) and mortgage lending forms an integral part of private banking. In addition, in its lending business the bank sees itself as a “financial boutique” offering bespoke financing as an extension of its private banking operations:

- Standardized and structured collateral loans; short to medium-term financing of securities purchases, interim financing, structured financing etc.
- Corporate financing; expansion, investment and acquisition financing; financing of MBOs and LBOs, etc.

The Bank has launched no less than twenty of its own investment funds, not only to optimize diversification in small and medium-sized portfolios, but also to cover particular investment sectors. These are funds subject to Swiss, Guernsey or Luxembourg law.

Furthermore, Bank Hofmann provides a wide range of asset protection services encompassing the establishment and administration of trusts, foundations and companies through our domestic and foreign subsidiaries.

The Bank’s trading activities are strongly client transaction oriented. The Bank is a member of the SWX Swiss Exchange, EUREX (European Exchange) and virt-x. It also has access to an extensive network of brokers abroad. A specialist department is in place to process client orders in foreign currency trading, precious metals and money markets (including placing fiduciary time deposits abroad). The aim of all trading operations is primarily to secure the best execution of client orders, as well as to give the Bank direct and current access to global markets.

Trading for our own account mainly takes the form of foreign currency exposure and corresponding derivatives transactions. Commitments in interest rate derivatives are also entered into as part of the Bank’s asset and liability management strategy.

#### b) Outsourcing

Bank Hofmann has outsourced specific areas of business to companies of the Credit Suisse Group, of which it is itself a member. These include, in particular, the outsourcing of parts of the information technology and securities settlement operations to Credit Suisse. In line with Swiss Federal Banking Commission rules, the scope of these services is defined in detail in service level agreements. The netting off of the services provided is reported under “Other operating expenses”.

#### c) Staff headcount

Adjusted for part-time employees, the staff headcount of Bank Hofmann Group was 307 (previous year 332) at the end of the year.

## 2 Risk management

### **Risk governance organization**

Ultimate responsibility for supervising risk management rests with the Board of Directors as a whole. The Board is assisted in this task by its Audit Committee. Operational responsibility rests with the Executive Board and in particular with the CFO, who is in charge of central risk control independent of front-office units. The Executive Board is assisted by the Credit Committee, the Asset and Liability Management Committee and the Provision Committee.

Operational risk management is performed by the Risk Control department (credit risks, country risks, market risks, ALM, operational risks), the Legal and Compliance department (legal and compliance risks) and the Information Technology department (IT risks). The tasks carried out centrally comprise in particular:

- risk measurement, analysis and assessment;
- risk containment/limitation;
- introduction or proposal of measures to control or minimize risk;
- appointment of high-caliber personnel and appropriate system support and
- transparent, efficient and effective risk reporting.

### **Credit risks**

Collateral (lombard) and mortgage lending forms an integral part of our private banking operations. In addition, in its lending business the bank sees itself as a “financial boutique” offering bespoke financing as an extension to its private banking services.

Credit policy and credit risk management are based on the following components:

- a focus on target markets, clients and products;
- the use of highly qualified specialists as both client relationship managers and as credit managers;
- the separation of responsibility for client relationships and credit management;

- the systems of limits for counterparties, countries and our loan portfolio;
- the integrated analysis and rating system as the basis for credit analysis, credit decisions and powers;
- the risk model as the basis for risk-adjusted pricing; calculation of expected and unexpected loss, identification of latent credit risks and use of the economic capital approach.

### **Provisions and accruals in the context of credit risk**

Responsibility for accruals and provisions rests with the Provision Committee, while the Recovery Officer is responsible for recovery measures and their execution.

Provisions for possible loan losses cover both loan losses on specifically identified exposure and latent default risks within the loan portfolio.

The provisions for latent loan losses relate to all claims not individually classified as being at risk but entailing latent default risks at portfolio level. Latent risks of non-payment in lendings are identified with the aid of the rating system and risk model.

Specific provisions for impaired loans are formed on the basis of regular and detailed analyses of the individual credit exposures, taking account of the counterparty risks and the collateral in place. Collateral value retention is reviewed at appropriate intervals, depending on the nature of the cover. In the case of real estate, valuations are performed by external experts.

If the repayment of the capital or interest is in any doubt, a new provision is formed or an existing provision is adjusted appropriately. Loans are classified as non-performing at the latest when the contractually specified capital and/or interest payments have been outstanding for 90 days or longer.

Loans are normally written off where legal title confirms the conclusion of bankruptcy proceedings.

An impaired claim can generally be restored to full value if prompt servicing of the outstanding capital and interest has resumed and if credit analysis permits a corresponding rating improvement.

#### **Country risks**

The Bank regards country risks as relevant only for the emerging markets. Country risks stem from:

- loans secured by realizable collateral with unilateral (country) cover; and
- from smaller contingent liabilities toward banks.

Country risks are in the main subject to the same risk management principles as lendings to clients or banks.

#### **Market risks**

The Bank's exposure to market risks results primarily from currency trading and is on a very small scale.

#### **Asset and Liability Management**

In its Asset and Liability Management (ALM), the Bank undertakes mainly refinancing at matched maturities. The interest and currency risks contained in the banking book are consequently small.

The risks of the banking book are managed under the supervision of the ALCO.

#### **Operational risks**

In all areas of the Bank, operational risks are limited by means of organizational measures, internal controls and checks, and in particular, by means of management control. The internal audit regularly examines the internal controls and reports its findings directly to the Board of Directors, the Executive Board and management.

