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CREDIT SUISSE | FIRST BOSTON

# ANNUAL REPORT 2004

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# CREDIT SUISSE FIRST BOSTON

**Parent Company Swiss GAAP Financial Statements**

## GOVERNING AND EXECUTIVE BODIES

### Board of Directors

Walter B. Kielholz, Chairman [1]
Peter Brabeck-Letmathe, Vice-Chairman [1, 2]
Hans-Ulrich Doerig, Vice-Chairman [1, 4]
Thomas W. Bechtler [4]
Thomas D. Bell [7]
Robert H. Benmosche [2]
Marc-Henri Chaudet [6]
Noreen Doyle [4, 5]
Aziz R. D. Syriani [1, 2, 3]
David W. Syz [3, 5]
Ernst Tanner [4]
Peter F. Weibel [1, 3]

[1] Member of the Chairman's and Governance Committee, chaired by Walter B. Kielholz
[2] Member of the Compensation Committee, chaired by Aziz R. D. Syriani
[3] Member of the Audit Committee, chaired by Peter F. Weibel
[4] Member of the Risk Committee, chaired by Hans-Ulrich Doerig
[5] From April 30, 2004
[6] Until April 30, 2004
[7] Until October 1, 2004

### Statutory and Bank Law Auditors and Group Auditors for the 2004 financial year

KPMG Klynveld Peat Marwick Goerdeler SA, Zurich

### Special Auditor

BDO Visura, Zurich

### Global Head of Internal Audit

Heinz Leibundgut

**Executive Board** [1]

| | |
|---|---|
| Brady W. Dougan | Chief Executive Officer |
| Paul Calello | Chairman and Chief Executive Officer of the Asia Pacific Region |
| John A. Ehinger | Co-Head of the Equity Division |
| Brian D. Finn | President |
| Marc D. Granetz [2] | Co-Head of Global Corporate and Investment Banking |
| John S. Harrison | Managing Director |
| James P. Healy | Head of Global Fixed Income |
| Michael Kenneally | Chairman and Global Chief Executive Officer of Credit Suisse Asset Management |
| James E. Kreitman | Co-Head of the Equity Division |
| Gary G. Lynch | Executive Vice Chairman and Global General Counsel |
| Neil Moskowitz | Chief Financial Officer |
| Eileen K. Murray | Head of Global Technology, Operations and Product Control |
| Adabayo O. Ogunlesi | Executive Vice Chairman and Chief Client Officer |
| Joanne Pace | Global Head of Human Resources |
| Michael Philipp [3] | Chairman and Chief Executive Officer of Europe, Middle East and Africa |
| Richard E. Thornburgh | Vice Chairman of the Executive Board and Executive Vice Chairman |
| Eric M. Varvel [2] | Co-Head of Global Corporate and Investment Banking |

[1] As of March, 7, 2005
[2] Effective January 1, 2005
[3] Effective February 1, 2005

**Prior to July 13, 2004 the name of Credit Suisse First Boston's highest executive body was the Operating Committee. On July 13, 2004 the name of this body was changed to the Executive Board. Immediately prior to July 13, 2004, its members were:**

| | |
|---|---|
| John J. Mack | Chairman of the Operating Committee and Chief Executive Officer |
| Paul Calello | Chairman and Chief Executive Officer of the Asia Pacific Region |
| Christopher Carter | Chairman of the European Region |
| Brady W. Dougan | Co-President, Institutional Securities |
| John A. Ehinger | Co-Head of the Equity Division |
| Brian D. Finn | Co-President, Institutional Securities |
| Bennett J. Goodman | Head of the Alternative Capital Division |
| James P. Healy | Co-Head of the Fixed Income Division |
| Michael E. Kenneally | Global Chief Executive Officer Credit Suisse Asset Management |
| James E. Kreitman | Co-Head of the Equity Division |
| Gary G. Lynch | Global General Counsel and Vice Chairman to Oversee Research and Legal and Compliance Departments |
| Eileen K. Murray | Head of Global Technology, Operations and Product Control |
| Thomas R. Nides | Chief Administrative Officer |
| Adebayo O. Ogunlesi | Global Head of Investment Banking |
| Joanne Pace | Global Head of Human Resources |
| Hector W. Sants [1] | Vice Chairman and Chief Executive Officer European, Middle East and African Regions |
| Richard E. Thornburgh [2] | Member of the Executive Board and Chief Risk Officer of Credit Suisse Group |
| Stephen R. Volk | Chairman |
| Jerome C. Wood | Co-Head of the Fixed Income Division |
| Barbara A. Yastine | Chief Financial Officer |

[1] Until March 15, 2004
[2] Ex officio member

# KEY INFORMATION

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Net revenues** | **17,557** | 15,609 |
| (Recovery of)/provision for credit losses | **(33)** | 165 |
| Total operating expenses | **14,263** | 13,784 |
| **Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes** | **3,327** | 1,660 |
| Income tax expense | **550** | 603 |
| Dividends on preferred securities for consolidated entities | **0** | 5 |
| Minority interests, net of tax | **1,107** | 96 |
| **Income from continuing operations before cumulative effect of accounting changes** | **1,670** | 956 |
| Income from discontinued operations, net of tax | **0** | 63 |
| Cumulative effect of accounting changes, net of tax | **(16)** | (67) |
| **Net income** | **1,654** | 952 |

| December 31, in CHF m, except where indicated | 2004 | 2003 |
|---|---|---|
| **Consolidated balance sheets** | | |
| Total assets | **721,152** | 652,226 |
| Common shares | **4,400** | 4,400 |
| Total shareholder's equity | **12,112** | 12,536 |
| Number of shares outstanding | **43,996,652** | 43,996,652 |
| **Consolidated BIS capital ratios** [1] | | |
| Risk-weighted assets | **92,555** | 88,807 |
| Tier 1 ratio | **12.1%** | 13.6% |
| Total capital ratio | **21.2%** | 23.6% |
| **Number of employees** | | |
| Switzerland | **986** | 960 |
| Abroad | **18,746** | 17,628 |
| Total | **19,732** | 18,588 |

[1] All calculations through December 31, 2003, on the basis of Swiss GAAP.

## FINANCIAL REVIEW

Effective January 1, 2004, Credit Suisse First Boston (the Bank) changed its primary basis of reporting from Swiss GAAP to accounting principles generally accepted in the United States of America (US GAAP). All prior period amounts disclosed in this report are presented in accordance with US GAAP unless otherwise stated.

The Bank recorded net income of CHF 1,654 million for the year ended December 31, 2004, compared to CHF 952 million for the year ended December 31, 2003.

*Net revenues* increased 12% compared to 2003, up from CHF 15.6 billion to CHF 17.6 billion, primarily as a result of growth in debt underwriting and equity and fixed income trading, offset by declines in advisory and other fees. Gains on disposals of significant levels of private equity investments, legacy investments and minority interest-related revenues relating to the consolidation of certain private equity funds under the Financial Accounting Standards Board Interpretation No. 46 (FIN 46), as revised (FIN 46R), are also reflected in 2004 revenues. This consolidation did not affect *Net income* as the increases to net revenues and expenses were offset by an equivalent increase in *Minority interests*.

*Net interest income* decreased 10% to CHF 3.7 billion compared to 2003 whilst *Commissions and fees* remained relatively constant between the years at approximately CHF 8.6 billion. *Trading revenues* increased 39%, compared to 2003 to CHF 2.9 billion. *Other revenues* increased from CHF 800 million to CHF 2.4 billion as a result of gains on legacy investments and the consolidation of certain private equity funds.

As a result of a continued favorable credit environment and a significant release related to the sale of an impaired loan, *(Recovery of)/provision for credit losses* decreased from a net provision of CHF 165 million in 2003 to a net recovery of CHF 33 million in 2004.

*Total operating expenses* increased 3% from CHF 13.8 billion in 2003 to CHF 14.3 billion in 2004. Of this overall increase, CHF 900 million was a result of higher compensation costs primarily reflecting increased incentive compensation costs, higher salaries – mainly due to increased headcount – and increased severance costs. The 2003 compensation and benefits expense reflected the introduction of three-year vesting for future stock awards. A reduction of CHF 400 million in other expenses partially resulted from lower provision expenses in 2004 and a CHF 270 million pre-tax impairment of acquired intangible assets in the high-net-worth asset management business taken in 2003.

*Income tax expense* was CHF 550 million in 2004 compared to CHF 603 million in 2003. The effective tax rate adjusted to exclude non-taxable FIN 46R income of CHF 1,072m was 24% in 2004, which includes the positive impact of the release of CHF 161 million of tax contingency accruals relating to the favorable resolution of tax matters.

*Minority interests, net of tax* increased from CHF 96 million in 2003 to CHF 1.1 billion in 2004, primarily as a result of the consolidation of certain private equity funds under FIN 46R.

*Income from discontinued operations, net of tax*, of CHF 63 million in 2003, arose from the sale of Pershing LLC, the Bank's clearing and execution business, to The Bank of New York Company, Inc. The sale was effective May 1, 2003.

*Cumulative effect of accounting changes, net of tax*, of CHF 16 million in 2004 arose from the adoption of FIN 46R. The charge of CHF 67 million in 2003 was the result of the adoption of Statement of Financial Accounting Standards No. 143 and FIN 46.

*Total assets* increased by CHF 69 billion, or 11%, to CHF 721.2 billion at December 31, 2004 compared to CHF 652.2 billion at December 31, 2003. The Bank's business is managed on a US dollar basis, and a majority of its assets are US dollar based. The weakening of the US dollar against Swiss Franc in both 2004 and 2003 offset operational increases in assets. The largest movements were in *Trading assets*, which increased by CHF 42 billion and *Other assets*, which increased by CHF 15 billion, largely as a result of higher brokerage receivables.

## CREDIT SUISSE FIRST BOSTON ORGANIZATION AND DESCRIPTION OF BUSINESS

Credit Suisse First Boston is a leading global investment bank, with total consolidated assets of CHF 721 billion and total consolidated shareholder's equity of CHF 12 billion, in each case as at December 31, 2004. The Bank provides a wide range of financial services from locations around the world to institutional, corporate, government and individual clients worldwide. The Bank was founded in 1856 and has its registered head office in Zurich, with additional executive offices and principal branches located in London, New York, Singapore and Tokyo. The Bank employed 19,732 people at December 31, 2004, of which 986 are located in Switzerland.

Credit Suisse Group, which owns 100% of the voting shares of the Bank, is a global financial services company, domiciled in Switzerland and active in all major financial centers, providing a comprehensive range of banking and insurance products. The operations of Credit Suisse Group are structured into three business units with six reporting segments; Credit Suisse, including the Private Banking and Corporate & Retail Banking segments; Credit Suisse First Boston, including the Institutional Securities and Wealth & Asset Management segments; and Winterthur, including the Life & Pensions and Non-Life segments. The Bank consists principally of the Credit Suisse First Boston business unit.

The Bank serves global institutional, corporate, government and high-net-worth clients as a financial intermediary, providing a broad range of products and services including securities underwriting, sales and trading, financial advisory, private equity investments, full service brokerage, derivatives and risk management products, asset management, and research. It operates mainly through two segments, Institutional Securities and Wealth & Asset Management:

The Institutional Securities segment provides financial advisory and capital raising services and sales and trading for global users and suppliers. The Institutional Securities segment includes:

- Trading, which includes sales and trading in equity and debt securities and derivatives, and other related activities; and
- Investment Banking, which raises and invests capital, provides financial and other advisory services, manages and underwrites securities offerings and arranges private placements.

The Wealth & Asset Management segment provides international asset management services to institutional, mutual fund and private investors, makes private equity investments and manages private equity funds, and provides financial advisory services to high-net-worth individuals and corporate investors. Wealth & Asset Management includes:

- The institutional asset management business, which operates under the brand Credit Suisse Asset Management, and offers a wide array of products, including fixed income, equity, balanced, money-market and indexed products;
- Alternative Capital, which makes investments in, manages and provides capital raising and other services to hedge funds, private equity funds and other alternative investment vehicles; and
- Private Client Services, a financial advisory business which serves high-net-worth individuals and corporate investors with a wide range of Bank and third-party investment management products and services.

Effective January 1, 2004, the Bank reorganized its operations by transferring the private equity and private funds group activities previously in the Institutional Securities segment to the CSFB Financial Services segment, which was renamed Wealth & Asset Management. The Bank also reorganized the businesses within the Institutional Securities segment along the lines of its investment banking and trading businesses and realigned the businesses within the Wealth & Asset Management segment to bring together its alternative investment activities, including the private equity and private funds groups.

**Businesses of the Bank**

Institutional securities operations are conducted through the Bank, its branches and its subsidiaries, including: Credit Suisse First Boston International; Credit Suisse First Boston (USA), Inc.; Credit Suisse First Boston LLC.; Credit Suisse First Boston (International) Holding AG and its European and Pacific subsidiaries, including Credit Suisse First Boston (Europe) Limited and Credit Suisse First Boston Securities (Japan) Limited; Banco de Investimentos Credit Suisse First Boston SA, an investment bank in Brazil; Credit Suisse First Boston Australia Equities Limited and other entities around the world, many of which are regulated by local regulatory authorities.

Asset management operations are conducted through the Bank and its dedicated asset management and mutual fund subsidiaries worldwide. Additionally, the Bank owns real estate both directly and indirectly. The Credit Suisse business unit and other entities within Credit Suisse Group use the majority of these properties.

**Swiss Bank Merger**

On December 7, 2004, Credit Suisse Group announced its plans to fully integrate its banking units and to create distinct lines of business dedicated to private clients, corporate and investment banking clients and asset management by the end of 2006. The first step in the integration is the merger of Credit Suisse Group's two Swiss banks, Credit Suisse and Credit Suisse First Boston. The merger is expected to be completed in the second quarter of 2005.

**Outsourcing of services**

Where the outsourcing of services through agreements with service providers outside the Bank is considered significant under the terms of Swiss Federal Banking Commission Circular 99/2 "Outsourcing", those agreements comply with all regulatory requirements on aspects such as business and banking secrecy, data protection and customer information. For the Bank, significant outsourcing relationships exist with Credit Suisse in the areas of information technology, telecommunications and operations.

# RISK MANAGEMENT

## 1 GOAL AND DEFINITION OF RISK MANAGEMENT

The Bank's risk management process is designed to ensure that there are sufficient independent controls to measure, monitor and control risks in accordance with the Bank's control strategy and in consideration of industry best practices. The primary responsibility for risk management lies with the Bank's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, legal risk, operating risk and reputational risk.

The Bank believes that it has effective procedures for measuring and managing the risks associated with its business activities. The Bank cannot completely predict all market developments and the Bank's risk management cannot fully protect against all types of risks. Unforeseen market developments or unexpected movements or disruption in one or more markets can result in losses due to events such as adverse changes in inventory values, a decrease in liquidity of trading positions, greater earnings volatility or increased credit risk exposure. Such losses could have a material adverse effect on the Bank's results of operations and financial condition.

The Bank pursues a comprehensive approach to risk management. The primary objectives of the risk management strategy are to preserve the Bank's capital base, to optimize the allocation of capital, to foster a proactive risk culture and to protect the reputation of the Bank. Significant personnel and technological resources are used to support experienced decision makers and to ensure that the Bank remains a leader in risk management. The Bank is exposed to many types of risks and many businesses present more than one risk.

The market and credit risks of the Bank reside primarily in the Institutional Securities and Wealth & Asset Management businesses. Major risks are described in more detail below.

***Risk management organization***

The risk management function of the Bank is comprised of the following groups:

- Strategic Risk Management (SRM) – SRM acts as the independent "risk conscience" of the Bank and is charged with approving the risk methodology, framework and limit structure. SRM assesses the overall risk profile of the Bank globally and recommends corrective action where appropriate to the Capital Allocation and Risk Management Committee (CARMC).

- Credit Risk Management (CRM) – responsible for the credit analysis of counterparties and issuers, the setting and approval of credit limits, the approval of transactions, the assessment and management of impaired assets and the establishment of the Bank's policies and strategy on counterparty and country credit risk.

- Risk Measurement and Management (RMM) – responsible for the measurement and reporting of all credit risk and market risk data and the coordination of operational risk management for the Bank. RMM reports to SRM.

These functions are independent of the Front Office and report to the Executive Vice Chairman of the Bank.

Other business-specific risks are managed primarily through designated groups and committees within the different operating divisions. Before any new activity is undertaken, the New Business Committee is required to review the proposed business, its structure and its infrastructure requirements and ensure that all material risks are identified and addressed appropriately. This committee is composed of the senior managers responsible for the Finance, Administration and Operations functions of the Bank.

To supplement its control environment, the Bank has an oversight function with (a) selected executive officers who have overall responsibility for oversight in their respective regions, (b) regional oversight managers who assist the executive officers with this responsibility and (c) a country manager in each country to manage local oversight issues. Management at the regional oversight and country levels concentrates on regulatory and reputational issues, supervising legal entities and supporting management in its efforts to improve the control environment.

In addition, the Wealth & Asset Management business has groups devoted to risks inherent in its specific activities including Portfolio Analytics, which assesses portfolio positioning versus client benchmarks and internal strategies, and Operational Risk, which is responsible for various control disciplines including Information Security oversight.

## 2 MARKET RISK

Market risk can be described as the potential change in the value of a trading portfolio resulting from the movement of market rates, prices and volatilities. A typical transaction or position may be exposed to a number of different market risks. Market risk is focused primarily within the Institutional Securities business.

The Bank devotes considerable resources to ensuring that market risk is comprehensively captured, accurately modeled and reported, and effectively managed. The RMM department consolidates exposures arising from all trading portfolios and geographic centers and calculates and reports the Bank's global aggregate risk exposure on a daily basis. To achieve this RMM uses a number of complementary risk measurement techniques, including:

- Value at Risk (VAR) is a statistical estimate of the potential loss arising from a portfolio to a predetermined level of confidence and holding period, using market movements determined from historical data.

- Scenario analysis estimates the potential immediate loss from significant changes in market parameters. These changes are modeled on past extreme events and hypothetical scenarios.

- Economic Risk Capital (ERC) estimates the impact of severe market movements and attributes internal capital usage. As markets have grown more complex, sophisticated modeling has become increasingly important for sound risk assessment and risk/return analysis.

**Value at Risk methodology** The Bank's VAR is defined as the 99th percentile greatest loss that may be expected on a portfolio over a ten-day holding period. In general, a rolling two-year period of historical data is used to derive the market movements used for this calculation. These parameters and procedures currently meet the quantitative and qualitative requirements prescribed by the Basel Committee on Banking Supervision, the Swiss Federal Banking Commission and other leading banking regulators. The methodology is subject to continuous review to ensure that it remains relevant to the business being conducted, captures all significant trading risks, is consistent across risk types and meets or exceeds regulatory and industry standards.

**Market risk limits and authorities** Fundamental to risk management is the establishment and maintenance of a sound system of integrated market risk limits to control the range of market risks inherent in trading activities. Trading limits are established and reviewed at two primary levels:

- **Board of Directors:** Ultimately responsible for the determination of general risk policy and risk management organization and for approving the overall market risk limit as recommended to them by CARMC. The Board of Directors meets at least five times a year.

- The Board of Directors established a Risk Committee in 2003. The Risk Committee provides additional oversight, and has responsibility for approval of certain limits.

- **CARMC:** The Board of Directors has delegated certain risk management and control responsibilities to CARMC, which is chaired by the Head of SRM. CARMC is responsible for the following: formulating and implementing risk management strategies; allocating risk capital; approving market risk management policies and procedures; establishing, recommending and approving certain market risk limits (depending on level) and approving limit excesses within its own authority; and approving stress tests and scenario analysis definitions. CARMC meets on a monthly basis and on an ad-hoc basis as needed.

Market risk limits can be expressed in terms of Value at Risk, Scenario Analysis, Market Value, Sensitivity and Exposure.

Market risk limits are structured at three levels:

- **an overall market risk** limit for the Bank as a whole,
- **market risk limits by division** (e.g. Fixed Income business); and
- **market risk limits by risk type per division** (e.g. foreign exchange risk in the Fixed Income business).

The three-level limit structure described above represents the Bank's official limit framework. Limits at lower levels (e.g. limits by region, by business line, trading desk, trader, loss flags, etc) are imposed by trading management. These flags are used to assist trading management to identify potential risk concentrations. RMM monitors and reports compliance with the official limit framework and also provides assistance to ensure compliance with lower level risk flags, as required.

**Market risk exposures – trading portfolios** The businesses with trading book activity perform a daily VAR calculation to assess market risk based on a ten-day holding period. The following table summarizes the market risk exposures in the Bank's trading portfolios as of December 31, 2004 and December 31, 2003. The VAR data presented below has been converted to a one-day holding period.

### The Bank's market risk exposures in trading portfolios (unaudited)

| One-day scaled, 99% VAR<br>Market Risk Exposure Type | **2004**<br>**CHFm** | 2003<br>CHFm |
|---|---|---|
| Interest rate and credit spread | **44.7** | 58.2 |
| Foreign exchange rate | **18.2** | 15.9 |
| Equity | **35.4** | 23.6 |
| Commodity | **0.4** | 0.9 |
| Diversification benefit | **(39.6)** | (40.3) |
| **Total** | **59.1** | 58.3 |

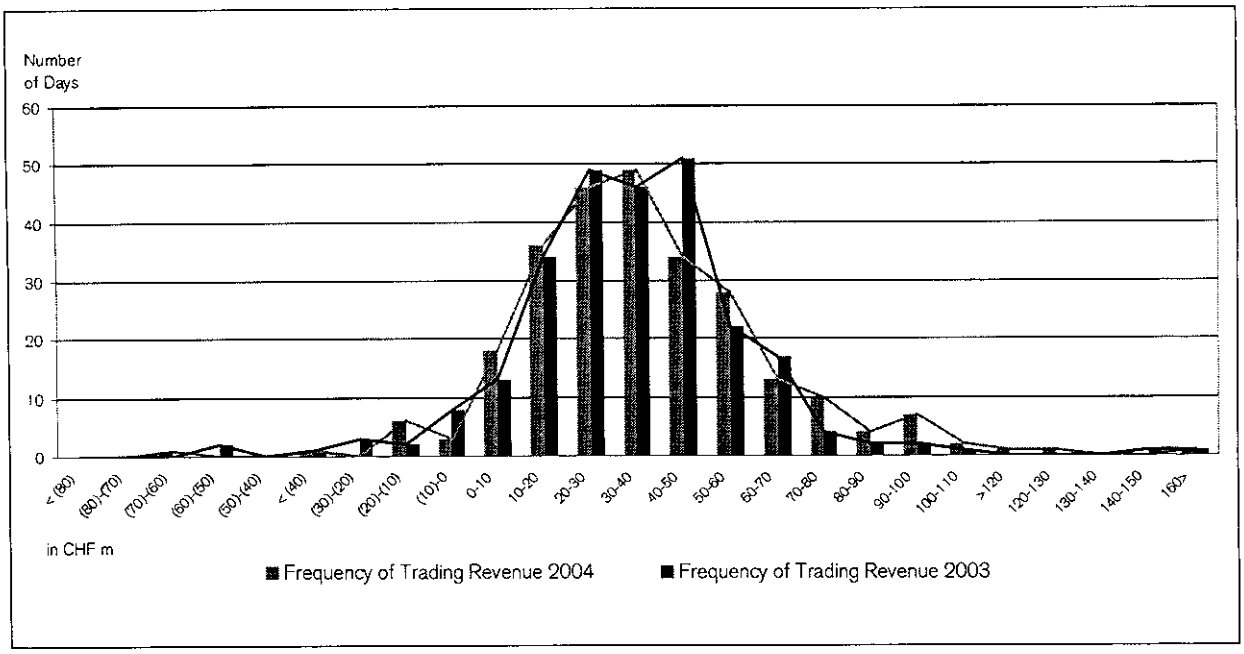
In the table above, the spot exchange rates of December 31, 2004, and December 31, 2003 were applied. The year-end, average, maximum and minimum one-day VAR over the period is shown below.

### Yearly one-day VAR comparison for the Bank's trading portfolios (unaudited)

| One-day scaled, 99% VAR | **2004**<br>**CHFm** | 2003<br>CHFm | **2004**<br>**USDm** | 2003<br>USDm |
|---|---|---|---|---|
| Year End | **59.1** | 58.3 | **52.2** | 47.2 |
| Average | **63.2** | 68.9 | **50.5** | 51.5 |
| Maximum | **104.5** | 157.3 | **80.9** | 115.3 |
| Minimum | **40.9** | 35.1 | **34.0** | 26.5 |

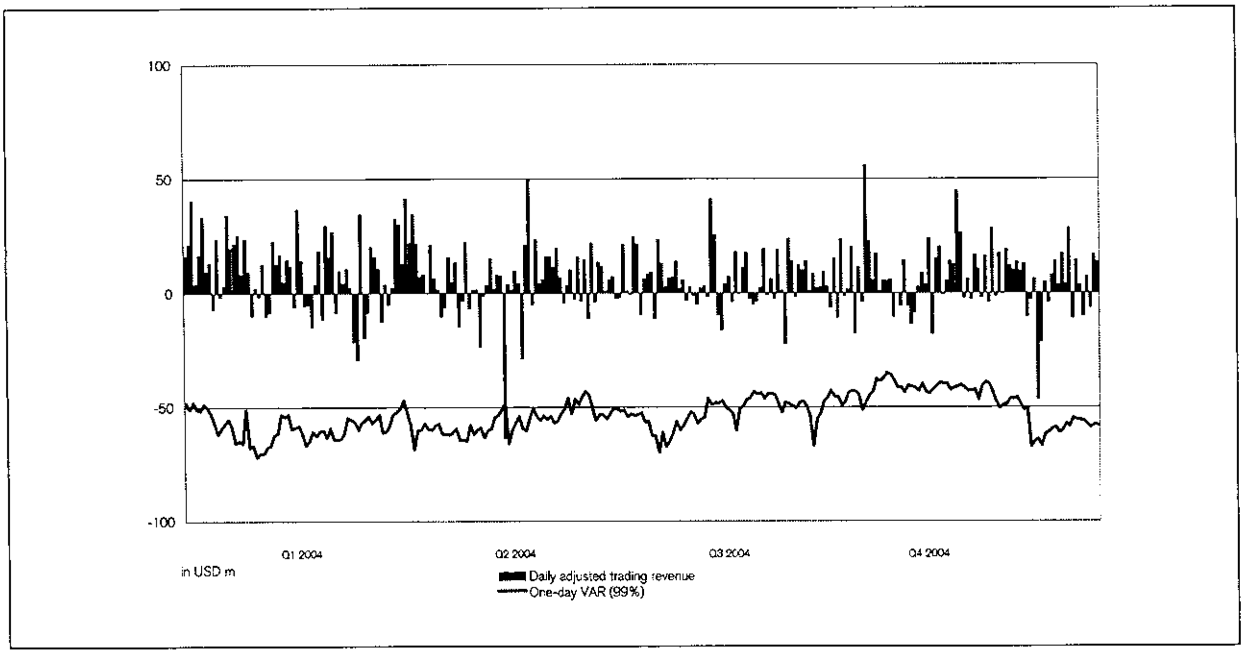
**Relationship between daily revenue and VAR estimate** The average daily trading revenue was CHF 36.7 million in 2004 (CHF 34.3 million in 2003) and the minimum and maximum levels were CHF –69.7 million in 2004 (CHF –58.0 million in 2003) and CHF 186.6 million in 2004 (CHF 154.5 million in 2003), respectively. The histogram below compares the trading revenues for 2004 with those for 2003. The trading revenue shown in this graph is the actual daily trading revenue, which not only includes backtesting profit and loss, but also such items as fees, commissions, certain provisions and the profit and loss effects associated with any trading subsequent to the previous night's positions. The frequency distribution of trading revenue for 2004 versus 2003 is shown below.

**2004 vs. 2003 distribution of the Bank's daily trading revenue (unaudited)**




**Backtesting** The comparison of daily revenue fluctuations with the daily VAR estimate is the primary method used to test the accuracy of a VAR model. Backtesting is performed at various levels of the trading portfolio, from the Bank overall down to more specific business lines. A backtesting exception occurs when the daily loss exceeds the daily VAR estimate. Results of the process at the aggregate level (see below) demonstrated one exception when comparing the 99% one-day VAR with the Backtesting P&L in 2004. An accurate model for the one-day, 99% VAR should have between zero and four backtesting exceptions on an annual basis. Backtesting profit and loss is a subset of actual trading revenue and includes only the profit and loss effects relevant to the VAR model, excluding such items as fees, commissions, certain provisions and any trading subsequent to the previous night's positions. It is appropriate to compare this measure with VAR for backtesting purposes, since VAR assesses only the potential change in position value due to overnight movements in financial market variables such as prices, interest rates and volatilities. The chart below illustrates the relationship between daily Backtesting P&L and daily VAR over the course of 2004.

