
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2005

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-6862

Credit Suisse First Boston (USA), Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-1898818

(I.R.S. Employer Identification No.)

Eleven Madison Avenue

New York, New York

(Address of principal executive offices)

10010

(Zip Code)

(212) 325-2000

(Registrant's telephone number, including area code)

The Registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicated by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

All of the outstanding shares of common stock of the registrant, \$0.10 par value, are held by Credit Suisse First Boston, Inc.

CREDIT SUISSE FIRST BOSTON (USA), INC.

Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2005

PART I FINANCIAL INFORMATION

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AVAILABLE INFORMATION

We file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or SEC. Our SEC filings are available to the public over the internet on the SEC's website at www.sec.gov. You may also view our annual, quarterly and current reports on our website at www.csfb.com (under "Company Information") as soon as is reasonably practicable after the report is electronically filed with, or furnished to, the SEC. The information on our website is not incorporated by reference into this Quarterly Report.

PART I
FINANCIAL INFORMATION
Item 1: Financial Statements

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(Unaudited)
(In millions)

| | March 31, 2005 | December 31, 2004 |
|--|---------------------------|------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 465 | \$ 727 |
| Collateralized short-term financings: | | |
| Securities purchased under agreements to resell. | 50,661 | 48,887 |
| Securities borrowed | 79,383 | 82,912 |
| Receivables: | | |
| Customers | 3,025 | 3,307 |
| Brokers, dealers and other | 21,865 | 11,094 |
| Financial instruments owned (includes securities pledged as collateral of \$70,075 and \$54,663, respectively): | | |
| U.S. government and agencies | 36,876 | 32,841 |
| Corporate debt | 15,981 | 14,721 |
| Mortgage whole loans | 17,380 | 14,987 |
| Equities | 26,181 | 28,712 |
| Commercial paper | 2,197 | 1,171 |
| Private equity and other long-term investments | 3,119 | 3,127 |
| Derivatives contracts | 4,348 | 3,663 |
| Other | 3,564 | 3,665 |
| Net deferred tax asset | 1,005 | 1,103 |
| Office facilities at cost (net of accumulated depreciation and amortization of \$710 and \$913, respectively) | 413 | 420 |
| Goodwill | 530 | 527 |
| Loans receivable from parent and affiliates | 20,749 | 22,692 |
| Other assets and deferred amounts | 1,703 | 1,257 |
| Total assets | \$289,445 | \$275,813 |

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition (Continued)
(Unaudited)
(In millions, except share data)

| | <u>March 31,</u> <u>2005</u> | <u>December 31,</u> <u>2004</u> |
|---|---------------------------------|------------------------------------|
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Commercial paper and short-term borrowings | \$ 15,742 | \$ 21,684 |
| Collateralized short-term financings: | | |
| Securities sold under agreements to repurchase | 116,421 | 108,407 |
| Securities loaned | 49,122 | 45,148 |
| Payables: | | |
| Customers | 8,036 | 6,767 |
| Brokers, dealers and other | 8,769 | 10,277 |
| Financial instruments sold not yet purchased: | | |
| U.S. government and agencies | 25,402 | 20,154 |
| Corporate debt | 3,635 | 2,842 |
| Equities | 10,495 | 5,245 |
| Derivatives contracts | 2,840 | 2,295 |
| Other | 277 | 161 |
| Obligation to return securities received as collateral | 4,027 | 4,980 |
| Accounts payable and accrued expenses | 1,869 | 3,327 |
| Other liabilities | 4,606 | 4,521 |
| Long-term borrowings | <u>26,849</u> | <u>28,941</u> |
| Total liabilities | <u>278,090</u> | <u>264,749</u> |
| Stockholder's Equity: | | |
| Common stock (\$0.10 par value; 50,000 shares authorized; 1,100 shares issued and outstanding) | — | — |
| Paid-in capital | 8,656 | 8,538 |
| Retained earnings | 2,710 | 2,534 |
| Accumulated other comprehensive loss | <u>(11)</u> | <u>(8)</u> |
| Total stockholder's equity | <u>11,355</u> | <u>11,064</u> |
| Total liabilities and stockholder's equity | <u>\$289,445</u> | <u>\$275,813</u> |

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(In millions)

| | For the Three Months | |
|---|-----------------------------|---------------|
| | Ended March 31, | |
| | 2005 | 2004 |
| Revenues: | | |
| Principal transactions-net | \$ 367 | \$ 63 |
| Investment banking and advisory | 321 | 474 |
| Commissions and fees | 351 | 374 |
| Interest and dividends, net of interest expense of \$2,147 and \$1,198, respectively. | 577 | 647 |
| Other | <u>17</u> | <u>22</u> |
| Total net revenues | <u>1,633</u> | <u>1,580</u> |
| Expenses: | | |
| Employee compensation and benefits | 947 | 963 |
| Occupancy and equipment rental | 120 | 114 |
| Brokerage, clearing and exchange fees | 77 | 72 |
| Communications | 36 | 32 |
| Professional fees | 67 | 55 |
| Merger-related costs | — | 4 |
| Other operating expenses | <u>(5)</u> | <u>13</u> |
| Total expenses | <u>1,242</u> | <u>1,253</u> |
| Income before provision for income taxes, minority interests and cumulative effect of a change in accounting principle | 391 | 327 |
| Provision for income taxes | 66 | 79 |
| Minority interests | <u>155</u> | <u>81</u> |
| Income before cumulative effect of a change in accounting principle | 170 | 167 |
| Cumulative effect of a change in accounting principle, net of income tax expense of \$3 | <u>6</u> | <u>—</u> |
| Net income | <u>\$ 176</u> | <u>\$ 167</u> |

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholder's Equity
For the Three Months Ended March 31, 2005 and 2004
(Unaudited)
(In millions)

| | <u>Common Stock</u> | <u>Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive (Loss)</u> | <u>Total</u> |
|--|-------------------------|----------------------------|------------------------------|---|-----------------|
| Balances as of December 31, 2003 | \$— | \$8,012 | \$1,787 | \$(158) | \$ 9,641 |
| Net income | — | — | 167 | — | 167 |
| Decrease in pension liability | — | — | — | 1 | 1 |
| Total comprehensive income | | | | | <u>168</u> |
| CSG share plan activity, including tax charge of \$10. | — | 90 | — | — | 90 |
| Balances as of March 31, 2004 | <u>\$—</u> | <u>\$8,102</u> | <u>\$1,954</u> | <u>\$(157)</u> | <u>\$ 9,899</u> |
| Balances as of December 31, 2004 | \$— | \$8,538 | \$2,534 | \$ (8) | \$11,064 |
| Net income | — | — | 176 | — | 176 |
| Net change in cash flow hedge, including tax benefit of \$2 | — | — | — | (3) | (3) |
| Total comprehensive income | | | | | <u>173</u> |
| CSG share plan activity, including tax charge of \$11. | — | 118 | — | — | 118 |
| Balances as of March 31, 2005 | <u>\$—</u> | <u>\$8,656</u> | <u>\$2,710</u> | <u>\$ (11)</u> | <u>\$11,355</u> |

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In millions)

| | <u>For the Three Months</u> <u>Ended March 31,</u> | |
|--|---|-----------------|
| | <u>2005</u> | <u>2004</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 176 | \$ 167 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 33 | 47 |
| Non-cash CSG share plan activity | 129 | 100 |
| Deferred taxes | 85 | 61 |
| Other, net | (14) | (9) |
| Change in operating assets and operating liabilities: | | |
| Securities borrowed | 3,529 | (2,187) |
| Receivables from customers | 282 | 365 |
| Receivables from brokers, dealers and other | (10,771) | 338 |
| Financial instruments owned | (5,403) | (22,157) |
| Other assets and deferred amounts and Other liabilities, net | (2,177) | (89) |
| Securities loaned | 3,974 | 441 |
| Payables to customers | 1,269 | 690 |
| Payables to brokers, dealers and other | (1,508) | 128 |
| Financial instruments sold not yet purchased | 11,952 | 3,799 |
| Obligation to return securities received as collateral | (953) | 2,868 |
| Accounts payable and accrued expenses | (1,458) | (721) |
| Net cash used in operating activities | <u>(855)</u> | <u>(16,159)</u> |
| Cash flows from investing activities: | | |
| Net (payments for) proceeds from: | | |
| Loans receivable from parent and affiliates | 1,943 | (174) |
| Office facilities, net | (30) | (97) |
| Net cash provided by (used in) investing activities | <u>1,913</u> | <u>(271)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from (payments for): | | |
| Commercial paper and short-term borrowings | (5,942) | 8,021 |
| Securities sold under agreements to repurchase, net of securities purchased under agreements to resell | 6,240 | 8,634 |
| Issuances of long-term borrowings | 3 | 996 |
| Redemptions and maturities of long-term borrowings | (1,621) | (626) |
| Net cash (used in) provided by financing activities | <u>(1,320)</u> | <u>17,025</u> |
| (Decrease) increase in cash and cash equivalents | (262) | 595 |
| Cash and cash equivalents as of the beginning of period | 727 | 334 |
| Cash and cash equivalents as of the end of period | <u>\$ 465</u> | <u>\$ 929</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash payments for interest | \$ 2,001 | \$ 1,244 |
| Cash payments for income taxes, net of refunds | \$ 6 | \$ 8 |

See accompanying notes to condensed consolidated financial statements (unaudited).

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

March 31, 2005

1. Summary of Significant Accounting Policies

The Company

Credit Suisse First Boston (USA), Inc. and its subsidiaries (the “Company”) is a leading integrated investment bank serving institutional, corporate, government and high-net-worth individual clients. The Company’s products and services include securities underwriting, sales and trading, financial advisory services, private equity investments, full service brokerage services, derivatives and risk management products and investment research.

Basis of Presentation

The condensed consolidated financial statements include Credit Suisse First Boston (USA), Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated. The Company is a wholly owned subsidiary of Credit Suisse First Boston, Inc. (“CSFBI”).

Certain financial information that is normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America but not required for interim reporting purposes has been condensed or omitted. These condensed consolidated financial statements reflect, in the opinion of management, all adjustments (consisting of normal, recurring accruals) that are necessary for a fair presentation of the condensed consolidated statements of financial condition and income for the interim periods presented.

The results of operations for interim periods are not necessarily indicative of results for the entire year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

To prepare condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, management must make estimates and assumptions. The reported amounts of assets and liabilities and revenues and expenses are affected by these estimates and assumptions, the most significant of which are discussed in the notes to the condensed consolidated financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ materially from these estimates. For a description of the Company’s significant accounting policies, see Note 1 of the consolidated financial statements in Part II, Item 8 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2004.

Certain reclassifications have been made to prior year condensed consolidated financial statements to conform to the 2005 presentation.

New Accounting Pronouncements

In August 2003, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” as amended by SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure,” (“SFAS 123”) using the prospective method. Under the prospective method, the Company recognized compensation expense over the vesting period for all share option and share awards granted under the Credit Suisse Group International Share Plan (the “Plan”) for services provided after January 1, 2003.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

1. Summary of Significant Accounting Policies (Continued)

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123 (Revised 2004), “Share-Based Payment” (“SFAS 123R”). In April 2005, the Securities and Exchange Commission (the “SEC”) deferred the effective date of SFAS 123R, which is now effective for fiscal years beginning after June 15, 2005. 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 Company has early adopted the new standard as of January 1, 2005, using the modified prospective method. During the three months ended March 31, 2005, the Company recorded an after-tax gain of \$6 million in the condensed consolidated statement of income as cumulative effect of a change in accounting principle to reverse the expense previously recognized on all outstanding unvested awards that are not expected to vest. For new grants after January 1, 2005, forfeitures will be included in the initial estimate of compensation expense at the grant date.

For further information on share-based compensation, see Note 11.

2. Related Party Transactions

Credit Suisse Group (“CSG”), through CSFBI, owns all of the Company’s outstanding voting common stock. The Company is involved in significant financing and other transactions, and has significant related party balances, with CSG affiliates, primarily with Credit Suisse First Boston, a Swiss bank subsidiary of CSG and an indirect parent of the Company, and certain of its subsidiaries and affiliates. The Company 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.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

2. Related Party Transactions (Continued)

The following table sets forth the Company's related party assets and liabilities as of March 31, 2005 and December 31, 2004:

| | March 31, 2005 | December 31, 2004 |
|--|---------------------------|------------------------------|
| | (In millions) | |
| ASSETS | | |
| Securities purchased under agreements to resell | \$ 6,787 | \$ 6,685 |
| Securities borrowed | 2,701 | 1,861 |
| Receivables from customers | 395 | 379 |
| Receivables from brokers, dealers and other | 4,381 | 1,893 |
| Derivatives contracts | 1,300 | 1,400 |
| Net deferred tax asset | 1,005 | 1,103 |
| Loans receivable from parent and affiliates | 20,749 | 22,692 |
| Total assets | <u>\$37,318</u> | <u>\$36,013</u> |
| LIABILITIES | | |
| Short-term borrowings | \$13,983 | \$20,085 |
| Securities sold under agreements to repurchase | 25,512 | 22,317 |
| Securities loaned | 36,466 | 34,056 |
| Payables to customers | 1,542 | 1,054 |
| Payables to brokers, dealers and other | 3,182 | 1,300 |
| Derivatives contracts | 946 | 695 |
| Obligation to return securities received as collateral | 1,335 | 1,252 |
| Taxes payable (included in Other liabilities) | 452 | 484 |
| Intercompany payables (included in Other liabilities) | 330 | 191 |
| Total liabilities | <u>\$83,748</u> | <u>\$81,434</u> |

Included in the condensed consolidated statements of income are revenues and expenses resulting from various securities trading and financing activities with certain affiliates, as well as fees for administrative services performed by the Company under the terms of various service agreements. The Company incurs commission expenses during the normal course of business for securities transactions conducted with affiliates. Other operating expenses include affiliate service fees that are treated as a reduction in other operating expenses in the condensed consolidated statements of income. These fees include compensation and benefits expense relating to business activities conducted by Company employees on behalf of CSG affiliates outside the Company.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

2. Related Party Transactions (Continued)

The following table sets forth the Company's related party revenues and expenses for the three months ended March 31, 2005 and 2004:

| | <u>For the Three Months Ended March 31,</u> | |
|--|---|----------------|
| | <u>2005</u> | <u>2004</u> |
| | (In millions) | |
| Principal transactions-net (derivatives contracts) | \$ 474 | \$ 60 |
| Commissions | (7) | (8) |
| Net interest expense | (196) | (59) |
| Total net revenues | <u>\$ 271</u> | <u>\$ (7)</u> |
| Other operating expenses | \$ (84) | \$ (44) |
| Total expenses | <u>\$ (84)</u> | <u>\$ (44)</u> |

From time to time the Company sells at cost to CSFBI the right, title and interest in certain assets. For the three months ended March 31, 2005 the value of the assets sold was not significant.

As of March 31, 2005, certain private equity funds of funds, with approximately \$4.1 billion of committed capital, and certain hedge funds, hedge funds of funds and variable interest entities ("VIEs") that issue collateralized debt obligations ("CDOs"), with aggregate assets under management of approximately \$15.5 billion, of CSFB Alternative Capital, Inc., an indirect wholly owned subsidiary of CSFBI, are managed by the Company's Alternative Capital division. CSFB Alternative Capital, Inc. reimburses the Alternative Capital division for all costs and expenses incurred by the Company in connection with managing these assets.

Beginning in April 2004, the Company entered into economic hedging arrangements with respect to deferred compensation obligations payable to its employees and to employees of affiliates, whose deferred compensation is not recorded in the Company's condensed consolidated financial statements. These hedging arrangements will result in the Company recognizing gains or losses with respect to the hedge of the deferred compensation obligation of such affiliates. For the three months ended March 31, 2005, the gain from the economic hedging arrangements with respect to these affiliate obligations was \$1 million.

The Credit Suisse Group International Share Plan provides for the grant of equity-based awards to Company employees based on CSG shares pursuant to which employees of the Company may be granted, as compensation, shares or other equity-based awards as compensation for services performed. CSFBI purchases shares from CSG to satisfy these awards, but CSFBI does not require reimbursement from the Company; therefore, amounts are considered a capital contribution to the Company and credited to paid-in-capital. Amounts contributed by CSFBI relating to compensation expense for the three months ended March 31, 2005 and 2004 were \$129 million and \$100 million, respectively. See Note 11 for further information on the Company's share-based compensation.