One important aspect consists of the risks associated with the asset management business. These are limited by management control and the centralized monitoring of asset management mandates.

#### **IT risks**

The Bank accords top priority to minimizing IT risks. These risks are minimized by the continuous enhancement of software and hardware and through clearly specified operating procedures and monitoring and review processes. Responsibility for IT security rests with the IT Security Officer and is exercised by the latter centrally.

Business continuity planning ensures that the Bank also has the best possible preparations in place for dealing with a disaster.

### **Legal and compliance risks**

Legal and Compliance ensures that business activities are compatible with current rules and regulations and with a bank's duty of care. These units are responsible for examining requirements and developments on the part of the supervisory authorities, lawmakers and other organizations. The key points are:

- central monitoring, analysis and handling of legal and compliance risks;
- use of highly qualified personnel and specialized software; and
- extensive reporting.

The activities of Legal and Compliance are backed by clearly specified operating procedures and management controls. The Bank can also call upon the relevant Credit Suisse Group units for support.

### **Basel II**

The replacement of the Basel Capital Accord of 1988 by the new rules of Basel II makes high demands in terms of implementation.

With regard to the capital backing of credit risks, the Bank relies on the systems and methodology of Credit Suisse.

### 3 Principles of accounting and valuation

#### General principles

The principles of accounting and valuation are in line with the provisions laid down in the Swiss Code of Obligations, banking legislation and the statutory regulations, as well as in the Swiss Federal Banking Commission's guidelines on the rendering of accounts and guidelines issued by Credit Suisse Group. The principles of valuation follow the principle of prudence.

#### Balance sheet reporting based on the trade/settlement date principle

Spot securities transactions for our own account and on behalf of clients are in principle booked on the trade date. Completed currency, money market and precious metals transactions are entered in the balance sheet on the settlement date (effective value date). Up until the settlement date, forex and precious metals transactions are reported at their replacement values under other assets or other liabilities.

#### Netting

With the exception of the case cited in the present paragraph, assets and liabilities are not, in principle, netted off against one another. Claims and obligations arising in the course of Bank business may be netted against one another if the following conditions are satisfied: the claims and obligations arise from identical types of business transaction with the same counterparty, with the claim having the same or an earlier maturity and the two being in the same currency and not resulting in any counterparty risk.

#### Foreign currencies, notes and coins

Claims and obligations in foreign currencies as well as inventories of foreign banknotes and coins for exchange business are valued at the rates prevailing at year-end.

	Year-end exchange rates in the balance sheet	
	31.12.2006	31.12.2005
1 US dollar	1.2208	1.3137
1 Euro	1.6085	1.5572
1 pound sterling	2.3988	2.2692

Earnings and expenses in foreign currencies will be converted into the currency of account at the prevailing daily rates. Exchange rate differences are entered under income from trading transactions.

#### Liquid assets, liabilities

These are stated in the balance sheet at their nominal value.

#### Amounts due from banks and clients, bills of exchange and money market instruments

Items are usually stated in the balance sheet at nominal value less potential unamortized discount or plus potential unamortized premium. Valuation adjustments and provisions are established as soon as doubt exists about the recoverability of claims. Further details follow in the section headed "Provisions and accruals".

#### Trading inventories of securities and precious metals

Securities and precious metals held for short periods at the Bank's own risk are reported at fair value on the balance sheet date. If a price-efficient and liquid market exists, fair value will be assessed on the basis of stock market prices. If no such market exists, fair value will be determined on the basis of a valuation model. Surpluses are reported under income from trading transactions. Interest and dividend income is included under interest and dividend income from trading activities.

#### Financial assets

Debt securities held to maturity are valued at their original cost, less valuation adjustments to recognize declines in value. Premiums and discounts on securities with fixed interest are added or subtracted as interest accrued over the lifetime of the security. As a result, their book value is the same as the repayment amount at maturity. Realized interest-related gains or losses from premature sale will be deferred over the remaining term of the security sold. Debt securities held for sale, equities and real estate due to be sold are valued at the lower of cost or market value. Inventories of precious metals held as collateral for client liabilities are recorded at market value.

### **Participations**

Holdings of capital or shares with voting rights of a minimum of 10% in corporations or companies involved in financial sector infrastructure or services (such as FSG Swiss Financial Services, Telekurs Holding AG) are carried as participations. Valuation is based on the "lower of cost or market" principle, i.e. the acquisition cost less valuation adjustments to recognize declines in value.

### **Tangible assets**

The Bank's office building is carried at acquisition cost, plus value-enhancing investments, less straight-line depreciation over the estimated useful life of 67 years. All other fixed assets are, as a rule, written down over three to five years. Capitalization and depreciation are in accordance with the book entry rules of Credit Suisse Group. The value-retention of fixed assets is to be reviewed if events or circumstances give reason to assume that the stated book value no longer reflects the true value. In the event of an impairment in value, the book value will be reduced by this amount.

Value retention is verified according to the principles of Swiss GAAP ARR 20: the value of real property and fixed assets is deemed to have been impaired if the book value is higher than the recoverable value. The recoverable value is the higher of the net market value and the value in use. The net market value is defined as the price which could be obtained from a sale between independent third parties less any related selling costs. The value in use is defined as the sum of the discounted cash inflows and outflows from the further use of the property or the fixed asset, including any cash inflow at the end of the period of use.