**Relationship between backtesting P&L and VAR estimate for the Bank during 2004 (unaudited)**




**Market risk exposures – non-trading portfolios** The Bank uses sensitivity analysis as a risk measurement tool supporting the management of the non-trading portfolios. It is generally defined as a measure of the potential changes in a portfolio's fair value created by changes in one or multiple financial market rates or prices, including interest rates, foreign exchange rates and equity and commodity prices. The results can be focused to show the impact of an adverse shift in a single interest rate or to show the effects of many simultaneous changes.

The Bank has equity risk in its non-trading financial instruments portfolio, which consists of its private equity investments. Equity risk is measured on private equity investments using a sensitivity analysis that estimates the potential change in the recorded value of the investments resulting from a 10% decline in the equity markets of developed nations and a 20% decline in the equity markets of emerging market nations. The estimated impact on pre-tax income is a decrease of approximately USD 252 million as of December 31, 2004 and a decrease of approximately USD 289 million as of December 31, 2003.

The Bank measures interest rate risk on non-trading positions using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 50 basis points decline in the interest rates of developed nations and a 200 basis points decline in the interest rates of emerging market nations. The estimated impact on pre-tax income is a decrease of approximately USD 85 million as of December 31, 2004 and an increase of approximately USD 12 million as of December 31, 2003. This decrease is due to the reclassification of certain positions into the trading book.

The Bank measures foreign exchange risk on non-trading positions using sensitivity analysis that estimates the potential decline in the value of the non-trading portfolio resulting from the US dollar strengthening 10% against the currencies of developed nations and strengthening 20% against the currencies of emerging market nations. The estimated impact on pre-tax income is a decrease of approximately USD 39 million as of December 31, 2004 and a decrease of approximately USD 57 million as of December 31, 2003.

The Bank does not have material commodity price risks on its non-trading portfolio.

**Scenario analysis** VAR is designed to measure market risk in normal market environments. The Bank complements this with a scenario-based risk measure that examines the potential effects of changes in market conditions, corresponding to exceptional but plausible events, on its financial condition. The results of the analysis are used to manage exposures on a Bank-wide basis, as well as at the portfolio level. Scenario analysis involves the revaluation of major portfolios to arrive at a measure of the profit or loss that the Bank may suffer under a particular scenario. Scenario analysis is therefore an essential component of the Bank's market risk measurement framework for both trading and non-trading portfolios.

Global scenarios aim to capture the risk of severe disruption to all major markets and are related to historic events such as those involving the equity markets in 1987, the US real estate market in 1990, the bond markets in 1994 and the credit markets in 1998. Business level scenarios aim to capture portfolio specific risks by employing scenarios based on non-parallel yield curve shifts, changes in correlations and other pricing assumptions.

**Economic Risk Capital (ERC)** is designed as a consistent and comprehensive risk evaluation model across the whole of the Bank and Credit Suisse Group. ERC is defined as the amount of economic capital required to remain solvent and in business under extreme market, business and operational conditions. ERC is calculated separately for position risk, business risk and operational risk. These three risk categories measure very different types of risk:

- Position risk ERC — the level of unexpected loss in economic value on the Bank's portfolio of positions over a one-year horizon that is exceeded with a given, small probability (1% for risk management purposes; 0.03% for capital management purposes).
- Operational risk ERC — the level of loss resulting from inadequate or failed internal processes, people and systems or from external events over a one-year horizon that is exceeded with a small probability (0.03%). Estimating this type of ERC is inherently more subjective, and reflects both quantitative tools as well as senior management judgements.
- Business risk ERC — the difference between expenses and revenues in a severe market event, exclusive of the elements captured by position risk ERC and operational risk ERC.

### 1-Year, 99% Position Risk ERC of the Bank

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Interest Rate, Credit Spread & FX ERC | **1,472** | 1,273 |
| Equity Investment ERC | **1,410** | 1,466 |
| International Lending ERC | **1,874** | 1,775 |
| Emerging Markets ERC | **1,210** | 1,202 |
| Real Estate & Structured Asset ERC [1] | **1,707** | 1,213 |
| Diversification Benefit | **(1,903)** | (1,707) |
| **Total Position Risk ERC** | **5,770** | 5,222 |

99%, 1-Year Position Risk ERC, excluding Foreign Exchange translation risk. For an assessment of the total risk profile, Operational risk ERC and Business risk ERC have to be considered as well. For a more detailed description of the Credit Suisse Group's ERC model, please refer to Credit Suisse Group's Annual Report 2004, which is available on our website www.credit-suisse.com. Note that comparatives have been restated for methodology changes in order to maintain consistency over time.

[1] This category comprises CSFB's Commercial Real Estate exposures, CSFB's Residential Real Estate exposures and CSFB's Asset-Backed-Securities exposures.

## 3 CREDIT RISK

***Definition of credit risk***
Credit risk is the possibility of loss incurred as a result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, a creditor generally incurs a loss equal to the amount owed by the debtor, less any recovery amount resulting from foreclosure, liquidation of collateral or the restructuring of the debtor company.

Credit risk exists within lending products, commitments and letters of credit, and receivables under derivatives, foreign exchange contracts and other transactions.

***Credit risk management approach***
Effective credit risk management is a structured process to assess, quantify, price, monitor and manage risk on a consistent basis. This requires a careful consideration of proposed extensions of credit, the setting of specific limits, and diligent ongoing monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment. All of these elements are integral parts of the Bank's approach.

This credit risk management framework is regularly refined and covers all businesses that are exposed to credit risk. The framework is designed to cover all of the credit exposures in the Bank. The framework comprises seven core components:

- an individual counterparty and country rating system;
- a transaction rating system;
- a counterparty credit limit system;
- country and regional concentration limits;
- a risk-based pricing methodology;
- active credit portfolio management; and
- a credit risk provisioning methodology.

The Bank evaluates credit risk through a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. Experienced credit officers approve credit requests and assign internal ratings based on analysis and evaluation of the client's creditworthiness and the type of credit transaction. The Bank has established a counterparty credit risk classification system with which counterparties are rated and classified on a regular basis. This system affords consistency in statistical and other credit risk analysis, credit risk monitoring, risk-adjusted performance measurement and economic risk capital usage/allocation.

Each counterparty that generates a potential or actual credit risk exposure is assigned to a risk rating. Additionally, the Bank assigns an estimate of the expected loss on a transaction in the event of a counterparty default, based on the transaction structure. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the expected loss assuming a default in order to estimate the potential credit loss.

***Credit analysis methodology***
All counterparties are assigned a credit rating as noted above. The intensity and depth of analysis is related to the amount, duration and level of risk being proposed together with the perceived credit quality of the counterparty or issuer in question. Analysis consists of a quantitative and qualitative portion and strives to be forward looking, concentrating on economic trends and financial fundamentals. In addition, analysts make use of peer analysis, industry comparisons and other quantitative tools. Any final rating requires the consideration of qualitative factors relating to the company, its industry and management.

In addition to the aforementioned analysis, all counterparty ratings are subject to the rating of the country in which they are domiciled. Analysis of key sovereign and economic issues for all jurisdictions is undertaken and these are considered when assigning the rating and risk appetite for individual counterparties.

***Credit authority***

Credit authority is delegated by the Chief Credit Officer (CCO) to specific senior CRM personnel based on each person's knowledge, experience and capability. These delegations of credit authority are reviewed periodically. Credit authorization is separated from line functions. CARMC, in addition to its responsibilities for market risk, is also responsible for evaluating country, counterparty and transaction risk issues, applying senior level oversight for the credit review process and ensuring global consistency and quality of the credit portfolio. CARMC regularly reviews credit limits measuring country, geographic region and product concentrations, as well as impaired assets and recommended loan loss provisions.

A system of individual credit limits is used to manage individual counterparty credit risk. Certain other limits are also established to address concentration issues in the portfolio, including a comprehensive set of country and regional limits. Credit exposures to individual counterparties or segments and adherence to the related limits are monitored by credit officers, industry analysts and other relevant specialists. The Bank regularly analyzes its industry diversification and concentration in selected segments.

A rigorous credit quality review process has been established to provide an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include business and economic conditions, historical experience, regulatory requirements and concentrations of credit volume by industry, country, product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur due to events such as announced mergers, earnings weakness and lawsuits. In addition, credit protection, such as credit derivatives, is used to mitigate some exposures.

The review process culminates in a quarterly determination of the appropriateness of allowances for credit losses. A systematic provisioning methodology is used to identify potential credit risk related losses. Impaired transactions are classified as potential problem exposures, non-performing exposures, or non-interest earning exposures and the exposures are generally managed within the Global Recovery Management team. The CCO and Head of Global Recovery Management Group determine the adequacy of allowances, taking into consideration whether the levels are sufficient for credit losses and whether allowances can be released or if they should be increased.

## 3.1 Loans

***Loans outstanding***

The following table sets forth details of the Bank's outstanding loans, excluding loans to affiliated companies:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Consumer loans** | **540** | 1,172 |
| **Corporate loans:** | | |
| Real estate | **613** | 188 |
| Commercial & industrial loans | **13,501** | 13,859 |
| Loans to financial institutions | **5,351** | 4,473 |
| Governments and public institutions | **402** | 1,152 |
| **Corporate loans** | **19,867** | 19,672 |
| **Loans, gross** | **20,407** | 20,844 |
| Unearned income | **(32)** | (25) |
| Allowance for loan losses | **(533)** | (1,383) |
| **Total loans, net of unearned income and allowance for loan losses** | **19,842** | 19,436 |

### *Impaired loans*

The following table presents the Bank's loan portfolio disclosures, valuation adjustment disclosures and certain other items relevant to the discussion of credit risk:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Non-performing loans | **268** | 996 |
| Non-interest earning loans | **9** | 246 |
| **Total non-performing loans** | **277** | 1,242 |
| Restructured loans | **17** | 256 |
| Potential problem loans | **355** | 361 |
| **Total other impaired loans** | **372** | 617 |
| **Total impaired loans** | **649** | 1,859 |
| **Valuation allowance as a % of** | | |
| Total non-performing loans | **192%** | 111% |
| Total impaired loans | **82%** | 74% |

### *The Bank's lending strategy*

The Bank's lending strategy is one which focuses on distribution and maintaining a discipline on final hold amounts. In addition to the traditional distribution channels, the Bank is an active user of credit default swaps and securities, which transfer the credit risk into the capital markets. The Bank has entered into credit default swaps totaling approximately USD 13.2 billion in notional amount.

### *Non-performing loans*

A loan is considered impaired when the Bank believes it will be unable to collect all principal and/or interest in accordance with the contractual terms of the loan agreement. A loan is automatically classified as non-performing when the contractual payments of principal and/or interest are in arrears for 90 days. A loan can also be classified as non-performing if the contractual payments of principal and/or interest are less than 90 days past due, based on the judgment of CRM. The Bank continues to accrue interest for collection purposes; however, a corresponding provision against the accrual is booked through the income statement. In addition, for any accrued but unpaid interest at the date the loan is classified as impaired, a corresponding provision is booked against the accrual through the income statement. At the time a loan is classified as impaired and on a periodic basis going forward, the remaining principal is evaluated for collectibility and an allowance is established for the shortfall between the net recoverable amount and the remaining principal balance.

A loan can be further downgraded to non-interest earning when the collection of interest is in such a doubtful state that further accrual of interest is deemed inappropriate. At that time and on a periodic basis going forward, any unreserved remaining principal balance is evaluated for collectibility and an additional provision is established as required. Write-off of a loan occurs when the Bank is reasonably certain that there is little possibility to recover the principal. Write-offs also occur due to sales, settlements and restructurings of loans.

Generally, a loan may be restored to performing status when all delinquent principal and interest payments are brought current in accordance with the terms of the loan agreement and certain performance criteria are met.

Non-performing and total impaired loans declined substantially for the Bank in 2004, with non-performing loans declining 77.7% as of December 31, 2004 in comparison with December 31, 2003, and total impaired loans declining 65.1%.

### *Potential problem loans*

At December 31, 2004 and 2003, the Bank had potential problem loans amounting to CHF 355 million and CHF 361 million, respectively. These loans are considered potential problem loans because, although interest payments are being made, there exists reasonable doubt in CRM's judgment as to the timing and/or certainty of the repayment of contractual principal.

### *Loan valuation allowances and provisions*

The Bank maintains valuation allowances on loans as well as provisions for off-balance sheet lending related exposures (contingent liabilities and irrevocable commitments) that it considers adequate to absorb losses arising from the existing credit portfolio. Both valuation allowances and provisions are included in valuation adjustments, provisions and losses from the banking units shown on the income statement. Valuation allowances are deducted from total assets while provisions are included in total liabilities. The Bank provides for credit losses based on a regular and detailed analysis of each counterparty taking collateral value into consideration. If uncertainty exists as to the repayment of either principal or interest, a valuation allowance is either provided or adjusted accordingly. Valuation allowances and provisions are reviewed on a quarterly basis by senior management and the Bank.

In determining the amount of the valuation allowances, loans are assessed on a case-by-case basis, and the following factors are considered:

- the financial standing of a customer, including a realistic assessment – based on financial and business information – of the likelihood of repayment of the loan within an acceptable period of time considering the net present value of future cash flows;
- the realizable fair value of any collateral for the loans;
- the recovery rate; and
- the costs associated with obtaining repayment and realization of any such collateral.

### *Loan valuation allowances and provisions for inherent credit losses*

The inherent loss allowance is estimated for all loans not specifically identified as impaired, which on a portfolio basis, are considered to contain probable inherent loss. Inherent losses on loans and lending-related commitments are estimated based on historical loss and recovery experience and recorded in valuation allowances and provisions. A provision for inherent loss for off-balance sheet lending related exposure (contingent liabilities and irrevocable commitments) is also computed, using a methodology similar to that used for the loan portfolio.

### *Allowance for loan losses*

The following table presents the Bank's allowance for loan losses:

| in CHF m | 2004 | 2003 |
|---|---|---|
| **Balance January 1** | **1,383** | 3,268 |
| New provisions | **381** | 750 |
| Releases of provisions | **(419)** | (567) |
| **Net additions to allowance for loan losses** | **(38)** | 183 |
| Gross write-offs | **(839)** | (1,950) |
| Recoveries | **32** | 17 |
| **Net write-offs** | **(807)** | (1,933) |
| Allowances acquired | **(24)** | 25 |
| Provisions for interest | **61** | 126 |
| Foreign currency impact and other adjustments, net | **(42)** | (286) |
| **Balance December 31** | **533** | 1,383 |

### 3.2 Credit risk arising from trading positions and derivative transactions

Credit risk associated with the Bank's trading and derivatives business is measured against counterparty limits on at least a daily basis. Credit risk is defined in terms of mark-to-market replacement value and potential exposure to maturity. The latter is based on the volatility of the underlying market factors such as interest and foreign exchange rates.

To minimize credit risk, the Bank may enter into master netting agreements, which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events. In addition, the Bank may reduce credit risk by obtaining collateral based upon an individual assessment of counterparties. Generally the Bank accepts collateral in the form of cash, treasury instruments issued by G-7 countries and other marketable securities.

### 3.3 Country risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity, and/or currency markets. The Bank's major operating divisions all assume country risk in a variety of ways. The setting of limits for this risk is the responsibility of CARMC based on recommendations of CRM, SRM and the Bank's economists.

Country limits for emerging markets are approved annually by the Board of Directors of Credit Suisse Group, following recommendations from CARMC. The measurement of exposures against country limits is undertaken by RMM with weekly reports to senior management and monthly reports to CARMC. For trading positions, country risk is a function of the mark-to-market exposure and currency of the position, while for loans and related facilities country risk is a function of the amount and currency that the Bank has lent or committed to lend. The day-to-day management of country exposure is assigned to each of the core businesses in accordance with its business authorizations and limit allocations. RMM and CRM provide independent oversight to ensure that the core businesses operate within their limits. CRM is responsible for periodically adjusting these limits to reflect changing credit fundamentals and business volumes.

Listed below are year-end loans and credit related exposures (letters of credit, guarantees, unfunded commitments and similar instruments) and exposures to trading counterparties (mark-to-market receivables) aggregated by the rating of the country of domicile of the obligor.

**The Bank's country exposure by the Bank's rating (exclusive of provisions) (unaudited)**

| **Country Rating Class**<br>December 31 | **2004**<br>**CHFm** | % | 2003<br>CHFm | % |
|---|---|---|---|---|
| AAA | **127.8** | 81.7 | 117.8 | 79.8 |
| AA+ to AA- | **12.3** | 7.9 | 14.5 | 10.0 |
| A+ to A- | **5.8** | 3.8 | 5.5 | 3.7 |
| BBB+ to BBB- | **4.0** | 2.6 | 4.4 | 3.0 |
| BB+ to BB- | **3.2** | 2.0 | 2.5 | 1.7 |
| B+ to B- | **2.7** | 1.7 | 0.4 | 0.3 |
| CCC+ to D | **0.5** | 0.3 | 2.2 | 1.5 |
| **Total** | **156.3** | 100.0 | 147.3 | 100.0 |

## 4 OPERATIONAL RISK

The definition of operational risk used by Credit Suisse Group is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Business and strategic risk are specifically excluded from this definition. Legal Risk (see Section 6) is included within the definition.

Operational risk is inherent in many aspects of the Bank's activities and comprises a large number of disparate risks. While market or credit risk is often chosen for the prospect of gain, operational risk is not normally chosen willingly, but is accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also intrinsically difficult to measure. The Bank therefore manages operational risk differently from market or credit risks. Operational risk is controlled through a network of controls, procedures, reports and responsibilities.

Credit Suisse Group uses a group-wide framework to monitor and control such risks. The Bank operates within this framework. The Bank has longstanding resources in place to deal with the many aspects of operational risk control (e.g. a substantial Internal Audit function, reporting to the Credit Suisse Group Audit Committee, and specialist operational risk functions covering the Bank's key process dependent departments, e.g. Operations, Product Control, IT and Financial Control). The Bank's primary aim is the early identification, assessment, prevention, and mitigation of operational risks, as well as timely and meaningful management reporting.

The Bank continues to develop and enhance its operational risk framework. The key initiatives have included further enhancement of the global and regional governance structure for managing operational risk, further development of global and regional Key Risk Indicator (KRI) reporting, and the continued further development of a centralized operational risk loss database and enhanced collection processes. Also, in conjunction with Credit Suisse Group, the Bank continues to refine its Economic Risk Capital and allocation methodologies for operational risk. During the year, the Bank has continued to prepare its operational risk management and measurement framework for compliance with the requirements of the Advanced Measurement Approach within Basel II.

## 5 SETTLEMENT RISK

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of counter value from the counterparty. This risk arises whenever transactions settle on a "free of payment" basis and is especially relevant when operating across time zones.

In many instances we are now able to utilize the services of a Central Counterparty who takes on responsibility within a particular market for netting off settlement exposure between the counterparties, leaving only a net settlement outstanding. Where this is not applicable and in those instances where market convention and/or products preclude a value-for-value exchange, the Bank manages its risk through confirmation and affirmation of transaction details with counterparties. In addition, it also proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. CRM considers these factors in deciding counterparty risk limits.

## 6 LEGAL RISK

The Bank faces significant legal risks in its businesses, and the volume and amount of damages claimed in litigation and other adversarial proceedings against financial services firms is increasing. Legal risks in the investment banking business include, among other things, disputes over the terms of trades and other transactions in which the Bank acts as principal, potential liability under securities law or other law for materially false or misleading statements made in connection with transactions in which the Bank acts as underwriter, placement agent or financial adviser, potential liability for the "fairness opinions" and other advice the Bank provides to participants in corporate transactions, disputes over the terms and conditions of complex trading arrangements and disputes concerning the adequacy or enforceability of documents relating to some of the Bank's transactions. The Bank faces the possibility that counterparties in complex or risky trading transactions will claim that it improperly failed to tell them of the risks or that they were not authorized or permitted to enter into these transactions with the Bank and that their obligations to the Bank are not enforceable. The Bank is also subject to claims arising from disputes with employees for, among other things, discrimination or harassment. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

As a participant in the financial services industry, the Bank is subject to extensive regulation by governmental and self-regulatory organizations around the world. The requirements imposed by the Bank's regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Bank. Consequently, these regulations often serve to limit the Bank's activities, including through net capital, customer protection and market conduct requirements, and restrictions on the businesses in which the Bank may operate or invest. Compliance with many of these regulations entails a number of risks, particularly in areas where applicable regulations may be unclear. The authorities have the power to bring administrative or judicial proceedings against the Bank, which could result, among other things, in suspension or revocation of its licenses, restrictions on some of its business activities, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action that could materially harm its results of operations and financial condition. The Bank seeks to minimize legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behavior, extensive employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel.

Changes in laws, rules or regulations affecting the Bank's operations, or in the interpretation or enforcement of such laws, rules and regulations, may adversely affect its results. The Bank may be materially affected not only by regulations applicable to it as a financial services company, but also by regulations of general application. For example, the volume of the Bank's businesses in any one year could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies and other governmental regulations and polices and changes in the interpretation or enforcement of existing laws and rules that affect the business and financial communities.

## 7 REPUTATIONAL RISK

The Bank's policy is to avoid any action or transaction that brings with it a potentially unacceptable level of risk to the Bank's reputation.

Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for the Bank, the relevant business proposal is required to be submitted to the Bank's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of the Bank's Reputational Risk Approvers, each of whom is independent of the Bank's business divisions and whom have authority to approve, reject, or impose conditions on the Bank's participation.

## 8 LIQUIDITY AND CORPORATE ASSET AND LIABILITY MANAGEMENT

### *Liquidity management*

*Organization*

The Bank believes that maintaining access to liquidity is fundamental for firms operating in the financial services industry. As a result, the Bank has established a comprehensive process for the management and oversight of its liquidity, funding and capital strategies. The Bank's Capital Allocation and Risk Management Committee, or CARMC, has primary oversight responsibility for these functional disciplines. CARMC reviews and approves liquidity management policies and targets and reviews the liquidity position and other key risk indicators.

The Bank's Corporate Treasury department is responsible for the management of capital, liquidity, long-term funding and a portion of short-term funding, as well as for relationships with creditor banks and fixed income investors. It also maintains regular contact with rating agencies and regulators on liquidity and capital issues.

*Liquidity management*

The Bank manages liquidity so as to ensure that sufficient funds are either on-hand or readily available on short notice in the event that it experiences any impairment in its ability to borrow in the unsecured debt markets. In this way the Bank ensures that, even in the event of a liquidity dislocation, it has sufficient funds to repay maturing liabilities and other obligations so that it is able to carry out its business plans with as little disruption as possible.

The Bank's liquidity management structure operates at two levels, the "bank franchise" and the "non-bank franchise".

First, the "bank franchise", comprising the Bank and its regulated subsidiaries, has access to funds raised directly by the Bank from stable deposit-based core funds and the interbank markets, as well as secured funding via the repurchase and securities lending markets. Historically, the Bank's deposit base has proven extremely stable and is comprised of a diversified customer base, including retail deposits, accessed via its sister Swiss bank, Credit Suisse, as well as wholesale and institutional deposits accessed directly by the Bank. In a stressed liquidity environment, the Bank's regulated broker-dealers would directly access the secured funding markets to replace unsecured borrowings from the parent bank.

Second, the "non-bank franchise", where access to parent bank funding is limited, the Bank aims to maintain sufficient liquidity so that in the event that it is unable to access the unsecured capital markets, it will have cash and liquid assets sufficient to repay maturing liabilities for an extended period. When assessing the amount of cash and liquid assets, consideration is given to any regulatory restrictions that limit the amount of cash that could be distributed upstream by the Bank's principal broker-dealer subsidiaries, which hold the majority of its consolidated assets.

The majority of the Bank's assets are held in its bank franchise. A significant portion of these assets – principally trading inventories that support its Institutional Securities business – are highly liquid, consisting of securities inventories and collateralized receivables, which fluctuate depending on the levels of proprietary trading and customer business. Collateralized receivables consist primarily of securities purchased under agreements to resell and securities borrowed, both of which are primarily secured by government and agency securities, and marketable corporate debt and equity securities. In addition, the Bank has significant receivables from customers and broker-dealers that turn over frequently. To meet client needs as a securities dealer, the Bank may carry significant levels of trading inventories. Other assets financed by the bank franchise include loans to corporate and other institutional clients, money market holdings and foreign exchange positions that are held directly on the Bank's own balance sheet.

Assets held in the Bank's non-bank franchise include less-liquid assets such as certain mortgage whole loans, distressed securities, high-yield debt securities, asset-backed securities and private equity investments. These assets may be relatively illiquid at times, especially during periods of market stress. The non-bank franchise also provides most of the regulatory capital (equity and subordinated debt) in the Bank's broker-dealer and bank subsidiaries.

The principal measure used to monitor the liquidity position at each of the funding franchises of the Bank is the "liquidity barometer," which estimates the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of maturing unsecured liabilities plus a conservative forecast of anticipated contingent commitments. The Bank's objective, as mandated by CARMC, is to ensure that the liquidity barometer for each of the funding franchises is maintained at a sufficient level so as to ensure that, in the event that the Bank is unable to access unsecured funding, it will have sufficient liquidity for an extended period. The Bank believes this will enable it to carry out its business plans during extended periods of market stress, while minimizing, to the extent possible, disruptions to its business.

In the non-bank franchise, liabilities are measured at their contractual maturities because, historically, investors in publicly issued debt securities and commercial paper are highly sensitive to liquidity events, and access to these markets could be quickly diminished. Conversely, the bank franchise's retail and institutional deposit base is measured using contractual maturities that have been adjusted to reflect behavioral stability. Historically, this core deposit base has proven extremely stable, even in stressed markets. The conservative parameters the Bank uses in establishing the time horizons in the funding franchises assume that assets will not be sold to generate cash, no new unsecured debt can be issued, and funds that are assumed to be trapped because of regulatory restrictions are not available to be distributed upstream in a stressed liquidity environment. Contingent commitments include such things as letters of credit, credit rating-related collateralization requirements, backup liquidity lines provided to asset-backed commercial paper conduits and committed credit facilities to clients that are currently undrawn. The adjusted market value of unencumbered assets includes a conservative reduction from market value, or "haircut," reflecting the amount that could be realized by pledging an asset as collateral to a third-party lender in a secured funding transaction. The Bank regularly stress tests its liquidity resources using scenarios designed to represent highly adverse conditions.

The bank franchise maintains a large secondary source of liquidity, principally through the Bank's principal broker-dealers and other regulated entities. The bank franchise has historically been able to access significant liquidity through the secured funding markets (securities sold under agreements to repurchase, securities loaned and other collateralized financing arrangements), even in periods of market stress. The Bank continually monitors its overall liquidity by tracking the extent to which unencumbered marketable assets and alternative unsecured funding sources exceed both contractual obligations and anticipated contingent commitments.

The Bank's liquidity planning and management focuses on maintaining a liquidity cushion so that it may continue to conduct its business for an extended period in the event of a crisis. The Bank's liquidity contingency plan focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers. The plan, which is regularly updated, sets out a three-stage process of the specific actions that would be taken:

- Stage I – Market disruption
- Stage II – Unsecured markets partially inaccessible
- Stage III – Unsecured markets fully inaccessible

In the event of a liquidity crisis, a meeting of the Liquidity Crisis Committee would be convened by Corporate Treasury to activate the contingency plan. The Liquidity Crisis Committee's membership includes senior business line, funding and finance department management and this committee would meet frequently throughout the crisis to ensure the plan is executed.

In 2004, the Bank moved from syndicated unsecured facilities to bilateral secured facilities. The Bank, through various broker-dealer and bank subsidiaries, has negotiated secured bilateral committed credit arrangements with various third party banks. As of December 31, 2004, the Bank maintained 7 such credit facilities that collectively totaled USD 3.2 billion. These facilities require the Bank's various broker-dealer and bank subsidiaries to pledge unencumbered marketable securities to secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the Federal Funds rate or LIBOR and can be used for general corporate purposes. The facilities contain customary covenants that the Bank believes will not impair its ability to obtain funding. As of December 31, 2004, no borrowings were outstanding under any of the facilities.