Certain of the Company's directors, officers and employees and those of its affiliates and their subsidiaries maintain margin accounts with Credit Suisse First Boston LLC ("CSFB LLC") and other affiliated broker-dealers in the ordinary course of business. In addition, certain of such directors, officers

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

2. Related Party Transactions (Continued)

and employees have investments or commitments to invest in various private funds. The Company makes loans to directors and executive officers on the same terms as are generally available to third parties or otherwise pursuant to widely available employee benefit plans. CSFB LLC and other affiliated broker-dealers, from time to time and in the ordinary course of business, enter into, as principal, transactions involving the purchase or sale of securities from or to such directors, officers and employees and members of their immediate families.

In connection with its derivatives activities, the Company enters into over-the-counter (“OTC”) derivatives contracts with related parties that contingently require the Company, as guarantor, to make payments based on changes in an underlying financial instrument. See Note 8 for more information.

The Company is included in the consolidated federal income tax return filed by CSFBI and certain state and local income tax returns filed by CSFBI.

3. Transfers and Servicing of Financial Assets

As part of the Company’s financing and securities settlement activities, the Company uses securities as collateral to support various secured financing sources. If the counterparty does not meet its contractual obligation to return securities used as collateral, the Company may be exposed to the risk of reacquiring the securities at prevailing market prices to satisfy its obligations. The Company controls this risk by monitoring the market value of financial instruments pledged each day and by requiring collateral levels to be adjusted in the event of excess market exposure.

As of March 31, 2005 and December 31, 2004, the fair value of assets that the Company pledged to counterparties was \$213.4 billion and \$199.3 billion, respectively, of which \$70.1 billion and \$54.7 billion, respectively, was included in financial instruments owned in the condensed consolidated statements of financial condition.

The Company has also received similar assets as collateral that the Company has the right to re-pledge or sell. The Company routinely re-pledges or lends these assets to third parties. As of March 31, 2005 and December 31, 2004, the fair value of the assets pledged to the Company was \$192.6 billion and \$182.3 billion, respectively, of which \$191.8 billion and \$180.6 billion, respectively, was sold or repledged.

Securitization Activities

The Company originates and purchases commercial and residential mortgages for the purpose of securitization. The Company sells these mortgage loans to qualified special purpose entities (“QSPEs”) or other VIEs. 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 Company’s assets. CSFB LLC is an underwriter of, and makes a market in, these securities.

The Company purchases loans and other debt obligations from clients for the purpose of securitization. The loans and other debt obligations are sold by the Company directly, or indirectly through affiliates, to QSPEs or other VIEs that issue CDOs. CSFB LLC structures, underwrites and makes a market in these CDOs. CDOs are securities backed by the assets transferred to the CDO VIEs and pay a

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

3. Transfers and Servicing of Financial Assets (Continued)

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 Company's assets.

The following table presents the proceeds and gains related to the securitization of commercial mortgage loans, residential mortgage loans, CDOs and other asset-backed loans for the three months ended March 31, 2005 and 2004:

| | <u>Commercial mortgage loans</u> | <u>Residential mortgage loans</u> | <u>Collateralized debt obligations</u> (In millions) | <u>Other asset-backed loans⁽¹⁾</u> |
|--|--|---|---|---|
| For the Three Months Ended | | | | |
| March 31, 2005 | | | | |
| Proceeds from new securitizations | \$ 1,357 | \$ 11,755 | \$ 1,320 | \$ 1,908 |
| Gain on securitizations ⁽²⁾ | \$ 39 | \$ 12 | \$ 10 | \$ 15 |
| For the Three Months Ended | | | | |
| March 31, 2004 | | | | |
| Proceeds from new securitizations | \$ 1,299 | \$ 8,714 | \$ 401 | \$ 744 |
| Gain on securitizations ⁽²⁾ | \$ 63 | \$ 27 | \$ 5 | \$ 4 |

(1) Primarily includes home equity loans.

(2) Includes underwriting fees and retained interest gains and losses but excludes all gains or losses, including net interest revenues, on assets prior to securitization.

Included in residential mortgage loans in the table above are proceeds of \$4.4 billion and \$3.4 billion related to the securitization of agency mortgage-backed securities for the three months ended March 31, 2005 and 2004, respectively. For the three months ended March 31, 2005 and 2004, the Company recognized losses of \$4 million and gains of \$2 million, respectively, from these securitizations.

The Company may retain interests in these securitized assets in connection with its underwriting and market-making activities. The Company's exposure in its securitization activities is limited to its retained interests. Retained interests in securitized financial assets are included at fair value in financial instruments owned in the condensed consolidated statements of financial condition. Any changes in the fair value of these retained interests are recognized in the condensed 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. As of March 31, 2005 and December 31, 2004, the fair value of the interests retained by the Company was \$2.9 billion and \$2.0 billion, respectively.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

3. Transfers and Servicing of Financial Assets (Continued)

Key economic assumptions used in measuring at the date of securitization the fair value of the retained interests resulting from securitizations completed during the three months ended March 31, 2005 were as follows:

| | For the Three Months Ended March 31, 2005 | | | |
|--|--|---|--|-------------------------------------|
| | Commercial mortgage loans⁽¹⁾ | Residential mortgage loans | Collateralized debt obligations⁽²⁾ | Other asset-backed loans |
| Weighted-average life (in years) | N/A | 4.6 | 6.8 | 3.5 |
| Prepayment rate (in rate per annum) ⁽³⁾ | N/A | 11%-25% | N/A | 25% |
| Cash flow discount rate (in rate per annum) ⁽⁴⁾ | N/A | 3.7%-39.5% | 9.2% | 4.8% |
| Expected credit losses (in rate per annum) | N/A | 0.1%-34.9% | 5.1% | 0.7% |

The following table sets forth the fair value of retained interests from securitizations as of March 31, 2005, key economic assumptions used to determine the fair value and the sensitivity of the fair value to immediate adverse changes in those assumptions:

| | As of March 31, 2005 | | | |
|--|--|---|--|-------------------------------------|
| | Commercial mortgage loans⁽¹⁾ | Residential mortgage loans | Collateralized debt obligations⁽²⁾ | Other asset-backed loans |
| | (Dollars in millions) | | | |
| Carrying amount/fair value of retained interests | \$ 3 | \$ 2,691 | \$ 140 | \$ 54 |
| Weighted-average life (in years) | 0.4 | 2.6 | 11.4 | 1.6 |
| Prepayment rate (in rate per annum) ⁽³⁾ | N/A | 3%-53% | N/A | 21%-51% |
| Impact on fair value of 10% adverse change | N/A | \$ (4) | N/A | \$ — |
| Impact on fair value of 20% adverse change | N/A | \$ (8) | N/A | \$ — |
| Cash flow discount rate (in rate per annum) ⁽⁴⁾ | 19.5% | 6.2% | 11.9% | 16.3% |
| Impact on fair value of 10% adverse change | \$ — | \$ (34) | \$ (7) | \$ — |
| Impact on fair value of 20% adverse change | \$ — | \$ (68) | \$ (14) | \$ (1) |
| Expected credit losses (in rate per annum) | 15.0% | 2.3% | 7.8% | 11.8% |
| Impact on fair value of 10% adverse change | \$ — | \$ (7) | \$ (3) | \$ — |
| Impact on fair value of 20% adverse change | \$ — | \$ (15) | \$ (6) | \$ — |

- (1) To deter prepayment, commercial mortgage loans typically have prepayment protection in the form of prepayment lockouts and yield maintenances.
- (2) CDO deals are generally structured to be protected from prepayment risk.
- (3) The Company utilizes the Constant Prepayment Rate assumptions.
- (4) 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

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

3. Transfers and Servicing of Financial Assets (Continued)

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 may magnify or counteract the sensitivities.

Variable Interest Entities

The Company has variable interests in several CDO VIEs. As described under “—Securitization Activities,” in the normal course of its business, the Company purchases loans and other debt obligations from and on behalf of clients primarily for the purpose of securitization. These assets are sold to and warehoused by affiliates and, at the end of a warehousing period, the assets are sold to VIEs or QSPEs for securitization. The Company engages in these transactions to meet the needs of clients, to earn fees and to sell financial assets. The purpose of these CDO VIEs is to provide investors a return based on the underlying debt instruments of the CDO VIEs. In connection with its underwriting and market-making activities, the Company may retain interests in the CDO VIEs. The CDO entities may have actively managed (“open”) portfolios or static or unmanaged (“closed”) portfolios. The closed CDO transactions are typically structured to use QSPEs, which are not consolidated in the Company’s financial statements.

The Company has consolidated all CDO VIEs for which it is the primary beneficiary. As of March 31, 2005 and December 31, 2004, the Company recorded \$282 million and \$291 million, respectively, representing the carrying amount of the consolidated assets of these CDO VIEs that are collateral for the VIE obligations. The beneficial interests of these consolidated CDO VIEs are payable solely from the cash flows of the related collateral, and the creditors of these VIEs do not have recourse to the Company in the event of default.

The Company retains significant debt and equity interests in open CDO VIEs that are not consolidated because the Company is not the primary beneficiary. The total assets in these CDO VIEs as of March 31, 2005 and December 31, 2004 were \$5.0 billion and \$4.5 billion, respectively. The Company’s maximum exposure to loss as of March 31, 2005 and December 31, 2004 was \$194 million and \$62 million, respectively, which was the amount of its retained interests, carried at fair value, in financial instruments owned.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

3. Transfers and Servicing of Financial Assets (Continued)

Certain of the Company's private equity funds are subject to FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") and the subsequent modifications of FIN 46 ("FIN 46R"). In the normal course of its private equity activities, the Company is typically the general partner and investment adviser to private equity funds. Limited partners of these funds typically have recourse to the funds assets but have no recourse to the Company's assets. During 2004, the Company consolidated certain private equity funds that are managed by the Company. The following table presents the impact on the condensed consolidated statements of financial condition of the Company's consolidation of these private equity funds primarily under FIN 46R, as of March 31, 2005 and December 31, 2004:

| | <u>March 31,</u> <u>2005</u> | <u>December 31,</u> <u>2004</u> |
|---|---------------------------------|------------------------------------|
| | (In millions) | |
| Private equity and other long-term investments | \$1,825 | \$1,947 |
| All other assets, net. | (87) | 2 |
| Total assets. | <u>\$1,738</u> | <u>\$1,949</u> |
| Minority interests (included in other liabilities) | \$1,884 | \$1,978 |
| All other liabilities, net (excluding minority interests) | (146) | (29) |
| Total liabilities. | <u>\$1,738</u> | <u>\$1,949</u> |

The following table presents the impact on the condensed consolidated statements of income of the Company's adoption of FIN 46R, for the three months ended March 31, 2005 and 2004:

| | <u>For the Three</u> <u>Months Ended</u> <u>March 31,</u> | |
|--------------------------|---|-------------|
| | <u>2005</u> | <u>2004</u> |
| | (In millions) | |
| Net revenues | \$157 | \$81 |
| Expenses | 2 | — |
| Minority interests | <u>\$155</u> | <u>\$81</u> |

4. Private Equity and Other Long-Term Investments

Private equity and other long-term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. The Company categorizes its private equity and other long-term investments into three categories: CSFB-managed funds, which include funds consolidated primarily under FIN 46R, funds managed by third parties and direct investments. These investments generally have no readily available market or may be otherwise restricted as to resale under the Securities Act of 1933; therefore, these investments are carried at amounts which approximate fair value.

As of March 31, 2005 and December 31, 2004, the Company had investments in private equity and other long-term investments of \$3.1 billion, including \$1.8 billion and \$1.9 billion, respectively, in private equity investments consolidated primarily under FIN 46R. As of March 31, 2005 the Company had commitments to invest up to an additional \$936 million. The cost of these investments, excluding the private equity investments consolidated primarily under FIN 46R, was \$1.6 billion as of March 31, 2005

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

4. Private Equity and Other Long-Term Investments (Continued)

and \$1.5 billion as of December 31, 2004. Changes in net unrealized appreciation/depreciation arising from changes in fair value and the gain or loss realized upon sale are reflected in principal transactions-net in the condensed consolidated statements of income. See Note 3 for more information.

The Company's subsidiaries manage many private equity partnerships (the "Funds"). When the investment performance on CSFB-managed Funds exceeds specific thresholds, the Company and certain other partners (the "GPs") may be entitled to receive a carried interest distribution under the governing documents of the Funds. Carried interest distributions are based on the cumulative investment performance of each Fund at the time the distribution is made. As a result, the Company may be obligated to return to investors in the Funds all or a portion of the carried interest distributions the Company has received if the Company has received excess carried interest distributions over the life of the Funds. The Company also guarantees the obligation of the other partners to return excess carried interest payments. The amount of such contingent obligations is based upon the performance of the Funds but cannot exceed the amount of carried interest received by the GPs. As of March 31, 2005 and December 31, 2004, the maximum amount of such contingent obligations was \$462 million and \$439 million, respectively, assuming the Funds' remaining investments were worthless. Assuming the Funds' remaining investments were sold at their current carrying values as of March 31, 2005 and December 31, 2004, the contingent obligations would have been \$5 million and \$9 million, respectively. As of March 31, 2005 and December 31, 2004, the Company withheld cash from distributions on prior realizations to the partners, and recorded corresponding liabilities of \$93 million and \$75 million, respectively, in connection with the Company's guarantee to return prior carried interest distributions to third party investors in the Funds.

In addition, pursuant to certain contractual arrangements, the Company is obligated to make cash payments to certain investors in certain Funds if specified performance thresholds are not met. As of March 31, 2005 and December 31, 2004, the maximum amount of such contingent obligations was \$65 million assuming the Funds' remaining investments were worthless. Assuming the Funds' remaining investments were sold at their current carrying values as of March 31, 2005 and December 31, 2004, there would have been no contingent obligation.

5. Derivatives Contracts

The Company uses derivatives contracts for trading and hedging purposes and to provide products for clients. These derivatives include options, forwards, futures and swaps. For more information on the Company's derivatives, see Note 6 of the consolidated financial statements in Part II, Item 8 in the Annual Report on Form 10-K for the year ended December 31, 2004.

The fair values of all derivatives contracts outstanding as of March 31, 2005 and December 31, 2004 were as follows:

| | <u>March 31, 2005</u> | | <u>December 31, 2004</u> | |
|-------------------------|-----------------------|--------------------|--------------------------|--------------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| | (In millions) | | | |
| Options | \$ 811 | \$ 694 | \$1,001 | \$ 879 |
| Forward contracts | 2,017 | 882 | 1,206 | 355 |
| Swaps | 1,520 | 1,264 | 1,456 | 1,061 |
| Total | <u>\$4,348</u> | <u>\$2,840</u> | <u>\$3,663</u> | <u>\$2,295</u> |

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

5. Derivatives Contracts (Continued)

These assets and liabilities are included as derivatives contracts in financial instruments owned/sold not yet purchased, respectively, in the condensed consolidated statements of financial condition.

6. Borrowings

Short-term borrowings are generally demand obligations with interest approximating the federal funds rate, LIBOR or other money market indices. Such borrowings are generally used to facilitate the securities settlement process, finance financial instruments owned and finance securities purchased by customers on margin. As of March 31, 2005 and December 31, 2004, there were no short-term borrowings secured by Company-owned securities.

The following table sets forth the Company's short-term borrowings and their weighted average interest rates:

| | <u>Short-term borrowings</u> | | <u>Weighted average interest rates</u> | |
|--|-------------------------------------|--|--|--|
| | <u>As of March 31, 2005</u> | <u>As of December 31, 2004</u> | <u>As of March 31, 2005</u> | <u>As of December 31, 2004</u> |
| | (In millions) | | | |
| Bank loans, including loans from affiliates ⁽¹⁾ | \$14,371 | \$20,435 | 3.24% | 2.65% |
| Commercial paper | <u>1,371</u> | <u>1,249</u> | 2.82% | 2.11% |
| Total short-term borrowings | <u>\$15,742</u> | <u>\$21,684</u> | | |

(1) Includes \$14.0 billion and \$20.1 billion in loans from affiliates as of March 31, 2005 and December 31, 2004, respectively.

The Company has two commercial paper programs exempt from registration under the Securities Act of 1933 that allow the Company to issue up to \$7.0 billion in commercial paper. As of March 31, 2005 and December 31, 2004, \$1.4 billion and \$1.2 billion, respectively, of commercial paper was outstanding under these programs.

In June 2004, the Company filed with the SEC a shelf registration statement that allows the Company to issue from time to time up to \$15.0 billion of senior and subordinated debt securities, and warrants to purchase such securities. Under that shelf registration statement, the Company had, as of May 10, 2005, approximately \$11.5 billion available for issuance.