Under the provisions of recommendation no. 23 of the Swiss GAAP ARR, costs incurred for the removal of tangible assets are reported as provisions. The contra item to the provision is booked as an increase in the asset value and depreciated over the estimated time of use.

### **Deferments**

Interest expenditure and income is deferred over time. Foreseeable future expenditure is deferred to the period in which it is actually incurred.

### **Provisions and accruals**

In line with the principle of prudence, provisions and accruals are created to cover all recognizable risks at the end of the financial year. Individual and flat-rate provisions for latent loan default risks are set off against assets. The method for determining provisions is described under credit risks in section 2 "Risk management". The remaining provisions are included under liabilities.

### **Treatment of doubtful interest**

In the case of secured collateral loans, interest on credit more than 90 days over the limit is not yet classed as doubtful. Instead of a time limit, the value of the collateral is used as the yardstick. Should the collateral reach the critical limit, the credit situation is categorized as problematic and, if necessary, designated as requiring provision. Generally speaking, outstanding interest in such problematic credit situations is not booked as income. Similarly, interest due on other loans is not written to the income statement where the credit limit and the 90 day limit are exceeded.

### **Share-based remuneration**

Shares granted under a stock option plan without any obligation on the recipient part's to perform future work in return are stated by the Bank as expenses at the market value in the relevant reporting period. Where shares are granted under a stock option plan conditional on the performance of future work, their market value is deferred as expenditure over the relevant period. At the end of each financial year, deferred costs are adjusted for any changes in the fair value of the granted shares during the reporting period and for any related hedging transactions. Such adjustments are taken to the statement of income. Deferrals are stated as liabilities.

### **Employee benefit obligations**

The economic benefits and liabilities arising from employee benefit obligations are treated in accordance with the principles of Swiss GAAP ARR 16. The economic benefits arising from employee benefit obligations are not capitalized, economic liabilities, on the other hand, are carried (as liabilities). Valuation differences arising from economic benefits or liabilities and the change in the employer contribution reserves are charged to personnel expenses.

**Taxes**

Taxes are calculated and posted based on the results of the financial year. Taxes on capital are also factored in. Direct taxes owed but not yet paid are reported under deferred liabilities.

**Contingent liabilities, irrevocable commitments, call liabilities and confirmed loans**

These are reported off balance sheet at nominal value. Provisions have been established under liabilities in order to cover recognizable risks.

**Derivative financial instruments**

Derivative financial instruments are dealt with on the basis of US Generally Accepted Accounting Principles (US GAAP). GAAP standards are complied with in full while at the same time taking account of the rules of Swiss company law, i.e. the corresponding bookings are reported in the reconciliation account. The positive and negative replacement values for all derivative instruments are reported at fair value under the positions "Other assets" or "Other liabilities".

Derivative instruments classed as trading positions comprise instruments held for trading purposes and derivatives used for risk management purposes which do not qualify for hedge accounting. Commitments in derivative instruments reported as trading positions are entered into as own account and client transactions. Changes in realized and unrealized gains and losses and interest payments are reported under trading income.

The change in fair value is recorded according to accounting practices for fair value hedges.

Changes in fair value which represent an ineffective hedge are reported under trading income.

**Events after the balance sheet date**

On April 27, 2006, Credit Suisse announced its plans to merge the four independent private banks Clariden, BGP Banca di Gestione Patrimoniale, Bank Hofmann and Bank Leu, as well as Credit Suisse Fides, to form Clariden Leu with effect from the beginning of 2007. Under the planned merger on January 26, 2007, with retroactive effect to January 1, 2007, the assets and liabilities of Bank Hofmann will be transferred to Clariden Bank, and Bank Hofmann will be deleted as an independent legal company from the commercial register. Under the planned merger on January 26, 2007, with retroactive effect to January 1, 2007, Clariden Bank will be renamed Clariden Leu.

As a consequence of the merger, employees of Bank Hofmann will be transferred to the Credit Suisse staff pension fund with effect from January 1, 2007. The current staff pension funds of Bank Hofmann will be transferred to the Credit Suisse staff pension fund and dissolved as legally independent foundations. The transfer of Bank Hofmann employees will be treated as a partial liquidation by the current Bank Hofmann staff pension funds.

#### 4 Information concerning the Balance Sheet

The notes are structured in accordance with Art. 25c of the Swiss Banking Ordinance.

##### 4.1 Overview of collateral received for loans and off-balance sheet transactions

	Mortgage collateral CHF 1,000	Other collateral CHF 1,000	Unsecured CHF 1,000	Total CHF 1,000
<b>Loans</b>				
Claims against clients	21,043	659,686	143,722	824,451
Mortgage claims	922,919			922,919
– general residential construction	319,717			319,717
– single-family homes/villas	152,041			152,041
– construction of large commercial and industrial structures	362,713			362,713
– other buildings	88,448			88,448
<b>Total loans as of 31.12.2006</b>	<b>943,962</b>	<b>659,686</b>	<b>143,722</b>	<b>1,747,370</b>
31.12.2005	928,838	732,804	197,747	1,859,389
<b>Off-balance sheet</b>				
Contingent liabilities	3,197	111,654	32,227	147,078
Irrevocable commitments	12,590		4,894	17,484
<b>Total Off-balance sheet as of 31.12.2006</b>	<b>15,787</b>	<b>111,654</b>	<b>37,121</b>	<b>164,562</b>
31.12.2005	31,847	155,285	50,698	237,830

##### Claims at risk

	Gross sum owed	Estimated collateral liquidation proceeds*	Net sum owed	Individual provisions
<b>Financial year under review</b>	<b>14,465</b>	<b>-77</b>	<b>14,388</b>	<b>14,388</b>
Previous year	16,252	-101	16,151	16,151

\* Loan/realization value per client, the lower figure being decisive.