*Funding sources and strategy*

The bank franchise's assets are principally funded with a mixture of secured and unsecured funding. Secured funding consists of collateralized short-term borrowings, which include securities sold under agreements to repurchase and securities loaned. Unsecured funding is accessed through the Bank's substantial and historically stable core deposit base, and borrowings in the wholesale and institutional deposit markets, as well as from its Swiss bank affiliate, Credit Suisse, which has access to retail deposit markets. Additionally, the Bank issues capital in long-term funding markets to meet regulatory requirements.

The non-bank funding franchise's assets are also funded with a mixture of secured and unsecured sources. Secured funding consists of collateralized short-term borrowings, while unsecured funding includes principally long-term borrowings and, to a lesser extent, commercial paper. The Bank typically funds a significant portion of less-liquid assets, such as private equity investments, with long-term capital market borrowings and shareholder's equity. Unsecured liabilities are issued through various debt programs.

Other significant funding sources include financial instruments sold not yet purchased, payables to customers and broker-dealers and shareholder's equity.

Short-term funding is generally obtained at rates related to the Federal Funds rate, LIBOR or other money market indices, while long-term funding is generally obtained at fixed and floating rates related to US Treasury securities or LIBOR, depending upon prevailing market conditions. The Bank continually aims to broaden its funding base by geography, investor and funding instrument.

The Bank lends funds as needed to its operating subsidiaries and affiliates on both a senior and subordinated basis, the latter typically to meet capital requirements in regulated subsidiaries. The Bank generally tries to ensure that loans to its operating subsidiaries and affiliates have maturities equal to or shorter in tenor than the maturities of its market borrowings. As such, senior funding to operating subsidiaries and affiliates is typically extended on a demand basis. Alternatively, subordinated financing to regulated subsidiaries is extended on a term basis and the Bank structures its long-term borrowings with maturities that extend beyond those of its subordinated advances to subsidiaries and affiliates.

Additionally, the Bank generally funds investments in subsidiaries with shareholder's equity. To satisfy the Swiss and local regulatory capital needs of its regulated subsidiaries, the Bank enters into subordinated long-term borrowings. At December 31, 2004, it had consolidated long-term debt of approximately CHF 82.4 billion, with approximately CHF 11.4 billion representing subordinated debt.

***Corporate asset and liability management***

The Corporate Treasury department at the Bank also oversees corporate policy with respect to non-trading book interest rate and foreign exchange exposure, as well as a range of other important policy areas including debt maturity profile, internal and external capitalization and intercompany funding. The Bank minimizes interest rate and foreign currency exposures from a corporate perspective. Trading divisions are authorized to take such risks as part of their business strategies, within limits set by CARMC.

# CONSOLIDATED US GAAP FINANCIAL STATEMENTS 2004

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Report of the Group Auditors to the General Meeting of

**Credit Suisse First Boston, Zurich**

We have audited the accompanying consolidated balance sheets of Credit Suisse First Boston and subsidiaries ("the Company") as of 31 December 2004 and 2003, and the related consolidated statements of income, changes in shareholder's equity, and cash flows for each of the years in the two-year period ended 31 December 2004. These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We confirm that we meet the legal requirements concerning professional qualification and independence.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and auditing standards promulgated by the Swiss profession. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2004 and 2003, and the results of its operations and cash flows for each of the years in the two-year period ended 31 December 2004, in conformity with accounting principles generally accepted in the United States of America, and comply with Swiss law.

In accordance with Swiss law, we recommend that the consolidated financial statements submitted to you be approved.

As discussed in Notes 1 and 2 to the consolidated financial statements, in 2004 the Company changed its method of accounting for certain variable interest entities and in 2003 the Company changed its methods of accounting for variable interest entities and share-based compensation.

KPMG Klynveld Peat Marwick Goerdeler SA

Brendan R Nelson
*Chartered Accountant*
*Auditors in charge*

Stephen Bryans
*Chartered Accountant*

Zurich, Switzerland 24 March 2005

# CONSOLIDATED US GAAP FINANCIAL STATEMENTS

## Consolidated statements of income

| Year ended December 31, in CHF m | Reference to notes | 2004 | 2003 |
|---|---|---|---|
| Interest and dividend income | 6 | **20,606** | 18,437 |
| Interest expense | 6 | **(16,883)** | (14,282) |
| **Net interest income** | 6 | **3,723** | 4,155 |
| Commissions and fees | 8 | **8,568** | 8,544 |
| Trading revenues | 7 | **2,912** | 2,098 |
| Realized (losses)/gains from investment securities available-for-sale, net | 10 | **(12)** | 47 |
| Other revenues | 8 | **2,366** | 765 |
| **Total noninterest revenues** | | **13,834** | 11,454 |
| **Net revenues** | | **17,557** | 15,609 |
| **(Recovery of)/provision for credit losses** | | **(33)** | 165 |
| Banking compensation and benefits | 8 | **8,776** | 7,876 |
| Other expenses | 8 | **5,481** | 5,634 |
| Goodwill and intangible assets impairment | | **6** | 274 |
| **Total operating expenses** | | **14,263** | 13,784 |
| **Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes** | | **3,327** | 1,660 |
| Income tax expense | 23 | **550** | 603 |
| Dividends on preferred securities for consolidated entities | | **0** | 5 |
| Minority interests, net of tax | | **1,107** | 96 |
| **Income from continuing operations before cumulative effect of accounting changes** | | **1,670** | 956 |
| Income from discontinued operations, net of tax | 4 | **0** | 63 |
| Cumulative effect of accounting changes, net of tax | | **(16)** | (67) |
| **Net income** | | **1,654** | 952 |

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

# CONSOLIDATED US GAAP FINANCIAL STATEMENTS

## Consolidated balance sheets

| December 31, in CHF m | Reference to notes | 2004 | 2003 |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | | **21,314** | 20,240 |
| Interest-bearing deposits with banks | | **3,635** | 4,837 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | 9 | **255,261** | 247,486 |
| Securities received as collateral | | **20,016** | 14,827 |
| Trading assets (of which CHF 96,020 m and CHF 95,309 m encumbered) | 7 | **306,736** | 264,484 |
| Investment securities available-for-sale | 10 | **635** | 2,137 |
| Other investments | 11 | **6,371** | 2,534 |
| Real estate held for investment | 12 | **116** | 260 |
| Loans, net of allowance for loan losses of CHF 533 m and CHF 1,383 m | 13 | **22,827** | 25,164 |
| Premises and equipment | 14 | **3,873** | 4,071 |
| Goodwill | 15 | **8,823** | 9,558 |
| Intangible assets | 16 | **434** | 526 |
| Other assets (of which CHF 4,785 m and CHF 2,644 m encumbered) | 17 | **71,111** | 56,102 |
| **Total assets** | | **721,152** | 652,226 |
| **Liabilities and shareholder's equity** | | | |
| Deposits | 19 | **153,715** | 126,648 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | 9 | **221,359** | 220,706 |
| Obligation to return securities received as collateral | | **20,016** | 14,827 |
| Trading liabilities | 7 | **143,250** | 148,765 |
| Short-term borrowings | | **19,852** | 16,199 |
| Long-term debt | 20 | **82,433** | 68,143 |
| Other liabilities | 21 | **61,329** | 42,279 |
| Preferred securities | | **0** | 154 |
| Minority interests | | **7,086** | 1,969 |
| **Total liabilities** | | **709,040** | 639,690 |
| Common shares | | **4,400** | 4,400 |
| Additional paid-in capital | | **14,251** | 14,957 |
| Accumulated deficit | | **(158)** | (1,812) |
| Treasury shares, at cost | | **(3,131)** | (2,431) |
| Accumulated other comprehensive loss | 22 | **(3,250)** | (2,578) |
| **Total shareholder's equity** | | **12,112** | 12,536 |
| **Total liabilities and shareholder's equity** | | **721,152** | 652,226 |

Commitments and contingencies refer to notes 28 and 35.

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

## Consolidated statements of changes in shareholder's equity

| in CHF m, except common shares outstanding | Common shares outstanding [1] | Common shares | Additional paid-in capital | Accumulated deficit | Treasury shares, at cost | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|---|
| Balance December 31, 2002 | 43,996,652 | 4,400 | 16,218 | (2,764) | (2,981) | (1,778) | 13,095 |
| Net income | | | | 952 | | | 952 |
| Other comprehensive loss, net of tax | | | | | | (800) | (800) |
| Repurchase of treasury shares | | | | | (419) | | (419) |
| Share-based compensation | | | (1,100) | | 969 | | (131) |
| Return of capital | | | (161) | | | | (161) |
| Balance December 31, 2003 | 43,996,652 | 4,400 | 14,957 | (1,812) | (2,431) | (2,578) | 12,536 |
| Net income | | | | 1,654 | | | 1,654 |
| Other comprehensive loss, net of tax | | | | | | (672) | (672) |
| Repurchase of treasury shares | | | | | (1,414) | | (1,414) |
| Share-based compensation | | | (77) | | 714 | | 637 |
| Other [2] | | | (619) | | | | (619) |
| Return of capital | | | (10) | | | | (10) |
| **Balance December 31, 2004** | **43,996,652** | **4,400** | **14,251** | **(158)** | **(3,131)** | **(3,250)** | **12,112** |

[1] At par value CHF 100 each, fully paid. [2] Substantially relates to the deconsolidation of variable interest entities under Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (FIN 46), as revised.

## Comprehensive income

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Net income | **1,654** | 952 |
| Other comprehensive loss | **(672)** | (800) |
| **Comprehensive income** | **982** | 152 |

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

# CONSOLIDATED US GAAP FINANCIAL STATEMENTS

## Consolidated statements of cash flows

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Operating activities of continuing operations** | | |
| Net income | **1,654** | 952 |
| Income from discontinued operations, net of tax | **0** | (63) |
| **Income from continuing operations** | **1,654** | 889 |
| **Adjustments to reconcile net income to net cash provided by/(used in) operating activities of continuing operations** | | |
| Impairment, depreciation and amortization | **644** | 1,096 |
| (Recovery of)/provision for credit losses | **(33)** | 165 |
| Deferred tax provision | **(339)** | (160) |
| (Gains)/losses from investment securities available-for-sale | **12** | (47) |
| Share of net (income)/loss from equity method investments | **(109)** | 21 |
| Cumulative effect of accounting changes, net of tax | **16** | 67 |
| Trading assets and liabilities | **(44,197)** | (3,402) |
| Increase in accrued interest, fees receivable and other assets | **(28,952)** | (17,237) |
| Increase/(decrease) in accrued expenses and other liabilities | **23,287** | (8,518) |
| Other, net | **525** | 1,471 |
| **Total adjustments** | **(49,146)** | (26,544) |
| **Net cash used in operating activities of continuing operations** | **(47,492)** | (25,655) |
| **Investing activities of continuing operations** | | |
| Decrease/(increase) in interest-bearing deposits with banks | **1,171** | (1,204) |
| Increase in central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | **(26,925)** | (7,374) |
| Purchase of investment securities available-for-sale | **(169)** | (5,657) |
| Proceeds from sale of investment securities available-for-sale | **1,094** | 1,454 |
| Maturities of investment securities available-for-sale | **328** | 6,994 |
| Investments in subsidiaries and other investments | **131** | (702) |
| Proceeds from sale of other investments | **1,557** | 1,202 |
| (Increase)/decrease in loans | **(971)** | 10,512 |
| Proceeds from sales of loans | **1,294** | 1,864 |
| Capital expenditures for premises and equipment and intangible assets | **(588)** | (456) |
| Proceeds from sale of premises and equipment and intangible assets | **0** | 158 |
| Other, net | **77** | 2,316 |
| **Net cash (used in)/provided by investing activities of continuing operations** | **(23,001)** | 9,107 |

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

## Consolidated statements of cash flows (continued)

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Financing activities of continuing operations** | | |
| Increase in deposits | **32,113** | 16,906 |
| Increase/(decrease) in short-term borrowings | **1,592** | (755) |
| Increase/(decrease) in central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | **17,940** | (5,033) |
| Issuances of long-term debt | **36,721** | 21,254 |
| Repayments of long-term debt | **(14,567)** | (22,135) |
| Repurchase of treasury shares | **(1,414)** | (419) |
| Return of capital | **(10)** | (161) |
| Other, net | **(299)** | (636) |
| **Net cash provided by financing activities of continuing operations** | **72,076** | 9,021 |
| Effect of exchange rate changes on cash and due from banks | **(509)** | (1,161) |
| **Discontinued operations** | | |
| Net cash provided by discontinued operations | **0** | 4,358 |
| **Net increase/(decrease) in cash and due from banks** | **1,074** | (4,330) |
| Cash and due from banks at beginning of year | **20,240** | 24,570 |
| **Cash and due from banks at end of year** | **21,314** | 20,240 |

| **Supplemental disclosures of cash flow information** | | |
|---|---|---|
| Cash paid during the year for income taxes | **613** | 336 |
| Cash paid during the year for interest | **16,810** | 14,365 |
| Non-cash investing and financing activities | | |
| Transfers of repossessed assets | **24** | 0 |
| Assets acquired and liabilities assumed in business acquisitions | | |
| Fair value of assets acquired | **0** | 80 |
| Fair value of liabilities assumed | **0** | (77) |
| Assets and liabilities sold in business divestitures | | |
| Fair value of assets sold | **0** | (38,555) |
| Fair value of liabilities sold | **0** | 34,426 |

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

# NOTES TO THE CONSOLIDATED US GAAP FINANCIAL STATEMENTS

## 1 Summary of significant accounting policies

**The Bank**
Credit Suisse First Boston (the Bank) serves global institutional, corporate, government and high-net-worth clients as a financial intermediary, providing a broad range of products and services including securities underwriting, sales and trading, financial advisory, private equity investments, full service brokerage, derivatives and risk management products, asset management, and research.

The accompanying consolidated financial statements of the Bank are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), and are stated in Swiss francs (CHF). The financial year for the Bank ends on December 31.

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

**Principles of consolidation**
The consolidated financial statements include the financial statements of the Bank and its subsidiaries. The Bank's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control, for entities in which the equity holders have substantive voting interests. Effective December 31, 2003, the Bank consolidated variable interest entities (VIEs) where the Bank was the primary beneficiary in accordance with the Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (FIN 46), as revised. The effects of intercompany transactions and balances have been eliminated.

The Bank accounts for investments in which it has the ability to exercise significant influence, which generally are investments in which the Bank holds 20% to 50% of the voting rights, using the equity method of accounting under *Other investments*. The Bank's share of the profit or loss, as well as any impairment losses on the investee, if applicable, are included in *Other revenues*.

**Foreign currency translation**
Transactions denominated in currencies other than the functional currency of the related entity are recorded by translating to the functional currency of the related entity at the exchange rate on the date of the transaction. At the balance sheet date, monetary assets and liabilities such as receivables and payables are reported using the year-end spot exchange rates. Exchange rate differences are reported in the Consolidated statements of income.

For the purpose of consolidation, the assets and liabilities of Bank companies with functional currencies other than CHF are translated into CHF equivalents using year-end spot foreign exchange rates, whereas revenues and expenses are translated using the average foreign exchange rate for the year. Translation adjustments arising on consolidation are included in *Accumulated other comprehensive loss (AOCL)* within *Shareholder's equity*.

**Cash and cash equivalents**
Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less and that are held for cash management purposes.

**Reverse repurchase and repurchase agreements**
Purchases of securities under resale agreements (reverse repurchase agreements) and securities sold under agreements to repurchase substantially identical securities (repurchase agreements) normally do not constitute economic sales and are therefore treated as collateralized financing transactions and are carried at the amount of cash disbursed or received, respectively. Reverse repurchase agreements are recorded as collateralized assets while repurchase agreements are recorded as liabilities, with the underlying securities sold continuing to be recognized in *Trading assets* or *Investment securities available-for-sale*. Assets and liabilities recorded under these agreements are accounted for on an accrual basis, with interest earned on reverse repurchase agreements and interest incurred on repurchase agreements reported in *Interest and dividend income* and *Interest expense*, respectively. Reverse repurchase and repurchase agreements are

netted if they are with the same counterparty, have the same maturity date, settle through the same clearing institution and are subject to the same master netting agreement.

**Securities lending and borrowing (SLB) transactions**
Securities borrowed and securities loaned that are cash-collateralized are included in the Consolidated balance sheets at amounts equal to the cash advanced or received. If securities received as collateral in an SLB transaction may be sold or re-pledged, they are recorded as *Securities received as collateral* and a corresponding liability to return the security is recorded as *Obligation to return securities received as collateral*. Fees and interest received or paid are recorded in *Interest and dividend income* and *Interest expense*, respectively, on an accrual basis.

**Trading assets and liabilities**
Trading assets and liabilities include debt and equity securities, derivative instruments, loans and precious metals. Items included in the trading portfolio are carried at fair value and classified as held for trading purposes based on management's intent for the individual item. Regular-way security transactions are recorded on a trade date basis.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction other than an involuntary liquidation or distressed sale. Quoted market prices are used when available to measure fair value. In cases where quoted market prices are not available, fair value is estimated using valuation models that consider prices for similar assets or similar liabilities and other valuation techniques.

Unrealized and realized gains and losses on trading positions, including amortization of premium/discount arising at acquisition of debt securities, are recorded in *Trading revenues*. Interest from debt securities and dividends on equity securities are recorded in *Interest and dividend income*.

***Derivatives***
All freestanding derivative contracts are carried at fair value in the balance sheet regardless of whether these instruments are held for trading or risk management purposes. Commitments to originate mortgage loans that will be held-for-sale are considered derivatives for accounting purposes. Derivative features embedded in certain contracts that are not considered derivatives in their entirety are measured at fair value, if certain criteria are met. When such embedded features are not considered clearly and closely related to the host instrument and meet the definition of a derivative, the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated statements of income. Once separated, the derivative is recorded in the same line in the Consolidated balance sheets as the host instrument.

Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity. Such derivatives are carried at fair value with changes in realized and unrealized gains and losses and interest flows included in *Trading revenues*.

The fair value of a derivative is the amount for which that derivative could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Fair values recorded for derivative instruments do not indicate future gains or losses, but rather the unrealized gains and losses from valuing all derivatives at a particular point in time. The fair value of exchange-traded derivatives is typically derived from observable market prices and/or observable market parameters. Fair values for over-the-counter (OTC) derivatives are determined on the basis of internally developed proprietary models using various input parameters. Where the input parameters cannot be validated using observable market data, reserves are established for unrealized gains evident at the inception of the contracts so that no gain is recorded at inception. Such reserves are amortized to income over the life of the instrument or released into income when observable market data becomes available. Derivative contracts are recorded on a net basis per counterparty, where an enforceable master netting agreement exists. Where no such agreement exists, replacement values are recorded on a gross basis.

Derivative contracts designated and qualifying as fair value hedges, cash flow hedges or net investment hedges are reported as *Other assets* or *Other liabilities* and hedge accounting is applied. Where hedge accounting is applied, the

Bank formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. The Bank discontinues hedge accounting prospectively in the following circumstances:

- It is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including forecasted transactions);
- The derivative expires or is sold, terminated, or exercised;
- The derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- The Bank otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

For derivatives that are designated and qualify as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the Consolidated statements of income as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. Hedge ineffectiveness is separately recorded in *Trading revenues*.

When the Bank discontinues fair value hedge accounting because it determines that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried on the balance sheet at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value attributable to the hedged risk. Fair value adjustments made to the underlying hedged items will be amortized to the Consolidated statements of income over the remaining life of the hedged item. Any unamortized fair value adjustment is recorded in earnings upon sale or extinguishment of the hedged asset or liability.

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in *AOCL*. These amounts are reclassified into earnings when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the Consolidated statements of income or when the hedged item is disposed of). Hedge ineffectiveness is recorded in *Trading revenues*.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in *AOCL* and will be reclassified into earnings in the same period or periods during which the formerly hedged transaction affects earnings. When the Bank discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses that were previously recorded in *AOCL* will be recognized immediately in earnings.

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging derivative is recorded in *AOCL*, to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in *Trading revenues*. The Bank uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in *AOCL*, to the extent the hedge is effective.

**Securitization**

The Bank securitizes commercial and residential mortgages, which it originates and purchases, and loans and other debt obligations, which it purchases from third parties. The Bank accounts for the transfers of financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140). The Bank records a loan securitization as a sale when the transferred loans are legally isolated from the Bank's creditors and the accounting criteria for a sale are met. The Bank may retain interests in these securitized assets in connection with its underwriting and market-making activities. Retained interests in securitized financial assets are included at fair value in *Trading assets* in the Consolidated balance sheets. Any changes in the fair value of these retained interests are recognized in the Consolidated statements of income. The fair values of retained interests are determined using present value of estimated future cash flows valuation techniques that incorporate assumptions that market participants customarily use in their estimates of values including payment speeds, credit losses and discount rates. See Note 29 for more information.

**Investment securities**

*Investment securities available-for-sale* includes debt and marketable equity securities. Regular-way security transactions are recorded on a trade date basis.

Debt and equity securities classified as available-for-sale are carried at fair value. Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in *AOCL,* net of applicable income taxes.

Gains or losses on the sales of securities classified as available-for-sale are recorded in *Realized (losses)/gains from investment securities available-for-sale, net* at the time of sale on the basis of specific identification.

Recognition of an impairment loss on debt securities is recorded in the Consolidated statements of income if a decline in fair value below amortized cost is considered other-than-temporary, that is, amounts due according to the contractual terms of the security are not considered collectible, typically due to a deterioration in the creditworthiness of the issuer.

Recognition of an impairment loss on equity securities is recorded in the Consolidated statements of income if a decline in fair value below the cost basis of an investment is considered other-than-temporary. The Bank generally considers unrealized losses on equity securities to be other-than-temporary if the fair value has been below cost for more than six months or by more than 20%.

Recognition of an impairment loss for debt or equity securities establishes a new cost basis, which is not adjusted for subsequent recoveries.

Unrealized losses are recognized in the Consolidated statements of income when a decision has been taken to sell a security.

**Other investments**

*Other investments* include equity method investments and non-marketable equity securities such as private equity and restricted stock investments, as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.

Non-marketable equity securities held by the Bank's subsidiaries that are considered investment companies or broker/dealer entities are carried at their estimated fair value, with changes in fair value recorded in the Consolidated statements of income. The Bank's other non-marketable equity securities are carried at cost less other-than-temporary impairment.

**Loans**

*Loans* are carried at outstanding principal balances net of unamortized premiums and discounts on purchased loans, deferred loan origination fees and direct loan origination costs on originated loans. Interest income is accrued on the unpaid principal balance and net deferred premiums/discounts and fees/costs are amortized as an adjustment to the loan yield over the term of the related loans.

***Allowance for loan losses***

The allowance for loan losses is comprised of two components: probable credit losses inherent in the portfolio and those losses specifically identified. Changes in the allowance for loan losses are recorded in the Consolidated statements of income in *(Recovery of)/provision for credit losses.*

Many factors can affect the Bank's estimate of the allowance for loan losses, including volatility of default probabilities, rating migrations and loss severity. The component of the allowance representing probable losses inherent in the portfolio is for loans not specifically identified as impaired which, on a portfolio basis, are considered to contain probable inherent loss. The estimation of this component of the allowance for the consumer portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogenous loans based on risk rating and product type. To estimate this component of the allowance for commercial loans, the Bank segregates loans by risk, industry or country rating. Excluded from this estimation process are consumer and commercial loans where a specifically identified loss has been included in the specific component of the allowance for loan losses. For lending-related commitments, a provision for losses is estimated based on historical loss and recovery experience, which is recorded in *Other liabilities*. Changes in the estimated calculation of losses are recorded in the Consolidated statements of income in *(Recovery of)/provision for credit losses.*

The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. If uncertainty exists as to the repayment of either principal or interest, a specific provision is either established or adjusted accordingly. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of future cash flows. The Bank considers a loan impaired when, based on current information and events, it is probable that it will be unable to collect the amounts due according to the contractual terms of the loan agreement. A loan is classified as non-performing no later than when the contractual payments of principal and/or interest are more than 90 days past due. However, management may determine that a loan should be classified as non-performing notwithstanding that contractual payments of principal and/or interest are less than 90 days past due. For non-performing loans, the Bank continues to accrue interest for collection purposes, however, a provision is recorded resulting in no income recognition. In addition, for any accrued but unpaid interest at the date the loan is classified as non-performing, a provision is recorded in the amount of the accrual, resulting in a charge to the Consolidated statements of income. On a regular basis thereafter, the outstanding principal balance is evaluated for collectibility and a provision is established for any shortfall between the estimated net recoverable amount and the principal balance.

A loan can be further downgraded to non-interest earning when the collection of interest is considered so doubtful that further accrual of interest is deemed inappropriate. At that time and on a regular basis thereafter, the outstanding principal balance net of provisions previously recorded is evaluated for collectibility and additional provisions are established as required. Charge-off of a loan occurs when it is considered certain that there is no possibility of recovering the outstanding principal. Recoveries of loans previously charged-off are recorded based on the cash or estimated fair market value of other amounts received.

The amortization of net loan fees or costs on impaired loans is generally discontinued during the periods in which the loan is non-performing. Cash amounts received relating to fees are applied to the outstanding principal loan balance during this period. On settlement of a loan, if the loan balance is not collected in full, the loan is charged-off, net of any deferred loan fees and costs.

Interest collected on non-performing loans is accounted for using the cash basis or the cost recovery method or a combination of both, as appropriate. Interest collected on non-interest earning loans is accounted for using the cost recovery method only. Generally, an impaired loan may be restored to performing status only when delinquent principal and interest are brought up to date in accordance with the terms of the loan agreement and when certain performance criteria are met. Upon restoration to performing loan status, any remaining previously recognized provisions for interest or principal are released through the Consolidated statements of income *(Recovery of)/provisions for credit losses.*

Loans held-for-sale are carried at the lower of amortized cost or market value and are included in *Other assets*. Lease financing transactions where the Bank is the lessor are included in *Loans* at amounts representing the gross receivable less any unearned lease income. Lease payments received are recorded as a reduction of the gross lease receivable, and a portion is recorded as *Interest and dividend income*.

**Real estate, premises and equipment**
Real estate is carried at cost less accumulated depreciation and is depreciated over its estimated useful life, generally 40 to 67 years. Land is carried at historical cost and is not depreciated. Alterations and improvements to rented premises are depreciated over the shorter of the lease term or estimated useful lives. Other tangible fixed assets such as computers, machinery, furnishings, vehicles and other equipment are depreciated using the straight-line method over their estimated useful life, generally three to five years.

The Bank capitalizes costs relating to the acquisition, installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Bank depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding three years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

The Bank reflects finance leasing activities for which it is the lessee by recording an asset in *Premises and equipment*, and a corresponding liability in *Other liabilities* at an amount equal to the smaller of the present value of the minimum lease payments or fair value, and the leased asset is depreciated over the shorter of the asset's estimated useful life or the lease term.

**Goodwill and other intangible assets**

*Goodwill* represents the excess of the purchase price of an acquired entity over the estimated fair value of its net assets acquired at the acquisition date. Other Intangible assets other than goodwill may be acquired individually or as part of a group of assets assumed in a business combination. *Intangible assets* include but are not limited to: patents, licenses, copyrights, trademarks, branch networks, mortgage servicing rights, customer base and deposit relationships. Acquired intangible assets are initially measured based on the amount of cash disbursed or the fair value of other assets distributed. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is allocated to the Bank's reporting units for the purposes of the impairment test. Other intangible assets that have a finite useful life are amortized over that period. Other intangible assets acquired after January 1, 2002 that are determined to have an indefinite useful life are not amortized.

**Recognition of impairment losses on tangible fixed assets and other intangible assets**

The Bank evaluates *Premises and equipment* and *Intangible assets* for impairment losses at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or is greater than its fair value. An impairment loss is deemed to have occurred if the carrying value of a tangible fixed or intangible asset exceeds its implied fair value. Reversals of previously recorded impairment losses are prohibited.

**Income taxes**

Deferred tax assets and liabilities are recorded for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their respective tax bases. Deferred tax assets and liabilities are computed using currently enacted tax rates and are recorded in *Other assets* and *Other liabilities*, respectively. Income tax expense or benefit is recorded in *Income tax expense*, except to the extent the change relates to transactions recorded directly in *Shareholder's equity*. Deferred tax assets are reduced by a valuation allowance, if necessary, to the amount that management believes will more likely than not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority. Deferred tax assets and liabilities are presented on a net basis for the same tax-paying component within the same tax jurisdiction.

**Other assets**

*Other assets* include brokerage receivables, real estate and loans held-for-sale, interest and fees receivables, deferred tax assets, derivative instruments used for hedging purposes, time and precious metals time accounts related to certain brokerage transactions and other miscellaneous receivables.