In July 2001, the Company established a Euro Medium-Term Note program that allows the Company to issue up to \$5.0 billion of notes. Under this program, the Company had, as of May 10, 2005, approximately \$1.2 billion available for issuance.

The following table sets forth the Company's long-term borrowings as of March 31, 2005 and December 31, 2004:

| | <u>March 31, 2005</u> | <u>December 31, 2004</u> |
|---|-----------------------|--------------------------|
| | (In millions) | |
| Senior notes 2.66%-7.13%, due various dates through 2032 | \$21,523 | \$22,485 |
| Medium-term notes 2.14%-7.53%, due various dates through 2032 | 5,310 | 6,387 |
| Structured borrowings 5.7%-16.06%, due various dates through 2007 | 16 | 69 |
| Total long-term borrowings | <u>\$26,849</u> | <u>\$28,941</u> |
| Current maturities of long-term borrowings | <u>\$ 1,647</u> | <u>\$ 3,137</u> |

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

6. Borrowings (Continued)

As of March 31, 2005 and December 31, 2004, long-term borrowings included an increase of approximately \$154 million and \$624 million, respectively, associated with fair value hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended ("SFAS 133"). As of March 31, 2005 and December 31, 2004, the Company had entered into interest rate swaps, with a notional amount of \$21.3 billion and \$21.8 billion, respectively, on the Company's long-term borrowings for hedging purposes. Substantially all of these swaps qualified as fair value hedges under SFAS 133. See Note 5 for more information.

The following table sets forth scheduled maturities of all long-term borrowings as of March 31, 2005:

| | <u>Twelve Months Ended</u> <u>March 31,</u> <u>(In millions)</u> |
|---------------------|--|
| 2006 | \$ 1,647 |
| 2007 | 3,966 |
| 2008 | 4,999 |
| 2009 | 2,194 |
| 2010 | 2,777 |
| 2011-2032 | <u>11,266</u> |
| Total | <u>\$26,849</u> |

The following table sets forth scheduled maturities of the current portion of long-term borrowings as of March 31, 2005:

| | <u>Three Months Ended</u> <u>(In millions)</u> |
|------------------------------|---|
| June 30, 2005 | \$ 900 |
| September 30, 2005 | 149 |
| December 31, 2005 | 498 |
| March 31, 2006 | <u>100</u> |
| Total | <u>\$1,647</u> |

As of March 31, 2005, Credit Suisse First Boston LLC ("CSFB LLC") maintained with third parties four 364-day committed secured revolving credit facilities totaling \$2.0 billion, with one facility for \$500 million maturing in July 2005, one facility for \$500 million maturing in November 2005, one facility for \$500 million maturing in February 2006 and one facility for \$500 million maturing in March 2006. These facilities require CSFB LLC 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 Company believes will not impair its ability to obtain funding. As of March 31, 2005, no borrowings were outstanding under any of the facilities.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

6. Borrowings (Continued)

2005 Financings:

During the three months ended March 31, 2005, the Company issued \$3 million in structured notes and repaid approximately \$1.1 billion of medium-term notes, \$500 million of senior notes and \$55 million of structured notes.

7. Leases and Commitments

The following table sets forth the Company's minimum operating lease commitments as of March 31, 2005:

| | <u>Twelve Months Ended March 31, (In millions)</u> |
|----------------------------|--|
| 2006 | \$ 154 |
| 2007 | 150 |
| 2008 | 140 |
| 2009 | 134 |
| 2010 | 131 |
| 2011-2025 | <u>1,050</u> |
| Total ⁽¹⁾ | <u>\$1,759</u> |

- (1) Includes contractual obligations related to certain information technology, equipment leases and software licenses of \$4 million and excludes sublease revenue of \$341 million and executory costs such as insurance, maintenance and taxes of \$554 million.

The following table sets forth certain of the Company's long-term commitments, including the current portion as of March 31, 2005:

| | <u>Commitment Expiration Per Period</u> | | | | |
|--|---|----------------------|----------------------|-------------------------|------------------------------|
| | <u>Less than 1 year</u> | <u>1-3 years</u> | <u>4-5 years</u> | <u>Over 5 years</u> | <u>Total commitments</u> |
| | (In millions) | | | | |
| Standby resale agreements ⁽¹⁾ | \$ — | \$ 25 | \$— | \$ — | \$ 25 |
| Private equity ⁽²⁾ | 169 | 129 | 57 | 581 | 936 |
| Forward agreements ⁽³⁾ | 10,048 | — | — | — | 10,048 |
| Unfunded mortgage commitments ⁽⁴⁾ | — | 51 | — | — | 51 |
| Total commitments | <u>\$10,217</u> | <u>\$205</u> | <u>\$57</u> | <u>\$581</u> | <u>\$11,060</u> |

- (1) In the ordinary course of business, the Company maintains certain standby resale agreement facilities that commit the Company to enter into securities purchased under agreements to resell with customers at current market rates.
- (2) Represents commitments to invest in various partnerships that make private equity and related investments in various portfolio companies or other private equity funds.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

7. Leases and Commitments (Continued)

- (3) Represents commitments to enter into forward securities purchased under agreements to resell and forward agreements to borrow securities.
- (4) The Company enters into commitments to extend credit, predominantly at variable interest rates, in connection with certain commercial mortgage activities.

Excluded from the table above are certain commitments to originate, purchase and sell mortgage whole loans. These commitments are reflected as derivatives contracts in the condensed consolidated statements of financial condition. For more information on the Company's derivatives contracts see Note 5.

The Company used \$55 million in outstanding standby letters of credit as of March 31, 2005, in order to satisfy counterparty collateral requirements.

The Company had no capital lease or purchase obligations as of March 31, 2005. For information about certain of the Company's additional commitments, see Notes 4 and 8.

8. Guarantees

In the ordinary course of business, the Company enters into guarantee contracts as guarantor. FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), requires disclosure by a guarantor of its maximum potential payment obligations under certain of its guarantees to the extent that it is possible to estimate them. FIN 45 also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligations undertaken in issuing such guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that certain events or conditions occur. With certain exceptions, these liability recognition requirements apply to any guarantees entered into or modified after December 31, 2002.

The guarantees covered by FIN 45 may require the Company to make payments to the guaranteed party based on changes related to an asset, a liability or an equity security of the guaranteed party. The Company may also be contingently required to make payments to the guaranteed party based on another entity's failure to perform under an agreement, or the Company may have an indirect guarantee of the indebtedness of others, even though the payment to the guaranteed party may not be based on changes related to an asset, liability or equity security of the guaranteed party.

In addition, FIN 45 covers certain indemnification agreements that contingently require the Company to make payments to the indemnified party based on changes related to an asset, liability or equity security of the indemnified party, such as an adverse judgment in a lawsuit or the imposition of additional taxes due to either a change in the tax law or an adverse interpretation of the tax law.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

8. Guarantees (Continued)

The following table sets forth the maximum quantifiable contingent liabilities and carrying amounts associated with guarantees covered by FIN 45 as of March 31, 2005, by maturity.

| | Guarantee of Commitment Expiration Per Period | | | | Total guarantees | Carrying amounts |
|--------------------------------|--|----------------|--------------|-----------------|---------------------|---------------------|
| | Less than 1 year | 1-3 years | 4-5 years | Over 5 years | | |
| | (In millions) | | | | | |
| Credit guarantees | \$ 6 | \$ 10 | \$ 53 | \$ 384 | \$ 453 | \$ 11 |
| Performance guarantees | 73 | 326 | — | — | 399 | 6 |
| Derivatives | 3,621 | 2,075 | 248 | 1,246 | 7,190 | 112 |
| Related party guarantees | — | — | — | 1 | 1 | — |
| Indemnifications | — | — | — | 6 | 6 | — |
| Total guarantees | <u>\$3,700</u> | <u>\$2,411</u> | <u>\$301</u> | <u>\$1,637</u> | <u>\$8,049</u> | <u>\$129</u> |

For more information on the Company's guarantees, including guarantees for which the maximum contingent liability cannot be quantified, see Note 10 of the consolidated financial statements in Part II, Item 8 in the Annual Report on Form 10-K for the year ended December 31, 2004.

9. Net Capital Requirements

The Company's principal wholly owned subsidiary, CSFB LLC, is a registered broker-dealer, registered futures commission merchant and member firm of the New York Stock Exchange Inc. ("NYSE"). Accordingly, the Company is subject to the minimum net capital requirements of the SEC and the Commodities Futures Trading Commission ("CFTC"). Under the alternative method permitted by SEC rule 15c3-1, the required net capital may not be less than the greater of 2% of aggregate debit balances arising from customer transactions or 4% of the funds required to be segregated pursuant to the Commodity Exchange Act less the market value of certain commodity options, all as defined. Under CFTC Regulation 1.17, the required minimum net capital requirement is 8% of the total risk margin requirement (as defined) for all positions carried in customer accounts plus 4% of the total risk margin requirement (as defined) for all positions carried in non-customer accounts. As of March 31, 2005, the CFTC's minimum net capital requirement was greater than the SEC's minimum net capital requirement. As of March 31, 2005, CSFB LLC's net capital of approximately \$2.8 billion was 40.8% of aggregate debit balances and in excess of the CFTC's minimum requirement by approximately \$2.6 billion.

The Company's OTC derivatives dealer subsidiary, Credit Suisse First Boston Capital LLC ("CSFB Capital LLC"), is also subject to the uniform net capital rule, but computes its net capital based on value at risk under Appendix F of rule 15c3-1 under the Securities Exchange Act of 1934. As of March 31, 2005, CSFB Capital LLC's net capital of \$302 million, allowing for market and credit risk exposure of \$82 million and \$43 million, respectively, was in excess of the minimum net capital requirement by \$282 million. CSFB Capital LLC is in compliance with the exemptive provisions of Rule 15c3-3 because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

As of March 31, 2005, the Company and its subsidiaries complied with all applicable regulatory capital adequacy requirements.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

10. Cash and Securities Segregated Under Federal and Other Regulations

In compliance with the Commodity Exchange Act, CSFB LLC segregates funds deposited by customers and funds accruing to customers as a result of trades or contracts. As of March 31, 2005 and December 31, 2004, cash and securities aggregating \$3.4 billion and \$3.1 billion, respectively, were segregated or secured by CSFB LLC in separate accounts exclusively for the benefit of customers.

In accordance with the SEC's no-action letter dated November 3, 1998, CSFB LLC computed a reserve requirement for the proprietary accounts of introducing broker-dealers. As of March 31, 2005 and December 31, 2004, CSFB LLC segregated securities aggregating \$2.6 billion and \$1.5 billion, respectively, on behalf of introducing broker-dealers.

In addition, CSFB LLC segregated U.S. Treasury securities with a market value of \$4.8 billion and \$4.4 billion as of March 31, 2005 and December 31, 2004, respectively, in a special reserve bank account exclusively for the benefit of customers as required by Rule 15c3-3 of the Exchange Act.

11. Share-Based Compensation

The Company participates in the Credit Suisse Group International Share Plan (the "Plan"). The Plan provides for share option and share awards to be granted to certain employees based on the fair market value of CSG shares at the time of grant. Effective January 1, 2005, the Company early adopted the provisions of SFAS 123R on accounting for stock compensation using the modified prospective method. For additional information on the effect of adopting SFAS 123R, see Note 1.

Share Awards

Under the Plan, the Company grants share awards as part of incentive compensation with a three-year vesting period. Compensation expense is recognized over the vesting period on a straight-line basis. For share awards that are not granted as part of incentive compensation, compensation expense is recognized over a vesting period of one to five years on a straight-line basis.

The fair value of share awards is determined by the market price of CSG shares on the date of grant. The weighted-average fair value at grant date for share awards granted during the three months ended March 31, 2005 and 2004 was \$41.56 and \$37.81, respectively. The number of share awards granted during the three months ended March 31, 2005 and 2004 was 17 million.

Share Option Awards

Under the Plan, the Company may grant share option awards as part of incentive compensation with a three-year vesting period. Compensation expense is recognized over the vesting period on a straight-line basis. For share option awards that are not part of incentive compensation, compensation expense is recognized on a straight-line basis over the service period, which ranges from two to four years. These awards expire ten years from the grant date. The Company did not grant any share option awards during the three months ended March 31, 2005 and 2004.

Share option awards granted in or before January 2003 for services provided before January 1, 2003, if not subsequently modified, were previously accounted for under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees".

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

11. Share-Based Compensation (Continued)

Upon adoption of SFAS 123R, compensation expense for these options that have future vesting requirements was recognized in the condensed consolidated statement of income.

If the Company had applied the fair-value based method under SFAS 123 to recognize expense over the relevant service period for share options that had future vesting requirements granted in or before January 2003, net income would have decreased for the three months ended March 31, 2004. For the three months ended March 31, 2005, there was no *pro forma* impact as compensation expense includes the fair value as of the grant date of all outstanding unvested share option awards granted. The following table reflects the *pro forma* effect for the three months ended March 31, 2004:

| | For the Three Months Ended March 31, 2004 (In millions) |
|---|--|
| Net income, as reported..... | \$ 167 |
| Add: Share-based employee compensation expense, net of related tax effects, included in reported net income..... | 64 |
| Deduct: Share-based employee compensation expense, net of related tax effects, determined under the fair-value based method for all awards..... | 66 |
| Pro forma net income..... | <u>\$ 165</u> |

12. Employee Benefit Plans

The Company provides retirement and postretirement benefits to its U.S. and certain non-U.S. employees through participation in defined benefit pension plans, a defined contribution plan and other post-retirement plans. The Company's measurement date is September 30 for its pension and other plans. For more information on the Company's employee benefit plans, see Note 16 of the consolidated financial statements in Part II, Item 8 in the Annual Report on Form 10-K for the year ended December 31, 2004.

The following table presents the pension expense by component for the Company's defined benefit pension plans and other post-retirement plans for the three months ended March 31, 2005 and 2004:

| | For the Three Months Ended March 31, 2005 2004 (In millions) | |
|---|--|--------------|
| Components of Net Periodic Benefit Cost: | | |
| Service cost..... | \$ 6 | \$ 7 |
| Interest cost..... | 11 | 11 |
| Expected return on plan assets..... | (14) | (13) |
| Amortization of loss..... | 5 | 6 |
| Amortization of prior service cost..... | — | (1) |
| Net periodic benefit cost..... | <u>\$ 8</u> | <u>\$ 10</u> |

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)
March 31, 2005

12. Employee Benefit Plans (Continued)

The Company did not make payments to the qualified pension plan during the three months ended March 31, 2005 and does not expect to make any payments during the remainder of the year ending December 31, 2005. The Company made payments of \$1 million to participants in the supplemental plan and the other post-retirement plans during the three months ended March 31, 2005 and expects to pay a total of \$4 million during the remainder of the year ending December 31, 2005.

13. Legal Proceedings

The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The Company believes, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on its financial condition but might be material to operating results for any particular period, depending, in part, upon the operating results for such period.

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

14. Industry Segment and Geographic Data

The Company operates and manages its businesses through two operating segments: the Institutional Securities segment, consisting primarily of Investment Banking, Trading and certain separately managed private equity and distressed assets; and the Wealth & Asset Management segment, consisting of Alternative Capital, which includes the results of the private equity and private funds businesses, and Private Client Services. For further information on the segments, see Note 19 of the consolidated financial statements in Part II, Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2004.