#### 4.2 Breakdown of trading inventories of securities and precious metals, financial assets and participations

	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	Book value CHF 1,000	Book value CHF 1,000	Market value CHF 1,000	Market value CHF 1,000
<b>Trading inventories of securities and precious metals</b>				
Interest-bearing securities and book-entry securities				
– publicly quoted *	0	0		
– unlisted	0	0		
Equities	218	14		
Precious metals	0	0		
<b>Total trading inventories of securities and precious metals</b>	<b>218</b>	<b>14</b>		
– of which securities rediscountable with central banks	0	0		
<b>Financial assets</b>				
Interest-bearing securities and book-entry securities	6,674	48,522	6,883	49,036
– of which intended to be held to maturity	6,674	48,522	6,883	49,036
– of which valued at lower of cost or market	0	0	0	0
Equities	151	148	210	202
Reposessed real estate	0	0	0	0
Precious metals **	2,623	6,355	2,623	6,355
<b>Total financial assets</b>	<b>9,448</b>	<b>55,025</b>	<b>9,716</b>	<b>55,593</b>
– of which securities rediscountable with central banks	6,674	28,530	6,883	29,036
No loans have been made of financial assets. The financial assets do not include any shares in the Bank itself.				
<b>Participations</b>				
with a market price	183	183		
without a market price	7,843	7,750		
<b>Total participations</b>	<b>8,026</b>	<b>7,933</b>		

\* Publicly quoted = traded at a recognized stock exchange

\*\* Precious metals serving as collateral for clients' obligations

#### 4.3 Significant participations

		31.12.2006 Capital 1,000	31.12.2006 Holding	31.12.2005 Holding
Hofmann Inv. Management (UK) Ltd., London	Financial services	GBP 215	100%	100%
Bank Hofmann (Overseas) Ltd., Nassau	Banking and financial services	USD 3,000	100%	100%
Hofmann Partners Group Holding AG, Zurich	Financial services	CHF 250	100%	100%
Hofmann Trust AG, Zurich	Trust company	CHF 250	100%	100%
Bank Hofmann, São Paulo	Banking and financial services	R\$ 500	100%	100%
Bank Hofmann Fund Management (Guernsey) Ltd, St. Peter Port	Fund management	CHF 50	100%	100%
Schweizerische Gesellschaft für Kapitalanlagen SGK	Fund management	CHF 5,620	11%	11%

#### 4.4 Development of fixed assets

	Original cost CHF 1,000	Accumulated depreciation CHF 1,000	Book value 31.12.2005 CHF 1,000	Reclassifications CHF 1,000 <sup>1)</sup>	Investments CHF 1,000	Disinvestments CHF 1,000	Depreciations CHF 1,000	Book value 31.12.2006 CHF 1,000
<b>Total participations</b>	7,933	0	7,933	0	93	0	0	8,026
– of which majority participations	6,570	0	6,570	0	93	0	0	6,663
– of which minority participations <sup>2)</sup>	1,363	0	1,363	0	0	0	0	1,363
<b>Total tangible assets</b>	103,234	52,614	50,620	0	15,810	0	1,750	64,680
Real estate								
– of which bank buildings	75,665	27,142	48,523	0	15,401	0	546	63,378
Other tangible assets	27,569	25,472	2,097	0	409	0	1,204	1,302
Property valuation for fire insurance								24,950
Valuation of other tangible assets for fire insurance								15,350
Liabilities: future leasing payments under operational leasing contracts								0

<sup>1)</sup> Costs incurred for the removal of tangible assets are reported as an increase in the asset value against accruals and depreciated over the estimated time of use.

<sup>2)</sup> Minority interests are SGK and participations related to infrastructure.

#### 4.5 Other Assets and Liabilities

	31.12.2006		31.12.2005	
	Other assets CHF 1,000	Other liabilities CHF 1,000	Other assets CHF 1,000	Other liabilities CHF 1,000
<b>Replacement values under derivative financial instruments</b>				
Own account contracts				
– Trading inventories	0	0	0	0
– Balance sheet structure management	3,925	6,442	736	7,248
Contract as a commission agent	52,006	51,012	48,501	47,086
<b>Total replacement values</b>	<b>55,931</b>	<b>57,454</b>	<b>49,237</b>	<b>54,334</b>
<b>Settlement account</b>	<b>93</b>	<b>0</b>	<b>3,651</b>	<b>0</b>
<b>Capitalized organizational expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Additional other assets and liabilities</b>	<b>24,531</b>	<b>1,332</b>	<b>3,841</b>	<b>3,167</b>
<b>Total</b>	<b>80,555</b>	<b>58,786</b>	<b>56,729</b>	<b>57,501</b>

#### 4.6 Assets pledged or assigned as collateral for own liabilities and assets subject to reservation of title

	31.12.2006		31.12.2005	
	Receivable CHF 1,000	Of which taken up CHF 1,000	Receivable CHF 1,000	Of which taken up CHF 1,000
<b>Not readily accessible securities and reason for deposit</b>				
Money market instruments and financial assets supporting stock exchange license: SIS, Eurex and others	55,320	26,699	73,499	51,216