***Derivative instruments used for hedging purposes***

Derivatives are carried at fair value. The fair values of derivatives held for hedging purposes are included as *Other assets* or *Other liabilities* in the Consolidated balance sheets. The accounting treatment used for changes in fair value of hedging derivatives depends on the designation of the derivative as either a fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation. Changes in fair value representing hedge ineffectiveness are reported in *Trading revenues*.

**Other liabilities**

***Guarantees***

In cases where the Bank acts as a guarantor, a liability for the fair value of the obligations undertaken in issuing such a guarantee, including the ongoing obligation to perform over the term of the guarantee in the event that certain events or conditions occur, is recognized in *Other liabilities* at the inception of the guarantee.

***Pensions and other post-retirement benefits***

Credit Suisse Group sponsors a multi-employer defined benefit pension plan in Switzerland (the Swiss Main Plan) that covers eligible employees of the Bank domiciled in Switzerland. The Bank also has single-employer defined benefit pension plans and defined contribution pension plans in Switzerland and other countries around the world.

For the Swiss Main Plan and the defined contribution plans, the Bank records pension expense when its employees render service to the Bank, essentially coinciding with its cash contributions to the plan.

For single-employer defined benefit plans, the Bank uses the projected unit credit actuarial method to determine the present value of its projected benefit obligations and the current and past service costs related to its defined benefit and other post retirement benefit plans. The measurement date used by the Bank to perform the actuarial revaluations is September 30.

Certain key assumptions are used in performing the actuarial valuations that require significant judgment and estimate on behalf of Bank management. The expected long-term rate of return on plan assets is determined on a plan-by-plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar type pension plan assets, long-term expectations of future returns, and investment strategy. The expected rate of return for insured plans is determined based on the guaranteed interest on the insurance contract plus an estimate of the expected participation of the pension fund in the investment returns of the insurer in excess of the minimal contractual interest rate. The discount rate is determined based upon either high quality, fixed-income corporate bonds or government bonds adjusted by a premium to reflect the additional risk for corporate bonds. Health care cost trend rates are determined by reviewing external data and the Bank's own historical trends for health care costs.

Unrecognized actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the market-related value of plan assets as well as unrecognized prior service costs and transition obligations and assets are amortized to net periodic pension and post-retirement cost on a straight-line basis over the average remaining service life of active employees expected to receive benefits.

The Bank recognizes an additional minimum liability at each measurement date for the excess of the accumulated benefit obligation over the fair value of plan assets as an intangible asset to the extent there are unrecognized prior service costs with any remaining difference net of tax, being reflected in *AOCL.*

**Share-based compensation**

Effective January 1, 2003, the Bank adopted, using the prospective method, the fair value recognition provisions of SFAS No. 123, Accounting for Stock-based Compensation (SFAS 123) as amended by SFAS No. 148, Accounting for Stock-based Compensation – Transition and Disclosure (SFAS 148). Under the prospective method, all new equity-based compensation awards granted to employees and existing awards modified on or after January 1, 2003, are accounted for at fair value. Compensation expense is measured at the grant or modification date based on the fair value of the award and is recognized in earnings over the required vesting period on a straight-line basis. The fair value of the share awards is based on the current market value of the share at the date of grant and the fair value of share options is determined using a standard option-pricing model. The financial and market assumptions used in the option-pricing model are based on best information available to management at the date of grant and different variations of these assumptions could result in different fair value estimates. Share options outstanding as of December 31, 2002, if not subsequently modified, continue to be accounted for under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and therefore no compensation expense has been recognized for those option awards, which had no intrinsic value on the date of grant. Share awards with no vesting requirements granted in or before

January 2003 for services provided in prior years were expensed during the year the services were provided. For share awards granted with vesting requirements, compensation expense is recognized over the vesting period.

**Own shares and own bonds**

The Bank may buy and sell Credit Suisse Group shares, Credit Suisse Group bonds and derivatives on Credit Suisse Group shares within its normal trading and market-making activities. In addition, the Bank may hold Credit Suisse Group shares to satisfy commitments arising from employee share-based compensation awards. Credit Suisse Group shares are reported as *Trading assets*, unless those shares are held to economically hedge future share awards. Hedging shares are reported as *Treasury shares*, resulting in a reduction to *Shareholder's Equity*. Derivatives on Credit Suisse Group shares are recorded as assets or liabilities. Dividends received on Credit Suisse Group shares and unrealized and realized gains and losses on Credit Suisse Group shares are recorded in the Consolidated statements of income for shares classified as *Trading assets*. For Credit Suisse Group *Treasury shares* recorded in *Shareholder's equity*, dividends received are recorded in *Additional Paid In Capital* (APIC) in *Shareholder's equity*. Such shares are carried at cost.

**Commissions and fees**

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. Commissions and fees earned for investment and portfolio management, customer trading and custody services are recognized at the time or over the period, respectively that the related service is provided. Revenues from underwriting and fees from mergers and acquisitions and other corporate finance advisory services are recorded at the time when the underlying transactions are substantially completed, as long as there are no other contingencies associated with the fees. Transaction-related expenses are deferred until the related revenue is recognized.

## 2 Recently issued accounting standards

**Recently adopted standards**

On December 21, 2004, the FASB released FASB Staff Position (FSP) 109-1, Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (FSP 109-1) and FSP 109-2, Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 (FSP 109-2). The requirements of FSP 109-1 and 109-2 became effective immediately. The adoption of FSP 109-1 and FSP 109-2 did not have a material impact on the Bank's financial position, results of operations or cash flows.

On July 16, 2004, the FASB ratified the Emerging Issues Task Force (EITF) consensus on Issue No. 02-14, Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means (EITF 02-14). The consensus concludes that an investor should apply the equity method of accounting when it can exercise significant influence over an entity through a means other than holding voting rights. The consensus is effective for reporting periods beginning after September 15, 2004. The adoption of EITF 02-14 did not have a material impact on the Bank's financial position, results of operations or cash flows.

In May 2004, the FASB issued FSP 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act), which supersedes FSP 106-1 issued in January 2004 with the same title (FSP 106-2). FSP 106-2 provides guidance on the accounting for the Medicare Act and was effective for the first interim or annual period beginning after June 15, 2004. The Medicare Act became law in December 2003 and introduced both a Medicare prescription drug benefit and a federal subsidy to sponsors of retiree health-care plans that provide a benefit that is at least "actuarially equivalent" to the Medicare benefit. The Bank, concurrently with Credit Suisse Group, adopted FSP 106-2 on July 1, 2004 and determined that its retiree health-care plans provide a benefit that is "actuarially equivalent" to the Medicare benefit. The adoption of FSP 106-2 did not have a material impact on the Bank's financial position, results of operations or cash flows.

In December 2003, the FASB revised SFAS No. 132, Employers' Disclosures about Pensions and Other Post-retirement Benefits (SFAS 132R). The new disclosure requirements apply to the Bank's domestic (Swiss) plans for 2003. SFAS 132R retained the disclosure requirements from the original statement and requires additional disclosures. SFAS 132R is effective for financial statements with fiscal years ending after December 15, 2003. The Bank has adopted the new disclosure requirements of SFAS 132R. See note 25 for additional information.

In November 2003, the EITF reached a consensus on certain additional quantitative and qualitative disclosure requirements in connection with its deliberations of Issue 03-1, The Meaning of Other-than-Temporary Impairment and Its Application to Certain Investments, which also discussed the impairment model for available-for-sale and held-to-maturity securities under SFAS No. 115 (EITF 03-1). The Bank has adopted the new disclosure requirements of EITF 03-1. See notes 10 and 11 for additional information.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for an issuer's classification of certain financial instruments that have both liability and equity characteristics and imposes additional disclosure requirements. Effective September 30, 2003, the Bank, concurrently with Credit Suisse Group, adopted SFAS 150 for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS 150 did not have a material impact on the Bank's financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149), which amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivatives and Hedging Activities (SFAS 133). Specifically, SFAS 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative and when a derivative contains a financing component that warrants special reporting in the Consolidated statements of cash flows. Certain derivative instruments entered into or modified after June 30, 2003, and that the Bank has determined to contain a financing element at inception and where the Bank is deemed the borrower, are now included as a separate component within *Financing activities of continuing operations* in the Consolidated statements of cash flows. Prior to July 1, 2003, these derivative instruments were included within *Operating activities of continuing operations* in the Consolidated statements of cash flows. The adoption of SFAS 149 did not have a material impact on the Bank's financial position, results of operations or cash flows.

In January 2003, the FASB issued FIN 46, which requires the Bank to consolidate all 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. In December 2003, the FASB modified FIN 46, through the issuance of FIN 46R, to provide companies with the option of deferring the adoption of FIN 46 to periods ending after March 15, 2004, for certain VIEs. As of December 31, 2003, with the exception of certain private equity investment companies, mutual funds and VIE counterparties to certain derivatives transactions that were subject to deferral, the Bank consolidated all VIEs under FIN 46 for which it is the primary beneficiary. In addition, as of December 31, 2003, the Bank deconsolidated assets and liabilities related to certain financial intermediation product entities, as the bank was not the primary beneficiary and accordingly, discontinued consolidation of these entities under FIN 46. The cumulative effect of the Bank's adoption of FIN 46 was an after-tax loss of CHF 56.1 million reported separately in the Consolidated statements of income as the *Cumulative effect of accounting changes, net of tax.* For consolidated VIEs, the cumulative effect was determined by recording the assets, liabilities and non-controlling interests in the VIE at their carrying amounts as of the date of consolidation. The difference between the net amount added to the Consolidated balance sheets and the amount of previously recognized interest represents the cumulative effect. For the deconsolidated VIEs, the cumulative effect was determined based on the value of the net assets of the deconsolidated entities. As a result of the adoption of FIN 46R as of March 31, 2004, the Bank consolidated certain private equity funds with third party and employee investors, resulting in an increase in assets and liabilities of CHF 3.0 billion. There was no impact on net income due to offsetting minority interests. The Bank also deconsolidated certain VIEs for which it was no longer the primary beneficiary under FIN 46R, resulting in an after tax loss of CHF 16 million reported separately in the Consolidated statements of income as the *Cumulative effect of accounting changes, net of tax.* See note 30 for additional information regarding VIEs.

**Standards to be adopted in future periods**
In December 2004, the FASB issued SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R is effective for annual reporting periods beginning after June 15, 2005. The Bank had previously adopted the recognition provisions of SFAS 123, as discussed in note 1. Under SFAS 123R, a company that has previously adopted the recognition provisions of SFAS 123 must adopt the revised standard using the modified prospective method, and may also choose to apply the modified retrospective method to prior reporting periods. The Bank, concurrently with Credit Suisse Group has chosen to early adopt the new standard as of January 1, 2005, applying the modified prospective method. The most significant accounting implications of the adoption of SFAS 123R for the Bank are as follows: (i) Inclusion of forfeitures in the estimate of compensation expense determined at the grant date rather than as they occur. The Bank recorded a cumulative adjustment on January 1, 2005, to reverse the expense previously recognized on all outstanding unvested awards expected to be forfeited. For new grants after January 1, 2005, forfeitures will be 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. (iii) Adoption of changes to the presentation of the statement of cash flows in accordance with the revised standard. The adoption of SFAS 123R did not have a material impact on the Bank's financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Non-monetary Assets, which becomes effective for financial statements for fiscal years beginning after June 15, 2005. According to Accounting Principles Board Opinion No. 29 (APB 29), exchanges of non-monetary assets are generally measured based on the fair value of the assets exchanged, with certain exceptions. SFAS 153 amends APB 29 to eliminate the exception for non-monetary exchanges of similar productive assets, which were exchanged at carrying values, and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of SFAS 153 is not expected to have a material impact on the Bank's financial position, results of operations or cash flows.

In December 2003, the AICPA issued Statement of Position (SOP) 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3). SOP 03-3 provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality. Among other things, SOP 03-3: (1) prohibits the recognition of the excess of contractual cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; (2) requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and (3) requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The adoption of SOP 03-3 is not expected to have a material impact on the Bank's financial position, results of operations or cash flows.

## 3 Business developments and subsequent events

The Bank's significant divestitures and acquisitions for the years ended December 31, 2004 and 2003 are discussed below.

**Divestitures**
Effective May 1, 2003, the Bank completed the sale of its clearing and execution platform, Pershing LLC, to The Bank of New York Company, Inc. for CHF 2.7 billion in cash, the repayment of a CHF 653 million subordinated loan and a contingent payment of up to CHF 68 million based on future performance. In connection with this transaction, the Bank recognized a pre-tax loss of CHF 275 million, of which CHF 246 million was recorded in 2002 and CHF 29 million was recorded in 2003.

On September 1, 2003, the Bank transferred its securities and execution platform in Switzerland to Credit Suisse. Total assets of CHF 22.3 billion were transferred at book value.

There were no significant divestitures in 2004.

**Acquisitions**
There were no significant acquisitions in 2004 or 2003.

**Pending merger**
On December 7, 2004, Credit Suisse Group announced its plans to fully integrate its banking units and to create distinct lines of business dedicated to private clients, corporate and investment banking clients and asset management by the end of 2006. The first step in the integration is the merger of Credit Suisse Group's two Swiss banks, Credit Suisse and Credit Suisse First Boston. The merger is expected to be completed in the second quarter of 2005.

## 4 Discontinued operations

In accordance with SFAS 144, the results of operations of entities disposed of or classified as held-for-sale were reported as *Discontinued operations* in the Consolidated statements of income for all years presented.

As of December 31, 2004 and 2003, no assets or liabilities classified as held-for-sale were related to discontinued operations.

The following table summarizes the results of discontinued operations, including gains and losses on sales in 2003:

| Year ended December 31, in CHF m | 2003 |
|---|---|
| Total revenues | 610 |
| Total expenses | (511) |
| **Income before gain on sale and income tax expense** | 99 |
| Loss on sale | (29) |
| Income tax expense | (7) |
| **Income from discontinued operations, net** | 63 |

There were no discontinued operations in 2004.

## 5 Segment information

**Overview**

The Bank operates through two segments, Institutional Securities and Wealth & Asset Management. Effective January 1, 2004, the Bank reorganized its operations by transferring the private equity and private funds group activities previously in the Institutional Securities segment to the CSFB Financial Services segment, which was renamed Wealth & Asset Management. The Bank also reorganized the businesses within the Institutional Securities segment along the lines of its investment banking and trading businesses and realigned the business within the Wealth & Asset Management segment to bring together its alternative investment activities, including the private equity and private fund groups. The discussion below presents the segments and divisions as operated and managed in 2004.

The **Institutional Securities** segment provides financial advisory and capital raising services and sales and trading for global users and suppliers.

The **Wealth & Asset Management** segment provides international asset management services to institutional, mutual fund and private investors, makes private equity investments and manages private equity funds, and financial advisory service's to high-net-worth individuals and corporate investors.

**Segment reporting**

*Inter-segment revenue sharing and cost allocation*

Responsibility for each product is allocated to a segment, which records all related revenues and expenses. Revenue sharing agreements govern compensation of one segment for generating revenue on behalf of another. These agreements are negotiated periodically by the relevant segments on a product-by-product basis. Allocated revenues are added to, or deducted from, the revenue line item of the respective segments.

Certain administrative, processing and information technology services may be based in one segment but shared by other segments. The segment supplying the service receives compensation from the recipient segment on the basis of service level agreements and transfer payments. Service level agreements are negotiated periodically by the relevant segments with regard to each individual product or service. The costs of shared services and their related allocations are added to, or deducted from, *Other expenses* for the respective segments.

The aim of the revenue sharing and cost allocation agreements is to reflect the pricing structure of unrelated third-party transactions. Where this is not possible, the agreements are negotiated by the affected segments.

*Taxes*

Taxes are calculated individually for each segment on the basis of average tax rates across its various geographic markets, as if the segment operated on a stand-alone basis.

The following table presents selected line items of the Bank's operating segments:

| in CHF m | Institutional Securities | Wealth & Asset Management | Adjustments | Credit Suisse First Boston |
|---|---|---|---|---|
| **2004** | | | | |
| Net revenues | 13,120 [1] | 4,202 [2] | 235 | 17,557 |
| Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes | 1,780 | 1,663 | (116) | 3,327 |
| **Net income** | **1,313** | **530** | **(189)** | **1,654** |
| Total assets | 707,918 [3] | 12,664 [4] | 570 | 721,152 |
| 2003 | | | | |
| Net revenues | 12,190 | 2,990 | 429 | 15,609 |
| Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes | 1,544 | 243 | (127) | 1,660 |
| **Net income** | **892** | **233** | **(173)** | **952** |
| Total assets | 644,375 | 7,418 | 433 | 652,226 |

[1] Including CHF 128 million from minority interest revenues relating to the consolidation of VIEs under FIN 46R. [2] Including CHF 960 million from minority interest revenues relating to the consolidation of VIEs under FIN 46R. [3] Includes total assets in VIEs of CHF 8,928 million as of December 31, 2004, which were consolidated under FIN 46R. [4] Includes total assets in VIEs of CHF 2,632 million as of December 31, 2004, which were consolidated under FIN 46R.

Adjustments represent consolidating entries and balances relating to items, which are managed by the Credit Suisse First Boston business unit but are not legally owned by the Bank, and visa versa.

### Segment reporting by geographic location

The following table sets forth the consolidated results by geographic location, based on the location of the office recording the transactions. This presentation does not reflect the way the Bank is managed:

| Year ended December 31, in CHF m | Switzerland | Europe (excluding Switzerland) | Americas | Asia Pacific/ Africa | Total |
|---|---|---|---|---|---|
| **2004** | | | | | |
| Net revenues | 483 | 5,566 | 9,615 | 1,893 | 17,557 |
| Total expenses [1] | (1,133) | (4,701) | (6,957) | (1,439) | (14,230) |
| **Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes** | **(650)** | **865** | **2,658** | **454** | **3,327** |
| 2003 | | | | | |
| Net revenues | 701 | 7,316 | 6,045 | 1,547 | 15,609 |
| Total expenses [1] | (1,284) | (4,252) | (7,089) | (1,324) | (13,949) |
| **Income from continuing operations before taxes, minority interests and cumulative effect of accounting changes** | **(583)** | **3,064** | **(1,044)** | **223** | **1,660** |

[1] Includes recovery of or provision for credit losses and total operating expenses.

The following table sets forth details of assets by geographic location. The analysis of premises and equipment is based on the location of the reporting entities, whereas the analysis of *total assets* reflects the customers' domicile.

| December 31, in CHF m | Switzerland | Europe (excluding Switzerland) | Americas | Asia Pacific/ Africa | Total |
|---|---|---|---|---|---|
| **2004** | | | | | |
| Premises and equipment | **2,011** | **1,028** | **714** | **120** | **3,873** |
| Total assets | **43,174** | **224,605** | **373,629** | **79,744** | **721,152** |
| 2003 | | | | | |
| Premises and equipment | 2,071 | 1,031 | 864 | 105 | 4,071 |
| Total assets | 49,407 | 199,966 | 336,659 | 66,194 | 652,226 |

## 6 Interest and dividend income and interest expense

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

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Interest income on loans | **911** | 1,145 |
| Interest income on investment securities | **94** | 213 |
| Dividend income from investment securities | **1** | 14 |
| Interest and dividend income on trading assets | **11,555** | 10,624 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | **6,606** | 5,137 |
| Other | **1,439** | 1,304 |
| **Total interest and dividend income** | **20,606** | 18,437 |
| Deposits | **(2,857)** | (2,109) |
| Short-term borrowings | **(398)** | (351) |
| Interest and dividends in lieu expense on trading liabilities | **(5,255)** | (4,824) |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | **(5,697)** | (4,529) |
| Long-term debt | **(2,208)** | (2,083) |
| Other | **(468)** | (386) |
| **Total interest expense** | **(16,883)** | (14,282) |
| **Net interest income** | **3,723** | 4,155 |

## 7 Trading activities

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

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Interest rate products | **537** | 612 |
| Equity/index-related products | **2,032** | 1,079 |
| Foreign exchange products | **442** | 205 |
| Other | **(99)** | 202 |
| **Trading revenues** | **2,912** | 2,098 |
| Interest and dividend income on trading assets | **11,555** | 10,624 |
| Interest expense on trading liabilities | **(5,255)** | (4,824) |
| **Trading interest income, net** | **6,300** | 5,800 |
| **Total trading-related revenues** | **9,212** | 7,898 |

The following table summarizes the details of trading assets and liabilities:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Trading assets** | | |
| Debt instruments | **154,671** | 147,539 |
| Equity instruments | **84,263** | 53,184 |
| Positive replacement values of derivative trading positions | **51,078** | 49,853 |
| Other | **16,724** | 13,908 |
| **Total trading assets** | **306,736** | 264,484 |
| **Trading liabilities** | | |
| Short positions | **87,932** | 94,159 |
| Negative replacement values of derivative trading positions | **55,318** | 54,606 |
| **Total trading liabilities** | **143,250** | 148,765 |

## 8 Noninterest revenues and expenses

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

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Commissions from lending business | **849** | 747 |
| Investment and portfolio management fees | **2,054** | 1,784 |
| Commissions for other securities business | **37** | 34 |
| Commissions and fees from fiduciary activities | **2,091** | 1,818 |
| Underwriting fees | **1,916** | 2,039 |
| Brokerage fees | **2,405** | 2,203 |
| Commissions, brokerage, securities underwriting and other securities activities | **4,321** | 4,242 |
| Fees for other customer services | **1,307** | 1,737 |
| **Commissions and fees** | **8,568** | 8,544 |

The following table sets forth the details of other revenues:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Losses from loans held-for-sale | **(27)** | (104) |
| Gains/(losses) from long-lived assets held-for-sale | **22** | (6) |
| Income/(loss) from equity method investments | **109** | (21) |
| Gains from other investments | **1,765** | 319 |
| Other | **497** | 577 |
| **Other revenues** | **2,366** | 765 |

The following table sets forth the details of banking compensation and benefits:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Salaries and bonuses | **7,857** | 7,015 |
| Social security | **508** | 412 |
| Other | **411** | 449 |
| **Banking compensation and benefits** | **8,776** | 7,876 |

The following table sets forth the details of other expenses:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Occupancy expenses | **555** | 538 |
| IT, machinery, etc. | **278** | 214 |
| Depreciation expenses | **601** | 755 |
| Amortization of other intangible assets | **37** | 67 |
| Provisions and losses [1] | **200** | 274 |
| Commission expenses | **1,441** | 1,376 |
| Travel and entertainment | **348** | 299 |
| Professional services | **991** | 936 |
| Other | **1,030** | 1,175 |
| **Other expenses** | **5,481** | 5,634 |

[1] Includes provisions for litigation.

## 9 Central bank funds, securities borrowed, lent and subject to repurchase agreements

The following table summarizes the securities borrowed or purchased under agreements to resell, at their respective carrying values:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Central bank funds sold and securities purchased under resale agreements | **135,670** | 145,328 |
| Deposits paid for securities borrowed | **119,591** | 102,158 |
| **Total central bank funds sold, securities purchased under resale agreements, and securities borrowing transactions** | **255,261** | 247,486 |

The following table summarizes the securities lent or sold under agreements to repurchase, at their respective carrying values:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Central bank funds purchased and securities sold under agreements to repurchase | **195,081** | 181,880 |
| Deposits received for securities lent | **26,278** | 38,826 |
| **Total central bank funds purchased, securities sold under repurchase agreements, and securities lending transactions** | **221,359** | 220,706 |

The maximum month-end amount of securities purchased under agreements to resell was CHF 334,639 million and CHF 267,875 million in 2004 and 2003, respectively. The average amount of securities purchased under agreements to resell during the year was CHF 290,063 million and CHF 254,907 million in 2004 and 2003, respectively.

Purchase and reverse repurchase agreements represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralized principally by government securities and money market instruments and generally have terms ranging from overnight to payable on demand. The Bank monitors the fair value of securities received or delivered. For reverse repurchase agreements, the Bank requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested when appropriate in response to an increase in the market value of securities sold under repurchase agreements.

In the event of counterparty default, the financing agreement provides the Bank with the right to liquidate the collateral held. In the Bank's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of December 31, 2004 and 2003, respectively. Refer to note 33.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash advanced or received and are collateralized principally by cash or marketable securities. Securities borrowing transactions require the deposit of cash or securities collateral with the lender. For securities lending transactions, the Bank receives cash or securities collateral in an amount generally in excess of the market value of securities lent. The Bank monitors the market value of securities borrowed and securities lent on a daily basis and additional collateral is obtained as necessary.

## 10 Investment securities available-for-sale

The following tables summarize the details of debt and equity investment securities available-for-sale:

| December 31, 2004, in CHF m | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|
| Debt securities issued by foreign governments | 491 | 11 | 0 | 502 |
| Corporate debt securities | 65 | 5 | 0 | 70 |
| Other | 51 | 0 | 0 | 51 |
| **Debt securities available-for-sale** | **607** | **16** | **0** | **623** |
| Banks, trust and insurance companies | 11 | 0 | 0 | 11 |
| Industrial and all other | 0 | 1 | 0 | 1 |
| **Equity securities available-for-sale** | **11** | **1** | **0** | **12** |
| **Securities available-for-sale** | **618** | **17** | **0** | **635** |

| December 31, 2003, in CHF m | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
|---|---|---|---|---|
| Debt securities issued by foreign governments | 1,328 | 33 | 0 | 1,361 |
| Corporate debt securities | 121 | 12 | 1 | 132 |
| Other | 35 | 12 | 0 | 47 |
| **Debt securities available-for-sale** | **1,484** | **57** | **1** | **1,540** |
| Banks, trust and insurance companies | 592 | 3 | 0 | 595 |
| Industrial and all other | 2 | 0 | 0 | 2 |
| **Equity securities available-for-sale** | **594** | **3** | **0** | **597** |
| **Securities available-for-sale** | **2,078** | **60** | **1** | **2,137** |

The Bank had no unrealized losses positions on investment securities that had been in a continuous loss position for greater than 12 months during the years ended December 31, 2004 and 2003, respectively.

The following table sets forth proceeds from sales and realized gains and losses from available-for-sale securities:

| | Debt securities | | Equity securities | |
|---|---|---|---|---|
| Year ended December 31, in CHF m | **2004** | 2003 | **2004** | 2003 |
| Proceeds from sales | **502** | 880 | **592** | 574 |
| Realized gains | **40** | 21 | **5** | 75 |
| Realized losses | **(2)** | (16) | **(2)** | (3) |

In addition the Bank recognized other-than-temporary impairments on available-for-sale securities of CHF 53 million and CHF 30 million in 2004 and 2003, respectively.

The following table sets forth the maturities of available-for-sale debt securities by amortized cost, fair value and average yield:

| | Debt securities available-for-sale | | |
|---|---|---|---|
| December 31, 2004, in CHF m | Amortized cost | Fair value | Yield |
| Due within 1 year | 159 | 160 | 4.87% |
| Due from 1 to 5 years | 435 | 450 | 5.54% |
| Due from 5 to 10 years | 2 | 2 | 4.00% |
| Due after 10 years | 11 | 11 | 7.24% |
| **Total debt securities** | **607** | **623** | **5.39%** |

Unrealized gains and losses, which represent the difference between fair value and amortized cost, are recorded in Accumulated other comprehensive income/(loss) within shareholder's equity, net of income taxes.

## 11 Other investments

The following table summarizes details of other investments:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Equity method investments | **510** | 353 |
| Non-marketable equity securities [1] | **5,861** | 2,181 |
| **Total other investments** | **6,371** | 2,534 |

[1] Includes private equity and restricted stock investments, as well as certain investments in non-marketable mutual funds for which the Bank has neither significant influence nor control over the investee.