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

March 31, 2005

14. Industry Segment and Geographic Data (Continued)

The following table sets forth the net revenues excluding net interest, net interest revenue, total net revenues, total expenses and income before provision for income taxes and cumulative effect of a change in accounting principle and assets of the Company's segments.

| | <u>Institutional Securities</u> | <u>Wealth & Asset Management</u> (In millions) | <u>Total Segments</u> |
|---|-------------------------------------|---|---------------------------|
| For the three months ended March 31, 2005: | | | |
| Net revenues excluding net interest | \$ 767 | \$ 289 | \$ 1,056 |
| Net interest revenue | <u>567</u> | <u>10</u> | <u>577</u> |
| Total net revenues ⁽¹⁾ | 1,334 | 299 | 1,633 |
| Total expenses | <u>1,093</u> | <u>149</u> | <u>1,242</u> |
| Income ⁽²⁾ | 241 | 150 | 391 |
| Minority interests ⁽³⁾ | <u>54</u> | <u>101</u> | <u>155</u> |
| Income after minority interests ⁽⁴⁾ | <u>\$ 187</u> | <u>\$ 49</u> | <u>\$ 236</u> |
| Segment assets as of March 31, 2005⁽⁵⁾ | <u>\$284,674</u> | <u>\$4,771</u> | <u>\$289,445</u> |
| For the three months ended March 31, 2004: | | | |
| Net revenues excluding net interest | \$ 703 | \$ 230 | \$ 933 |
| Net interest revenue | <u>637</u> | <u>10</u> | <u>647</u> |
| Total net revenues ⁽¹⁾ | 1,340 | 240 | 1,580 |
| Total expenses | <u>1,095</u> | <u>158</u> | <u>1,253</u> |
| Income ⁽²⁾ | 245 | 82 | 327 |
| Minority interests ⁽³⁾ | <u>27</u> | <u>54</u> | <u>81</u> |
| Income after minority interests ⁽⁴⁾ | <u>\$ 218</u> | <u>\$ 28</u> | <u>\$ 246</u> |
| Segment assets as of December 31, 2004⁽⁵⁾ | <u>\$271,203</u> | <u>\$4,610</u> | <u>\$275,813</u> |

- (1) Interest income and expense is accrued at the stated coupon rate for coupon-bearing financial instruments, and for non-coupon-bearing financial instruments, interest income is recognized by accreting the discount over the life of the instrument. For coupon-bearing financial instruments purchased at a discount or premium, the difference between interest income and expense accrued at the stated coupon rate and interest income and expense determined on an effective yield basis is included in principal transactions-net in the Company's condensed consolidated statements of income and in net revenues excluding net interest above.
- (2) Income before provision for income taxes, minority interests and cumulative effect at a change in accounting principle.
- (3) Related to the Company's consolidation of certain private equity funds. See Note 3 for more information.
- (4) Income before provision for income taxes and cumulative effect of a change in accounting principle.
- (5) The Institutional Securities and Wealth & Asset Management segment assets include \$510 million and \$1.2 billion, respectively, as of March 31, 2005 and \$494 million and \$1.5 billion, respectively, as of December 31, 2004, related to the Company's consolidation of certain private equity funds.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder
Credit Suisse First Boston (USA), Inc.

We have reviewed the accompanying condensed consolidated statement of financial condition of Credit Suisse First Boston (USA), Inc. and subsidiaries (the "Company") as of March 31, 2005, the related condensed consolidated statements of income for the three-month periods ended March 31, 2005 and 2004, and the related condensed consolidated statements of changes in stockholder's equity and cash flows for the three-month periods ended March 31, 2005 and 2004. These condensed consolidated financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of Credit Suisse First Boston (USA), Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the year then ended (not presented herein); and in our report dated March 17, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

As discussed in Note 1 to the condensed consolidated financial statements, in 2005 the Company changed its method of accounting for share-based compensation.

/s/ KPMG LLP

New York, New York
May 10, 2005

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

We serve institutional, corporate, government and high-net-worth individual clients. Our businesses include securities underwriting, sales and trading, financial advisory services, alternative investments, full-service brokerage services, derivatives and risk management products and investment research. We are part of the Credit Suisse First Boston business unit, which we call CSFB, of Credit Suisse Group, or CSG, and our results do not reflect the overall performance of CSFB or CSG.

When we use the terms "we," "our," "us" and the "Company," we mean Credit Suisse First Boston (USA), Inc., a Delaware corporation, and its consolidated subsidiaries.

The Company's principal operations are located in the United States. The Company's foreign revenues are not significant.

BUSINESS ENVIRONMENT

Our principal business activities, investment banking, securities underwriting and sales, trading and wealth and asset management, are, by their nature, highly competitive and subject to general market conditions that include volatile trading markets, fluctuations in the volume of new issues, mergers and acquisitions activities and the value of securities. Consequently, our results have been, and are likely to continue to be, subject to wide fluctuations reflecting the impact of many factors beyond our control, including securities market conditions, the level and volatility of interest rates, competitive conditions, the size and timing of transactions and the geopolitical environment.

The U.S. economy expanded at a moderate pace during the first three months of 2005 despite rising oil prices that sparked inflation concerns. Although mixed employment data raised concerns about the durability of the economy's expansion, the Federal Reserve Board continued to raise interest rates at a measured pace but implied that interest rate increases may be less measured in the future.

The major U.S. stock market indices posted losses during the three months ended March 31, 2005 reflecting rising interest rates and concerns over inflation. For the three months ended March 31, 2005, the Dow Jones Industrial Average, the Standard & Poor's 500 stock index and the NASDAQ composite index decreased 3%, 3% and 8%, respectively.

The federal funds rate was 2.75% as of March 31, 2005 compared to 2.25% as of December 31, 2004 as the Federal Reserve Board increased the federal funds rate twice during the three months ended March 31, 2005. Unlike 2004, when well-telegraphed and measured rate increases along with demand for U.S. treasuries by foreign central banks kept bond yields stable, during the three months ended March 31, 2005, concerns over inflation, signals that the Federal Reserve Board may speed up the pace of rate increases and lower demand for U.S. treasuries by foreign central banks pushed bond yields higher. The yield on the benchmark 10-year Treasury note rose from 4.22% as of December 31, 2004 to 4.49% as of March 31, 2005.

The dollar value of U.S. debt underwriting declined for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, as high-yield and investment grade new issues declined. The dollar value of U.S. equity and equity-related underwriting decreased for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, as decreases in secondary offerings of common stock and convertible securities issuances were partially offset by increases in initial public offerings of common stock. The dollar value of completed mergers and acquisitions in the United States increased for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, reflecting an increase in both the size and number of transactions.

MANAGEMENT OVERVIEW

Despite rising interest rates and declines in the major U.S. stock market indices and the dollar value of U.S. debt and equity underwriting activity, the Company's net revenues for the three months ended March 31, 2005 increased 3% compared to the three months ended March 31, 2004. The improved results primarily reflected higher revenues from fixed income trading offset in part by significant decreases in underwriting, advisory and equity trading revenues. Revenues from our Alternative Capital business increased, reflecting our consolidation of certain private equity funds, primarily under Financial Accounting Standards Board, or FASB, Interpretation, or FIN, No. 46 "Consolidation of Variable Interest Entities," or FIN 46, as subsequently modified, FIN 46R. Revenues from our private client services business decreased slightly, reflecting weaker equity capital markets. Operating expenses for the three months ended March 31, 2005 decreased 1% compared to the three months ended March 31, 2004, reflecting slightly lower employee compensation and benefits expenses and slightly increased other operating expenses. Net income increased, reflecting higher revenues and modestly lower expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In order to prepare the condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, we must make estimates and assumptions based on judgment and available information. The reported amounts of assets and liabilities and revenues and expenses are affected by these estimates and assumptions. Actual results could differ from these estimates, and the differences could be material.

Our significant accounting policies and a discussion of new accounting pronouncements are disclosed in Note 1 of the consolidated financial statements in Part II, Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2004 and Note 1 of the condensed consolidated financial statements in Part I, Item 1. We believe that the critical accounting policies discussed below involve the most complex judgments and assessments. We believe that the estimates and assumptions used in the preparation of the condensed consolidated financial statements are prudent, reasonable and consistently applied.

Fair Value

As is the normal practice in our industry, the values we report in the condensed consolidated financial statements with respect to financial instruments owned and financial instruments sold not yet purchased are in most cases based on fair value, with related unrealized and realized gains or losses included in the condensed consolidated statements of income. Commercial mortgage whole loans are carried at the lower of aggregate cost or fair value and certain residential mortgage whole loans held for sale are carried at the lower of cost or fair value.

Fair value may be objective, as is the case for exchange-traded instruments, for which quoted prices in price-efficient and liquid markets generally exist, or as is the case where a financial instrument's fair value is derived from actively quoted prices or pricing parameters or alternative pricing sources with a reasonable level of price transparency. For financial instruments that trade infrequently and have little price transparency, fair value may be subjective and require varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In such circumstances, valuation is based on management's best estimate of fair value. In addition, valuation of financial instruments ordinarily based on quoted prices may be distorted in times of market dislocation.

Controls Over Fair Valuation Process

Control processes are applied to ensure that the fair value of the financial instruments reported in our condensed consolidated financial statements, including those derived from pricing models, are appropriate

and measured on a reliable basis. The Company bases fair value on observable market prices or market-based parameters whenever possible. In the absence of observable market prices or market-based parameters in an active market or from comparable market transactions, or other observable data supporting fair value based on a model at the inception of a contract, fair value is based on the transaction price. Control processes are designed to ensure that the valuation approach is appropriate and the assumptions are reasonable.

Control processes include the approval of new products, review of profit and loss, risk monitoring and review, price verification procedures and reviews of models used to price financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

The Company also has agreements with certain counterparties to exchange collateral based on the fair value of derivatives contracts. Through this process, one or both parties provide the other party with the fair value of these derivatives contracts in order to determine the amount of collateral required. This exchange of information provides additional support for the Company's derivatives contracts valuations. As part of the Company's over-the-counter, or OTC, derivatives business, the Company and other participants provide pricing information to aggregation services that compile this data and provide this information to subscribers. This information is considered in the determination of fair value for certain OTC derivatives.

For further discussion of our risk management policies and procedures, see "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2004.

Valuation

For purposes of valuation, we categorize our financial instruments as cash products, derivatives contracts and private equity and other long-term investments. The table below presents the carrying value of our cash products, derivatives contracts and private equity and other long-term investments as of March 31, 2005 and December 31, 2004. Included in cash products are commercial mortgage whole loans, which are carried at the lower of the aggregate cost or fair value, and certain residential mortgage whole loans, which are carried at the lower of the cost or fair value.

| | <u>As of March 31, 2005</u> | | <u>As of December 31, 2004</u> | |
|--|------------------------------------|---|------------------------------------|---|
| | <u>Financial instruments owned</u> | <u>Financial instruments sold not yet purchased</u> | <u>Financial instruments owned</u> | <u>Financial instruments sold not yet purchased</u> |
| | (In millions) | | | |
| Cash products | \$102,179 | \$39,809 | \$ 96,097 | \$28,402 |
| Derivatives contracts | 4,348 | 2,840 | 3,663 | 2,295 |
| Private equity and other long-term investments . . . | 3,119 | — | 3,127 | — |
| Total | <u>\$109,646</u> | <u>\$42,649</u> | <u>\$102,887</u> | <u>\$30,697</u> |

Cash Products

The vast majority of our financial instruments owned and financial instruments sold not yet purchased are considered cash trading instruments. The fair value of the vast majority of these financial instruments is based on quoted market prices in active markets or observable market parameters or is derived from such prices or parameters. These include U.S. government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, most mortgage-backed securities and listed equities.

In addition, we hold positions in cash products that are thinly traded or for which no market prices are available, and which have little or no price transparency. These products include certain high-yield debt securities, distressed debt securities, mortgage loans, certain mortgage-backed and asset-backed securities, certain collateralized debt obligations, or CDOs, and equity securities that are not publicly traded. The techniques used to determine fair value for these instruments are based on the type of product. Some of these valuation techniques require us to exercise a substantial amount of judgment, for example, in determining the likely future cash flows or default recovery on distressed debt instruments or asset-backed obligations or the likely impact of country or market risk on various investments. Valuation techniques for certain of these products are described more fully below.

For certain high-yield debt securities that are thinly traded or for which market prices are not available, valuation is based on recent market transactions, taking into account changes in the creditworthiness of the issuer, and pricing models to derive yields reflecting the perceived risk of the issuer or country rating and the maturity of the security. Such valuation may involve judgment.

Financial instruments held in the distressed portfolio are typically issued by private companies under significant financial burden and/or near bankruptcy. Because of the less liquid nature of these financial instruments, valuation techniques often include earnings-multiple analyses using comparable companies or discounted cash flow analysis. These factors contribute to significant subjectivity in the valuation of these financial instruments.

The mortgage loan portfolio primarily includes residential and commercial mortgage loans that are either purchased or originated with the intent to securitize or sell. For residential mortgage loans, valuations are based on pricing factors specific to loan level attributes, such as loan-to-value ratios, current balance and liens. The commercial real estate loans are valued using origination spreads, incorporating loan-to-value ratios, debt service coverage ratios, geographic location, prepayment protection and current yield curves. In addition, current written offers or contract prices are considered in the valuation process.

Values of residential and commercial mortgage-backed securities and other asset-backed securities that are not based on quoted market prices or prices at which similarly structured and collateralized securities trade between dealers and to and from customers are valued using pricing models employing prepayment scenarios and Monte Carlo simulations.

CDOs are structured securities based on underlying portfolios of asset-backed securities, certain residential and commercial mortgage securities, high-yield and investment grade corporate bonds, leveraged loans and other debt obligations. These instruments are split into various structured tranches, and each tranche is priced based upon its individual rating and the value or cash flow of the underlying collateral supporting the structure. Values are derived using pricing models that involve projected cash flows, default recovery analysis and other assumptions, and such valuations involve judgment.

For convertible securities that are thinly traded or for which no market prices are available, internal models are used to derive fair value. The terms and conditions of the security are factored into the model, along with market inputs such as underlying equity price, equity price volatility and credit spread. Certain adjustments are made to the derived theoretical values for high concentration levels and low trading volumes.

Derivatives Contracts

Our derivatives contracts consist of exchange-traded and OTC derivatives, and the fair value of these as of March 31, 2005 and December 31, 2004 was as follows:

| | As of March 31, 2005 | | As of December 31, 2004 | |
|-----------------------|----------------------|----------------|-------------------------|----------------|
| | Assets | Liabilities | Assets | Liabilities |
| Exchange-traded | \$ 567 | \$ 453 | \$ 695 | \$ 598 |
| OTC..... | 3,781 | 2,387 | 2,968 | 1,697 |
| Total | <u>\$4,348</u> | <u>\$2,840</u> | <u>\$3,663</u> | <u>\$2,295</u> |

The fair value of exchange-traded derivatives is typically derived from the observable exchange price and/or observable market parameters. Our primary exchange-traded derivatives include certain option agreements. OTC derivatives include forwards, swaps and options on foreign exchange, interest rates, equities and credit products. Fair values for OTC derivatives are determined using internally developed proprietary models using various input parameters. The input parameters include those characteristics of the derivative that have a bearing on the economics of the instrument and market parameters. In well-established derivatives markets, the use of a particular model may be widely accepted. For example, the Black-Scholes model is widely used to calculate the fair value of many types of options. These models are used to calculate the fair value of OTC derivatives and to facilitate the effective risk management of the portfolio. The determination of the fair value of many derivatives involves only limited subjectivity because the required input parameters are observable in the marketplace. For other more complex derivatives, subjectivity relating to the determination of input parameters reduces price transparency. Specific areas of subjectivity include long-dated volatilities on OTC option transactions and recovery rate assumptions for credit derivatives transactions. Uncertainty of pricing assumptions and liquidity are also considered as part of the valuation process. Because of these uncertainties, we do not recognize a dealer profit or unrealized gain at the inception of a derivatives transaction unless the valuation underlying the unrealized gain is evidenced by quoted market prices in an active market, observable prices of other current market transactions or other observable data supporting a valuation technique in accordance with Emerging Issues Task Force Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." As of March 31, 2005 and December 31, 2004, most of the replacement values reported in our condensed consolidated statements of financial condition were derived using observable input parameters. For further information on the fair value of derivatives as of March 31, 2005 and December 31, 2004, see "—Derivatives—Sources and Maturities of OTC Derivatives" and Note 5 of the condensed consolidated financial statements in Part I, Item 1.

Private equity and other long-term investments

Private equity and other long-term investments include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. Private equity investments and other long-term investments consist of both publicly traded securities and private securities. Publicly traded investments are valued based upon readily available market quotes with appropriate adjustments for liquidity as a result of holding large blocks and/or having trading restrictions. Private securities, which generally have no readily available market or may be otherwise restricted as to resale, are valued taking into account a number of factors, such as the most recent round of financing involving unrelated new investors, earnings-multiple analyses using comparable companies or discounted cash flow analysis, and have little or no price transparency.