#### 4.7 Liabilities to the Bank's own welfare programs

Bank Hofmann has two employee welfare foundations (pension fund, supplementary pension foundation), the purpose of which is to provide the Bank's employees and their dependants and survivors with benefits safeguarding them against the economic consequences of old age, disability and death. The Bank also has the employer's welfare foundation fund.

in CHF million	31.12.2006	31.12.2005
On the balance sheet date, liabilities to Bank Hofmann's employee welfare foundations amounted to	<b>0.4</b>	14.5

Employer contribution reserve (ECR)	Nominal value 31.12.2006	Waiver of appropriation 31.12.2006	Other value adjust- ments 31.12.2006	Discount 31.12.2006	Balance sheet 31.12.2006	Balance sheet 31.12.2005	Result ECR in personnel expenses	
							01.01.- 31.12.2006	2005
in CHF 1,000								
Employer's funds	0	0	0	0	0	0	0	0
Pension schemes	5,808 <sup>2)</sup>	0	0	0	5,808 <sup>2)</sup>	5,808	0	0
<b>Total</b>	<b>5,808</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,808</b>	<b>5,808</b>	<b>0</b>	<b>0</b>

Economic benefit/economic liability and cost of pension provision	Surplus/short- fall pursuant to ARR 26	Economic proportion attributable to organization	Change compared with previous year/having an impact on the result this financial year	Contributions deferred to the period	Cost of pension provision in personnel expenses	
					01.01.- 31.12.2006	2005
in CHF 1,000						
Employer's funds	13,846 <sup>2)</sup>	0	0	0	0	0
Welfare foundations with surplus	9,996 <sup>2)</sup>	0	0	5,518 <sup>1)</sup>	5,518 <sup>1)</sup>	6,607 <sup>1)</sup>
Welfare foundations without any surplus/shortfall	0	0	0	0 <sup>1)</sup>	0 <sup>1)</sup>	0 <sup>1)</sup>
<b>Total</b>	<b>23,842</b>	<b>0</b>	<b>0</b>	<b>5,518</b>	<b>5,518</b>	<b>6,607</b>

<sup>1)</sup> The supplementary pension foundation does not have any free funds as of December 31, 2006. As of December 31, 2006 and 2005, the separation of welfare expenses into welfare foundations with surpluses or without any surplus/shortfall is waived as such a separation would involve disproportionate effort.

<sup>2)</sup> In accordance with ARR 16, the figures are taken from the annual statements of the pension fund, supplementary pension foundation and the Bank Hofmann AG Welfare Foundation as of December 31, 2005.

#### 4.8 Outstanding bond loans

No bond loans are outstanding.

#### 4.9 Provisions and accruals

	Status at 31.12.2005 CHF 1,000	Relevant applications CHF 1,000	Change in utilization (transfer) CHF 1,000	Recrediting, doubtful interest income, currency differences CHF 1,000 <sup>1)</sup>	Formation against statement of income CHF 1,000	Write-backs credited to statement of income CHF 1,000	Status at 31.12.2006 CHF 1,000
Provisions and accruals for default risks (del credere and country risks)	21,710	-684	0	814	0	-2,547	19,293
Provisions and accruals for other business risks <sup>2)</sup>	3,550	-555	0	0	0	-1,108	1,887
Other accruals <sup>2)</sup>	73,908	-204	0	0	1,463	-176	74,991
<b>Total provisions and accruals</b>	<b>99,168</b>	<b>-1,443</b>	<b>0</b>	<b>814</b>	<b>1,463</b>	<b>-3,831</b>	<b>96,171</b>
Less: Provisions set off directly against assets	-21,387	684	0	-814	0	2,450	-19,067
<b>Total provisions and accruals shown on balance sheet</b>	<b>77,781</b>	<b>-759</b>	<b>0</b>	<b>0</b>	<b>1,463</b>	<b>-1,381</b>	<b>77,104</b>

<sup>1)</sup> Costs incurred for the removal of tangible assets are reported as accruals against an increase in the asset value.

<sup>2)</sup> Provisions and accruals for other business risks are mainly used to provide for risks arising from the asset management sector. The other accruals mostly consist of reserves for possible risks in the banking business.

#### 4.10 Authorized capital

	31.12.2006			31.12.2005		
	Total nominal value CHF 1,000	Number of shares	Dividend bearing capital CHF 1,000	Total nominal value CHF 1,000	Number of shares	Dividend bearing capital CHF 1,000
Capital stock	30,000	30,000	30,000	30,000	30,000	30,000
<b>Total authorized capital</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
	Nominal	Share in %		Nominal	Share in %	
Major equity holders and groups of equity holders with assigned voting rights						
Credit Suisse Group <sup>1)</sup>	20,000	66.7		20,000	66.7	
Credit Suisse	10,000	33.3		10,000	33.3	

1) The CS Group was informed through disclosure notifications on September 19 and 20, 2006, that AXA S.A.'s holdings of the Group's shares have exceeded 5% of the voting rights entered in the Commercial Register. All outstanding shares have the same voting rights.