## 12 Real estate held for investment

The following table summarizes details of real estate held for investment:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Land | **18** | 101 |
| Buildings and improvements | **393** | 448 |
| **Cost value** | **411** | 549 |
| Accumulated depreciation | **(295)** | (289) |
| **Net book value** | **116** | 260 |

## 13 Loans

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

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Banks | **1,109** | 3,333 |
| Commercial | **677** | 1,239 |
| Consumer | **13** | 13 |
| **Switzerland** | **1,799** | 4,585 |
| Banks | **2,103** | 2,215 |
| Commercial | **17,725** | 17,562 |
| Consumer | **1,249** | 1,652 |
| Public authorities | **402** | 429 |
| Lease financings | **114** | 129 |
| **Foreign** | **21,593** | 21,987 |
| **Loans, gross** | **23,392** | 26,572 |
| Unearned income, net | **(32)** | (25) |
| Allowance for loan losses | **(533)** | (1,383) |
| **Total loans, net** | **22,827** | 25,164 |

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

| in CHF m | 2004 | 2003 |
|---|---|---|
| **Balance January 1** | **1,383** | 3,268 |
| New provisions | **381** | 750 |
| Releases of provisions | **(419)** | (567) |
| **Net additions charged to income statement** | **(38)** | 183 |
| Gross write-offs | **(839)** | (1,950) |
| Recoveries | **32** | 17 |
| **Net write-offs** | **(807)** | (1,933) |
| (Deconsolidated)/allowances acquired | **(24)** | 25 |
| Provisions for interest | **61** | 126 |
| Foreign currency translation impact and other adjustments, net | **(42)** | (286) |
| **Balance December 31** | **533** | 1,383 |

As described in note 1, the allowance for loan losses is estimated considering a variety of sources of information including, as appropriate, discounted cash flow analysis, fair value of collateral held less disposal costs and historical loss experience.

The following tables set forth details of impaired loans, with or without a specific allowance including troubled debt restructurings. Loans are considered impaired when it is considered probable that the Bank will not collect all amounts due under the loan terms.

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| With a specific allowance (valuation allowance of CHF 348 m and CHF 1,136m) | **649** | 1,859 |
| Without a specific allowance | **0** | 0 |
| **Total impaired loans, gross** | **649** | 1,859 |

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Average balance of impaired loans | **1,168** | 3,112 |
| Interest income which was recognized | **1** | 19 |
| Interest income recognized on a cash basis | **42** | 81 |

At December 31, 2004, the Bank did not have any commitments to lend additional funds to debtors whose loan terms have been modified in troubled debt restructurings.

## 14 Premises and equipment

The following table sets forth the movements of cost and accumulated depreciation of premises (own-use real estate) and equipment:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Buildings and improvements | **2,631** | 2,597 |
| Land | **683** | 693 |
| Leasehold improvements | **1,155** | 1,224 |
| Software | **1,037** | 1,043 |
| Other | **2,357** | 2,483 |
| **Premises and equipment** | **7,863** | 8,040 |
| Accumulated depreciation | **(3,990)** | (3,969) |
| **Total premises and equipment, net** | **3,873** | 4,071 |

The carrying value of internally developed software is assessed for impairment on a regular basis.

## 15 Goodwill

The following table sets forth the movements of goodwill by operating segment:

| in CHF m | Institutional Securities | Wealth & Asset Management | Total |
|---|---|---|---|
| Balance December 31, 2002 | 7,772 | 2,858 | **10,630** |
| Goodwill acquired during year | 31 | 19 | **50** |
| Foreign currency translation and other | (814) | (308) | **(1,122)** |
| Balance December 31, 2003 | 6,989 | 2,569 | **9,558** |
| Foreign currency translation and other | (544) | (191) | **(735)** |
| **Balance December 31, 2004** | **6,445** | **2,378** | **8,823** |

During 2004 and 2003, there was no significant change in goodwill other than the decrease related to the weakening of the US dollar.

## 16 Intangible assets

The following table sets forth the details of intangible assets:

| December 31, in CHF m | 2004 Gross carrying amount | 2004 Accumulated amortization | 2004 Net carrying amount | 2003 Gross carrying amount | 2003 Accumulated amortization | 2003 Net carrying amount |
|---|---|---|---|---|---|---|
| Amortized intangible assets (finite life) | | | | | | |
| Tradenames/trademarks | **31** | **(7)** | **24** | 59 | (27) | 32 |
| Client relationships | **404** | **(94)** | **310** | 549 | (184) | 365 |
| Other | **43** | **(29)** | **14** | 60 | (23) | 37 |
| **Total amortizing intangible assets** | **478** | **(130)** | **348** | 668 | (234) | 434 |
| Unamortized intangible assets (indefinite life) | **86** | **0** | **86** | 92 | 0 | 92 |
| **Total intangible assets** | **564** | **(130)** | **434** | 760 | (234) | 526 |

At December 31, 2004 and 2003, CHF 86 million and CHF 92 million, respectively, of the Bank's acquired intangible assets were considered to have an indefinite life and therefore were not subject to amortization. All of the Bank's other acquired intangible assets as of that date were subject to amortization. During 2004, the Bank recorded no additional intangible assets.

During the year ended December 31, 2003, management elected to transfer the High Net Worth, or HNW, asset management business from the Institutional Securities segment to the Wealth and Asset Management segment. The transfer was completed on March 31, 2004. With respect to this business, as a result of the valuation analysis performed, the Bank determined that the carrying value of its intangible assets relating to the management contracts and tradenames associated with the HNW business exceeded the expected future cash flows. As such, the Bank recorded an impairment loss of CHF 270 million pre-tax (CHF 176 million after tax) for the year ended December 31, 2003.

The aggregate amortization expenses for 2004 and 2003 were CHF 37 million and CHF 67 million, respectively.

The following table sets forth the estimated amortization expenses for intangible assets for the next five years:

| Year ending December 31, in CHF m | |
|---|---|
| 2005 | 36 |
| 2006 | 33 |
| 2007 | 29 |
| 2008 | 29 |
| 2009 | 29 |

## 17 Other assets

The following table sets forth the details of other assets:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Positive replacement values of derivative instruments (held for hedging purposes) | **3,851** | 2,992 |
| Brokerage receivables | **30,796** | 21,231 |
| Assets held-for-sale including: | | |
| Loans | **10,477** | 8,768 |
| Real estate | **157** | 64 |
| **Assets held-for-sale** | **10,634** | 8,832 |
| Interest and fees receivable | **3,835** | 3,230 |
| Deferred tax assets | **4,105** | 4,504 |
| Prepaid expenses | **398** | 247 |
| Other receivables from customers | **14,344** | 12,323 |
| Other | **3,148** | 2,743 |
| **Total other assets** | **71,111** | 56,102 |

As of December 31, 2004 and 2003, the Bank held CHF 10.5 billion and CHF 8.8 billion, respectively, of loans held-for-sale. The majority of the portfolio is comprised of floating rate commercial mortgages, which are purchased or originated with the intent of later securitizations. Loans held-for-sale are valued at the lower of cost or market.

As of December 31, 2004 and 2003, the Bank held CHF 157 million and CHF 64 million, respectively, of real estate acquired in the market, at auction, repossessed or reclassified, primarily related to the Bank's real estate investment business. These assets are valued at the lower of the carrying amount or fair value less cost to sell. No depreciation charge is recognized.

## 18 Brokerage receivables and brokerage payables

The Bank recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The Bank is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold, in which case the Bank would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as a counterparty to a transaction, credit risk is generally considered to be reduced. The Bank requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

The following table sets forth brokerage receivables and brokerage payables:

| December 31, in CHF m | **2004** | 2003 |
|---|---|---|
| Due from customers | **21,072** | 11,547 |
| Due from banks, brokers and dealers | **9,724** | 9,684 |
| **Total brokerage receivables** | **30,796** | 21,231 |
| Due to customers | **16,841** | 8,500 |
| Due to banks, brokers and dealers | **9,028** | 4,960 |
| **Total brokerage payables** | **25,869** | 13,460 |

## 19 Deposits

The following table sets forth the details of Swiss and foreign deposits. The designation of Switzerland versus foreign is based upon the location of the office recording the deposit.

| | **2004** | | | 2003 | | |
|---|---|---|---|---|---|---|
| December 31, in CHF m | **Switzerland** | **Foreign** | **Total** | Switzerland | Foreign | Total |
| Noninterest-bearing demand deposits | **435** | **243** | **678** | 344 | 684 | 1,028 |
| Interest-bearing demand deposits | **5,031** | **4,679** | **9,710** | 8,396 | 3,324 | 11,720 |
| Savings deposits | **2,039** | **0** | **2,039** | 2,604 | 0 | 2,604 |
| Time deposits | **13,404** | **127,884** | **141,288** | 19,150 | 92,146 | 111,296 |
| **Total deposits** | **20,909** | **132,806** | **153,715** | 30,494 | 96,154 | 126,648 |

As of December 31, 2004 the remaining maturities of time deposits are as follows:

| December 31, in CHF m | |
|---|---|
| 2005 | 122,691 |
| 2006 | 14,703 |
| 2007 | 791 |
| 2008 | 443 |
| 2009 | 1,671 |
| Thereafter | 989 |
| **Total time deposits** | **141,288** |

As of December 31, 2004 and 2003, CHF 503 million and CHF 304 million, respectively, of overdrawn deposit accounts were reclassified as loans.

## 20 Long-term debt

The following table sets forth the details of long-term debt:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Senior debt | **70,984** | 55,451 |
| Subordinated debt | **11,449** | 12,692 |
| **Total long-term debt** | **82,433** | 68,143 |

The Bank issues both CHF and non-CHF denominated fixed and variable rate bonds. The weighted average coupon is based on the contractual terms, although for zero bonds the yield to maturity is applied. The Bank uses derivative contracts, primarily interest rate and currency swaps, as hedges for interest risk and currency risk for some of its debt issues.

The following table summarizes the details and maturity structure of bonds:

| **Contractual maturity dates**<br>December 31, in CHF m | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| Senior debt | | | | | | | |
| Fixed rate | 2,682 | 4,550 | 5,783 | 7,348 | 7,393 | 18,864 | **46,620** |
| Variable rate | 2,914 | 3,001 | 3,620 | 4,079 | 3,929 | 6,821 | **24,364** |
| Interest rates (range in %) | 0.0 – 22.0 | 0.0 – 19.9 | 0.0 – 20.0 | 0.0 – 10.5 | 0.0 – 7.6 | 0.0 – 18.4 | **0.0 – 22.0** |
| Subordinated debt | | | | | | | |
| Fixed rate | 267 | 679 | 1,836 | 593 | 912 | 4,118 | **8,405** |
| Variable rate | 392 | 84 | 336 | 339 | 118 | 1,775 | **3,044** |
| Interest rates (range in %) | 0.0 – 8.3 | 0.0 – 7.8 | 2.3 – 11.2 | 0.0 – 6.1 | 0.0 – 8.3 | 0.0 – 10.3 | **0.0 – 11.2** |
| **Total long-term debt** | **6,255** | **8,314** | **11,575** | **12,359** | **12,352** | **31,578** | **82,433** |

In 2004 the Bank moved from syndicated unsecured facilities to bilateral secured facilities. The Bank, through various broker-dealer and bank subsidiaries, has negotiated secured bilateral committed credit arrangements with various third party banks. As of December 31, 2004, the Bank maintained 7 such credit facilities that collectively totaled CHF 3.6 billion (USD 3.2 billion). These facilities require the Bank's various broker-dealer and bank subsidiaries to pledge unencumbered marketable securities to secure any borrowings. Borrowings under each facility would bear interest at short-term rates related to either the Federal Funds rate or LIBOR and can be used for general corporate purposes. The facilities contain customary covenants that the Bank believes will not impair its ability to obtain funding. As of December 31, 2004, no borrowings were outstanding under any of the facilities.

## 21 Other liabilities

The following table sets forth the details of other liabilities:

| December 31, in CHF m | **2004** | 2003 |
|---|---|---|
| Negative replacement values of derivative instruments (held for hedging purposes) | **1,320** | 843 |
| Brokerage payables | **25,869** | 13,460 |
| Interest and fees payable | **8,530** | 8,068 |
| Current tax liabilities | **1,733** | 1,608 |
| Deferred tax liabilities | **205** | 636 |
| Other | **23,672** | 17,664 |
| **Total other liabilities** | **61,329** | 42,279 |

## 22 Accumulated other comprehensive loss

The following table sets forth the movements of accumulated other comprehensive loss:

| in CHF m | Gains/(losses) on cash flow hedges | Cumulative translation adjustment | Unrealized gains/ (losses) on securities | Minimum pension liability adjustment | Accumulated other comprehensive loss |
|---|---|---|---|---|---|
| Balance December 31, 2002 | (6) | (1,481) | 59 | (350) | (1,778) |
| Change | 97 | (918) | (5) | 39 | (787) |
| Reclassification adjustments, net of tax | 0 | 0 | (13) | 0 | (13) |
| Balance December 31, 2003 | 91 | (2,399) | 41 | (311) | (2,578) |
| Change | 18 | (600) | (10) | (2) | (594) |
| Reclassification adjustments, net of tax | (81) | 6 | (3) | 0 | (78) |
| **Balance December 31, 2004** | **28** | **(2,993)** | **28** | **(313)** | **(3,250)** |

## 23 Income taxes

The following table sets forth the details of current and deferred taxes:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Switzerland | **65** | (42) |
| Foreign | **824** | 805 |
| **Current income tax expense** | **889** | 763 |
| Switzerland | **(24)** | (18) |
| Foreign | **(315)** | (142) |
| **Deferred income tax benefit** | **(339)** | (160) |
| **Income tax expense** | **550** | 603 |
| Expense for income taxes on discontinued operations | **0** | 7 |
| Benefit for income taxes on cumulative effect of accounting changes | **0** | (11) |
| Income tax expense/(benefit) reported in shareholder's equity related to: | | |
| Cumulative translation adjustment | **(59)** | 0 |
| Unrealized losses on securities | **(4)** | (6) |
| Minimum pension liability adjustment | **20** | (6) |
| Gains on cash flow hedges | **1** | 2 |
| Share based compensation and treasury shares | **(166)** | 58 |

The following table is a reconciliation of taxes computed at the Swiss statutory rate of 25% to the actual income tax expense:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Income tax expense computed at the statutory tax rate | **832** | 415 |
| Increase/(decrease) in income taxes resulting from: | | |
| Tax rate differential | **116** | (33) |
| Non-deductible amortization of goodwill and intangible assets | **11** | 9 |
| Other non-deductible expenses | **128** | 341 |
| Additional taxable income | **188** | 215 |
| Lower taxed income [1] | **(836)** | (352) |
| Changes in tax law and rates | **2** | 7 |
| Changes in deferred tax valuation allowance | **230** | (95) |
| Other [2] | **(121)** | 96 |
| **Income tax expense** | **550** | 603 |

[1] Included in 2004 is an amount of CHF 268 million, representing the tax benefit from non-taxable income arising from investments that are required to be consolidated under new accounting rules FIN 46R effective January 1, 2004. [2] Included in 2004 is an amount of CHF 161 million relating to the release of tax contingency accruals following the favorable resolution of tax matters with the tax authorities.

At December 31, 2004, the Bank had accumulated undistributed earnings from foreign subsidiaries of CHF 4,184 million. No deferred tax has been recorded, as these earnings are considered indefinitely reinvested. It is not practicable to estimate the amount of unrecognized deferred tax liabilities for these undistributed foreign earnings.

Net operating loss (NOL) carry-forwards were CHF 6,684 million at December 31, 2004, of which CHF 772 million have no expiration date and CHF 5,912 million expire at various dates through to 2024.

The following table sets forth details of the tax effect of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Employment compensation and benefits | **1,324** | 1,401 |
| Investment securities | **220** | 228 |
| Provisions | **846** | 1,134 |
| Derivatives | **218** | 183 |
| Real estate | **84** | 72 |
| NOL carry-forwards | **1,968** | 1,746 |
| Other | **523** | 574 |
| Gross deferred tax asset before valuation allowance | **5,183** | 5,338 |
| Less valuation allowance | **(684)** | (621) |
| **Gross deferred tax assets net of valuation allowance** | **4,499** | 4,717 |
| Employment compensation and benefits | **(4)** | (79) |
| Investment securities | **(7)** | (34) |
| Business combinations | **(145)** | (179) |
| Derivatives | **(181)** | (283) |
| Software capitalization | **(14)** | (47) |
| Leasing | **(109)** | (119) |
| Real estate | **(79)** | (82) |
| Other | **(60)** | (26) |
| **Gross deferred tax liabilities** | **(599)** | (849) |
| **Net deferred tax assets** | **3,900** | 3,868 |

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences and tax loss carry-forwards are deductible, management believes it is more likely than not that the Bank will realize the benefits of these deductible differences and tax loss carry-forwards, net of existing valuation allowances, as of December 31, 2004. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

The valuation allowance was CHF 740 million at January 1, 2003, decreased CHF 119 million and amounted to CHF 621 million as of December 31, 2003. During 2004 the valuation allowance increased CHF 63 million to CHF 684 million at December 31, 2004.

Significant judgment is required in determining the effective tax rate and in evaluating certain tax positions. The Bank accrues for tax contingencies when, despite the belief that its tax return positions are fully supportable, certain positions could be challenged and the Bank's positions may not be fully sustained. Once established, tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of audits or when an event occurs requiring a change to the tax contingency accruals. Management regularly assesses the likelihood of adverse outcomes to determine the appropriateness of provisions for income taxes. Although the outcome of any dispute is uncertain, management believes that it has appropriately accrued for any unfavorable outcome.

## 24 Employee compensation

**Share-based compensation**
The Bank's share-based compensation program is an important element of its overall compensation package for key employees and senior executives and is an integral part of its annual compensation process. All share-based equity awards are granted under the provisions of the Credit Suisse Group Master Share Plan. Under the plan, share-based payment awards are granted in the form of shares, share options or share units and represent retention incentives, special awards, and a portion of the annual bonus. Shares and share options granted as compensation awards generally vest upon grant, whereas shares and share options granted as retention incentive awards and special awards generally vest between one and five years. The majority of share options cannot be exercised until at least one year after the grant date and expire after ten years. Share options are granted with an exercise price at or above the market price of Credit Suisse Group's shares on the date of grant.

During January 2005, as part of the 2004 compensation process, the Bank also granted new performance-based equity awards as retention incentive awards, which it believes better align the interest of its workforce with those of its shareholders. The new equity awards were granted in the form of share units. Each share unit provides the holder with the potential to receive Credit Suisse Group common shares at the end of the five year vesting period following the grant date, based on the achievement of certain, performance and market criteria, continued employment with the Bank and certain other conditions such as restrictive covenants and forfeiture provisions.

Total compensation expense for share-based payments recognized during 2004 and 2003 was CHF 785 million and CHF 686 million, respectively. The Bank generally repurchases Credit Suisse Group shares to satisfy these obligations.

**Share Options**
The following table presents the share option activities during the periods indicated:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | **Number of options in CHF m** | **Weighted average exercise price in CHF** | Number of options in CHF m | Weighted average exercise price in CHF |
| Outstanding January 1 | **58.4** | **51.71** | 115.8 | 54.73 |
| Granted [1] | **0.2** | **46.36** | 0.1 | 38.59 |
| Exercised | **(3.9)** | **20.45** | (0.7) | 24.42 |
| Forfeited | **(1.1)** | **51.65** | (2.5) | 53.54 |
| Exchanged, net | **0.0** | **0.00** | (54.3) | 58.38 |
| **Outstanding December 31** | **53.6** | **53.96** | 58.4 | 51.71 |
| Exercisable December 31 | **38.1** | **60.62** | n/a | n/a |

[1] Includes options approved by the Compensation Committee subsequent to December 31 as part of the year-end compensation process. 0.07 million and 0.04 million of these options for 2004 and 2003, respectively, are attributable to future service periods and are therefore not considered outstanding for SFAS 123 purposes.

On September 9, 2003, Credit Suisse Group completed its option reduction program, which entitled employees to exchange on a value-for-value basis certain existing share options for new share options and shares. The exercise price of the new share options was 10% above the market price of Credit Suisse Group's shares on the valuation date. These share options were restricted for one year following the exchange and expire seven years after the exchange. The new shares were granted at the market price of Credit Suisse Group's shares on the valuation date and were restricted for one year following the exchange. In the accordance with SFAS 123, the Bank did not recognize any compensation expense as a result of the exchange.

The weighted average grant date fair value of options granted during 2004 and 2003 was CHF 13.47 and CHF 13.23, respectively. The weighted average calculation includes options granted subsequent to December 31, 2004 and 2003 as part of the year-end compensation process.

The table below provides additional information about share options outstanding as of December 31, 2004:

| | Options outstanding | | | Options exercisable | | |
|---|---|---|---|---|---|---|
| Range of exercise price in CHF m | Number of options outstanding in CHF m | Weighted average remaining life in years | Weighted average exercise price in CHF | Number of options outstanding in CHF m | Weighted average remaining life in years | Weighted average exercise price in CHF |
| 12.50 - 25.00 | 1.5 | 1.4 | 16.49 | 1.5 | 1.4 | 16.49 |
| 25.01 - 37.50 | 16.9 | 7.5 | 32.04 | 3.6 | 5.7 | 33.29 |
| 37.51 - 50.00 | 4.4 | 4.4 | 45.08 | 4.2 | 4.3 | 45.00 |
| 50.01 - 62.50 | 8.0 | 5.3 | 53.13 | 7.6 | 5.2 | 52.76 |
| 62.51 - 75.00 | 13.8 | 6.8 | 68.19 | 13.5 | 6.8 | 68.24 |
| 75.01 - 100.00 | 9.0 | 6.1 | 84.69 | 7.7 | 6.1 | 84.68 |
| **Total** | **53.6** | **6.4** | **53.96** | **38.1** | **5.8** | **60.62** |

### Share units

January 2005, the Bank granted 12.1 million share units with a fair value of CHF 51.70 per unit on the grant date to a part of the workforce. These awards were approved by the Compensation Committee subsequent to December 31, 2004 as part of the year-end compensation process. Total compensation expense will be determined based on the fair value of the share units multiplied by the total number of share units that ultimately vest. The total number of share units that ultimately vest depends on the final outcome of the underlying service and performance conditions over the course of the contractual term. Each share unit has the potential to convert into a range of between 0 and 3 share units depending on the outcome of the performance condition. Compensation expense will be recognized over the vesting period based on management's estimate of the number of share units that will vest, which is contingent upon the projected outcome of the underlying service and performance conditions and will be updated on a periodic basis.

### Fair value assumptions for share-based payments

In estimating the fair value for equity-based instruments where an observable independent quoted market price is not available, the Bank uses valuation techniques and/or option-pricing models that most accurately reflect the substantive characteristics of the instrument being valued. The underlying assumptions used in the models are determined based on management's assessment of the current market and historical information available at the date of grant.

The following table illustrates the significant assumptions used to estimate the fair value of awards of share options and share units:

| December 31 | **2004** | 2003 |
|---|---|---|
| Expected volatility, in % [1,2] | **29.00** | 44.05 |
| Expected dividend yield, in % [1,2] | **3.03** | 1.99 |
| Expected risk-free interest rate, in % [1] | **1.86** | 1.69 |
| Expected term, in years [1] | **5** | 5 |

[1] Includes assumptions used for the options and share units granted subsequent to December 31, 2004 as part of the year-end compensation process. [2] Due to current and changing market conditions, Credit Suisse Group refined its methodology in 2004 for estimating the expected volatility and expected dividend yield to include management's assessment of how future implied market yields impact the overall expected assumptions.

The expected volatility and dividend yield are based on the implied market volatility and dividend yield of traded options on the Credit Suisse Group's stock, the historical volatility and dividend yield of the Credit Suisse Group's stock, and other relevant factors that indicate how the future is expected to differ from the past. The expected risk-free interest rate is based on the current LIBOR rates at the date of grant that reflect the expected term of the award. The LIBOR rates are used as a proxy for the risk-free interest rates as zero-coupon government issues do not exist in Switzerland. The expected term represents the period of time that the awards are expected to be outstanding and is based on the contractual term of each instrument taking into account employees' historical exercise and termination behavior.

### Shares

The following table presents the share award activities during the periods indicated:

| Number of shares in millions | Compensation awards | Retention awards | Total share awards |
|---|---|---|---|
| Outstanding December 31 2002 | **22.9** | **34.5** | **57.4** |
| Granted [1] | 0.8 | 64.5 | 65.3 |
| Settled | (5.1) | (12.2) | (17.3) |
| Forfeited | (0.3) | (2.7) | (3.0) |
| Outstanding December 31 2003 | **18.3** | **84.1** | **102.4** |
| Granted [1] | 0.2 | 26.2 | 26.4 |
| Settled | (6.5) | (26.5) | (33.0) |
| Forfeited | (0.2) | (5.5) | (5.7) |
| **Outstanding December 31 2004** | **11.8** | **78.3** | **90.1** |

[1] Includes shares approved by the Compensation Committee subsequent to December 31 as part of the year-end compensation process. 18.0 million and 26.2 million of these shares for 2004 and 2003, respectively, are attributable to future service periods and are therefore not considered outstanding for SFAS 123 purposes.

The weighted average grant date fair value of compensation awards granted during 2004 and 2003 was CHF 47.40 and CHF 46.59, respectively. The weighted average grant date fair value of retention awards granted during 2004 and 2003 was CHF 46.61 and CHF 42.55, respectively. The weighted average calculations of the fair values include compensation and retention awards granted subsequent to December 31, 2004 and 2003 as part of the year-end compensation process.

### Other benefits

In prior years, certain employees received a part of their compensation in the form of a financial instrument linked to the Bank's long-term performance. Each unit entitles the holder to a potential future cash payment linked to the Bank's operating return on average allocated capital, taking into account the Credit Suisse Group's cost of capital. Units have a three-year vesting period and contractual term and are subject to forfeiture provisions. The number of units received by each individual was based upon a fixed monetary amount approved by the Compensation Committee on the date of grant.

In 2002 and 2001, employees were granted 377,500 units with an initial value of USD 377 million. No additional units were granted in 2004 and 2003, and there were 36,800 units forfeitured as of December 31, 2004.

## 25 Pension and other post-retirement benefits

The Bank has defined benefit plans, defined contribution plans and other post-retirement benefit plans covering the majority of Credit Suisse First Boston employees. The principal plans are located in Switzerland, the United States, the United Kingdom and Germany. The measurement date for Bank's defined benefit pension and other post-retirement defined benefit plans is September 30.

### Multi employer plans

Certain employees of the Bank in Switzerland participate in a multi-employer defined benefit pension plan, the Credit Suisse main and supplemental plan. Total Credit Suisse Group's contributions to these plans in 2004 and 2003 amounted to CHF 270 million and CHF 318 million, respectively.

### International pension plans

Various pension plans cover the Bank's employees in non-Swiss locations, including both defined benefit and defined contribution pension plans. Retirement benefits under the plans depend on age, contributions and salary. The Bank's funding policy with respect to these plans is consistent with local government and tax requirements. The assumptions used are derived based on local economic conditions. These plans provide defined benefits in the event of retirement, death, disability or employment termination.

### Other post-retirement defined benefit plans

In the United States the Bank sponsors other post-retirement defined benefit plans that provide health and welfare benefits for certain retired employees.