The Company categorizes its private equity investments into three categories: CSFB-managed funds (which include certain funds consolidated primarily under FIN 46R), funds managed by third parties and

direct investments. The following table sets forth the fair value of our private equity investments by category as of March 31, 2005 and December 31, 2004:

| | <u>As of March 31, 2005</u> | | <u>As of December 31, 2004</u> | |
|---|---|-----------------------------------|---|-----------------------------------|
| | <u>Fair value</u> <u>(In millions)</u> | <u>Percent</u> <u>of total</u> | <u>Fair value</u> <u>(In millions)</u> | <u>Percent</u> <u>of total</u> |
| CSFB-managed funds (which includes \$1,825 and \$1,947 related to funds consolidated primarily under FIN 46R ⁽¹⁾ as of March 31, 2005 and December 31, 2004, respectively) | \$2,648 | 85% | \$2,670 | 85% |
| Funds managed by third parties | 455 | 14 | 442 | 14 |
| Direct investments | 16 | 1 | 15 | 1 |
| Total | <u>\$3,119</u> | <u>100%</u> | <u>\$3,127</u> | <u>100%</u> |

(1) For more information on the funds consolidated primarily under FIN 46R as of March 31, 2005 and December 31, 2004, see Note 3 of the condensed consolidated financial statements in Part I, Item 1.

CSFB-Managed Funds. CSFB-managed funds are partnerships and related “side-by-side” direct investments made by our subsidiaries for which CSFB acts as the fund’s advisor and makes investment decisions. As of March 31, 2005 and December 31, 2004, approximately 7% and 10%, respectively, of CSFB-managed fund investments, excluding private equity funds that were consolidated primarily under FIN 46R, were public securities. The fair value of our investments in CSFB-managed funds is based on our valuation or, in the case of funds of funds, valuations received from the underlying fund manager and reviewed by us.

Funds Managed by Third Parties. Funds managed by third parties are investments by CSFB as a limited partner in a fund managed by an external fund manager. The fair value of these funds is based on the valuation received from the general partner of the fund and reviewed by us.

Direct Investments. Direct investments are generally debt and equity securities that are not made through or “side-by-side” with CSFB-managed funds and consist of public and private securities. These investments are priced in accordance with the procedures for CSFB-managed funds. As of March 31, 2005 and December 31, 2004, approximately 29% and 22%, respectively, of direct investments were public securities.

Income Taxes

Deferred Tax Assets

We recognize deferred tax assets and liabilities for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases as of the date of the statement of financial condition.

The realization of deferred tax assets on temporary differences is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The realization of deferred tax assets on net operating losses is dependent upon the generation of taxable income during the periods prior to their expiration, if any. Periodically, management evaluates whether deferred tax assets can be realized. If management considers it more likely than not that all or a portion of a deferred tax asset will not be realized, a corresponding valuation allowance is established. In evaluating whether deferred tax assets can be realized, management considers projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies.

This evaluation requires significant management judgment, primarily with respect to projected taxable income. The estimate of future taxable income can never be predicted with certainty. It is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond our control. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits, could lead to changes in deferred tax assets being realizable or considered realizable, and would require a corresponding adjustment to the valuation allowance.

As of March 31, 2005 and December 31, 2004, we had deferred tax assets resulting from temporary differences that could reduce taxable income in future periods. The condensed consolidated statements of financial condition as of March 31, 2005 and December 31, 2004 include deferred tax assets of \$1.5 billion and \$1.6 billion, respectively, and deferred tax liabilities of \$450 million and \$438 million, respectively. Due to uncertainty concerning our ability to generate the necessary amount and mix of state and local taxable income in future periods, we maintained a valuation allowance against our deferred state and local tax assets in the amount of \$28 million and \$32 million as of March 31, 2005 and December 31, 2004, respectively.

Tax Contingencies

Significant judgment is required in determining the effective tax rate and in evaluating certain of our tax positions. We accrue for tax contingencies when, despite our belief that our tax return positions are fully supportable, certain positions could be challenged and our 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. We regularly assess the likelihood of adverse outcomes to determine the appropriateness of our provision for income taxes. Although the outcome of any dispute is uncertain, management believes that it has appropriately accrued for any unfavorable outcome.

Litigation Contingencies

From time to time, we are involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of our business. It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, seek damages of unspecified or indeterminate amounts or involve novel legal claims. In presenting our condensed consolidated financial statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, other than those taken periodically for cost of defense, are not established for matters when losses cannot 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 and other advisers, our defenses and our experience in similar cases or proceedings. For a discussion of legal proceedings, see “Legal Proceedings” in Part II, Item 1.

RESULTS OF OPERATIONS

The following table sets forth a summary of our financial results:

| | For the Three Months Ended March 31, | |
|--|--|---------------|
| | 2005 | 2004 |
| | (In millions) | |
| Total net revenues..... | \$1,633 | \$1,580 |
| Total expenses..... | <u>1,242</u> | <u>1,253</u> |
| Income before provision for income taxes, minority interests and cumulative effect of a change in accounting principle..... | 391 | 327 |
| Provision for income taxes..... | 66 | 79 |
| Minority interests..... | <u>155</u> | <u>81</u> |
| Income before cumulative effect of a change in accounting principle..... | 170 | 167 |
| Cumulative effect of a change in accounting principle, net of income tax expense of \$3.. | <u>6</u> | <u>—</u> |
| Net income..... | <u>\$ 176</u> | <u>\$ 167</u> |

Substantially all of our inventory is marked to market daily and, therefore, the value of such inventory and our net revenues are subject to fluctuations based on market movements. In addition, net revenues derived from our less liquid assets may fluctuate significantly depending on the revaluation or sale of these investments in any given period. We also regularly enter into large transactions as part of our proprietary and other trading businesses, and the number and size of such transactions may subject our net revenues to volatility from period to period.

Interest income and expense is accrued at the stated coupon rate for coupon-bearing financial instruments, and for non-coupon-bearing financial instruments, interest income is recognized by accreting the discount over the life of the instrument. For coupon-bearing financial instruments purchased at a discount or premium, the difference between interest income and expense accrued at the stated coupon rate and interest income and expense determined on an effective yield basis is included in principal transactions-net in the condensed consolidated statements of income.

We use derivatives and cash instruments to mitigate the interest rate exposure associated with commercial mortgage whole loans and resale and repurchase agreements. These derivatives and cash instruments are carried at fair value, while the commercial mortgage whole loans are carried at the lower of aggregate cost or fair value and the resale and repurchase agreements are carried at contract amounts. As a result, decreases in the value of the derivatives and cash instruments, if any, are not offset by increases in the value of the commercial mortgage whole loans until the loans are sold and increases and decreases in the value of the derivatives and cash instruments, if any, are not offset by decreases and increases in the value of the resale and repurchase agreements until the securities are sold or repurchased. Commercial whole loans and resale and repurchase agreements can be a significant part of our statement of financial condition. Therefore, our net revenues are subject to volatility from period to period.

Our businesses are materially affected by conditions in the financial markets and economic conditions generally, including geopolitical events. Unpredictable or adverse market and economic conditions have adversely affected and may in the future adversely affect our results of operations. See “Business—Certain Factors That May Affect Our Results of Operations” in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004.

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

The Company recorded net income of \$176 million for the three months ended March 31, 2005 compared to net income of \$167 million for the three months ended March 31, 2004, reflecting higher net

revenues and modestly lower expenses. The Company consolidates certain private equity funds primarily under FIN 46R, resulting in an increase in net revenues of \$157 million and \$81 million, respectively, for the three months ended March 31, 2005 and 2004. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the increases attributable to the consolidation under FIN 46R of certain private equity funds, net revenues decreased 2%.

Total net revenues increased \$53 million, or 3%, to \$1.6 billion for the three months ended March 31, 2005, as principal transactions-net improved compared to the three months ended March 31, 2004, partially offset by decreases in investment banking and advisory, net interest revenues, commissions and fees and other revenues. The increase in principal transactions-net was primarily due to improved results from our fixed income trading business and higher revenues from certain private equity funds consolidated primarily under FIN 46R. These increases were partially offset by lower revenues from our equity trading business. Investment banking and advisory fees decreased due to lower debt and equity underwriting fees. Commissions were lower primarily as a result of decreased trading activity from fixed income listed derivatives and lower revenues from convertible securities. Net interest revenues decreased primarily due to lower net interest from structured products as a result of higher interest rates.

Total expenses decreased \$11 million, or 1%, to \$1.2 billion for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, as decreases in employee compensation and benefits expenses and other operating expenses were partially offset by higher professional fees. Included in employee compensation and benefits expense was \$60 million and \$28 million for the three months ended March 31, 2005 and 2004, respectively, related to business activities conducted by Company employees on behalf of CSG affiliates outside of the Company. These expenses were charged to these affiliates and are reflected as a reduction in our other operating expenses. See “—Expenses.”

Results by Segment

The operations of the Institutional Securities segment include: Investment Banking, which includes debt and equity underwriting and financial advisory services; and Trading, which includes our debt and equity sales and trading and other related activities. The Institutional Securities segment also includes the results from certain separately managed private equity and distressed assets. The operations of the Wealth & Asset Management segment include: Alternative Capital, which includes the results of the private equity and private funds businesses, and Private Client Services.

Our segments are managed based on types of products and services offered and their related client bases. We evaluate the performance of our segments based primarily on income before the provision for income taxes, minority interests and cumulative effect of a change in accounting principle.

Revenues are evaluated in the aggregate, including an assessment of trading gains and losses and the related interest income and expense attributable to financing and hedging positions. Therefore, individual revenue categories may not be indicative of the performance of the segment results.

The cost structure of each of our segments is broadly similar to that of the Company as a whole, and, consequently, the discussion of expenses is presented on a company-wide basis. The Company allocates to its segments a *pro rata* share of certain centrally managed costs. Leased facilities and equipment costs, employee benefits and certain general overhead expenses are allocated based upon specified amounts, usage criteria or agreed rates. Interest expense is allocated based upon the particular type of asset. The allocation of some costs, such as incentive bonuses, has been estimated. The timing and magnitude of changes in our incentive bonus accrual can have a significant effect on our operating results for a given period.

Beginning in 2004, CSFB's Corporate Treasury department allocated to the Company's segments certain interest expense primarily relating to the goodwill and intangible assets from the acquisition of Donaldson, Lufkin & Jenrette, Inc., or DLJ, which is recorded in the financial statements of Credit Suisse First Boston, Inc., the Company's direct parent, or CSFBI. In addition, CSFB's Corporate Treasury department allocated to the Company's segments gains and losses related to certain corporate treasury funding transactions, which allocation is based upon the expected funding requirements of the segments. There is an offsetting credit for this allocated interest expense and offsetting contra-revenues/revenues for the allocated gains and losses in other revenues of the segments.

Institutional Securities

The Institutional Securities segment includes the Trading and Investment Banking businesses and the results from certain separately managed private equity and distressed assets. Trading consists of sales and trading in equity securities, equity-related derivatives, fixed income financial instruments, fixed income-related derivatives, and other related activities. Investment Banking raises capital and provides financial advice to companies throughout the United States and abroad. Through Investment Banking, we manage and underwrite offerings of securities, arrange private placements and provide financial advisory and other services.

The following table sets forth certain financial information of the Company's Institutional Securities segment:

| | For the Three Months Ended March 31, | |
|---|---|---------------|
| | 2005 | 2004 |
| | (In millions) | |
| Revenues: | | |
| Principal transactions-net | \$ 202 | \$ (58) |
| Investment banking and advisory | 290 | 454 |
| Commissions | 264 | 287 |
| Interest and dividends, net of interest expense | 567 | 637 |
| Other | 11 | 20 |
| Total net revenues | <u>1,334</u> | <u>1,340</u> |
| Total expenses | <u>1,093</u> | <u>1,095</u> |
| Income ⁽¹⁾ | 241 | 245 |
| Minority interests ⁽²⁾ | 54 | 27 |
| Income after minority interests ⁽³⁾ | <u>\$ 187</u> | <u>\$ 218</u> |

(1) Income before provision for income taxes, minority interests and cumulative effect of a change in accounting principle.

(2) Represents minority interest revenues related to the Company's consolidation of certain private equity funds primarily under FIN 46R, net of related operating expenses.

(3) Income before provision for income taxes and cumulative effect of a change in accounting principle.

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

The Institutional Securities segment recorded income after minority interests of \$187 million for the three months ended March 31, 2005 compared to \$218 million for the three months ended March 31, 2004. Total net revenues decreased \$6 million, or less than 1%, to \$1.3 billion for the three months ended March 31, 2005, reflecting decreases in Investment banking revenues offset by increases in Trading revenues and the consolidation of certain private equity funds primarily under FIN 46R, which resulted in

an increase in net revenues of \$55 million and \$27 million for the three months ended March 31, 2005 and 2004, respectively. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the increases attributable to the consolidation primarily under FIN 46R of certain private equity funds, net revenues decreased \$34 million, or 3%, for the three months ended March 31, 2005 compared to the three months ended March 31, 2004.

Investment Banking

The following table sets forth the Investment Banking revenues for the Institutional Securities segment:

| | For the Three Months Ended March 31, | |
|-------------------------------|---|---------------------------|
| | 2005⁽¹⁾ | 2004⁽¹⁾ |
| | (In millions) | |
| Debt underwriting..... | \$133 | \$228 |
| Equity underwriting..... | 77 | 139 |
| Total underwriting..... | 210 | 367 |
| Advisory and other fees..... | 80 | 87 |
| Total Investment Banking..... | <u>\$290</u> | <u>\$454</u> |

- (1) Revenues reflect the allocation of certain net revenues and interest expense from CSFB's Corporate Treasury department to Investment Banking. For the three months ended March 31, 2005 and 2004, the amount was less than \$1 million of expenses. See "—Results by Segment" above.

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Investment Banking revenues decreased 36% to \$290 million, reflecting significant declines in debt and equity underwriting and advisory and other fees. For the three months ended March 31, 2005, debt underwriting revenues decreased 42% compared to the three months ended March 31, 2004 to \$133 million, primarily due to lower underwriting revenues from asset-backed, commercial mortgage-backed and high-yield securities. Asset-backed securities underwriting declined reflecting a highly competitive environment. The decline in commercial mortgage-backed securities reflects the industry-wide decline in mortgage-backed new issues. Underwriting revenues from high-yield debt and investment grade new issuance revenues also declined due to lower volume. Equity underwriting revenues decreased 45% to \$77 million reflecting a decrease in our initial public offering and secondary new issuance volumes. Advisory and other fees decreased 8% to \$80 million reflecting lower fees from restructurings and structured products and flat mergers and acquisition fees.

Trading

In evaluating the performance of its Trading activities, the Company aggregates principal transactions, commissions and net interest as net trading revenues. Changes in the composition of trading inventories and hedge positions can cause principal transactions and net interest income to vary from period to period.

The following table sets forth net Trading revenues of the Institutional Securities segment:

| | For the Three Months Ended March 31, | |
|---------------------|--|---------------------|
| | 2005 ⁽¹⁾ | 2004 ⁽¹⁾ |
| | (In millions) | |
| Fixed Income | \$623 | \$466 |
| Equity | 240 | 347 |
| Total Trading | <u>\$863</u> | <u>\$813</u> |

(1) Revenues reflect the allocation of certain net revenues and interest expense from CSFB's Corporate Treasury department to Trading. For the three months ended March 31, 2005 and 2004, the amount was \$80 million and \$21 million of expenses, respectively. See "—Results by Segment" above.

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Total net trading revenues for the Institutional Securities segment increased \$50 million, or 6%, to \$863 million for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, due to increases in fixed income net trading revenues partially offset by lower equity net trading revenues.

Fixed income net trading revenues increased 34% to \$623 million reflecting significantly improved results in structured products and interest rate products. The increase in structured products net trading revenues was due to higher revenues from residential mortgages, other asset-backed products and commercial mortgages. Revenues from interest rate products reflected gains on derivatives that hedged certain resale and repurchase agreements. These increases were partially offset by lower revenues from credit products, primarily high-yield, which reflected an industry-wide decrease in volume, and an increase in interest expense allocated by CSFB's Corporate Treasury department to our Trading business.

Equity net trading revenues decreased 31% to \$240 million primarily due to lower revenues from convertible securities as a result of lower trading volumes reflecting reduced liquidity, low volatility and widened spreads and lower revenues from proprietary trading. These decreases were partially offset by growth in our prime services business.