#### 4.11 Statement of net worth

	CHF 1,000
<b>Equity at beginning of financial year</b>	
Paid in authorized capital	30,000
General legal reserve	29,602
Other reserves	0
Distributable profit	78,057
<b>Total equity at beginning of financial year (before distribution of net income)</b>	<b>137,659</b>
– Total dividend	-71,000
of which:	
– Ordinary dividends	-71,000
– Extraordinary dividends	
+ Net profit for the financial year	81,708
<b>Total equity at financial year-end (before distribution of net income)</b>	<b>10,708</b>
of which:	
– Paid in authorized capital	30,000
– General legal reserve	36,552
– Other reserves	0
– Distributable profit	81,815

#### 4.12 Maturity structure of current assets and borrowed funds

	At sight CHF 1,000	Cancelable CHF 1,000	Due in 3 months CHF 1,000	Due in 3-12 months CHF 1,000	Due after 12 months to 5 years CHF 1,000	Due after 5 years CHF 1,000	Immobilized CHF 1,000	Total CHF 1,000
<b>Current assets</b>								
Liquid funds	19,461							19,461
Claims under money market instruments			243,215	1,965				245,180
Claims against banks	122,921		340,837	9,876				473,634
Claims against clients		170,446	408,001	200,239	45,765			824,451
Mortgage claims	2,324	26,821	282,314	157,418	230,457	223,585		922,919
Trading inventories of securities and precious metals	218							218
Financial assets	2,774				5,672	1,002		9,448
<b>Total current assets as of 31.12.2006</b>	<b>147,698</b>	<b>197,267</b>	<b>1,274,367</b>	<b>369,498</b>	<b>281,894</b>	<b>224,587</b>	<b>0</b>	<b>2,495,311</b>
31.12.2005	173,617	193,881	1,081,081	510,199	327,067	185,569	0	2,471,414
								0
<b>Borrowed funds</b>								0
Liabilities to banks	219,983		722,900	486,753	20,000			1,449,636
Other liabilities to clients	632,268		204,305	42,180	1,870			880,623
<b>Total borrowed funds as of 31.12.2006</b>	<b>852,251</b>	<b>0</b>	<b>927,205</b>	<b>528,933</b>	<b>21,870</b>	<b>0</b>	<b>0</b>	<b>2,330,259</b>
31.12.2005	786,680	959	955,697	536,911	3,782	1,870	0	2,285,899

#### 4.13 Claims and liabilities to affiliated enterprises and loans to corporate officers

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Claims against affiliates	65,911	6,075
Liabilities to affiliates	357,800	238,634
Loans to corporate officers	3,680	4,912

Transactions with associated persons (such as securities business, payment transactions, lending and remuneration on deposits) are conducted on the same terms as are applied to third parties.

#### 4.14 Breakdown of domestic and foreign assets and liabilities

	31.12.2006		31.12.2005	
	Domestic CHF 1,000	Foreign CHF 1,000	Domestic CHF 1,000	Foreign CHF 1,000
<b>Assets</b>				
Liquid funds	19,461	0	25,102	0
Claims under money market instruments	151,336	93,844	119,753	81,646
Claims against banks	232,638	240,996	122,211	208,274
Claims against clients	158,553	665,898	246,046	697,658
Mortgage claims	827,648	95,271	833,419	82,266
Trading inventories of securities and precious metals	0	218	0	14
Financial assets	9,373	75	34,950	20,075
Participations	1,983	6,043	1,983	5,950
Tangible assets	64,680	0	50,620	0
Deferred liabilities	11,259	3,864	8,053	3,149
Other assets	80,555	0	56,729	0
<b>Total assets</b>	<b>1,557,486</b>	<b>1,106,209</b>	<b>1,498,866</b>	<b>1,099,032</b>
<b>Liabilities</b>				
Liabilities to banks	720,159	729,477	538,491	773,791
Other liabilities to clients	456,785	423,838	532,204	441,413
Deferred liabilities	45,484	3,694	36,767	2,291
Other liabilities	58,786	0	57,501	0
Provisions and accruals	77,105	0	77,781	0
Authorized capital	30,000	0	30,000	0
General legal reserve	36,552	0	29,602	0
Other reserves	0	0	0	0
Profit carried forward	107	0	43	0
Net profit for the year	81,708	0	78,014	0
<b>Total liabilities</b>	<b>1,506,686</b>	<b>1,157,009</b>	<b>1,380,403</b>	<b>1,217,495</b>

#### 4.15 Regional breakdown of assets

	31.12.2006		31.12.2005	
	CHF 1,000	Share in %	CHF 1,000	Share in %
Switzerland	1,557,486	58.48	1,498,866	57.70
Western Europe	663,181	24.90	631,072	24.29
Caribbean region	148,939	5.59	126,686	4.88
North America	33,628	1.26	36,241	1.40
Middle East	71,194	2.67	84,370	3.25
Africa	70,605	2.65	54,100	2.08
Other countries	118,662	4.45	166,563	6.40
<b>Total assets</b>	<b>2,663,695</b>	<b>100.00</b>	<b>2,597,898</b>	<b>100.00</b>