### Defined benefit pension and other post-retirement defined benefit plans

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

| | Defined benefit pension plans | | Other post-retirement defined benefit plans | |
|---|---|---|---|---|
| Year ended December 31, in CHF m | **2004** | 2003 | **2004** | 2003 |
| Service costs on benefit obligation | **54** | 115 | **1** | 1 |
| Interest costs on benefit obligation | **99** | 94 | **4** | 5 |
| Expected return on plan assets | **(119)** | (100) | **0** | 0 |
| Amortization of | | | | |
| Unrecognized transition asset | **(5)** | (3) | **0** | 0 |
| Prior service cost | **0** | 2 | **0** | 0 |
| Unrecognized losses | **34** | 26 | 0 | 2 |
| **Net periodic pension costs** | **63** | 134 | **5** | 8 |
| Settlement gains | **0** | (1) | **0** | 0 |
| Curtailment losses/(gains) | **5** | (1) | **0** | 0 |
| **Total pension costs** | **68** | 132 | **5** | 8 |

# NOTES TO THE CONSOLIDATED US GAAP FINANCIAL STATEMENTS

The following table shows the changes in the projected benefit obligation and the fair value of plan assets during 2004 and 2003, and the amounts included in the Consolidated balance sheets for the Bank's international defined benefit pension and other post-retirement defined benefit plans as of December 31, 2004 and 2003 respectively:

| | Defined benefit pension plans | | Other post-retirement defined benefit plans | |
|---|---|---|---|---|
| in CHF m | **2004** | 2003 | **2004** | 2003 |
| Projected benefit obligation – beginning of the measurement period | **1,725** | 1,750 | **83** | 61 |
| Benefit obligation of countries added in current year | **0** | (85) | **0** | 0 |
| Plan participant contributions | **0** | 0 | **1** | 1 |
| Service cost | **54** | 115 | **1** | 1 |
| Interest cost | **99** | 94 | **4** | 5 |
| Plan amendments | **3** | 3 | **0** | 0 |
| Settlements | **0** | (1) | **0** | 0 |
| Curtailments | **(19)** | (11) | **0** | 0 |
| Actuarial losses | **158** | 15 | **(8)** | 29 |
| Benefit payments | **(34)** | (49) | **(5)** | (5) |
| Exchange rate gains | **(87)** | (106) | **(6)** | (9) |
| **Projected benefit obligation – end of the measurement period** | **1,899** | 1,725 | **70** | 83 |
| Fair value of plan assets – beginning of the measurement period | **1,097** | 946 | **0** | 0 |
| Actual return on plan assets | **111** | 143 | **0** | 0 |
| Contributions | **469** | 121 | **4** | 4 |
| Plan participant contributions | **0** | 0 | **1** | 1 |
| Benefit payments | **(34)** | (49) | **(5)** | (5) |
| Exchange rate gains | **(83)** | (64) | **0** | 0 |
| **Fair value of plan assets – end of the measurement period** | **1,560** | 1,097 | **0** | 0 |
| **Total amount recognized December 31** | | | | |
| Funded status of the plan | **(339)** | (628) | **(70)** | (83) |
| Unrecognized | | | | |
| Net transition asset | **(4)** | (9) | **0** | 0 |
| Prior service cost | **6** | 9 | **(1)** | 0 |
| Net actuarial losses | **783** | 706 | **14** | 23 |
| Fourth quarter employer contributions | **5** | 16 | **1** | 1 |
| **Net amount recognized December 31** | **451** | 94 | **(56)** | (59) |
| **Amounts recognized in the balance sheet consist of** | | | | |
| Prepaid benefit costs | **316** | 0 | **0** | 0 |
| Accrued benefit liability | **(314)** | (383) | **(56)** | (59) |
| Intangible asset | **1** | 11 | **0** | 0 |
| Accumulated other comprehensive income | **448** | 466 | **0** | 0 |
| **Net amount recognized December 31** | **451** | 94 | **(56)** | (59) |
| **Accumulated benefit obligation – end of the measurement period** | **1,769** | 1,475 | **0** | **0** |

In 2005, the Bank expects to contribute CHF 169 million to the International defined benefit pension plans, and CHF 4 million to other post-retirement defined benefit plans.

At September 30, 2004 and 2003 the pension fund plan assets hold no material amounts of Credit Suisse Group debt and equity securities. As of the measurement date, the projected benefit obligation (PBO), accumulated benefit obligation (ABO), and fair value of plan assets for the international defined benefit pension plans with a PBO in excess of plan assets and for the international defined benefit pension plans with an ABO in excess of plan assets were as follows:

| | PBO exceeds fair value of plan assets | | ABO exceeds fair value of plan assets | |
|---|---|---|---|---|
| September 30, in CHF m | **2004** | 2003 | **2004** | 2003 |
| Projected benefit obligation | **1,212** | 1,725 | **1,212** | 1,725 |
| Accumulated benefit obligation | **1,115** | 1,475 | **1,115** | 1,475 |
| Fair value of plan assets | **841** | 1,097 | **841** | 1,097 |

As of the measurement date in 2004 and 2003, the international defined benefit pension plans with an accumulated benefit obligation in excess of plan assets resulted in a CHF 18 million and CHF 32 million decrease in the minimum pension liability included in other comprehensive income, respectively.

### Assumptions

The weighted average assumptions used in the measurement of the benefit obligation and net periodic pension cost for the international defined benefit pension plans as of the measurement date were as follows:

| September 30, in % | **2004** | 2003 |
|---|---|---|
| **Benefit obligations** | | |
| Discount rate | **5.6** | 5.8 |
| Salary increases | **4.1** | 4.0 |
| **Net periodic pension cost** | | |
| Discount rate | **5.8** | 5.6 |
| Salary increases | **4.0** | 4.0 |
| Expected long-term rate of return on plan assets | **7.6** | 7.6 |

As of September 30, 2004 and 2003, an annual weighted average discount rate of 6.0% was assumed in measuring the other post-retirement defined benefit obligation. For 2004 and 2003 an average discount rate of 6.0% and 6.3%, respectively, was assumed in measuring the other post-retirement defined benefit costs.

In determining the other post-retirement defined benefit costs for 2004 and 2003, an annual weighted average rate of increase of 8.0% and 7.0%, respectively, in the cost of covered health care benefits was assumed. The rate is assumed to decrease gradually to 4.8% by 2010 and remain at that level thereafter. A 1.0% increase or decrease in the health care cost trend rate assumption would not have had a material impact on the accumulated post-retirement defined benefit obligation or expense.

**Plan assets and investment strategy**

The following table sets forth the weighted average asset allocation of the Bank's international defined benefit pension plan assets as at the measurement date:

| September 30, in % | 2004 | 2003 |
|---|---|---|
| Equity securities | **54.3** | 54.3 |
| Debt securities | **21.1** | 25.0 |
| Real estate | **1.4** | 4.0 |
| Alternative investments | **11.0** | 8.1 |
| Insurance | **0.2** | 0.5 |
| Liquidity | **12.0** | 8.1 |
| **Total** | **100.0** | 100.0 |

The Bank's international defined benefit pension plan employs a total return investment approach, whereby a diversified mix of equities, fixed income investments and alternative investments are used to maximize the long-term return of plan assets while incurring a prudent level of risk. The intent of this strategy is to outperform plan liabilities over the long run in order to minimize plan expenses. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Furthermore, equity investments are diversified across Swiss and non-Swiss stocks as well as between growth, value, and small and large capitalization stocks. Other assets, such as real estate, private equity and hedge funds, are used to enhance long-term returns while improving portfolio diversification. Derivatives may be used to take market exposure, but are not used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Bank's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

The international defined benefit plan weighted average target asset allocation as at the measurement date was:

| September 30, 2004, in % | Target asset allocation |
|---|---|
| Equity securities | 60.0 |
| Debt securities | 20.0 |
| Real estate | 5.0 |
| Alternative investments | 10.0 |
| Insurance | 0.0 |
| Liquidity | 5.0 |
| **Total** | **100.0** |

**Estimated future benefit payments for defined benefit and other post-retirement defined benefit plans**

The following table presents benefit payments for the international defined benefit pension plans and other post-retirement defined benefit plans expected to be paid, which include the effect of expected future service for the years indicated:

| in CHF m | Defined benefit pension plans | Other post-retirement defined benefit plans |
|---|---|---|
| 2005 | 20 | 5 |
| 2006 | 23 | 5 |
| 2007 | 26 | 5 |
| 2008 | 29 | 5 |
| 2009 | 32 | 5 |
| Years 2010-2014 | 242 | 28 |

**Defined Contribution Pension Plans**

The Bank also contributes to various defined contribution pension plans primarily in the United States of America and the United Kingdom but also in other countries throughout the world. The contributions to these plans during 2004 and 2003 were CHF 239 million and CHF 80 million, respectively.

## 26 Related party transactions

Credit Suisse Group owns all of the Bank's outstanding voting common stock. The Bank is involved in significant financing and other transactions, and has significant related party balances, with subsidiaries and affiliates of Credit Suisse Group. The Bank generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated third parties.

The following table sets forth the Bank's related party assets and liabilities:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | **13,787** | 13,294 |
| Interest-bearing deposits with banks | **3,415** | 4,441 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | **1,075** | 1,539 |
| Securities received as collateral | **3** | 3 |
| Trading assets | **2,292** | 1,794 |
| Loans | **2,179** | 5,033 |
| Other assets | **263** | 158 |
| **Total assets** | **23,014** | 26,262 |
| **Liabilities** | | |
| Deposits | **32,137** | 28,584 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | **2,398** | 1,149 |
| Obligation to return securities received as collateral | **3** | 3 |
| Trading liabilities | **1,119** | 1,001 |
| Short-term borrowings | **5,383** | 494 |
| Long-term debt | **894** | 483 |
| Other liabilities | **2,989** | 307 |
| **Total liabilities** | **44,923** | 32,021 |

The following table sets forth the Bank's related party revenues and expenses:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Interest and dividend income | **221** | 185 |
| Interest expense | **(865)** | (511) |
| **Net interest income** | **(644)** | (326) |
| Commissions and fees | **63** | (22) |
| Other revenues | **291** | 297 |
| **Total noninterest revenues** | **354** | 275 |
| **Net revenues** | **(290)** | (51) |
| **Total operating expenses** | **713** | 824 |

The Credit Suisse Group International Share Plan provides for the grant of equity-based awards to Bank employees based on Credit Suisse Group shares pursuant to which employees of the Bank may be granted, as compensation, share or other equity-based awards as compensation for services performed. The Credit Suisse Group shares purchased by the Bank to satisfy these awards are reported as treasury shares, resulting in a reduction to Shareholder's Equity. See Notes 1 and 24 for further information on the Bank's share-based compensation.

In the normal course of business the Bank issues guarantees to related parties. These guarantees, primarily consisting of derivatives, had notional amounts of CHF 2.0 billion and CHF 4.7 billion as of December 31, 2004 and 2003, respectively.

The following table sets forth details on the loans made to members of the most senior executive body:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Balance January 1** | **11** | 14 |
| Additions | **1** | 4 |
| Reductions | **(9)** | (7) |
| **Balance December 31** | **3** | 11 |

All loans outstanding to members of the most senior executive body, the Bank's Executive Board, are loans in connection with certain private equity investment opportunities that the Bank provides to certain of its employees under widely available benefit plans. When granting a loan to these individuals, the same credit approval and risk assessment procedures apply as for loans to all employees.

On September 1, 2003, the Bank transferred its securities and treasury execution platform in Switzerland to Credit Suisse. The value of the total assets transferred was CHF 22.3 billion.

**Liabilities due to own pension funds**
Liabilities due to own pension funds as of December 31, 2004 and 2003 of CHF 379 million and CHF 500 million, respectively, are reflected in various liability accounts in the Bank's balance sheets.

## 27 Derivatives and hedging activities

Derivatives are generally either privately negotiated over-the-counter (OTC) contracts or standard contracts transacted through regulated exchanges. The Bank's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, cross-currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts, and foreign currency and interest rate futures.

Further, the Bank enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk, or that have non-standard interest or foreign currency terms.

On the date the derivative contract is entered into, the Bank designates the derivative as belonging to one of the following categories:

(1) Trading activities;
(2) A risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge);
(3) A hedge of the fair value of a recognized asset or liability;
(4) A hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or a forecasted transaction; or
(5) A hedge of a net investment in a foreign operation.

**Trading activities**
The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Bank's derivatives held as of December 31, 2004, were used for trading activities.

**Economic hedges**
The Bank also uses credit derivatives to manage the credit risk on certain of its loan portfolios. These derivatives also do not qualify for hedge accounting treatment under US GAAP. Credit derivatives used to hedge the credit risk in these loans are accounted for at fair value with changes in fair value recorded in *Trading revenues*.

**Fair value hedges**
The Bank maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize fluctuations in earnings that are caused by interest rate volatility.

The Bank uses cross-currency swaps to convert foreign currency denominated fixed rate assets or liabilities to floating rate functional currency assets or liabilities.

The following table sets forth details of fair value hedges:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Net gain of the ineffective portion | **13** | 34 |
| Fair value of open derivative transactions used as fair value hedges | **2,508** | 2,178 |

**Cash flow hedges**
The Bank uses cash flow hedging strategies to mitigate its risk to variability of cash flows on loans, deposits and other debt obligations by using interest rate swaps to convert variable rate assets or liabilities to fixed rates. The Bank also uses cross-currency swaps to convert foreign currency denominated fixed and floating rate assets or liabilities to fixed rate CHF assets or liabilities. Further, the Bank uses derivatives to hedge the cash flows associated with forecasted transactions.

The maximum length of time over which the Bank hedges its exposure to the variability in future cash flows for forecasted transactions is 16 months, with the exception of those forecasted transactions related to the payment of variable interest on existing financial instruments. The following table sets forth details of cash flow hedges:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Expected reclassification from accumulated other comprehensive loss into earnings during the next twelve months | **1** | 0 |
| Fair value of open derivative transactions used as cash flow hedges | **22** | 96 |

**Net investment hedges**
The Bank typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The following table sets forth details of net investment hedges:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Net loss hedges included in accumulated other comprehensive loss | **(113)** | 0 |

The following table sets forth details of trading and hedging derivative instruments:

| December 31, 2004, in CHF bn | Trading | | | Hedging | | |
|---|---|---|---|---|---|---|
| | Notional amount | Positive replacement value | Negative replacement value | Notional amount | Positive replacement value | Negative replacement value |
| Forward rate agreements | 990.4 | 0.7 | 1.0 | 0.5 | 0.1 | 0.0 |
| Swaps | 9,268.7 | 154.6 | 149.6 | 51.0 | 2.3 | 0.4 |
| Options bought and sold (OTC) | 1,820.9 | 16.8 | 18.7 | 0.0 | 0.0 | 0.0 |
| Futures | 570.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (traded) | 755.3 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 |
| **Interest rate products** | **13,405.5** | **172.3** | **169.5** | **51.5** | **2.4** | **0.4** |
| Forwards | 769.3 | 16.9 | 17.9 | 2.0 | 0.1 | 0.0 |
| Swaps | 516.1 | 25.7 | 25.5 | 1.5 | 1.4 | 0.9 |
| Options bought and sold (OTC) | 331.7 | 4.4 | 4.8 | 0.0 | 0.0 | 0.0 |
| Futures | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (traded) | 7.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Foreign exchange products** | **1,629.9** | **47.0** | **48.2** | **3.5** | **1.5** | **0.9** |
| Forwards | 6.8 | 0.7 | 2.3 | 0.0 | 0.0 | 0.0 |
| Swaps | 1.8 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Futures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (traded) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Precious metals products** | **9.4** | **0.8** | **2.3** | **0.0** | **0.0** | **0.0** |
| Forwards | 33.8 | 2.5 | 3.5 | 0.0 | 0.0 | 0.0 |
| Swaps | 32.9 | 1.1 | 1.8 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 246.6 | 10.4 | 11.5 | 0.0 | 0.0 | 0.0 |
| Futures | 42.6 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (traded) | 156.6 | 0.8 | 0.7 | 0.0 | 0.0 | 0.0 |
| **Equity/index-related products** | **512.5** | **14.8** | **17.6** | **0.0** | **0.0** | **0.0** |
| Forwards | 1.9 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Swaps | 533.5 | 5.5 | 7.3 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (OTC) | 0.9 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Futures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Options bought and sold (traded) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Other products** | **536.3** | **5.7** | **7.3** | **0.0** | **0.0** | **0.0** |
| **Total derivative instruments** | **16,093.6** | **240.6** | **244.9** | **55.0** | **3.9** | **1.3** |

The notional amount for derivative instruments (trading and hedging) was CHF 16,148.6 billion and CHF 13,446.0 billion as of December 31, 2004 and 2003, respectively.

| December 31, in CHF bn | **2004** | | 2003 | |
|---|---|---|---|---|
| | **Positive replacement value** | **Negative replacement value** | Positive replacement value | Negative replacement value |
| Replacement values (trading and hedging) before netting | **244.5** | **246.2** | 223.3 | 225.9 |
| Replacement values (trading and hedging) after netting | **54.9** | **56.6** | 52.8 | 55.4 |

The following table sets forth details of open OTC derivative contracts according to maturity:

| | Gross positive replacement value | | | | Credit equivalent | | | |
|---|---|---|---|---|---|---|---|---|
| | Remaining life | | | 2004 | Remaining life | | | 2004 |
| | < 1 year | 1-5 years | > 5 years | Total | < 1 year | 1-5 years | > 5 years | Total |
| **Open OTC derivative contracts** | CHF bn | CHF bn | CHF bn | **CHF bn** | CHF bn | CHF bn | CHF bn | **CHF bn** |
| **Maturity** | | | | | | | | |
| Total interest rate instruments | 9.2 | 61.7 | 103.6 | **174.5** | 9.2 | 64.5 | 109.2 | **182.9** |
| Total foreign exchange | 28.2 | 12.8 | 7.5 | **48.5** | 34.7 | 18.5 | 11.0 | **64.2** |
| Total precious metals | 0.2 | 0.5 | 0.1 | **0.8** | 0.2 | 0.5 | 0.1 | **0.8** |
| Total equities/indices | 3.5 | 8.7 | 1.8 | **14.0** | 4.9 | 11.9 | 2.4 | **19.2** |
| Total other | 0.2 | 4.3 | 1.2 | **5.7** | 0.5 | 6.6 | 2.1 | **9.2** |
| **Total** | **41.3** | **88.0** | **114.2** | **243.5** | **49.5** | **102** | **124.8** | **276.3** |

The following table sets forth details of open OTC derivative financial instruments according to internal bank rating:

| | Contract volume [3] | | Net positive Replacement value [2] | | Credit equivalent [2] [4] | |
|---|---|---|---|---|---|---|
| | 2004 | | 2004 | | 2004 | |
| **Open OTC derivative contracts** | **CHF bn** | **%** | **CHF bn** | **%** | **CHF bn** | **%** |
| **Internal bank rating** [1] | | | | | | |
| AAA | **4,106.1** | 31 | **17.3** | 32 | **22.1** | 26 |
| AA | **4,893.1** | 36 | **16.4** | 30 | **26.6** | 32 |
| A | **3,038.6** | 23 | **10.9** | 20 | **21.1** | 26 |
| BBB | **856.1** | 6 | **6.5** | 12 | **9.2** | 11 |
| BB or lower | **545.2** | 4 | **3.0** | 6 | **4.5** | 5 |
| **Total** | **13,439.1** | **100** | **54.1** | **100** | **83.5** | **100** |

[1] Translated into Standard & Poor's rating structure. [2] Taking into account legally valid netting agreements. [3] OTC contract volumes excluding sold options.
[4] Potential default risk: positive replacement value plus add-on.

## 28 Guarantees and commitments

### Guarantees

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

| December 31 2004, in CHF m | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | Total gross amount | Total net amount [1] | Collateral received | Carrying Value [2] |
|---|---|---|---|---|---|---|---|---|
| Credit guarantees and similar instruments | 1,521 | 1,118 | 3,156 | 2,526 | 8,321 | 6,805 | 2,060 | 12 |
| Performance guarantees and similar instruments | 776 | 809 | 644 | 657 | 2,886 | 2,263 | 1,169 | 18 |
| Securities lending indemnifications | 24,808 | 0 | 0 | 0 | 24,808 | 24,808 | 24,808 | 0 |
| Derivatives | 43,246 | 52,348 | 95,985 | 42,645 | 234,224 | 234,224 | 276 | 1,973 |
| Other guarantees [3] | 271 | 20 | 28 | 47 | 366 | 366 | 100 | 0 |
| **Total guarantees** | **70,622** | **54,295** | **99,813** | **45,875** | **270,605** | **268,466** | **28,413** | **2,003** |

| December 31 2003, in CHF m | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | Total gross amount | Total net amount [1] | Collateral received |
|---|---|---|---|---|---|---|---|
| Credit guarantees and similar instruments | 4,678 | 1,922 | 1,885 | 963 | 9,448 | 7,495 | 3,437 |
| Performance guarantees and similar instruments | 1,570 | 329 | 988 | 9 | 2,896 | 2,258 | 814 |
| Securities lending indemnifications | 21,888 | 0 | 0 | 0 | 21,888 | 21,888 | 21,888 |
| Derivatives | 82,621 | 35,756 | 71,833 | 16,542 | 206,752 | 206,752 | 331 |
| Other guarantees [3] | 3,325 | 159 | 65 | 28 | 3,577 | 3,577 | 107 |
| **Total guarantees** | **114,082** | **38,166** | **74,771** | **17,542** | **244,561** | **241,970** | **26,577** |

[1] Total net amount relates to gross amount less any sub participations. [2] As of December 31, 2003, the Bank's carrying value was CHF 3.219 billion. [3] Contingent consideration in business combination, residual value guarantees and other indemnifications.

**Credit guarantees** are contracts that require the Bank to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the Bank provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

As part of the Bank's commercial mortgage activities in the US, the Bank sells certain commercial and residential mortgages that it has originated or purchased to the Federal National Mortgage Association (FNMA) and agrees to bear a percentage of the losses should the borrowers fail to perform. The Bank also issues guarantees that require it to reimburse FNMA for losses on certain whole loans underlying mortgage-backed securities issued by FNMA.

The Bank also provides guarantees to variable interest entities and other counterparties under which it may be required to buy assets from such entities upon the occurrence of certain triggering events.

***Performance guarantees and similar instruments*** are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Under certain circumstances, the Bank has provided investors in private equity funds sponsored by a Bank entity guarantees of potential obligations of certain general partners to return amounts previously paid as carried interest to those general partners. To manage its exposure, the Bank generally withholds a portion of carried interest distributions to cover any repayment obligations. In addition, pursuant to certain contractual arrangements, the Bank is obligated to make cash payments to certain investors in certain private equity funds if specified performance thresholds are not met.

Further, as part of the Bank's residential mortgage securitization activities in the United States, the Bank at times guarantees the collection by the servicer and remittance to the securitization trust of prepayment penalties.

***Securities lending indemnifications*** are arrangements whereby the Bank agrees to indemnify securities lending customers against losses incurred in the event that security borrowers do not return securities subject to the lending agreement and the collateral held is insufficient to cover the market value of the securities borrowed.

***Derivatives*** disclosed as guarantees are issued in the ordinary course of business, generally in the form of written put options and credit default swaps. FIN 45 does not require disclosures about derivative contracts if such contracts may be cash settled, and the Bank has no basis for concluding that it is probable that the counterparties held the underlying instruments at the inception of the contracts. For derivative contracts executed with counterparties which generally act as financial intermediaries, such as investment banks, hedge funds and security dealers, the Bank has concluded that there is no basis to assume that these counterparties hold the underlying instruments related to the derivative contracts, and therefore does not report such contracts as guarantees.

The Bank manages its exposure to these derivatives by engaging in various hedging strategies to reduce its exposure. For some contracts, such as written interest rate caps or foreign exchange options, the maximum payout is not determinable, as interest rates or exchange rates could theoretically rise without limit. For these contracts, notional amounts are disclosed in the table above in order to provide an indication of the underlying exposure. In addition, the Bank carries all derivatives at fair value in the balance sheet.

***Other guarantees*** include acceptances, residual value guarantees and all other guarantees that are not allocated to one of the captions above.

The Bank 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.

### Disposals Related Contingencies

In connection with the sale of assets or businesses, the Bank 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 Bank closely monitors all such contractual agreements to ensure that indemnification provisions are adequately provided for in the Bank's financial statements.

The Bank 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 Bank 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 Bank may incur as a result of such changes cannot be reasonably estimated. In light of the related call provisions typically included, the Bank does not expect any potential liabilities in respect of tax gross-ups to be material.

The Bank 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 Bank 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.

### Lease Commitments

The following table sets forth details of future minimum operating lease commitments under non-cancelable operating leases:

| Year ended December 31, in CHF m | 2004 |
|---|---|
| 2005 | 445 |
| 2006 | 407 |
| 2007 | 382 |
| 2008 | 368 |
| 2009 | 348 |
| Thereafter | 5,070 |
| **Future operating lease commitments** | **7,020** |
| Less minimum non-cancelable sublease rentals | (1,105) |
| **Total net future minimum lease commitments** | **5,915** |

The following table sets forth details of rental expenses for all operating leases:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Minimum rentals | 515 | 465 |
| Sublease rental income | (137) | (40) |
| **Total net rental expenses** | **378** | 425 |

### Other commitments

The following tables set forth details of other commitments:

| December 31 2004, in CHF m | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | Total gross amount | Total net amount | Collateral received |
|---|---|---|---|---|---|---|---|
| Irrevocable commitments under documentary credits | 90 | 5 | 29 | 0 | 124 | 124 | 16 |
| Loan commitments | 33,161 | 15,152 | 16,151 | 6,071 | 70,535 | 70,535 | 35,098 |
| Forward reverse repurchase agreements | 15,268 | 58 | 0 | 0 | 15,326 | 15,326 | 15,326 |
| Other | 857 | 291 | 216 | 987 | 2,351 | 2,351 | 438 |
| **Total other commitments** | **49,376** | **15,506** | **16,396** | **7,058** | **88,336** | **88,336** | **50,878** |

| December 31 2003, in CHF m | Maturity less than 1 year | Maturity between 1 to 3 years | Maturity between 3 to 5 years | Maturity greater than 5 years | Total gross amount | Total net amount | Collateral received |
|---|---|---|---|---|---|---|---|
| Irrevocable commitments under documentary credits | 1,769 | 12 | 6 | 0 | 1,787 | 1,787 | 5 |
| Loan commitments | 38,269 | 16,577 | 7,436 | 4,448 | 66,730 | 66,730 | 37,580 |
| Forward reverse repurchase agreements | 12,537 | 0 | 0 | 0 | 12,537 | 12,537 | 12,537 |
| Other | 228 | 133 | 317 | 1,144 | 1,822 | 1,822 | 0 |
| **Total other commitments** | **52,803** | **16,722** | **7,759** | **5,592** | **82,876** | **82,876** | **50,122** |

***Irrevocable commitments under documentary credits*** include exposures from trade finance related to commercial letters of credit under which the Bank guarantees payment to an exporter against presentation of shipping and other documents.

***Loan commitments*** represent unused irrevocable credit facilities that cannot be revoked at any time without prior notice.

***Forward reverse repurchase agreements*** represent transactions where the initial cash exchange of the reverse repurchase transaction takes place on a specified future date.

***Other commitments*** include private equity commitments, firm commitments in underwriting securities, commitments arising from deferred payment letters of credit and from acceptances in circulation and liabilities for calls on shares and other equity instruments.

## 29 Securitization activity

The Bank originates and purchases commercial and residential mortgages for the purpose of securitization. The Bank sells these mortgage loans to qualified special purpose entities (QSPEs) or other variable interest entities (VIEs), which are not consolidated by the Bank. These QSPEs issue securities that are backed by the assets transferred to the QSPEs and pay a return based on the returns on those assets. Investors in these mortgage-backed securities typically have recourse to the assets in the QSPE. The investors and the QSPEs have no recourse to the Bank's assets. The Bank is an underwriter of, and makes a market in, these securities.

The Bank purchases loans and other debt obligations from clients for the purpose of securitization. The loans and other debt obligations are sold by the Bank directly, or indirectly through affiliates, to QSPEs or other VIEs that issue collateralized debt obligations (CDOs). The Bank structures, underwrites and makes a market in these CDOs. CDOs are securities backed by the assets transferred to the CDO VIEs and pay a return based on the returns on those assets. Investors typically have recourse to the assets in the CDO VIEs. The investors and the CDO VIEs have no recourse to the Bank's assets.

The following table summarizes cash flows received from securitization trusts and pre-tax gains/(losses) recognized by the Bank on securitization:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Commercial mortgages** | | |
| Proceeds from new securitizations | **13,396** | 10,045 |
| Gains/(losses) on securitizations and underwriting fees received [1] | **368** | 333 |
| **Residential mortgages** | | |
| Proceeds from new securitizations | **53,795** | 91,027 |
| Gains/(losses) on securitizations and underwriting fees received [1] | **72** | (122) |
| **Collateralized debt obligations (CDO)** | | |
| Proceeds from new securitizations | **8,612** | 17,056 |
| Gains/(losses) on securitizations and underwriting fees received [1] | **85** | 95 |
| **Other asset-backed securities** [2] | | |
| Proceeds from new securitizations | **9,775** | 7,047 |
| Gains/(losses) on securitizations and underwriting fees received [1] | **5** | 55 |

[1] Includes the effects of hedging, underwriting and retained interest gains and losses but excludes all gains or losses, including net interest revenues, on assets prior to securitization. [2] Primarily includes home equity loans.

Included in residential mortgage loans in the table above are proceeds of CHF 18.4 billion and CHF 54.4 billion related to the securitization of agency mortgage-backed securities for the years ended December 31, 2004 and 2003, respectively. For the years ended December 31, 2004 and 2003, the Bank realized gains of CHF 6 million and CHF 61 million, respectively, from these securitizations.

Gains and losses on securitization transactions depend in part on the carrying values of mortgages and CDOs involved in the transfer, and are allocated between the mortgages and CDOs sold and any retained interests according to the relative fair values at the date of sale.