Other Institutional Securities

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Other Institutional Securities revenues primarily consist of revenues from certain separately managed private equity and distressed assets. Other Institutional Securities revenues for the three months ended March 31, 2005 also reflect a \$59 million increase in the credit that offsets allocations by CSFB's Corporate Treasury department to our Investment Banking and Trading businesses of certain interest expense and revenues. Total revenues from Other Institutional Securities increased \$108 million to \$181 million during the three months ended March 31, 2005 compared to the three months ended March 31, 2004, reflecting the consolidation of certain private equity funds primarily under FIN 46R which resulted in an increase in net revenues of \$55 million and \$27 million, respectively. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. Excluding the revenues attributable to the consolidation under FIN 46R of certain private equity funds, Other Institutional Securities revenues increased \$80 million, primarily reflecting an increase in the offsetting credit described above and gains from certain separately managed real estate assets. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Wealth & Asset Management

The Wealth & Asset Management segment consists of Alternative Capital, which includes the private equity and private funds businesses, and Private Client Services. The private equity business makes privately negotiated investments and acts as an investment advisor for private equity funds. The private funds business raises private capital, primarily from institutional investors, for direct investment by venture capital, management buyout and other investment firms in a variety of fund types. Private Client Services is a financial advisory business serving high-net-worth individuals and corporate investors with a wide range of CSFB and third-party investment management products and services.

The following table sets forth certain financial information of the Company's Wealth & Asset Management segment:

| | For the Three Months Ended March 31, | |
|---|---|--------------|
| | 2005 | 2004 |
| | (In millions) | |
| Revenues: | | |
| Principal transactions-net | \$165 | \$121 |
| Investment banking and advisory | 31 | 20 |
| Asset management and other fees | 87 | 87 |
| Interest and dividends, net of interest expense | 10 | 10 |
| Other | 6 | 2 |
| Total net revenues | <u>299</u> | <u>240</u> |
| Total expenses | <u>149</u> | <u>158</u> |
| Income ⁽¹⁾ | <u>150</u> | <u>82</u> |
| Minority interests ⁽²⁾ | <u>101</u> | <u>54</u> |
| Income after minority interests ⁽³⁾ | <u>\$ 49</u> | <u>\$ 28</u> |

- (1) Income before provision for income taxes, minority interests and cumulative effect of a change in accounting principle.
- (2) Represents minority interest net revenues related to the Company's consolidation of certain private equity funds primarily under FIN 46R, net of related operating expenses.
- (3) Income before provision for income taxes and cumulative effect of a change in accounting principle.

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

The Wealth & Asset Management segment recorded income after minority interests of \$49 million for the three months ended March 31, 2005 compared to \$28 million for the three months ended March 31, 2004. Total net revenues increased \$59 million to \$299 million for the three months ended March 31, 2005, reflecting the consolidation of certain private equity funds primarily under FIN 46R which resulted in an increase in net revenues of \$102 million and \$54 million for the three months ended March 31, 2005 and 2004, respectively. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the effects of the consolidation of certain private equity funds, total net revenues increased \$11 million, or 6%, reflecting increased placement fees from our private funds business.

Alternative Capital, Private Client Services and Other

The following table sets forth the Alternative Capital, Private Client Services and Other revenues for the Wealth & Asset Management segment:

| | For the Three Months Ended March 31, | |
|---------------------------------------|--|--------------|
| | 2005 ⁽¹⁾ | 2004 |
| | (In millions) | |
| Alternative Capital | \$236 | \$179 |
| Private Client Services | 55 | 61 |
| Other | 8 | — |
| Total Wealth & Asset Management | <u>\$299</u> | <u>\$240</u> |

- (1) Revenues reflect the allocation of certain net revenues and interest expense from CSFB's Corporate Treasury department to Alternative Capital and Private Client Services. For the three months ended March 31, 2005, the amount was \$6 million of expenses. See "—Results by Segment" above.

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Revenues from Alternative Capital consist of management and placement fees, net investment gains and losses, which include realized and unrealized gains and losses, including carried interest, net interest and other revenues from private equity and private funds. Revenues from Alternative Capital increased \$57 million to \$236 million for the three months ended March 31, 2005, reflecting the consolidation of certain private equity funds primarily under FIN 46R which resulted in an increase in net revenues of \$102 million and \$54 million for the three months ended March 31, 2005 and 2004, respectively. Net income was unaffected by the consolidation of private equity funds as offsetting minority interests and related operating expenses were recorded in the condensed consolidated statements of income. See Note 3 of the condensed consolidated financial statements in Part I, Item 1 for more information. Excluding the effect of the consolidation of certain private equity funds, total net revenues increased \$9 million, or 7%, reflecting increased placement fees from our private funds business.

Revenues for Private Client Services decreased 10% to \$55 million primarily due to lower equity capital markets revenues.

Other revenues increased to \$8 million compared to the three months ended March 31, 2004, reflecting a credit of \$6 million that offsets allocations by CSFB's Corporate Treasury department to our alternative capital and private client services businesses of certain interest expense and revenues.

Expenses

The normal operating cost structure of each of our segments is broadly similar to that of the Company as a whole. For this reason, the discussion of expenses is presented on a company-wide basis.

The following table sets forth employee compensation and benefits expenses, other expenses and total expenses of the Company:

| | For the Three Months Ended March 31, | |
|--|--|----------------|
| | 2005 | 2004 |
| | (In millions) | |
| Employee compensation and benefits | \$ 947 | \$ 963 |
| Other expenses | 295 | 290 |
| Total expenses | <u>\$1,242</u> | <u>\$1,253</u> |

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Total expenses decreased \$11 million, or 1%, to \$1.2 billion for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, as decreases in employee compensation and benefits expenses and other operating expenses were partially offset primarily by higher professional fees. The decrease in employee compensation and benefits expenses reflects lower accruals for incentive compensation and certain deferred compensation plans. These decreases were partially offset by increases in share-based compensation, base salaries and severance. Included in employee compensation and benefits expense was \$60 million and \$28 million for the three months ended March 31, 2005 and 2004, respectively, related to business activities conducted by Company employees on behalf of CSG affiliates outside of the Company. These expenses were charged to these affiliates and are reflected as a reduction in our other operating expenses. See Notes 1 and 11 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Other expenses consist principally of occupancy and equipment rental; brokerage, clearing and exchange fees; communications; professional fees; merger-related costs of retention awards and all other operating expenses. Other expenses increased 2% for the three months ended March 31, 2005 compared to the three months ended March 31, 2004, primarily as a result of increases in professional fees, reflecting expansion of our mortgage business, and increased occupancy and equipment rental, brokerage, clearing and exchange fees and communications expenses due to increased business activity. These increases were partially offset by decreases in other operating expenses, which reflect higher affiliate service fees (including the charge to affiliates of compensation expense) that are treated as a reduction in other operating expenses, and merger-related expenses due to the completion of retention awards in 2004. Excluding the charges to affiliates for compensation expense, other operating expenses increased 12%.

Provision for Taxes

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

The provision for income taxes for the three months ended March 31, 2005 and 2004 was \$66 million and \$79 million, respectively. Excluded from the provision for income taxes for the three months ended March 31, 2005 was an income tax expense of \$3 million related to the Company's adoption of Statement of Financial Accounting Standards, or SFAS, No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," and SFAS No. 123 (Revised 2004), "Share-Based Payment," or SFAS 123R.

The effective tax rate changed from a provision of 24.2% for the three months ended March 31, 2004 to a provision of 16.9% for the three months ended March 31, 2005. The decrease in the effective tax rate was due primarily to an increase in non-taxable revenues from certain private equity funds consolidated under FIN 46R.

Share-based Compensation

The Company has early adopted SFAS 123R as of January 1, 2005, using the modified prospective method. The Company had previously adopted the recognition provisions of SFAS 123 effective January 2003.

During the three months ended March 31, 2005, the Company recorded an after-tax gain of \$6 million in the condensed consolidated statement of income as cumulative effect of a change in accounting principle to reverse the expense for awards previously recognized on all outstanding unvested awards that are not expected to vest. For new grants after January 1, 2005, forfeitures will be included in the initial estimate of compensation expense at the grant date.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Management Oversight

We believe that maintaining access to liquidity is fundamental for firms operating in the financial services industry. We have therefore established a comprehensive process for the management and oversight of our capital, liquidity and funding strategies. CSFB's Capital Allocation and Risk Management Committee, or CARMC, has primary oversight responsibility for these functional disciplines. CARMC periodically reviews and approves our liquidity management policies and targets and reviews our liquidity position and other key risk indicators. The Corporate Treasury department is responsible for the day-to-day management of capital, liquidity and funding, as well as relationships with creditor banks and fixed income investors. It also maintains regular contact with rating agencies and regulators on these and other issues. See "Liquidity Risk" in "Business—Certain Factors That May Affect Our Results of Operations" in Part I, Item I of our Annual Report on Form 10-K for the year ended December 31, 2004 for more information.

Liquidity Management Organization

We are an indirect subsidiary of Credit Suisse First Boston, a Swiss bank. Consequently, our liquidity management structure operates at two levels, the "Non-Bank Franchise" and the "Bank Franchise."

First, at the holding company level, the "Non-bank Franchise," where access to parent bank funding is limited, we aim to maintain sufficient liquidity so that in the event that we are unable to access the unsecured capital markets, we have cash and liquid assets sufficient to repay maturing liabilities for a minimum period of one year. When assessing the amount of cash and liquid assets, we take account of the regulatory restrictions that limit the amount of cash that could be distributed upstream by our principal broker-dealer subsidiaries, Credit Suisse First Boston LLC, or CSFB LLC, and Credit Suisse First Boston Capital LLC, or CSFB Capital LLC, which hold over 85% of our consolidated assets.

Second, our regulated subsidiaries have access to unsecured funding from Credit Suisse First Boston, the "Bank Franchise," as well as secured funding via the repurchase and securities lending markets. Historically, Credit Suisse First Boston's bank 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 Credit Suisse First Boston. In a stressed liquidity environment, our broker-dealers would directly access the secured funding markets to replace unsecured borrowings from Credit Suisse First Boston.

Balance Sheet and Funding

The majority of our assets are held in our broker-dealer subsidiaries and comprise a substantial portion of the Bank Franchise. These assets—principally trading inventories in our Institutional Securities business—are funded by a combination of collateralized short-term borrowings, which include securities sold under agreements to repurchase and securities loaned, as well as unsecured loans from Credit Suisse First Boston, the central funding entity of the Bank Franchise. Significant portions of our assets held in the Bank Franchise are highly liquid, with the majority 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 U.S. government and agency securities and marketable corporate debt and equity securities. In addition, we have significant receivables from customers, brokers, dealers and others, which turn over frequently. To meet client needs as a securities dealer, we carry significant levels of trading inventories.

Unsecured funding for the Bank Franchise originates largely from Credit Suisse First Boston's borrowings in the wholesale and institutional deposit markets, as well as from its Swiss bank affiliate, Credit Suisse, which has access to retail deposits.

Assets not funded by CSFB's 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 less liquid assets are principally held in the Non-Bank Franchise. These assets may be relatively illiquid at times, especially during periods of market stress. Mortgage whole loans, distressed securities, high-yield debt and asset-backed securities are generally financed with a combination of short-term unsecured financing or repurchase agreements, long-term borrowings and stockholder's equity. We typically fund a significant portion of less liquid assets, such as private equity investments, with long-term borrowings that we issue directly to the market, and stockholder'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 U.S. Treasury securities or LIBOR, depending upon prevailing market conditions. We continually aim to broaden our funding base by geography, investor and funding instrument.

We lend funds as needed to our operating subsidiaries and affiliates on both a senior and subordinated basis, the latter typically to meet capital requirements of regulated subsidiaries. We generally try to ensure that loans to our operating subsidiaries and affiliates have maturities equal to or shorter than the maturities of our 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 we structure our long-term market borrowings with maturities that extend beyond those of our subordinated advances to subsidiaries and affiliates.

Because of changes relating to customer needs, economic and market conditions and proprietary trading and other strategies, our total assets, or the individual components of total assets, may vary significantly from period to period. As of March 31, 2005 and December 31, 2004, our total assets were \$289.4 billion and \$275.8 billion, respectively.

Included below is a discussion of our long-term contractual obligations, off-balance sheet arrangements and less liquid assets.

Liquidity Measurement and Planning

The principal measure we use to monitor our liquidity position at each funding franchise is the "liquidity barometer," which estimates the time period over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of our maturing unsecured liabilities plus a conservative forecast of anticipated contingent commitments. Our 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 we are unable to access unsecured funding, we will have sufficient liquidity for an extended period. We believe this will enable us to carry out our business plans during extended periods of market stress, while minimizing, to the extent possible, disruptions to our business.

For the Non-Bank Franchise, our objective is to ensure that the liquidity barometer equals or exceeds a time horizon of one-year. For the Bank Franchise, our objective is to ensure the liquidity barometer equals or exceeds 120 days. The different time horizons reflect the relative stability of the unsecured funding base of each Franchise. 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 liquidity event sensitive such that we believe 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 we use in establishing the time horizons in the funding franchises assume that assets will not be sold to generate cash, that no new unsecured debt can be issued, and that funds that are assumed to be trapped because of regulatory restrictions are not available to be distributed upstream in a stressed liquidity environment. 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.

In the case of the Non-Bank Franchise, contingent commitments include such items as commitments to invest in private equity funds. Certain contingent obligations do not materially impact the liquidity planning at the Company or Non-Bank Franchise, as these are incurred by other CSFB affiliated operating entities that are not consolidated under the Company. These items, which are taken into account in our liquidity planning for the Bank Franchise, include:

- credit rating-related collateralization requirements (CSFB’s derivatives business is primarily conducted in Credit Suisse First Boston International);
- back-up liquidity lines provided to asset-backed commercial paper conduits (back-up liquidity lines are provided by Credit Suisse First Boston);
- committed credit facilities to clients that are currently undrawn (CSFB’s corporate lending business is conducted in Credit Suisse First Boston).

The Bank Franchise maintains a large secondary source of liquidity, principally through CSFB’s principal broker-dealers and other regulated operating 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. We continually monitor overall liquidity by tracking the extent to which unencumbered marketable assets and alternative unsecured funding sources exceed both contractual obligations and anticipated contingent commitments.

As of March 31, 2005, we estimate that the Non-Bank Franchise held cash, other liquidity reserves and marginable assets, net of haircuts, of approximately \$6.4 billion versus estimated maturing obligations and commitments out to one year of \$4.0 billion. Also, as of March 31, 2005, we estimate that the Bank Franchise held cash, other liquidity reserves and marginable assets, net of haircuts, of approximately \$98 billion versus estimated maturing obligations, commitments and contingent funding requirements out to 120 days of \$76 billion.

Our liquidity planning and management focuses on maintaining a liquidity cushion so that we may continue to conduct business for an extended period in the event of a crisis. Our liquidity contingency plan focuses on the specific actions that we would take 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 we would take:

- 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 our plans are executed.

Cash Capital

We measure cash capital (long-term funding sources) against long-term unsecured funding requirements on an ongoing basis, and seek to maintain a surplus at all times. Sources of cash capital include the non-current component of the Company's long-term borrowings and stockholder's equity. Uses of cash capital include illiquid assets such as related party receivables (except where the receivable is the short-term investment of our excess cash with Credit Suisse First Boston), property, goodwill and intangibles, deferred tax assets, private equity and other long-term investments.

Our cash capital as of March 31, 2005 totaled \$36.6 billion compared with \$36.9 billion as of December 31, 2004. The decrease in cash capital of \$0.3 billion was primarily due to a net redemption of long-term debt during the first quarter of 2005. As of March 31, 2005, cash capital was substantially in excess of our cash capital requirements.

Contractual Obligations and Commitments

The following table sets forth future cash payments on our contractual obligations pursuant to long-term borrowings and operating leases as of March 31, 2005:

| | Contractual Obligations Expiration Per Period | | | | Total |
|-------------------------------------|--|----------------|----------------|-----------------|-----------------|
| | Less than 1 year | 1-3 years | 4-5 years | Over 5 years | |
| | (In millions) | | | | |
| Long-term borrowings | \$1,647 | \$8,965 | \$4,971 | \$11,266 | \$26,849 |
| Operating leases | 154 | 290 | 265 | 1,050 | 1,759 |
| Total contractual obligations | <u>\$1,801</u> | <u>\$9,255</u> | <u>\$5,236</u> | <u>\$12,316</u> | <u>\$28,608</u> |

Our long-term borrowings are unsecured. As of March 31, 2005, the weighted average maturity of our long-term borrowings was approximately 5.5 years. Our lease obligations are primarily for our principal offices in New York City and other locations. The operating lease obligations in the table above include \$4 million in contractual obligations related to certain information technology, equipment leases and software licenses and exclude \$341 million in sublease revenue and executory costs such as insurance, maintenance and taxes of \$554 million. We had no capital lease or purchase obligations as of March 31, 2005.