#### 4.16 Balance Sheet breakdown according to currency

in CHF 1,000	CHF	USD	EUR	Other	Total
<b>Assets</b>					
Liquid funds	16,556	311	1,941	653	19,461
Claims under money market instruments	151,336	21,736	72,108		245,180
Claims against banks	218,555	123,091	11,512	120,476	473,634
Claims against clients	429,918	159,493	124,150	110,890	824,451
Mortgage claims	922,919				922,919
Trading inventories of securities and precious metals		218			218
Financial assets	6,750		75	2,623	9,448
Participations	2,083	4,852	277	814	8,026
Tangible assets	64,680				64,680
Deferred liabilities	15,123				15,123
Other assets	77,987	1,271	1,032	265	80,555
<b>Total on-balance-sheet assets</b>	<b>1,905,907</b>	<b>310,972</b>	<b>211,095</b>	<b>235,721</b>	<b>2,663,695</b>
Delivery claims arising from spot and forward currency transactions and currency options	257,283	1,730,679	657,527	284,384	2,929,873
<b>Total assets 31.12.2006</b>	<b>2,163,190</b>	<b>2,041,651</b>	<b>868,622</b>	<b>520,105</b>	
Total assets 31.12.2005	1,891,842	2,353,923	753,015	410,757	
<b>Liabilities</b>					
Liabilities to banks	1,113,946	170,963	58,076	106,651	1,449,636
Other liabilities to clients	467,373	132,248	152,603	128,399	880,623
Deferred liabilities	49,178				49,178
Other liabilities	58,754		32		58,786
Provisions and accruals	77,105				77,105
Authorized capital	30,000				30,000
General legal reserve	36,552				36,552
Other reserves					0
Profit carried forward	107				107
Net profit for the year	81,708				81,708
<b>Total on-balance-sheet liabilities</b>	<b>1,914,723</b>	<b>303,211</b>	<b>210,711</b>	<b>235,050</b>	<b>2,663,695</b>
Delivery obligations arising from spot and forward currency transactions and currency options	1,361,990	689,016	597,272	280,955	2,929,233
<b>Total liabilities 31.12.2006</b>	<b>3,276,713</b>	<b>992,227</b>	<b>807,983</b>	<b>516,005</b>	
Net position per currency	-1,113,523	-1,049,424	60,639	4,100	
Total liabilities 31.12.2005	3,314,755	1,036,267	673,495	383,601	
Net position per currency 31.12.2005	-1,422,913	1,317,656	79,520	27,156	

## 5 Information concerning off-balance sheet transactions

### 5.1 Breakdown of contingent liabilities <sup>1)</sup>

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Loan guarantees, etc.	82,376	64,892
Irrevocable liabilities	6,910	47,785
Remaining contingent liabilities	57,792	94,132
<b>Total contingent liabilities</b>	<b>147,078</b>	<b>206,809</b>

<sup>1)</sup> The company belongs to the VAT group of Credit Suisse Group and is jointly and severally liable for the latter's VAT liabilities in respect of the tax authorities.

### 5.2 Confirmed loans

None

### 5.3 Open derivative financial instruments

	Trading instruments			Hedging instruments		
	Positive replacement value CHF 1,000	Negative replacement value CHF 1,000	Contract volumes CHF 1,000	Positive replacement value CHF 1,000	Negative replacement value CHF 1,000	Contract volumes CHF 1,000
<b>Interest instruments</b>						
Interest rate swaps (IRS)	0	0	0	3,925	6,442	532,141
<b>Foreign exchange</b>						
Futures contracts	26,672	25,980	1,797,364	0	0	0
Options (OTC)	24,529	24,529	2,313,410	0	0	0
<b>Precious metals</b>						
Futures contracts	494	445	47,271	0	0	0
Options (OTC)	58	58	3,297	0	0	0
<b>Equities/indices</b>						
Options (OTC)	253	0	2,658	0	0	0
<b>Total 31.12.2006</b>			<b>4,164,000</b>			<b>532,141</b>
31.12.2005			4,326,718			493,498
<b>Total replacement values before/after taking account of netting agreement 31.12.2006</b>						
31.12.2005	48,501	47,086		736	7,248	

## 5.4 Breakdown of fiduciary transactions

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Fiduciary investments with third parties	1,720,343	1,603,040
Fiduciary investments at other affiliated and associated banks	2,259,652	1,712,488
Fiduciary loans and other fiduciary financial transactions	9,750	10,265
<b>Total fiduciary transactions</b>	<b>3,989,745</b>	<b>3,325,793</b>

## 5.5 Client assets<sup>1)</sup>

	31.12.2006 in CHF million	31.12.2005 in CHF million
Assets in Bank Hofmann-managed funds <sup>2)</sup>	2,762.3	2,575.4
Assets with management mandate	3,691.8	3,380.6
Other client assets	17,337.4	15,775.1
<b>Total client assets</b>	<b>23,791.5</b>	<b>21,731.1</b>
– of which counted twice	1,993.7	2,030.4
Net inflow of new funds	540.6	176.4

<sup>1)</sup> Assets under management include assets from clients for which Credit Suisse provides investment advisory or asset management services. Assets that are held solely for transaction-related or safekeeping/custody purposes are not considered assets under management. Assets of corporate clients and public institutions that are used primarily for cash management or transaction-related purposes are also not considered assets under management. The classification of assets under management is individually assessed on the basis of each client's intentions and objectives and the banking services provided to the client. Reclassifications between assets under management and assets held for transaction-related or safekeeping purposes result in corresponding net new assets inflows or outflows.

Net new assets measure the degree of success in acquiring assets under management. The calculation is based on the direct method, taking into account individual cash and securities transactions, and any new or repaid loans. Interest and dividend income credited to clients and commissions, interest and fees charged for banking services are not taken into account when calculating net new assets, as such charges are not directly related to the acquisition of assets under management. Similarly, changes in assets under management due to currency and market volatility as well as asset inflows and outflows due to the acquisition or divestiture of businesses are not part of net new assets.

Double counting arises when assets under management are subject to multiple levels of asset management services, each of which represents additional value added for the client and additional income for Credit Suisse. Specifically, double-counting results from the investment of assets under management in own funds and own insurance policies.