The Bank may retain interests in these securitized assets in connection with its underwriting and market-making activities. The Bank's exposure in its securitization activities is limited to its retained interests. Retained interests in securitized financial assets are included at fair value in Trading assets in the Consolidated balance sheets. Any changes in the fair value of these retained interests are recognized in the Consolidated statements of income. The fair values of retained interests are determined using fair value estimation techniques, such as the present value of estimated future cash flows that incorporate assumptions that market participants customarily use in these valuation techniques. As of December 31, 2004 and 2003, the fair value of the interests retained by the Bank was CHF 2.3 billion and CHF 3.8 billion, respectively. The Bank does not retain material servicing responsibilities from its securitization transactions.

Key economic assumptions used in measuring at the date of securitization the fair value of the retained interests resulting from securitizations completed during the years ended December 31, 2004 and 2003, were as follows:

| | 2004 | | | | 2003 | | | |
|---|---|---|---|---|---|---|---|---|
| December 31, in CHF m | **Commercial mortgage loans** [1] | **Residential mortgage loans** | **Collateralized debt obligations** [2] | **Other asset-backed securities** | Commercial mortgage loans [1] | Residential mortgage loans | Collateralized debt obligations [2] | Other asset-backed securities |
| Weighted average life (in years) | **4.0** | **3.6** | **16.7** | **2.2** | 3.0 | 4.5 | 8.6 | 3.1 |
| Prepayment speed assumption (in rate per annum), in % [3] | **n/a** | **187-500** | **n/a** | **417-500** | n/a | 200-1,167 | n/a | 583 |
| Cash flow discount rate (in rate per annum), in % [4] | **7.3** | **2.8-39.5** | **4.8-16.0** | **11.1-15.0** | 7.8-12.8 | 11.9-38.9 | 2.9-5.9 | 2.3-10.4 |
| Expected credit losses (in rate per annum), in % | **0.2-19.3** | **0.1-39.9** | **0.2-16.3** | **0.4-11.6** | 1.1-23.3 | 0.2-30.6 | 0.1-29.4 | 1.2-7.7 |

[1] To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances. [2] Collateralized debt obligations are generally structured to be protected from prepayment risk. [3] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the Constant Prepayment Rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 % thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the thirtieth month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. [4] The rate is based on the weighted average yield on the retained interest.

The following table sets forth the fair value of retained interest from securitizations as December 31, 2004, key economic assumptions used to determine the fair value and the sensitivity of the fair value to immediate adverse changes in those assumptions:

| in CHF m, except where indicated | Commercial mortgage loans | Residential mortgage loans | Collateralized debt obligations [1] | Other asset-backed securities |
|---|---|---|---|---|
| **Carrying amount/fair value of retained interests** | 19 | 1,927 | 258 | 67 |
| Weighted average life (in years) | 3.4 | 3.7 | 12.3 | 2.2 |
| **Prepayment speed assumption, in %** [2] | n/a | 17-2,381 | n/a | 300-900 |
| Impact on fair value from 10% adverse change | n/a | (7) | n/a | 0 |
| Impact on fair value from 20% adverse change | n/a | (10.2) | n/a | 0 |
| **Cash flow discount rate, in %** [3] | 9.6 | 5.5 | 10.5 | 13.5 |
| Impact on fair value from 10% adverse change | 0 | (29) | (12) | (1) |
| Impact on fair value from 20% adverse change | (1) | (58) | (24) | (2) |
| **Expected credit losses, in %** | 5.4 | 2.0 | 5.3 | 9.3 |
| Impact on fair value from 10% adverse change | 0 | (7) | (5) | (1) |
| Impact on fair value from 20% adverse change | 0 | (14) | (12) | (1) |

[1] Collateralized debt obligations are generally structured to be protected from prepayment risk. [2] Prepayment speed assumption (PSA) is an industry standard prepayment speed metric used for projecting prepayments over the life of a residential mortgage loan. PSA utilizes the Constant Prepayment Rate (CPR) assumptions. A 100% prepayment assumption assumes a prepayment rate of 0.2% per annum of the outstanding principal balance of mortgage loans in the first month. This increases by 0.2 % thereafter during the term of the mortgage loan, leveling off to a CPR of 6% per annum beginning in the thirtieth month and each month thereafter during the term of the mortgage loan. 100 PSA equals 6 CPR. [3] The rate is based on the weighted average yield on the retained interest.

These sensitivities are hypothetical and do not reflect the benefits of hedging activities and therefore should be used with caution. Changes in fair value based on a 10% or 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interests is calculated without changing any other assumption. In practice, changes in one assumption may result in changes in other assumptions (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

## 30 Variable interest entities

FIN 46R "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51" requires the Bank 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. In December 2003, the FASB issued a revision to the original pronouncement, FIN 46, in order to address various implementation issues that had arisen and to provide companies with the option of deferring the adoption of FIN 46R for certain VIEs to periods ending after March 15, 2004.

As a normal part of its business, the Bank 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. As a part of these activities, the Bank may retain interests in VIEs. Substantially all of the consolidated assets of the VIEs act as collateral for related consolidated liabilities. In general, investors in consolidated VIEs do not have recourse to the Bank in the event of a default, except where a guarantee was provided to the investors or where the Bank is the counterparty to a derivative transaction involving VIEs.

As of December 31, 2004, the Bank consolidated all VIEs for which it is the primary beneficiary under FIN 46R or the original provisions of FIN 46. For the year ended December 31, 2004, the Bank recorded revenue of CHF 1,072 million as a result of the consolidation of VIEs under FIN 46R. Net income was unaffected as offsetting minority interests were recorded in the Consolidated statement of income.

In 2003, the cumulative effect of the Bank's adoption of FIN 46 for VIEs created before February 1, 2003, was an after tax loss of CHF 56.1 million reported in the Consolidated statements of income as *Cumulative effect of accounting changes, net of tax.* For further details on the adoption of FIN 46, refer to note 2. In accordance with FIN 46R, prior period balances have not been restated.

The Bank's involvement with VIEs may be broadly grouped into three primary categories: collateralized debt obligations (CDOs), commercial paper conduits and financial intermediation.

The following table summarizes the estimated total assets by category related to non-consolidated VIEs:

| December 31, in CHF m | **2004** | 2003 |
|---|---|---|
| Collateralized debt obligations | 57,517 | 45,982 |
| Commercial paper conduits | 4,456 | 7,708 |
| Financial intermediation | 38,495 | 51,744 |
| **Total** | **100,468** | 105,434 |

The following table summarizes the total assets, by category, related to VIEs consolidated as a result of the Bank being the primary beneficiary:

| December 31, in CHF m | **2004** | 2003 |
|---|---|---|
| Collateralized debt obligations | 677 | 1,090 |
| Commercial paper conduits | 3 | 479 |
| Financial intermediation | 10,881 | 1,266 |
| **Total assets consolidated pursuant to FIN 46R and FIN 46** | **11,561** | 2,835 |

### Collateralized debt obligations

As part of its structured finance business, the Bank purchases loans and other debt obligations from and on behalf of clients for the purpose of securitization. The loans and other debt obligations are sold to qualifying special purpose entities

(QSPEs) or VIEs that issue CDOs. VIEs issue CDOs to fund the purchase of assets such as investment-grade and high-yield corporate debt instruments. The Bank engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets.

In connection with its CDO activities, the Bank may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. The Bank may also act as a derivatives counterparty to the VIEs and may invest in portions of the notes or equity issued by the VIEs. The Bank also participates in synthetic CDO transactions, which use credit default swaps to exchange the underlying credit risk instead of using cash assets in a separate legal entity. The CDO entities may have actively managed (open) portfolios or static or unmanaged (closed) portfolios.

The Bank has consolidated all CDO VIEs for which it is the primary beneficiary, as of December 31, 2004, resulting in the inclusion by the Bank of approximately CHF 0.7 billion of assets and liabilities of these VIEs. 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 Bank in the event of default.

The Bank also retains certain debt and equity interests in open CDO VIEs that are not consolidated because the Bank is not the primary beneficiary. The Bank's exposure in these CDO transactions typically consists of the interests retained in connection with its underwriting or market-making activities. The Bank'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 2.3 billion as of December 31, 2004.

**Commercial paper conduits**

During 2004, the Bank acted as the administrator and provider of liquidity and credit enhancement facilities for several commercial paper conduit vehicles (CP conduits). These CP conduits purchase assets, primarily receivables, from clients and provide liquidity through the issuance of commercial paper backed by these assets. The clients provide credit support to investors of the CP conduits in the form of over-collateralization and other asset-specific enhancements as described below. The Bank does not sell assets to the CP conduits and does not have any ownership interest in the CP conduits. Several CP conduits were restructured and combined in 2003 and the combined CP conduit transferred the risk relating to a majority of its expected losses to a third party. This vehicle, which had issued commercial paper in the amount of CHF 7.7 billion as of December 31, 2003, was not consolidated by the Bank.

The Bank's commitments to CP conduits consist of obligations under liquidity agreements and credit enhancement. The liquidity agreements are asset-specific arrangements, which require the Bank to purchase assets from the CP conduits in certain circumstances, such as if the CP conduits are unable to access the commercial paper markets. Credit enhancement agreements, which may be asset-specific or program-wide, require the Bank to purchase certain assets under any condition, including default. In entering into such agreements, the Bank reviews the credit risk associated with these transactions on the same basis that would apply to other extensions of credit.

As of December 31, 2004, the Bank's maximum loss exposure to non-consolidated CP conduits was CHF 9.6 billion, which consisted of CHF 4.5 billion of funded assets and the CP conduit's commitments to purchase CHF 5.1 billion of additional assets.

The Bank 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 enhancement primarily provided by the clients, must be classified as investment grade when acquired by the CP conduits.

**Financial intermediation**

The Bank has significant involvement with VIEs in its role as a financial intermediary on behalf of clients. These activities include the use of VIEs to structure various fund-linked products to provide clients with investment opportunities in alternative investments. In addition, the Bank provides financing to client sponsored VIEs, established to purchase or lease certain types of assets. For certain products structured to provide clients with investment opportunities, a VIE holds underlying investments and issues securities that provide investors with a return based on the performance of those investments. The investors typically retain the risk of loss on such transactions but the Bank may provide principal protection on the securities to limit the investors' exposure to downside risk.

As a financial intermediary, the Bank 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 Bank also owns securities issued by the VIEs structured to provide clients with investment opportunities, for market-making purposes and as investments. The Bank's maximum loss exposure to non-consolidated VIEs related to financial intermediation activities is estimated to be CHF 18.6 billion, as of December 31, 2004, which represents the notional amount of any guarantees and the fair value of all other interests held.

Further the Bank considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Bank's risk mitigation efforts, including hedging strategies, and the risk of loss, which is retained by investors.

As of December 31, 2003, the Bank deconsolidated assets and liabilities related to certain financial intermediation product entities. These entities were previously consolidated by the Bank through its holding of voting interests, but they are considered as VIEs under FIN 46R. For these entities, the Bank was not the primary beneficiary and, accordingly, discontinued consolidation of these entities upon adoption of FIN 46R.

## 31 Concentrations of credit risk

Credit risk concentrations arise and exist when any particular exposure type becomes material relative to the size and capital of the Bank. The Bank monitors exposures by counterparties, country, industry, product and business segments to ensure that such concentrations are identified. Possible material exposures of any counterparty or counterparties are regularly identified as part of regulatory reporting of large exposures. The approval of country and regional limits aims to avoid any undue country risk concentration. From an industry exposure point of view, the combined credit exposure of the Bank is diversified. A large portion of the exposure relates to transactions with financial institutions; however, the customer base is extensive and the number and variety of transactions are broad. The business is also geographically diverse with operations focused in the Americas, Europe and, to a lesser extent, Asia.

## 32 Fair value of financial instruments

The disclosure requirements of SFAS No. 107, Disclosure about Fair Value of Financial Instruments (SFAS 107), encompass the disclosure of fair value of financial instruments for which it is practicable to estimate that value, whether or not recognized in the financial statements, SFAS 107 excludes all non-financial instruments such as lease transactions, real estate and premises, equity method investments and pension and benefit obligations.

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realized in an immediate sale or settlement of the instrument. Accordingly, the fair value amounts presented do not represent management's estimation of the underlying value of the Bank.

For cash and other liquid assets and money market papers maturing within three months, the fair value is assumed to approximate book value, given the short-term nature of these instruments. This assumption also is applied to receivables and payables from the insurance business. For those items with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

For non-impaired loans where quoted market prices are available, the fair value is based on such prices. For variable rate loans, which reprice within three months, the book value is used as a reasonable estimate of fair value. For other non-impaired loans, the fair value is estimated by discounting contractual cash flows using the market interest rates for loans with similar characteristics. For impaired loans, the book value net of valuation adjustments, approximates fair value. The securities and precious metals trading portfolio is carried on the balance sheet at fair value.

The fair values of positive replacement values of derivative instruments, negative replacement values of derivative instruments, financial investments from the banking business and non-consolidated participations are based on quoted market prices. Where these are not available, fair values are based on the quoted market prices of comparable instruments, or are estimated by discounting estimated future cash flows or using other valuation techniques.

For deposit instruments, the fair value is calculated as follows: for deposit instruments with no stated maturity and those with original maturities of less than three months, the book value is assumed to approximate fair value due to the short-term nature of these liabilities. For deposit instruments with a stated maturity exceeding three months, fair value is calculated using a discounted cash flow analysis.

For medium-term notes, bonds and mortgage-backed bonds, fair values are estimated using quoted market prices or by discounting the remaining contractual cash flows using a rate at which the Bank could issue debt with a similar remaining maturity as of the balance sheet date.

The following table sets forth the carrying value and the estimated fair values of financial assets and liabilities valued in accordance with SFAS 107. This statement requires the disclosure of fair value information about financial instruments, whether or not the fair values are recognized in the balance sheet:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| December 31, in CHF m | **Book value** | **Fair value** | Book value | Fair value |
| **Financial assets** | | | | |
| Cash and due from banks | **21,314** | **21,314** | 20,240 | 20,240 |
| Interest bearing deposits with banks | **3,635** | **3,640** | 4,837 | 5,140 |
| Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions | **255,261** | **255,428** | 247,486 | 247,672 |
| Securities received as collateral | **20,016** | **20,016** | 14,827 | 14,827 |
| Trading assets | **306,736** | **306,736** | 264,484 | 264,484 |
| Investment securities | **635** | **635** | 2,137 | 2,137 |
| Loans | **22,827** | **22,996** | 25,164 | 25,409 |
| Other financial assets | **5,861** | **5,998** | 2,181 | 2,412 |
| **Financial liabilities** | | | | |
| Deposits | **153,715** | **154,586** | 126,648 | 127,080 |
| Central bank funds purchased, securities sold under repurchase agreements and securities lending transactions | **221,359** | **221,369** | 220,706 | 220,670 |
| Obligations to return securities received as collateral | **20,016** | **20,016** | 14,827 | 14,827 |
| Trading liabilities | **143,250** | **143,250** | 148,765 | 148,765 |
| Short-term borrowings | **19,852** | **19,849** | 16,199 | 16,199 |
| Long-term debt | **82,433** | **84,197** | 68,143 | 68,882 |

## 33 Assets pledged or assigned

The following table sets forth details of assets pledged or assigned:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Book value of assets pledged and assigned as collateral | **134,810** | 147,201 |
| of which assets provided with the right to sell or repledge | **100,805** | 97,953 |
| Fair value of collateral received with the right to sell or repledge | **451,934** | 418,677 |
| of which sold or repledged | **419,900** | 398,995 |

As of December 31, 2004 and 2003, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions, and margined broker loans. In addition, a substantial portion of the collateral received by the Bank had been sold or repledged in connection with repurchase agreements, securities sold, not yet purchased, securities borrowings and loans, pledges to clearing organizations, segregation requirement under securities laws and regulations, derivative transactions, and bank loans.

The following table shows other information:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Cash restricted under foreign banking regulations | **11,127** | 8,517 |
| Swiss National Bank Liquidity 1 required cash reserves | **298** | 313 |
| **Cash restricted under Swiss and foreign banking regulations** | **11,425** | 8,830 |

## 34 Capital adequacy

**Banking businesses**

The Bank, on a consolidated basis, is subject to risk-based capital and leverage guidelines under Swiss Federal Banking Commission, or SFBC, and Bank for International Settlements, or BIS, guidelines. These guidelines are used to evaluate risk-based capital adequacy. All calculations through December 31, 2003, were performed on the basis of financial reporting under Swiss GAAP, the basis for the capital supervision by the Swiss regulator. As of January 1, 2004, the Bank bases its capital adequacy calculations on US GAAP, which is in accordance with the SFBC newsletter 32 (dated December 18, 2003). The SFBC has advised the Bank that it may continue to include as Tier 1 capital CHF 5.7 billion of equity from special purpose entities, which have been deconsolidated under FIN 46R. For purposes of complying with SFBC and BIS capital requirements, total capital is divided into three categories:

Tier 1 capital includes primarily paid-in share capital, reserves (defined to include retained earnings), audited current year profits or losses less anticipated dividends, capital participations of minority shareholders in certain fully consolidated subsidiaries, and the equity from special purpose entities as described above. Among other items, this is reduced by the Bank's holdings of its own shares outside the trading book and goodwill. Tier 1 capital is supplemented for capital adequacy purposes by Tier 2 capital, which consists primarily of hybrid capital and subordinated debt instruments. A further supplement is Tier 3 capital, which consists of certain unsecured subordinated debt obligations with repayment restrictions. The sum of all three capital tiers, less non-consolidated participations in the industries of banking, finance and insurance, equals total capital. Under both SFBC and BIS guidelines, a bank must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%, of which the Tier 1 capital element must be at least 4%.

The ratios measure capital adequacy by comparing eligible capital with risk-weighted assets positions, which include balance sheet assets, net positions in securities not held in the trading portfolio, off-balance sheet transactions converted into credit equivalents and market positions in the trading portfolio.

At December 31, 2004 and 2003, the Bank was adequately capitalized under the regulatory provisions outlined under both SFBC and BIS guidelines.

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

| December 31, in CHF m, except where indicated | 2004 |
|---|---|
| Risk-weighted positions | 84,739 |
| Market risk equivalents | 7,816 |
| **Total risk-weighted assets** | **92,555** |
| | |
| **Total shareholder's equity** | **12,112** |
| Adjustments to shareholder's equity: | |
| Non-cumulative perpetual preferred securities | 1,005 |
| Adjustments for goodwill, minority interest, disallowed unrealized gains on fair value measurement, own shares and dividend accruals | (1,958) |
| **Total Tier 1 capital** | **11,159** |
| Tier 2 capital | |
| Upper Tier 2 | 4,475 |
| Lower Tier 2 | 4,230 |
| **Total Tier 2 capital** | **8,705** |
| Total Tier 3 capital | 0 |
| Less: Deductions | (285) |
| **Total capital** | **19,579** |
| | |
| **Tier 1 capital** | **11,159** |
| of which non-cumulative perpetual preferred securities | 1,005 |
| **Tier 1 ratio** | **12.1%** |
| Total capital | 19,579 |
| **Total capital ratio** | **21.2%** |

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

| December 31, in CHF m, except where indicated | 2003 [1] |
|---|---|
| Risk-weighted positions | 80,622 |
| Market risk equivalents | 8,185 |
| **Total risk-weighted assets** | 88,807 |
| **Total shareholder's equity** | 19,360 |
| Adjustments to shareholder's equity: | |
| Adjustments for goodwill, minority interests, own shares and dividend accruals | (7,298) |
| **Total Tier 1 capital** | 12,062 |
| Tier 2 capital | |
| Upper Tier 2 | 4,555 |
| Lower Tier 2 | 4,700 |
| **Total Tier 2 capital** | 9,255 |
| Total Tier 3 capital | 0 |
| Less: Deductions | (349) |
| **Total capital** | 20,968 |
| **Tier 1 capital** | 12,062 |
| of which non-cumulative perpetual preferred securities | 1,025 |
| **Tier 1 ratio** | 13.6% |
| Total capital | 20,968 |
| **Total capital ratio** | **23.6%** |

[1] All calculations through December 31, 2003, on the basis of Swiss GAAP.

### Broker-dealer operations

Certain Bank broker-dealer subsidiaries are subject to capital adequacy requirements. As of December 31, 2004, the Bank and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

### Dividend restrictions

Certain of the Bank's subsidiaries are subject to legal restrictions governing the amount of dividends they can pay, for example corporate law as defined by the Swiss Code of Obligations. At December 31, 2004, the Bank was not subject to significant restrictions on its ability to pay dividends.

## 35 Litigation

In accordance with SFAS No. 5, Accounting for Contingencies (SFAS 5), the Bank recorded in 2002 reserves for certain significant matters, including a reserve of USD 150 million for the agreement in principle with various US regulators relating to research analyst independence and the allocation of IPO shares to corporate executives and directors. The Bank recorded in 2002 a USD 450 million reserve for private litigation involving research analyst independence, certain IPO allocation practices, Enron and other related litigation. In 2003, the Bank paid approximately USD 150 million with respect to the agreement with the US regulators relating to research analyst independence and the allocation of IPO shares to corporate executives and directors. Management's best estimate of the potential exposure pursuant to SFAS 5, related to this private litigation has not changed except that USD 15 million of the reserve has been applied to settlements of claims covered by such reserve through December 31, 2004.

The UK tax authority has issued formal assessments relating to national insurance contributions on the exercise of certain categories of options over shares and securities granted to employees in respect of the years 1997 to 2001 only. The maximum additional amount of national insurance payable would be CHF 381 million. The Bank disputes the claim and intends to vigorously defend its position, including the pursuit of appropriate judicial procedures. Although the final resolution of the claim is uncertain, based on currently available information, management believes that it has appropriately accrued for this claim.

The Bank is also involved in a number of other judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. These actions have been brought on behalf of various classes of claimants who seek damages of material and/or indeterminate amounts. The Bank 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.

It is inherently difficult to predict the outcome of many of these matters. In presenting the 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 Bank's defenses and its experience in similar cases or proceedings.

## 36 Foreign currency translation rates

The following table shows the principle rates used to translate the financial statements for foreign entities into Swiss Francs:

| | | | Year-end rates used in the balance sheet | | Average rates used in the income statement | |
|---|---|---|---|---|---|---|
| in CHF | | | 2004 | 2003 | 2004 | 2003 |
| 1 | US dollar | (USD) | 1.1320 | 1.2357 | 1.2400 | 1.3500 |
| 1 | Euro | (EUR) | 1.5439 | 1.5590 | 1.5400 | 1.5200 |
| 1 | British pound sterling | (GBP) | 2.1834 | 2.2023 | 2.2800 | 2.2000 |
| 1 | Canadian dollar | (CAD) | 0.9411 | 0.9569 | 0.9600 | 0.9600 |
| 1 | Australian dollar | (AUD) | 0.8819 | 0.9284 | 0.9100 | 0.8800 |
| 1 | Singapore dollar | (SGD) | 0.6933 | 0.7267 | 0.7400 | 0.7700 |
| 1 | Hong Kong dollar | (HKD) | 0.1456 | 0.1592 | 0.1596 | 0.1728 |
| 100 | Japanese yen | (JPY) | 1.1023 | 1.1556 | 1.1500 | 1.1600 |

## 37 Significant subsidiaries and associates

The following table sets forth the Bank's significant subsidiaries:

| December 31, 2004<br>% of equity capital held | Company name | Domicile | Currency | Capital in m |
|---|---|---|---|---|
| 100.0% | AJP Cayman Ltd. | George Town, Cayman Islands | JPY | 8,025.6 |
| 100.0% | Banco Credit Suisse First Boston (Mexico), S.A. | Mexico City, Mexico | MXN | 726.6 |
| 100.0% | Banco de Investimentos Credit Suisse First Boston S.A. | Sao Paulo, Brazil | BRL | 164.8 |
| 100.0% | Boston RE Ltd. | Hamilton, Bermuda | USD | 2.0 |
| 100.0% | Column Canada Financial Corp. | Toronto, Canada | USD | 0.0 |
| 100.0% | Column Financial, Inc. | Wilmington, USA | USD | 0.0 |
| 80.0% | Column Guaranteed LLC | Wilmington, USA | USD | 32.9 |
| 100.0% | Credit Suisse Asset Management (Australia) Limited | Sydney, Australia | AUD | 0.3 |
| 100.0% | Credit Suisse Asset Management (Deutschland) GmbH | Frankfurt, Germany | EUR | 2.6 |
| 100.0% | Credit Suisse Asset Management (France) SA | Paris, France | EUR | 31.6 |
| 100.0% | Credit Suisse Asset Management (UK) Holding Limited | London, United Kingdom | GBP | 14.2 |
| 100.0% | Credit Suisse Asset Management Fund Holding (Luxembourg) S.A. | Luxembourg, Luxembourg | CHF | 29.6 |
| 100.0% | Credit Suisse Asset Management Funds | Zurich, Switzerland | CHF | 7.0 |
| 100.0% | Credit Suisse Asset Management Ltd | London, United Kingdom | GBP | 0.0 |
| 100.0% | Credit Suisse Asset Management SIM S.p.A. | Milan, Italy | EUR | 7.0 |
| 100.0% | Credit Suisse Asset Management, LLC | Wilmington, USA | USD | 0.0 |
| 100.0% | Credit Suisse Asset Management International Holding | Zurich, Switzerland | CHF | 20.0 |
| 100.0% | Credit Suisse Bond Fund Management Company | Luxembourg, Luxembourg | CHF | 0.3 |
| 100.0% | Credit Suisse Equity Fund Management Company | Luxembourg, Luxembourg | CHF | 0.3 |
| 100.0% | Credit Suisse First Boston (Bahamas) Limited | Nassau, Bahamas | USD | 16.9 |
| 100.0% | Credit Suisse First Boston (Cayman) Limited | George Town, Cayman Islands | USD | 0.0 |
| 100.0% | Credit Suisse First Boston (Europe) Limited | London, United Kingdom | USD | 27.3 |
| 100.0% | Credit Suisse First Boston (Hong Kong) Limited | Hong Kong, China | HKD | 397.7 |
| 75.0% | Credit Suisse First Boston (India) Securities Private Limited | Mumbai, India | INR | 979.8 |
| 100.0% | Credit Suisse First Boston (International) Holding AG | Zug, Switzerland | CHF | 37.5 |
| 100.0% | Credit Suisse First Boston (Latam Holdings) LLC | George Town, Cayman Islands | USD | 23.8 |
| 100.0% | Credit Suisse First Boston (Singapore) Limited | Singapore, Singapore | SGD | 278.4 |
| 100.0% | Credit Suisse First Boston (USA), Inc. | Wilmington, USA | USD | 0.0 |
| 100.0% | Credit Suisse First Boston Australia (Finance) Limited | Sydney, Australia | AUD | 10.0 |
| 100.0% | Credit Suisse First Boston Australia (Holdings) Limited | Sydney, Australia | AUD | 42.0 |
| 100.0% | Credit Suisse First Boston Australia Equities Limited | Sydney, Australia | AUD | 13.0 |
| 100.0% | Credit Suisse First Boston Australia Limited | Sydney, Australia | AUD | 34.1 |
| 100.0% | Credit Suisse First Boston Australia Securities Limited | Sydney, Australia | AUD | 38.4 |
| 100.0% | Credit Suisse First Boston Canada Inc. | Toronto, Canada | CAD | 3.4 |
| 100.0% | Credit Suisse First Boston Capital LLC | Wilmington, USA | USD | 337.6 |
| 100.0% | Credit Suisse First Boston Equities Limited | London, United Kingdom | GBP | 15.0 |
| 100.0% | Credit Suisse First Boston Finance (Guernsey) Ltd | St Peter Port, Guernsey | USD | 0.2 |
| 100.0% | Credit Suisse First Boston Finance B.V. | Amsterdam, The Netherlands | EUR | 0.0 |
| 100.0% | Credit Suisse First Boston Financial Corporation | Wilmington, USA | USD | 0.0 |
| 80.0% [1] | Credit Suisse First Boston International | London, United Kingdom | USD | 682.3 |
| 100.0% | Credit Suisse First Boston LLC | Wilmington, USA | USD | 5,484.2 |
| 100.0% | Credit Suisse First Boston Management LLC | Wilmington, USA | USD | 897.7 |
| 100.0% | Credit Suisse First Boston Mortgage Capital LLC | Wilmington, USA | USD | 356.6 |
| 100.0% | Credit Suisse First Boston Private Equity, Inc. | Wilmington, USA | USD | 0.0 |
| 100.0% | Credit Suisse First Boston Securities (Japan) Limited | Hong Kong, China | USD | 730.6 |
| 100.0% [2] | Credit Suisse First Boston, Inc. | Wilmington, USA | USD | 184.8 |
| 100.0% | Credit Suisse Leasing 92A, L.P. | New York, USA | USD | 86.0 |
| 100.0% | Credit Suisse Money Market Fund Management Company | Luxembourg, Luxembourg | CHF | 0.3 |
| 100.0% | Credit Suisse Portfolio Fund Management Company | Luxembourg, Luxembourg | CHF | 0.3 |

The following table sets forth the Bank's significant subsidiaries (continued):

| December 31, 2004<br>% of equity capital held | Company name | Domicile | Currency | Capital in m |
|---|---|---|---|---|
| 100.0% | Credit Suisse Trust and Banking Co., Ltd. | Tokyo, Japan | JPY | 9,000.0 |
| 100.0% | DLJ Capital Corporation | Wilmington, USA | USD | 0.0 |
| 100.0% | DLJ Capital Funding, Inc. | Wilmington, USA | USD | 0.0 |
| 100.0% | DLJ Mortgage Capital, Inc. | Wilmington, USA | USD | 0.0 |
| 100.0% | Merban Equity | Zug, Switzerland | USD | 0.1 |
| 99.9% | ZAO Bank Credit Suisse First Boston | Moscow, Russia | USD | 37.8 |

[1] Remaining 20% directly held by Credit Suisse Group [2] 43% of voting rights held by Credit Suisse Group, Guernsey Branch

No associates were considered significant.