We have commitments under a variety of arrangements that are not recorded as liabilities in our condensed consolidated statements of financial condition. These commitments are in addition to guarantees and other arrangements discussed in "—Off-Balance Sheet Arrangements." The following table sets forth certain of our long-term commitments, including the current portion as of March 31, 2005:

| | Commitment Expiration Per Period | | | | Total commitments |
|--|----------------------------------|--------------|--------------|-----------------|----------------------|
| | Less than 1 year | 1-3 years | 4-5 years | Over 5 years | |
| | (In millions) | | | | |
| Standby resale agreements ⁽¹⁾ | \$ — | \$ 25 | \$— | \$ — | \$ 25 |
| Private equity ⁽²⁾ | 169 | 129 | 57 | 581 | 936 |
| Forward agreements ⁽³⁾ | 10,048 | — | — | — | 10,048 |
| Unfunded mortgage commitments ⁽⁴⁾ | — | 51 | — | — | 51 |
| Total commitments | <u>\$10,217</u> | <u>\$205</u> | <u>\$57</u> | <u>\$581</u> | <u>\$11,060</u> |

- (1) In the ordinary course of business, we maintain certain standby resale agreement facilities that commit us to enter into resale agreements with customers at current market rates.
- (2) Represents commitments to invest in various partnerships that make private equity and related investments in various portfolio companies or other private equity funds.

- (3) Represents commitments to enter into forward resale agreements for securities purchased under agreements to resell and forward agreements to borrow securities.
- (4) We enter into commitments to extend credit, predominantly at variable interest rates, in connection with certain commercial mortgage activities.

For information on these and other material commitments, see Notes 4, 6, 7 and 8 of the condensed consolidated financial statements in Part I, Item 1. For information on commitments under our pension arrangements, see Note 12 of the condensed consolidated financial statements in Part I, Item 1.

The following table sets forth our commercial paper and other short-term unsecured borrowings:

| | <u>March 31,</u> <u>2005</u> | <u>December 31,</u> <u>2004</u> |
|--|---------------------------------|------------------------------------|
| | (In millions) | |
| Bank loans | \$ 388 | \$ 350 |
| Commercial paper..... | 1,371 | 1,249 |
| Loans from affiliates ⁽¹⁾ | 13,983 | 20,085 |
| Total | <u>\$15,742</u> | <u>\$21,684</u> |

- (1) We have significant financing transactions with Credit Suisse First Boston and certain of its subsidiaries and affiliates. See “—Related Party Transactions” and Note 2 of the condensed consolidated financial statements in Part I, Item 1.

Credit Facilities

As part of our liquidity management strategy, we moved from syndicated unsecured facilities to bilateral secured facilities. As of March 31, 2005, CSFB LLC maintained with third parties four 364-day committed secured revolving credit facilities totaling \$2.0 billion, with one facility for \$500 million maturing in July 2005, one facility for \$500 million maturing in November 2005, one facility for \$500 million maturing in February 2006 and one facility for \$500 million maturing in March 2006. We expect to renew these facilities as they mature. These facilities require CSFB LLC 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 we believe will not impair our ability to obtain funding. As of March 31, 2005, no borrowings were outstanding under any of the facilities. We may from time to time enter into additional secured revolving credit facilities as part of our liquidity management.

Long-term Funding

We issue long-term debt through U.S. and Euromarket medium-term note programs, as well as syndicated and privately placed offerings around the world.

Under our currently effective \$15.0 billion shelf registration statement on file with the SEC, which was established in June 2004 and allows us to issue from time to time senior and subordinated debt securities and warrants to purchase such securities, we had as of May 10, 2005 \$11.5 billion available for issuance.

Under our \$5.0 billion Euro Medium-term Note program, which was established in July 2001 and allows us to issue notes from time to time, we had as of May 10, 2005 \$1.2 billion available for issuance.

For the three months ended March 31, 2005, we issued \$3 million in structured notes and we repaid approximately \$1.1 billion of medium-term notes, \$500 million of senior notes and \$55 million of structured notes.

Credit Ratings

Our access to the debt capital markets and our borrowing costs depend significantly on our credit ratings. These ratings are assigned by agencies, which may raise, lower or withdraw their ratings or place us on “credit watch” with positive or negative implications at any time. Credit ratings are important to us when competing in certain markets and when seeking to engage in longer-term transactions, including OTC derivatives. We believe agencies consider several factors in determining our credit ratings, including earnings performance, business mix, market position, financial strategy, level of capital, risk management policies and practices and management team, and our affiliation with CSFB and CSG, in addition to the broader outlook for the financial services industry.

A reduction in our credit ratings could limit our access to capital markets, increase our borrowing costs, require us to provide additional collateral in connection with OTC derivatives contracts, and allow counterparties to terminate transactions under certain of our trading and collateralized financing contracts. This, in turn, could reduce our liquidity and negatively impact our operating results and financial position. Our liquidity planning takes into consideration those contingent events associated with a reduction in our credit ratings.

Because a significant portion of our OTC derivatives arrangements are with affiliates, the amount of collateral that we would have been required to post pursuant to such contracts in the event of a one-notch downgrade of our senior long-term debt credit rating was not material as of March 31, 2005.

As of May 10, 2005, our ratings and ratings outlooks were as follows:

| | <u>Long-Term Debt</u> | <u>Commercial Paper</u> | <u>Outlook</u> |
|-------------------------------------|-----------------------|-------------------------|----------------|
| Fitch Ratings | AA- | F-1+ | Stable |
| Moody's Investors Service | Aa3 | P-1 | Stable |
| Standard & Poor's | A+ | A-1 | Stable |

Capital Resources

Certain of our businesses are capital intensive. In addition to normal operating requirements, capital is required to cover financing and regulatory capital charges on various asset classes, including but not limited to, securities inventories, private equity investments and investments in fixed assets. Our overall capital needs are regularly reviewed to ensure that our capital base can appropriately support the anticipated needs of our business and the regulatory and other capital requirements of our subsidiaries. Based upon these analyses, we believe that our capitalization is adequate for current operating levels.

Regulated Subsidiaries

Our principal wholly owned subsidiary, CSFB LLC, is a registered broker-dealer, registered futures commission merchant and member firm of the New York Stock Exchange Inc. Accordingly, CSFB LLC is subject to the minimum net capital requirements of the SEC and the CFTC. Under the alternative method permitted by SEC Rule 15c3-1, the required net capital may not be less than the greater of 2% of aggregate debit balances arising from customer transactions or 4% of the funds required to be segregated pursuant to the Commodity Exchange Act less the market value of certain commodity options, all as defined. Under CFTC Regulation 1.17, the required minimum net capital requirement is 8% of the total risk margin requirement (as defined) for all positions carried in customer accounts plus 4% of the total risk margin requirement (as defined) for all positions carried in non-customer accounts. As of March 31, 2005, the CFTC's minimum net capital requirement was greater than the SEC's minimum net capital requirement. As of March 31, 2005, CSFB LLC's net capital of approximately \$2.8 billion was 40.8% of aggregate debit balances and in excess of the CFTC's minimum requirement by approximately \$2.6 billion.

Our OTC derivatives dealer subsidiary, CSFB Capital LLC, is also subject to the uniform net capital rule, but computes its net capital requirements based on value at risk pursuant to Appendix F of Rule 15c3-1. As of March 31, 2005, CSFB Capital LLC's net capital of \$302 million, allowing for market and credit risk exposure of \$82 million and \$43 million, respectively, was in excess of the minimum net capital requirement by \$282 million. CSFB Capital LLC operates pursuant to the (k)(2)(ii) exemptive provisions of Rule 15c3-3 of the Exchange Act, and, accordingly, all customer transactions are cleared through CSFB LLC on a fully disclosed basis.

As of March 31, 2005, our subsidiaries complied with all applicable regulatory capital adequacy requirements.

Cash Flows

Our condensed consolidated statements of cash flows classify cash flows into three broad categories: cash flows from operating activities, investing activities and financing activities. These statements should be read in conjunction with "—Related Party Transactions" as well as Note 2 of the condensed consolidated financial statements in Part I, Item 1.

Our cash flows are complex and frequently bear little relation to our net income and net assets, particularly because the Company is a wholly owned subsidiary of CSG, a global financial institution that may choose to allocate cash among its subsidiaries for reasons independent of the Company's activities. As a result, we believe that traditional cash flow analysis is not a particularly useful method to evaluate our liquidity position as discussed above. Cash flow analysis may, however, assist in highlighting certain macro trends and strategic initiatives in our business.

For the Three Months ended March 31, 2005

Cash and cash equivalents decreased \$262 million to \$465 million as of March 31, 2005. Cash used in operating activities was \$855 million and reflected a net increase in operating assets and operating liabilities of \$1.3 billion, which occurred in the normal course of operations as a result of changes in customer needs, market conditions and proprietary trading and other strategies.

Cash of \$1.9 billion was provided by investing activities. The Company provides funding to affiliates. The Company received cash from its affiliates related to this funding, resulting in decreases in receivables from parent and affiliates of \$1.9 billion.

Cash used in financing activities was \$1.3 billion. This was due to increases in net collateralized financing arrangements of \$6.2 billion and decreases of \$5.9 billion in short-term borrowings, reflecting an increase in the use of secured borrowings and repayments of \$1.6 billion in long-term borrowings.

For the Three Months ended March 31, 2004

Cash and cash equivalents increased \$595 million to \$929 million as of March 31, 2004. Cash used in operating activities was \$16.2 billion and reflected a net increase in operating assets and operating liabilities of \$16.5 billion, which occurred in the normal course of operations as a result of changes in customer needs, market conditions and proprietary trading and other strategies.

Cash of \$271 million was used for investing activities. The Company provides funding to affiliates, resulting in increases in receivables from affiliates of \$174 million.

Cash provided by financing activities was \$17.0 billion. This was due to increases in net collateralized financing arrangements of \$8.6 billion, increases of \$8.0 billion in short-term borrowings and increases of \$996 million in long-term borrowings used primarily to fund normal operating activities, provide funding to affiliates as part of the Company's investing activities and to repay \$626 million in long-term borrowings.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into off-balance sheet arrangements in the ordinary course of business. Off-balance sheet arrangements are transactions, agreements or other contractual arrangements with, or for the benefit of, an entity that is not consolidated with an issuer, and which include guarantees and similar arrangements, retained or contingent interests in assets transferred to an unconsolidated entity, and obligations and liabilities (including contingent obligations and liabilities) under material variable interests in unconsolidated entities for the purpose of providing financing, liquidity, market risk or credit risk support.

We have not entered into any derivatives contracts indexed or linked to the stock of CSG.

Guarantees

In the ordinary course of our business, we provide guarantees and indemnifications that contingently obligate us to make payments to the guaranteed or indemnified party based on changes in an asset, liability or equity security of the guaranteed or indemnified party. We may also be contingently obligated to make payments to a guaranteed party based on another entity's failure to perform, or we may have an indirect guarantee of the indebtedness of others. Guarantees we provide include customary indemnifications to purchasers in conjunction with the sale of assets or businesses; to investors in private equity funds sponsored by the firm regarding potential obligations of employees to return amounts previously paid as carried interest; and to investors in our securities and other arrangements to provide "gross up" payments if there is a withholding or deduction because of a tax assessment or other governmental charge. From time to time, we also guarantee the obligations of subsidiaries of CSG that are not our consolidated subsidiaries, and these guarantees are included in the scope of the disclosure requirements of FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45.

FIN 45 requires disclosure of our maximum potential payment obligations under certain guarantees to the extent that it is possible to estimate them and requires recognition of a liability for the fair value of guaranteed obligations for guarantees issued or amended after December 31, 2002. The recognition of these liabilities did not have a material effect on our financial position or results of operations. For disclosure of our estimable maximum payment obligations under certain guarantees and related information, see Note 8 of the condensed consolidated financial statements in Part I, Item 1.

Retained or Contingent Interests in Assets Transferred to Unconsolidated Entities

We originate and purchase commercial and residential mortgages and purchase other debt obligations such as automobile loans and student loans and sell these assets directly or through affiliates to special purpose entities that are, in most cases, qualified special purpose entities, or QSPEs. 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 and asset-backed securities typically have recourse to the assets in the QSPE. The investors and the QSPEs have no recourse to our assets.

These QSPEs are generally sponsored by our subsidiaries. Our principal broker-dealer subsidiary, CSFB LLC, underwrites and makes markets in these mortgage-backed and asset-backed securities. Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125," a QSPE is not required to be consolidated with the transferor. Our mortgage-backed and asset-backed securitization activities are generally structured to use QSPEs, and the assets and liabilities transferred to QSPEs are not included in our financial statements.

We may retain interests in these securitized assets if CSFB LLC holds the assets in connection with its underwriting or market-making activities. Retained interests in securitized financial assets are included at fair value in the condensed consolidated statements of financial condition. Any changes in the fair value of

these retained interests are recognized in the condensed consolidated statements of income. We engage in these securitization activities to meet the needs of clients as part of our fixed income activities, to earn fees and to sell financial assets. These securitization activities do not provide a material source of our liquidity, capital resources or credit risk or market risk support. See Note 3 of the condensed consolidated financial statements in Part I, Item 1, which includes quantitative information on our securitization activities and retained interests.

Variable Interest Entities

We are involved with various entities in the normal course of business that may be deemed to be variable interest entities, or VIEs, including VIEs that issue CDOs.

We purchase loans and other debt obligations from and on behalf of clients primarily for the purpose of securitization. The loans and other debt obligations are transferred by us directly, or indirectly through affiliates, to QSPEs or to VIEs that issue CDOs. CDOs are securities backed by the assets transferred to the VIE and pay a return based on the returns on those assets. Investors typically have recourse to the assets in the CDO VIE. The investors and the CDO VIE have no recourse to the Company's assets. CSFB LLC structures, underwrites and makes a market in these CDOs, and we may have retained interests in these CDOs in connection with CSFB LLC's underwriting and market-making activities. We engage in these CDO transactions to meet the needs of clients, to earn fees and to sell financial assets. These CDO transactions do not provide a material source of our liquidity, capital resources or credit risk or market risk support.

FIN 46 requires us to consolidate all VIEs for which we are the primary beneficiary which is 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 address various implementation issues that had arisen since the issuance of FIN 46 and to provide companies the option to defer the adoption of FIN 46 for certain VIEs to periods ending after March 15, 2004. As of March 31, 2005 and December 31, 2004, we consolidated CDO VIEs for which we are the primary beneficiary. We also have interests in CDO VIEs that are not required to be consolidated because we are not the primary beneficiary.

As of January 1, 2004, the Company consolidated primarily under FIN 46R certain private equity funds that are managed by the Company. See Notes 1 and 3 of the condensed consolidated financial statements in Part I, Item 1.

RELATED PARTY TRANSACTIONS

CSG, through CSFBI, owns all of our outstanding voting common stock. We are involved in significant financing and other transactions, and have significant related party balances, with Credit Suisse First Boston and certain affiliates. We generally enter into these transactions in the ordinary course of business and believe that these transactions are on market terms that could be obtained from unrelated third parties. See "—Derivatives" and Notes 2 and 5 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Certain of our directors, officers and employees and those of our affiliates and their subsidiaries maintain margin accounts with CSFB LLC and other affiliated broker-dealers in the ordinary course of business. In addition, certain of such directors, officers and employees have investments or commitments to invest in various private equity funds. We make loans to directors and executive officers on the same terms as are generally available to third parties or otherwise pursuant to widely available employee benefit plans. CSFB LLC and other affiliated broker-dealers, from time to time and in the ordinary course of business, enter into, as principal, transactions involving the purchase or sale of securities from or to such directors, officers and employees and members of their immediate families.

LESS LIQUID ASSETS

Certain of our assets, including private equity and other long-term investments, distressed securities, high-yield debt, mortgage whole loans and other non-investment-grade debt, are not highly liquid or trade in markets that have periods of volatility and illiquidity. The values of most of the more illiquid assets are reported at fair value, and the determination of fair value is based on management's best estimate and depends on varying factors. See "—Critical Accounting Policies and Estimates—Fair Value" for further information on the determination of fair value of these less liquid assets.

Private Equity Activities

Our private equity and other long-term investment activities include direct investments and investments in partnerships that make private equity and related investments in various portfolio companies and funds. These investments are primarily in unlisted or illiquid equity or equity-related securities and are carried at fair value based on a number of factors. As of March 31, 2005 and December 31, 2004, we had investments in private equity and other long-term investments of \$3.1 billion and we had commitments to invest up to an additional \$936 million as of March 31, 2005. The increase in private equity and other long-term investments reflects our consolidation primarily under FIN 46R of certain private equity funds. See "—Critical Accounting Policies and Estimates—Fair Value" in Part I, Item 2 and Notes 1 and 4 of the condensed consolidated financial statements in Part I, Item 1 for more information.