<sup>2)</sup> Statement of all funds issued by the Bank Hofmann Group.

In addition to the client assets, Bank Hofmann manages commercial assets amounting to CHF 1,150.1 million and custody assets totaling CHF 427.8 million.

## 6 Information on the statement of income

Positions 6.1 and 6.6 (i.e. 5.1 and 5.6 according to Art. 25c of the Swiss Banking Ordinance) contain no data and are therefore not shown.

### 6.2 Breakdown of income from trading business

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Foreign exchange and foreign notes and coins transactions	18,948	21,725
Precious metals transactions	815	252
Trading in derivative products and securities	-633	-542
<b>Total trading income</b>	<b>19,130</b>	<b>21,435</b>

### 6.3 Breakdown of personnel expenses

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Salaries	62,001	56,798
Social benefits	12,081	10,945
Other personnel expenses	563	1,664
<b>Total personnel expenses</b>	<b>74,645</b>	<b>69,407</b>

### 6.4 Breakdown of operating expenses

	31.12.2006 CHF 1,000	31.12.2005 CHF 1,000
Expense for office space	5,297	3,760
Expense for computers, machines, furniture, vehicles and other facilities	662	758
Other operating expenses	36,550	37,885
<b>Total operating expenses</b>	<b>42,509</b>	<b>42,403</b>

### 6.5 Notes clarifying extraordinary income and expenses

Extraordinary income stems from the write-back of provisions and accruals.

**6.7 Breakdown of income and expenses from ordinary banking transactions separated into domestic and foreign according to place of operation**

	31.12.2006		31.12.2005	
	Domestic CHF 1,000	Foreign CHF 1,000	Domestic CHF 1,000	Foreign CHF 1,000
<b>Operating income</b>				
Income from interest rate transactions	41,612	1,224	39,421	1,047
Income from commission business and services	139,390	9,086	132,304	7,643
Income from trading transactions	19,130	0	21,435	0
Other regular income	8,652	0	8,536	0
<b>Total gross income</b>	<b>208,784</b>	<b>10,310</b>	<b>201,696</b>	<b>8,690</b>
<b>Operating expenses</b>				
Personnel expenses	72,924	1,721	68,202	1,205
Operating expenses	40,903	1,606	41,622	781
<b>Total operating expenses</b>	<b>113,827</b>	<b>3,327</b>	<b>109,824</b>	<b>1,986</b>
<b>Gross profit</b>	<b>94,957</b>	<b>6,983</b>	<b>91,872</b>	<b>6,704</b>

To the General Meeting of Bank Hofmann AG, Zurich

As statutory auditors, we have audited the accounts and financial statements (balance sheet, statement of income, statement of source and application of funds and notes) of Bank Hofmann AG for the year ended December 31, 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland. These require that an audit be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made, and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

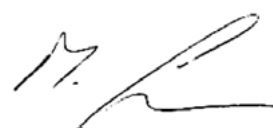
In our opinion, the accounts and financial statements, as well as the proposed appropriation of distributable profit all comply with Swiss law, and are in accordance with the articles and statutes of the corporation.

We recommend that the financial statements submitted to you be approved.

KPMG Klynveld Peat Marwick Goerdeler SA



Daniel Senn  
Swiss Certified Accountant  
Auditor in charge



Manfred Suppan  
Swiss Certified Accountant

Zurich, January 15, 2007

This report is an English translation of the original German version. In case of discrepancies the original version takes precedence.

The audit opinion was issued based on the audited German version of the financial statements for the financial year 2006.

## **Executive bodies**

### **Board of Directors**

Walter Berchtold, Chairman, Uitikon Waldegg  
Markus R. Tödtli, Vice Chairman, Zurich  
Prof. Dr. Peter Forstmoser, Zurich  
Prof. Dr. Felix Gutzwiller, Zurich  
Thomas Isler, Rüschtikon  
Dr. Ulrich Körner, Männedorf

### **Executive Board**

Beat Spühler, Chairman  
Dr. Roland Herrmann  
Dr. Bruno R. Lang  
Frank Ramsperger  
Christoph Schärer

### **Auditors**

KPMG Klynveld Peat Marwick Goerdeler SA, Zurich

### **Internal Auditor**

Credit Suisse Group internal auditors

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#### **Cautionary statement regarding forward-looking information**

This Annual 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 properly implement procedures; (ix) actions taken by regulators with respect to our business and practices in one or more of the countries in which we conduct our operations; (x) the effects of changes in laws, regulations or accounting policies or practices; (xi) competition in geographic and business areas in which we conduct our operations; (xii) the ability to retain and recruit qualified personnel; (xiii) the ability to maintain our reputation and promote our brands; (xiv) the ability to increase market share and control expenses; (xv) technological changes; (xvi) the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users; (xvii) acquisitions, including the ability to integrate successfully acquired businesses; (xviii) the adverse resolution of litigation and other contingencies; and (xix) our success at managing the risks involved in the foregoing. We caution you that the foregoing list of important factors is not exclusive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, as well as the risks identified in Credit Suisse Group's most recently filed Form 20-F and reports on Form 6-K furnished to the US Securities and Exchange Commission. Cautionary statement regarding non-GAAP financial information.

This Annual Report contains non-GAAP financial information. A reconciliation of such non-GAAP financial information to the most directly comparable measures under generally accepted accounting principles, is posted on our website at <http://www.credit-suisse.com/sec.html>.