## 38 Significant valuation and income recognition differences between US GAAP and Swiss GAAP (true and fair view)

The Bank's consolidated financial statements have been prepared in accordance with US GAAP. For detailed description of the Banks accounting policies please refer to note 1.

The Swiss Federal Banking Commission requires Swiss domiciled banks, which present their financial statements on either US GAAP or International Financial Reporting Standards (IFRS) to provide a narrative explanation of the major differences between Swiss GAAP and its primary accounting standard.

The principle provisions of the Banking Ordinance and the Guidelines of the Swiss Federal Banking Commission governing financial statement reporting (Swiss GAAP) differ in certain aspects from US GAAP. The following are the major differences:

**Scope of consolidation**
Under US GAAP the Bank deconsolidated certain entities that issue redeemable preferred securities as of March 31, 2004 due to the issuance of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (FIN 46), as revised (FIN 46R). Under Swiss GAAP these entities continue to be consolidated as the Bank holds 100% of the voting rights.

Under Swiss GAAP, majority owned subsidiaries that are not considered long-term investments or do not operate in the core business of the Bank are either accounted for as financial investments or as equity method investments. US GAAP has no such exception relating to the consolidation of majority owned subsidiaries.

**Discontinued operations**
Under US GAAP, the assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet captions and are measured at the lower of the carrying value or fair value less cost to sell. Under Swiss GAAP, these positions remain in their initial balance sheet positions until disposed and are valued according to the respective positions.

**Real estate held for investment**
Under US GAAP, real estate held for investment is valued at cost less accumulated depreciation.

For Swiss GAAP, real estate held for investment that the Bank intends to hold permanently is also accounted at cost less accumulated depreciation. If the Bank, however, does not intent to hold real estate permanently, real estate is accounted for at the lower of cost or market (LOCOM).

**Investment in securities**

***Available-for-sale securities***
Under US GAAP available-for-sale (AFS) securities are valued at fair value. Unrealized holding gains and losses (including foreign exchange) due to fluctuations in fair value are not recorded in the Consolidated statements of income but reported in *AOCL*. Declines in fair value below cost deemed to be other-than-temporary are recognized as impairment losses through the Consolidated statements of income. The new cost basis should not be changed for subsequent recoveries in fair value.

Under Swiss GAAP AFS securities are accounted for at LOCOM with market fluctuations recorded in *Other revenues*. Foreign exchange gains and losses are recognized as *Trading revenues*.

Non-marketable equity securities are valued at cost less other-than-temporary impairment or at fair value (depending on the status of reporting entity) under US GAAP, whereas under Swiss GAAP non-marketable equity securities are accounted for at LOCOM.

**Trading positions**
Under US GAAP as well as under Swiss GAAP, positions classified as *Trading assets* are valued at fair value. Under US GAAP this classification is based on management's intent for the specific instrument, whereas the prevailing criteria under Swiss GAAP is the active management of the specific instrument.

**Investments in precious metals**
Physical precious metal (e.g. gold) positions held for other-than-trading-purposes are valued at fair value under US GAAP. Under Swiss GAAP they are accounted for at LOCOM.

**Bifurcation of precious metal loans**
Under US GAAP precious metal loans and deposits are considered hybrid instruments. As precious metals are considered a commodity, which is not clearly and closely related to a loan or deposit host, the embedded derivative is bifurcated under US GAAP.

Under Swiss GAAP precious metals loans and deposits are not considered hybrid instruments. Precious metals are rather considered as a currency than a commodity.

**Intangibles, including goodwill**

***Intangible assets with indefinite lives***
Under US GAAP intangible assets with indefinite lives are not amortized but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Under Swiss GAAP intangible assets with indefinite lives are amortized over the useful life, with a maximum of five years. Additionally these assets are tested for impairment.

***Goodwill amortization***
Under US GAAP goodwill is not amortized but is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

Under Swiss GAAP goodwill is amortized over its useful life, normally not exceeding 5 years, except in justified cases (up to 20 years). In addition goodwill is tested for impairment.

**Pensions and post-retirements benefits**
US GAAP and Swiss GAAP differ in their definition of defined benefit versus defined contribution plans. US GAAP defines a defined benefit plan as a plan that bears actuarial risk, i.e. risk that the pension or post-retirement benefit obligation will be higher than expected. Under Swiss GAAP, however, a defined benefit plan is a plan where the employer bears the actuarial risk.

**Reserves for general banking risks**
Under Swiss GAAP reserves for general banking risks are recorded as a separate component of *Shareholder's equity*. US GAAP does not allow general unallocated provisions.

# FINANCIAL STATEMENTS 2004
# CREDIT SUISSE FIRST BOSTON
# (PARENT COMPANY)

# PARENT COMPANY FINANCIAL REVIEW

## FINANCIAL REVIEW

The Parent Company Credit Suisse First Boston (the Parent Company) recorded a net operating income of CHF 2,082 million for the year ended December 31, 2004 compared to CHF 2,737 million for the year ended December 31, 2003. After deduction of operating expenses totaling CHF 1,591 million (an increase of CHF 324 million or 25.6% in comparison with the previous year), gross operating profit was CHF 491 million, CHF 979 million or 66.6% lower than in 2003.

Depreciation of non-current assets of CHF 164 million offset by a net release of valuation adjustments, provisions and losses of CHF 166 million resulted in a profit before extraordinary items and taxes of CHF 493 million. The Parent Company recorded a net profit of CHF 934 million for the year ended December 31, 2004, a decrease of CHF 105 million or 10.1% compared to the prior year.

Net interest income decreased year-on-year by CHF 834 million or 73.3% to CHF 304 million. Commission and service fee income increased by CHF 5 million to CHF 1,252 million. Trading income increased year-on-year by CHF 92 million or 59.4% to CHF 247 million. The Parent Company reported Other ordinary income of CHF 279 million representing an increase of CHF 82 million or 41.6% compared to the previous year.

Operating expenses were up CHF 324 million on the previous year to CHF 1,591 million. Personnel expenses increased by CHF 96 million or 12.4% to CHF 871 million. Property, equipment and administrative expenses totaled CHF 720 million, representing an increase of CHF 228 million or 46.3% compared with the previous year.

Depreciation of non-current assets amounted to CHF 164 million (prior year CHF 214 million). Valuation adjustments, provisions and losses amounted to a release of CHF 166 million compared to a charge of CHF 72 million in the previous year.

The impact on Cumulative effect of change in accounting principles was due to accounting policy changes (harmonization of hedge accounting, asset retirement obligation and loan origination cost). For further information please refer to "Parent Company accounting and valuation policies".

Extraordinary income recorded for the year ended December 31, 2004 include a CHF 107 million realized gain as a result of a share capital repatriation from a fully written down subsidiary together with a CHF 70 million release of other reserves.

Total assets amounted to CHF 261.1 billion at December 31, 2004, compared with CHF 217.4 billion at December 31, 2003. The increase was primarily due to increased funding activities with the Parent Company's subsidiaries.

At the Annual General Meeting on March 24, 2005, the registered shareholder will be asked to approve the Board of Directors' proposed appropriation of retained earnings, which includes a dividend of CHF 472 million.

# PARENT COMPANY SWISS GAAP FINANCIAL STATEMENTS

## Income statements

| Year ended December 31, in CHF m | Reference to notes | 2004 | 2003 |
|---|---|---|---|
| **Results from interest business** | | | |
| Interest and discount income | | **4,661** | 3,810 |
| Interest and dividend income from trading portfolio | | **678** | 608 |
| Interest and dividend income from financial investments | | **109** | 148 |
| Interest expense | | **(5,144)** | (3,428) |
| **Net interest income** | | **304** | 1,138 |
| **Results from commission and service fee activities** | | | |
| Commission income from lending transactions | | **784** | 791 |
| Securities and investment commissions | | **483** | 550 |
| Other commission and fee income | | **57** | 37 |
| Commission expense | | **(72)** | (131) |
| **Net commission and service fee activities** | | **1,252** | 1,247 |
| **Net trading income** | 1 | **247** | 155 |
| **Other ordinary income** | | | |
| Income from the disposal of financial investments | | **173** | 113 |
| Income from participations | | **85** | 290 |
| Income from real estate | | **18** | 11 |
| Other ordinary income | | **161** | 83 |
| Other ordinary expenses | | **(158)** | (300) |
| **Net other ordinary income** | | **279** | 197 |
| **Net operating income** | | **2,082** | 2,737 |
| **Operating expenses** | | | |
| Personnel expenses | | **871** | 775 |
| Property, equipment and administrative costs | | **720** | 492 |
| **Total operating expenses** | | **1,591** | 1,267 |
| **Gross operating profit** | | **491** | 1,470 |
| Depreciation of non-current assets | | **164** | 214 |
| Valuation adjustments, provisions and losses | 1 | **(166)** | 72 |
| **Profit before extraordinary items and taxes** | | **493** | 1,184 |
| Extraordinary income | 1 | **177** | 143 |
| Extraordinary expenses | 1 | **(36)** | (40) |
| Cumulative effect of change in accounting principles | | **392** | 53 |
| Taxes | | **(92)** | (301) |
| **Net profit** | | **934** | 1,039 |

The accompanying notes to the Parent Company are an integral part of these statements.

# PARENT COMPANY SWISS GAAP FINANCIAL STATEMENTS

## Balance sheets

| December 31, in CHF m | Reference to notes | 2004 | 2003 |
|---|---|---|---|
| **Assets** | | | |
| Cash and other liquid assets | | **348** | 458 |
| Money market papers | | **4,814** | 7,744 |
| Due from banks | | **168,750** | 132,213 |
| of which securities borrowing and reverse repurchase agreements | 4 | **14,803** | 16,023 |
| Due from customers | | **40,140** | 30,837 |
| of which securities borrowing and reverse repurchase agreements | 4 | **17,056** | 10,925 |
| Mortgages | | **514** | 695 |
| Securities and precious metals trading portfolio | | **9,672** | 7,280 |
| Financial investments | | **1,267** | 2,831 |
| Participations | | **16,282** | 16,202 |
| Tangible fixed assets | | **1,897** | 1,941 |
| Intangible assets | | **1,169** | 1,250 |
| Accrued income and prepaid expenses | | **1,013** | 1,039 |
| Other assets | | **15,217** | 14,934 |
| **Total assets** | | **261,083** | 217,424 |
| of which subordinated assets | | **278** | 398 |
| assets in respect of participations and qualified shareholders [1] | | **165,738** | 121,441 |
| | | | |
| **Liabilities and shareholder's equity** | | | |
| Liabilities in respect of money market papers | | **57,891** | 31,745 |
| Due to banks | | **93,884** | 88,258 |
| of which securities lending and repurchase agreements | 4 | **12,141** | 13,897 |
| Due to customers, savings and investment deposits | | **2,039** | 2,604 |
| Due to customers, other deposits | | **38,727** | 32,988 |
| of which securities lending and repurchase agreements | 4 | **131** | 1,218 |
| Bonds and mortgage-backed bonds | | **28,795** | 22,062 |
| Accrued expenses and deferred income | | **2,248** | 2,243 |
| Other liabilities | | **14,749** | 15,609 |
| Valuation adjustments and provisions | 6 | **125** | 214 |
| **Total liabilities** | | **238,458** | 195,723 |
| Share capital | 7 | **4,400** | 4,400 |
| General legal reserves | | **13,443** | 13,443 |
| Other reserves | | **103** | 103 |
| Retained earnings carried forward | | **3,745** | 2,716 |
| Net profit | | **934** | 1,039 |
| **Total shareholder's equity** | 9 | **22,625** | 21,701 |
| **Total liabilities and shareholder's equity** | | **261,083** | 217,424 |
| of which subordinated liabilities | | **8,890** | 9,293 |
| liabilities in respect of participations and qualified shareholders | | **14,235** | 10,792 |

[1] Reflects reclassification of prior year to conform to the current presentation.

The accompanying notes to the Parent Company are an integral part of these statements.

## Off-balance sheet business

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Contingent liabilities | **42,905** | 40,979 |
| Irrevocable commitments | **57,693** | 62,111 |
| Derivative financial instruments | | |
| gross positive replacement values | **27,931** | 25,258 |
| gross negative replacement values | **27,985** | 25,932 |
| contract volume | **1,718,433** | 1,715,566 |
| Fiduciary transactions | **473** | 489 |

The accompanying notes to the Parent Company are an integral part of these statements.

# PARENT COMPANY SWISS GAAP FINANCIAL STATEMENTS

## Proposed appropriation of retained earnings

| December 31, in CHF | 2004 | 2003 |
| --- | --- | --- |
| **Retained earnings** | | |
| Net annual profit | **933,857,756** | 1,039,294,390 |
| Retained earnings carried forward | **3,744,902,489** | 2,715,608,099 |
| **Retained earnings available for appropriation** | **4,678,760,245** | 3,754,902,489 |
| Dividend | **472,000,000** | 10,000,000 |
| Allocations to general legal reserves [1] | **0** | 0 |
| **Balance to be carried forward** | **4,206,760,245** | 3,744,902,489 |

[1] As the general legal reserve exceeds 50% of share capital, no allocation to the general legal reserve was required in 2004 or 2003.

Zurich, March 24, 2005
For the Board of Directors
Chairman: Walter B Kielholz

For the Bank
Brady Dougan
Chief Executive Officer

Neil Moskowitz
Chief Financial Officer

The accompanying notes to the Parent Company are an integral part of these statements.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## Accounting and valuation policies

**Basis for accounting**
The Parent Company's stand alone financial statements are prepared in accordance with the accounting rules of the Swiss Federal Law on Banks and Savings Banks, the respective Implementing Ordinance and the Federal Banking Commission Guidelines (Swiss GAAP statutory).

The Bank's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Accounting and valuation principles are described in note 1 to the Bank's consolidated financial statements. See also note 38 for major valuation and income recognition differences between US GAAP and Swiss GAAP (true and fair view). Additional differences between US GAAP and Swiss GAAP statutory are stated below and should be read in conjunction with note 1 to the Bank's consolidated financial statements:

***Foreign currency translations***
For US GAAP purposes foreign currency translation adjustments for available-for-sale securities are reported in *Accumulated other comprehensive loss (AOCL)*, which is part of the *Shareholder's equity*, whereas for Swiss GAAP statutory they are included in the Income Statements.

***Share-based compensation***
Under US GAAP the Credit Suisse Group share based compensation plans are treated as equity awards. Under Swiss GAAP statutory, such plans are treated as liability awards.

***Derivatives used for hedging purposes***

*Cash flow hedges*
For US GAAP purposes, the effective portion of a cash flow hedge is reported in *AOCL*. For Swiss GAAP statutory purposes, the effective portion of a cash flow hedge is reported in the Compensation account, which is part of *Other assets* or *Other liabilities*.

*Fair value hedges*
Under US GAAP the full amount of unrealized losses on derivatives classified as hedging instruments and the corresponding gains on available-for-sale securities as hedged items are recognized in income. Under Swiss GAAP statutory the amount representing the portion above historical cost of financial investments as hedged item is recorded in the Compensation account.

***Deferred taxes***
US GAAP allows the recognition of deferred tax assets on net operating loss carry forwards. Such recognition is not allowed for Swiss GAAP statutory purposes.

***Participations***
The Portfolio valuation method is applied to the participation positions.

***Undisclosed reserves***
Unlike under US GAAP, Swiss GAAP statutory financial statements may include and be influenced by undisclosed reserves. Undisclosed reserves also arise from economically unnecessary write-downs on fixed assets and participations or through market-related price increases, which are not reflected in the Income Statement. Such undisclosed reserves arise from recording excessive provisions and loan loss reserves. In addition, such undisclosed reserves arise if provisions and loan reserves, which are no longer necessary, are not written back to income.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

**Changes in Swiss GAAP statutory accounting policy**

***Derivative Instruments used for hedging***
Effective January 1, 2004, the Parent Company adopted the US GAAP treatment for derivative instruments, with the exception of those differences described above in the paragraph *Derivatives used for hedging purposes.*

Under US GAAP, certain hedge relationships do not qualify for hedge accounting treatment. Instead, such derivatives are accounted for as trading derivatives at fair value. This effect of adopting US GAAP treatment is reported as a *Cumulative effect of a change in accounting principle, net of tax* in the 2004 Income statement to the amount of CHF 392 million.

***FER 23***
As of December 2004, provisions are accounted for based on Swiss GAAP FER 23. The accounting principles outlined in FER 23 resulted in a harmonization with US GAAP treatment for asset retirement obligations. The change in policy had no material impact on the Parent Company's financial position, results of operations or cash flows.

***Loans***
The treatment for loan origination fees and costs has been harmonized with the US GAAP treatment. The change in policy had no material impact on the Parent Company's financial position, results of operations or cash flows.

**Notes on risk management**
For information on the Parent Company's policy with regard to risk management and the use of financial derivatives, see notes to the Bank's consolidated financial statements.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1 Additional information on the Income statements

The following table summarizes details of net trading income:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Net trading income** | | |
| Income from trading in interest related instruments | **497** | 105 |
| (Loss)/income from trading in equity instruments | **(166)** | 96 |
| Income from foreign exchange and banknote trading | **111** | 496 |
| Income from precious metal trading | **0** | 14 |
| Other loss from trading | **(195)** | (556) |
| **Total net trading income** | **247** | 155 |

The following table summarizes details of valuation adjustments, provisions and losses:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Valuation adjustments, provisions and losses** | | |
| Provisions and valuation adjustments for default risks | **(170)** | 72 |
| Provisions and valuation adjustments for other banking risks | **(1)** | 0 |
| Other provisions | **4** | (2) |
| Losses | **1** | 2 |
| **Total valuation adjustments, provisions and losses** | **(166)** | 72 |

The following table summarizes details of extraordinary income and expenses:

| Year ended December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Extraordinary income and expenses** | | |
| Gains realized on the disposal of participations | **107** | 140 |
| Gains realized from the sale of fixed assets | **0** | 1 |
| Other extraordinary income | **70** | 2 |
| **Extraordinary income** | **177** | 143 |
| Losses realized on the disposal of participations | **(6)** | (40) |
| Other extraordinary expenses | **(30)** | 0 |
| **Extraordinary expenses** | **(36)** | (40) |
| **Total net extraordinary income and expenses** | **141** | 103 |

## 2 Details of Credit Suisse Group shares held by the Parent Company

The following table summarizes details of Credit Suisse Group shares held by the Parent Company:

| Registered shares (nom. value CHF 1) December 31 | 2004 Quantity in thousands | 2004 Book value CHF m | 2003 Quantity in thousands | 2003 Book value CHF m |
|---|---|---|---|---|
| Securities trading portfolio | **0** | **0** | 30 | 1 |

## 3 Pledged and assigned assets and assets under reservation of ownership

The following table summarizes details of pledged assets and assets under reservation of ownership:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Assets pledged and assigned as collateral | **17,734** | 19,780 |
| Actual commitments secured | **17,734** | 19,774 |

There were no assets subject to ownership reservation either in the year under review or in the previous year.

## 4 Securities borrowing, securities lending, purchase and reverse purchase agreements

The following table summarizes details of Securities borrowing, securities lending, purchase and reverse purchase agreements:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Due from banks | **14,803** | 16,023 |
| Due from customers | **17,056** | 10,925 |
| Cash collateral due from securities borrowed and reverse repurchase agreements | **31,859** | 26,948 |
| Due to banks | **12,141** | 13,897 |
| Due to customers | **131** | 1,218 |
| Cash collateral due to securities lent and repurchase agreements | **12,272** | 15,115 |
| Carrying value of securities transferred under securities lending and borrowing and repurchase agreements | **1,783** | 1,031 [1] |
| thereof transfers with the right to repledge or resell | **1,783** | 1,031 |
| Fair value of securities received under securities lending and borrowing and reverse repurchase agreements with the right to sell or repledge | **82,859** | 74,149 |
| thereof re-sold or re-pledged | **82,820** | 73,388 |

[1] Reflects reclassification to conform to the current presentation.

## 5 Liabilities in respect of own pension funds

The following table summarizes details of liabilities in respect of own pension funds:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Total | **379** | 500 |

## 6 Valuation adjustments and provisions

The following table summarizes details of valuation adjustments and provisions:

| Year ended December 31, in CHF m | Total 2003 | Specific write-downs | Recoveries, endangered interest, currency differences | New charges to income statement | Releases to income statement | Total 2004 |
|---|---|---|---|---|---|---|
| Provisions for deferred taxes | 14 | 0 | 0 | 77 | (78) | 13 |
| Valuation adjustments and provisions for default risks | 1,185 | (474) | 36 | 222 | (395) | 574 |
| Valuation adjustments and provisions for other risks [3] | 13 | (4) | (2) | 0 | (1) | 6 |
| Provisions for restructuring | 0 | 0 | 0 | 0 | 0 | 0 |
| Other provisions [1, 2] | 92 | (5) | (2) | 4 | (70) | 19 |
| Subtotal | 1,290 | (483) | 32 | 226 | (466) | 599 |
| **Total valuation adjustments and provisions** | **1,304** | **(483)** | **32** | **303** | **(544)** | **612** |
| Less direct charge-offs against specific assets | (1,090) | | | | | (487) |
| **Total valuation adjustments and provisions as shown in the consolidated balance sheet** | **214** | | | | | **125** |

[1] Provisions in respect of litigation claims were CHF 7 million and CHF 5 million as at December 31, 2004 and 2003. During the year ended December 31, 2004 an other reserve of CHF 70 million which had previously been recorded within Other provisions was released to the Income Statement. [2] No provisions for defined benefit pension cost. [3] Provisions are not discounted due to short-term nature.

## 7 Composition of share capital and authorized capital

The following table summarizes details of share capital and authorized capital:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | **Quantity** | **Total nominal value [1] CHF** | Quantity | Total nominal value [1] CHF |
| **Paid-up capital Bearer shares at CHF 100** | | | | |
| Capital on January 1 | **15,316,000** | **1,531,600,000** | 15,316,000 | 1,531,600,000 |
| **Capital on December 31** | **15,316,000** | **1,531,600,000** | 15,316,000 | 1,531,600,000 |
| **Registered shares at CHF 100** | | | | |
| Capital on January 1 | **28,680,652** | **2,868,065,200** | 28,680,652 | 2,868,065,200 |
| **Capital on December 31** | **28,680,652** | **2,868,065,200** | 28,680,652 | 2,868,065,200 |
| **Total share capital** | **43,996,652** | **4,399,665,200** | 43,996,652 | 4,399,665,200 |
| **Authorized share capital on December 31** | **0** | **0** | 0 | 0 |
| **Conditional share capital on December 31** | **0** | **0** | 0 | 0 |

[1] The dividend eligible capital equals the total nominal value.

## 8 Major shareholders and groups of shareholders

The following table summarizes details of major shareholders and groups of shareholders:

| | 2004 | | | 2003 | | |
|---|---|---|---|---|---|---|
| December 31, | Quantity | Total nominal value CHF | Share % | Quantity | Total nominal value CHF | Share % |
| **Bearer shares at CHF 100 with voting rights** | | | | | | |
| Credit Suisse Group | **15,316,000** | **1,531,600,000** | **100** | 15,316,000 | 1,531,600,000 | 100 |
| **Registered shares at CHF 100 with voting rights** | | | | | | |
| Credit Suisse Group | **28,680,652** | **2,868,065,200** | **100** | 28,680,652 | 2,868,065,200 | 100 |

## 9 Shareholder's equity

The following table summarizes details of shareholder's equity:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| **Shareholder's equity at January 1** | | |
| Share capital | **4,400** | 4,400 |
| General legal reserves | **13,443** | 13,443 |
| Other reserves | **103** | 103 |
| Retained earnings | **3,755** | 2,726 |
| of which carried forward from previous year | **2,716** | 3,451 |
| of which net annual profit/(loss) | **1,039** | (725) |
| **Total shareholder's equity as of January 1** | **21,701** | 20,672 |
| Dividend | **(10)** | (10) |
| Net annual profit | **934** | 1,039 |
| **Total shareholder's equity as of December 31** | **22,625** | 21,701 |
| Share capital | **4,400** | 4,400 |
| General legal reserves | **13,443** | 13,443 |
| Other reserves | **103** | 103 |
| Retained earnings | **4,679** | 3,755 |
| of which carried forward from previous year | **3,745** | 2,716 |
| of which net annual profit | **934** | 1,039 |
| **Total shareholder's equity as of December 31** | **22,625** | 21,701 |

## 10 Assets from and liabilities to affiliated companies, and loans to members of the Parent Company's governing bodies

The following table summarizes details of shareholder's equity:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Assets from affiliated companies | **20,470** | 21,613 |
| Liabilities to affiliated companies | **38,065** | 30,102 |
| Loans to members of the Parent Company's governing bodies | **0** | 0 |

## 11 Significant transactions with related parties

On September 1, 2003, the Parent Company transferred its securities and treasury execution platform in Switzerland to Credit Suisse. Total assets of CHF 20.2 billion were transferred at book value.

All other transactions with related parties (such as securities transactions, payment transfer services, borrowings and compensation for deposits) are carried out at arm's length.

## 12 Pension and other post-retirement benefits

**Defined Contribution Plans**
Credit Suisse First Boston Parent Company and its branches contribute to various defined contribution plans primarily in Switzerland but also in other countries throughout the world. The expenses for these plans during 2004 were CHF 48 million.

**Defined Benefit Plans**
There are no defined benefit plans reported in Credit Suisse First Boston Parent Company. None of the defined benefit plans according to FER 16 are sponsored by Credit Suisse First Boston branches. In those instances where a Credit Suisse First Boston branch participates in a larger Credit Suisse Group defined benefit plan, the largest local entity of Credit Suisse Group sponsors the plan. Accordingly the participating non-sponsoring site reports its expenses as defined contribution.

## 13 Fire insurance value of tangible fixed assets

The following table summarizes details of fire insurance value of tangible fixed assets:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Real estate | **2,050** | 2,196 |
| Other fixed assets | **52** | 39 |

## 14 Liabilities for future payments in connection with operating leases

The following table summarizes details of liabilities for future payments in connection with operating leases:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Total liabilities for future payments in connection with operating leases | **223** | 250 |

## 15 Fiduciary transactions

The following table summarizes details of fiduciary transactions:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Fiduciary placements with third-party institutions | **443** | 456 |
| Fiduciary loans and other fiduciary transactions | **30** | 33 |
| Total fiduciary transactions | **473** | 489 |

## 16 Number of employees

The following table summarizes details of the number of employees:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Switzerland | **984** | 928 |
| Abroad | **664** | 596 |
| **Total staff** | **1,648** | 1,524 |

## 17 Offices

The following table summarizes details of offices:

| December 31, in CHF m | 2004 | 2003 |
|---|---|---|
| Switzerland | **10** | 9 |
| Abroad | **23** | 23 |
| **Total offices** | **33** | 32 |

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Report of the Statutory Auditors to the General Meeting of

**Credit Suisse First Boston, Zurich**

As statutory auditors of Credit Suisse First Boston, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) for the year ended 31 December 2004. 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 Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about 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 accounting records and financial statements and the proposed appropriation of retained earnings comply with Swiss law and Credit Suisse First Boston's Articles of Association.

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

KPMG Klynveld Peat Marwick Goerdeler SA

Brendan R Nelson
*Chartered Accountant*
*Auditors in charge*

Stephen Bryans
*Chartered Accountant*

Zurich, Switzerland
24 March 2005