High-Yield Debt, Mortgage Whole Loans and Other Non-Investment-Grade Financial Instruments

We underwrite, trade and hold high-yield debt, which includes distressed debt, mortgage whole loans, loan participations, certain separately managed distressed financial instruments and other non-investment-grade financial instruments. Due to credit considerations, liquidity of secondary trading markets and vulnerability to general economic conditions, these financial instruments and loans generally involve greater risk than investment-grade financial instruments. We record high-yield debt, residential mortgage whole loans and certain separately managed distressed financial instruments at fair value, with the exception of certain residential mortgage whole loans and loan participations that are held for sale and are carried at the lower of cost or fair value. We record commercial mortgage whole loans held for sale at the lower of aggregate cost or fair value. Timing of the securitization of our mortgage whole loan inventory will affect the size of our positions at any given time. The following table sets forth our positions in these instruments as of March 31, 2005 and December 31, 2004:

| | March 31, 2005 | | December 31, 2004 | |
|---|-----------------|--------------|-------------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| | (In millions) | | | |
| High-yield and distressed debt | \$ 1,856 | \$742 | \$ 2,152 | \$709 |
| Mortgage whole loans | 17,380 | — | 14,987 | — |
| Loan participations | 17 | — | 17 | — |
| Certain separately managed distressed financial instruments . . . | 116 | — | 185 | — |
| Total | <u>\$19,369</u> | <u>\$742</u> | <u>\$17,341</u> | <u>\$709</u> |

DERIVATIVES

We enter into various transactions involving derivatives. We use derivatives contracts for both trading and hedging purposes and to provide products for our clients. These derivatives include options, forwards, futures and swaps. In general, derivatives are contractual agreements that derive their values from the performance of underlying assets, interest or currency exchange rates or a variety of indices. Most of our derivatives transactions are considered trading positions. See Note 5 of the condensed consolidated financial statements in Part I, Item 1 for more information.

Sources and Maturities of OTC Derivatives

The following table sets forth the distributions, by maturity, of substantially all of our exposure with respect to OTC derivatives as of March 31, 2005. Fair values were determined on the basis of pricing models and other valuation methods. See “—Critical Accounting Policies and Estimates—Fair Value” and Notes 5 and 8 of the condensed consolidated financial statements in Part I, Item 1 for more information.

| | Assets Maturity Distribution as of March 31, 2005 | | | | Total fair value |
|---|--|----------------|----------------------------|----------------|------------------|
| | Less than 1 year | 1-3 years | 4-5 years (In millions) | Over 5 years | |
| Interest rate and credit spread risk .. | \$1,010 | \$ 471 | \$170 | \$1,026 | \$2,677 |
| Foreign exchange risk..... | 15 | 25 | 32 | — | 72 |
| Equity price risk | 96 | 600 | 77 | 259 | 1,032 |
| Total | <u>\$1,121</u> | <u>\$1,096</u> | <u>\$279</u> | <u>\$1,285</u> | <u>\$3,781</u> |

| | Liabilities Maturity Distribution as of March 31, 2005 | | | | Total fair value |
|---|---|--------------|----------------------------|--------------|------------------|
| | Less than 1 year | 1-3 years | 4-5 years (In millions) | Over 5 years | |
| Interest rate and credit spread risk .. | \$911 | \$341 | \$215 | \$451 | \$1,918 |
| Foreign exchange risk..... | 11 | — | 15 | — | 26 |
| Equity price risk | 19 | 104 | 14 | 306 | 443 |
| Total | <u>\$941</u> | <u>\$445</u> | <u>\$244</u> | <u>\$757</u> | <u>\$2,387</u> |

The following table sets forth as of March 31, 2005 substantially all of our exposure with respect to OTC derivatives, by counterparty credit rating and with affiliates.

| <u>Credit Rating</u> ⁽¹⁾ | <u>March 31, 2005 (In millions)</u> |
|-------------------------------------|---|
| AA+/AA | \$2,090 |
| AA- | 10 |
| A+/A/A-..... | 260 |
| BBB+/BBB/BBB-..... | 10 |
| BB+ or lower..... | 20 |
| Unrated..... | 91 |
| Derivatives with affiliates..... | 1,300 |
| Total | <u>\$3,781</u> |

(1) Credit ratings are determined by external rating agencies or by our credit risk management department.

Derivatives With Related Parties

We enter into a substantial number of derivatives transactions with related parties. The following table sets forth derivatives transactions with related parties consisting primarily of interest rate swaps, credit default swaps and foreign exchange forward contracts. The fair values of derivatives contracts outstanding with related parties as of March 31, 2005 and December 31, 2004 were as follows.

| | March 31, 2005 | | December 31, 2004 | |
|--|----------------|--------------|-------------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| | (In millions) | | | |
| Interest rate and credit spread risk | \$1,242 | \$934 | \$1,346 | \$616 |
| Foreign exchange risk..... | 40 | 8 | 45 | 18 |
| Equity price risk | 18 | 4 | 9 | 61 |
| Total | <u>\$1,300</u> | <u>\$946</u> | <u>\$1,400</u> | <u>\$695</u> |

See Notes 2 and 5 of the condensed consolidated financial statements in Part I, Item 1 for more information.

FORWARD LOOKING STATEMENTS

We have made in this Quarterly Report on Form 10-Q, including, without limitation, in “Legal Proceedings” in Part II, Item 1, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2, and from time to time may otherwise make in our public filings and press releases, forward-looking statements concerning our operations, economic performance and financial condition, as well as our future plans and strategic objectives. Such forward-looking statements are subject to various risks and uncertainties, and we claim the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those anticipated herein or in any such other filings, releases or statements because of a number of factors, including without limitation, those detailed in “Business—Certain Factors That May Affect Our Results of Operations” in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2004, those discussed elsewhere herein, and in other public filings and press releases. These forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. Forward-looking statements are typically identified by the use of future or conditional verbs such as “will,” “should,” “would” or “could,” and by words or phrases such as “believe,” “expect,” “intend,” “estimate” and similar expressions. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results may differ, possibly materially, from the results indicated in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements except as otherwise required by applicable law.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

Risk Management and Value at Risk

For a description of the Company’s risk management policies and procedures and value-at-risk, or VAR, model, including such model’s assumptions and limitations, see “Quantitative and Qualitative Disclosure About Market Risk” in Part II, Item 7A of the Company’s Annual Report on Form 10-K for the December 31, 2004.

Market Risk Exposure

Trading portfolios

The Company-wide trading portfolio VAR was approximately \$40 million and \$37 million as of March 31, 2005 and December 31, 2004, respectively.

Due to the benefit of diversification, the Company-wide VAR is less than the sum of the individual components. The four main components of market risk, expressed in terms of theoretical fair values, had the following VAR:

| | Company's Market Risk Exposures in Trading Portfolios | |
|---|---|-------------------------|
| | As of March 31, 2005 | As of December 31, 2004 |
| 99%, one-day VAR, in \$ millions | | |
| Interest rate and credit spread | 34 | 34 |
| Equity | 19 | 15 |
| Foreign exchange rate | 2 | 1 |
| Commodity | 1 | — |
| Diversification benefit | (16) | (13) |
| Total | <u>40</u> | <u>37</u> |

The table below presents minimum, maximum and average VAR by market risk component:

| | Company's Market Risk Exposures in Trading Portfolios | | | | | | | | |
|---|---|------------------------|-------------|------------------------|------------------------|-------------|------------------------|------------------------|-------------|
| | Three Months Ended | | | Three Months Ended | | | Year Ended | | |
| | March 31, 2005 | | | March 31, 2004 | | | December 31, 2004 | | |
| | Minimum | Maximum | Average | Minimum | Maximum | Average | Minimum | Maximum | Average |
| 99%, one-day VAR, in \$ millions | | | | | | | | | |
| Interest rate and credit spread | 33 | 52 | 42 | 32 | 49 | 40 | 25 | 55 | 39 |
| Equity | 13 | 21 | 17 | 12 | 26 | 19 | 12 | 32 | 19 |
| Foreign exchange rate | — | 4 | 1 | — | 3 | — | — | 4 | 1 |
| Commodity | — | 3 | 1 | — | — | — | — | — | — |
| Diversification benefit | <u>—⁽¹⁾</u> | <u>—⁽¹⁾</u> | <u>(16)</u> | <u>—⁽¹⁾</u> | <u>—⁽¹⁾</u> | <u>(11)</u> | <u>—⁽¹⁾</u> | <u>—⁽¹⁾</u> | <u>(14)</u> |
| Total | <u>36</u> | <u>55</u> | <u>45</u> | <u>34</u> | <u>63</u> | <u>48</u> | <u>27</u> | <u>69</u> | <u>45</u> |

(1) As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

The average, maximum and minimum daily trading revenue for the three months ended March 31, 2005 and 2004 and for the year ended December 31, 2004 is shown below:

| | Three months ended | Three months ended | Year ended |
|---------------------------------------|--------------------|--------------------|-------------------|
| | March 31, 2005 | March 31, 2004 | December 31, 2004 |
| Daily trading revenue, in \$ millions | | | |
| Average | 15 | 16 | 14 |
| Maximum | 64 | 67 | 67 |
| Minimum | (12) | (17) | (17) |

Non-trading portfolios

We measure equity risk on non-trading positions using 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 of equity risk on our non-trading financial instruments portfolio, which is mainly comprised of our private equity investments, would be a decrease in the value of the non-trading portfolio of approximately \$129 million and a decrease of approximately \$118 million as of March 31, 2005 and December 31, 2004,

respectively. The estimated impact of equity risk as excludes the investments in certain private equity funds consolidated primarily under FIN 46R.

The interest rate risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 50 basis point decline in the interest rates of developed nations and a 200 basis point decline in the interest rates of emerging market nations. The estimated impact of interest rate risk on pre-tax net income would be a decrease of approximately \$12 million on both March 31, 2005 and December 31, 2004.

The foreign exchange risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 10% strengthening of the U.S. dollar against developed currencies and a 20% strengthening of the U.S. dollar against emerging market currencies. The estimated impact of foreign exchange risk on the value of the non-trading portfolio would be zero and a decrease of approximately \$1 million as of March 31, 2005 and December 31, 2004, respectively.

The commodity price risk on non-trading positions is measured using sensitivity analysis that estimates the potential change in the value of the non-trading portfolio resulting from a 20% weakening in commodity prices. The estimated impact of commodity price risk on the value of the non-trading portfolio would be a decrease of \$2 million as of March 31, 2005. Previously, commodity price risk was immaterial in our non-trading portfolio.

Item 4: Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of the evaluation, our Chief Executive Officer and Chief Financial and Accounting Officer concluded that the design and operation of these disclosure controls and procedures were effective in all material respects to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required. There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2005 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1: Legal Proceedings

Certain significant legal proceedings and matters have been previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. The following is an update of such proceedings.

Litigation Relating to IPO Allocation/Research-related Practices

On March 31, 2005, the U.S. District Court for the District of Massachusetts granted CSFB LLC's motion to dismiss the complaint brought on behalf of purchasers of shares of Agilent Technologies, Inc.

On April 14, 2005, the U.S. District Court for the Southern District of New York dismissed the analyst research-related claims brought by the plaintiff who previously filed, and then voluntarily dismissed, a similar action in Missouri state court.

NCFE-related Litigation

On March 31, 2005, CSFB LLC and certain affiliates filed a motion to dismiss the action in the U.S. District Court for the Southern District of Ohio filed by a trust created through the confirmed bankruptcy plan of National Century Financial Enterprise Inc. asserting common law claims similar to those asserted in the Multidistrict Litigation cases as well as statutory claims under the Ohio corrupt practices act, claims for professional negligence and claims under the U.S. Bankruptcy Code.

We are involved in a number of judicial, regulatory and arbitration proceedings (including those described above) concerning matters arising in connection with the conduct of our businesses. Some of these actions have been brought on behalf of various classes of claimants and seek damages of material and/or indeterminate amounts. We believe, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition but might be material to operating results for any particular period, depending, in part, upon the operating results for such period.

Items 2, 3 and 4:

Pursuant to General Instruction H of Form 10-Q, the information required by Items 2, 3 and 4 is omitted.

Item 6: Exhibits

- (a) Exhibits
 - 12 Statement re computation of ratio of earnings to fixed charges
 - 15 Letter re unaudited interim financial information
 - 31.1 Rule 13a-14(a) certification of Chief Executive Officer
 - 31.2 Rule 13a-14(a) certification of Chief Financial and Accounting Officer
 - 32 Section 1350 certifications

SIGNATURE

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

CREDIT SUISSE FIRST BOSTON (USA), INC.

May 11, 2005

By: /s/ DAVID C. FISHER
Chief Financial and Accounting Officer
(On behalf of the Registrant and as Principal
Financial Officer)

INDEX TO EXHIBITS

| Exhibit Number | Description |
|-----------------------|--|
| 12 | Computation of ratio of earnings to fixed charges |
| 15 | Letter re unaudited interim financial information |
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| 31.2 | Rule 13a-14(a) certification of Chief Financial and Accounting Officer |
| 32 | Section 1350 certifications |

CREDIT SUISSE FIRST BOSTON (USA), INC. AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)

(In millions, except for ratio)

| | For the Three Months Ended March 31, 2005 | For the Year Ended December 31, | | | | |
|---|--|------------------------------------|----------------|---------------------|---------------------|---------------------|
| | | 2004 | 2003 | 2002 | 2001 | 2000 |
| Earnings: | | | | | | |
| Income (loss) before provision for income taxes ⁽¹⁾ | \$ 391 | \$1,826 | \$ 569 | \$ (481) | \$ (464) | \$(1,786) |
| Add: Fixed Charges | | | | | | |
| Interest expense (gross) | 2,147 | 5,731 | 4,447 | 5,436 | 9,923 | 6,823 |
| Interest factor in rents | 40 | 161 | 159 | 167 | 187 | 104 |
| Total fixed charges from continuing operations | <u>2,187</u> | <u>5,892</u> | <u>4,606</u> | <u>5,603</u> | <u>10,110</u> | <u>6,927</u> |
| Subtract: Minority interests ⁽²⁾ | 155 | 642 | — | — | — | — |
| Earnings before fixed charges and provision for income taxes | <u>\$2,423</u> | <u>\$7,076</u> | <u>\$5,175</u> | <u>\$5,122</u> | <u>\$ 9,646</u> | <u>\$ 5,141</u> |
| Ratio of earnings to fixed charges | 1.11 | 1.20 | 1.12 | 0.91 ⁽³⁾ | 0.95 ⁽⁴⁾ | 0.74 ⁽⁵⁾ |

(1) Income (loss) from continuing operations before provision (benefit) for income taxes, minority interests, discontinued operations, extraordinary items and cumulative effect of change in accounting principle.

(2) Related to the Company's consolidation of certain private equity funds.

(3) The dollar amount of the deficiency in the ratio of earnings to fixed charges was \$481 million for the year ended December 31, 2002.

(4) The dollar amount of the deficiency in the ratio of earnings to fixed charges was \$464 million for the year ended December 31, 2001.

(5) The dollar amount of the deficiency in the ratio of earnings to fixed charges was \$1.8 billion for the year ended December 31, 2000.

May 10, 2005

The Board of Directors
Credit Suisse First Boston (USA), Inc.
New York, New York

Re: Registration statements No. 333-116241, 333-86720, 333-71850, 333-62422, 333-07657, 333-34149,
333-53499, 333-73405 and 333-30928

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated May 10, 2005 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG
New York, New York

Rule 13a-14(a) Certification of Chief Executive Officer

I, Brady W. Dougan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Suisse First Boston (USA), Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2005

/s/ BRADY W. DOUGAN

Name: Brady W. Dougan

Title: *President and Chief Executive Officer*

Rule 13a-14(a) Certification of Chief Financial and Accounting Officer

I, David C. Fisher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Suisse First Boston (USA), Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2005

/s/ DAVID C. FISHER

Name: David C. Fisher

Title: *Chief Financial and Accounting Officer*

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Credit Suisse First Boston (USA), Inc. (the "Company") does hereby certify, to such officer's knowledge, that:

1. the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 11, 2005

/s/ BRADY W. DOUGAN

Name: Brady W. Dougan

Title: *President and Chief Executive Officer*

May 11, 2005

/s/ DAVID C. FISHER

Name: David C. Fisher

Title: *Chief Financial and Accounting Officer*