Credit Suisse International

Unaudited Consolidated Interim Financial Statements for the Six Months Ended 30 June 2019

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Board of Directors as at 16 August 2019

John Devine (Chair and Independent Non-Executive)
David Mathers – Chief Executive Officer (CEO)
Alison Halsey (Independent Non-Executive)
Andreas Gottschling (Non-Executive)
Debra Davies (Independent Non-Executive)
Caroline Waddington – Chief Financial Officer (CFO)
Christopher Horne (Deputy CEO)
Paul Ingram – Chief Risk Officer (CRO)
Jonathan Moore
Michael DiIorio
Nicola Kane

Company Secretary

Paul Hare

Company Registration Number	02500199

John Devine

British Citizen

Non-Executive

Board member since 2017

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Chair of the Board of Directors (2019–present)
	Non-Executive Director (2017-present)
	Chair of the Nomination Committee (2019-present)
	Member of the Risk Committee (2019-present)
	Member of the Audit Committee (2017-2019)
	Member of the Nomination Committee (2017-present)
	Member of the Conflicts Committee (2017-present)
2008-2010	Threadneedle Asset Management
	Chief Operating Officer
1988-2008	Merrill Lynch and Co.
	SVP Head of Global Operations and Technology (2005-2008)
	MD and FVP Global CFO Global Markets and Investment Banking (2001-2005)
	CFO International, London (1999-2001)
	FVP, CFO Global Operations and Technology, New York (1998-1999)
	CFO Global Fixed Income and Derivatives, London (1997-1998)
	Director, CFO Asia Pacific Region, Hong Kong (1992-1997)
	Various other senior positions (1988-1992)
1987-1988	Prudential Bache Securities
	Head of Computer and Derivatives Audit
1986-1987	Manufacturers Hanover Trust
	Senior Auditor, Derivatives and FX

Education

1981	BA, Geography, Preston Polytechnic
1996	CIPFA, Chartered Institute of Public Finance & Accountancy

Other activities and functions

Standard Life Aberdeen PLC, Non-Executive Director, Chair of Audit Committee, Member of Risk Committee and Remuneration Committee

Citco Custody (UK) Ltd and Citco Custody Holding Ltd Malta, Non-Executive Director, Chair of Audit Committee, Member of Risk Committee and Nominations Committee

David Mathers

British Citizen

Board member since 2016

Chief Executive Officer

Professional history

2005–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2016–present; 2005–2006)
	CEO (2016–present)
	Alternate Director of the Board of Directors (2005)
1998–present	Credit Suisse AG & Credit Suisse Group AG
	Chair of Asset Resolution Unit (2019–present)
	Member of the Executive Board (2010–present)
	Chief Financial Officer (2010–present)
	Chair of Strategic Resolution Oversight Board (2015-2018)
	Head of IT and Operations (2012–2015)
	Head of Finance and COO of Investment Banking (2007–2010)
	Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
Prior to 1998	HSBC
	Global head of equity research (1997–1998)
	Research analyst, HSBC James Capel (1987–1997)

Education

1991	Associate Certification, Society of Investment Analysts
1991	MA in Natural Sciences, University of Cambridge, England
1987	BA in Natural Sciences, University of Cambridge, England

Other activities and functions

European CFO Network, member

Academic awards and grants at Robinson College, Cambridge, Sponsor

Alison Halsey

British Citizen

Non-Executive

Board member since 2015

Professional history

2015–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Member of the Advisory Remuneration Committee (2018-present)
	Non-Executive Director (2015–present)
	Chair of the Audit Committee (2015–present)
	Member of the Risk Committee (2015–present)
	Member of the Nomination Committee (2015–present)
	Chair of the Conflicts Committee (2017-present)
	Co-Chair of the Conflicts Committee (2016–2017)
	Member of the Advisory Remuneration Committee (2015-2017)
2011–2018	Super Duper Family LLP
	Managing Partner
1977–2011	KPMG
	Global Lead Partner (2002–2011)
	UK Head of Financial Services (2001–2004)
	Audit Partner, Financial Services (1991–2001)
	Secondment, Assistant Commissioner, Building Societies Commission (1989–1991)
	Senior Manager, Specialist Banking Department (1986–1989)

Education

1980	ACA (FCA 1990), Institute of Chartered Accountants in England and Wales
1977	BA in French, King's College, London

Other activities and functions

Aon UK Limited, Non-Executive Director, Member of the Risk & Compliance and Nominations Committees and Chair of the Audit Committee

Andreas Gottschling

German Citizen

Non-Executive

Board member since 2018

Professional history

2018–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2018-present)
	Chair of the Advisory Remuneration Committee (2019-present)
	Member of the Nomination Committee (2019-present)
	Member of the Risk Committee (2018-present)
	Member of the Advisory Remuneration Committee (2018-present)
2017-present	Credit Suisse AG & Credit Suisse Group AG (2017-present)
	Non-Executive Director (2017-present)
	Chair of the Risk Committee (2018-present)
	Member of the Audit Committee (2018-present)
	Member of the Governance and Nominations Committee (2018-present)
	Member of the Risk Committee (2017-2018)
2013-2016	Erste Group Bank, Austria
	Chief Risk Officer and Member of the Management Board
2012-2013	McKinsey and Company, Switzerland
	Senior Advisor Risk Practice
2005-2012	Deutsche Bank, London and Frankfurt and Zurich
	Member of the Risk Executive Committee & Divisional Board (2005-2012)
	Global Head Operational Risk (2006-2010)
2003-2005	LGT Capital Management, Switzerland
	Head of Quant Research
2000-2003	Euroquants, Germany
	Consultant
2000-2000	Washington State University, Pullman, USA
	Faculty Member, Department of Finance, Business School
1997-2000	Deutsche Bank, Frankfurt
	Head of Quantitative Analysis

Education

1997	PhD MA Economics, University of California, San Diego, USA
1991	Postgraduate Studies in Physics, Mathematics and Economics, Harvard University, Cambridge, USA
1990	Intermediate Diploma in Mathematics and Economics, University of Freiburg, Germany
1986	International Baccalaureate, United World College of the Atlantic, Wales, UK

Debra Davies

British Citizen

Non-Executive

Board member since 2019

Professional history

2019–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2019–present)
	Member of the Audit Committee (2019-present)
	Member of the Advisory Remuneration Committee (2019-present)
	Member of the Nomination Committee (2019–present)
2013-2018	Swisscard AECS GmbH
	Board Member
1989-2019	American Express Europe Ltd
	Senior Vice President

Education

1984	BA (Hons) Business Studies, Thames Valley University

Other activities and functions

AXA Insurance UK plc, AXA PPP Healthcare Limited, Non-Executive Director

AXA UK plc, Non-Executive Director and Member of the Risk Committee

American Express Saudi Arabia, Non-Executive Director and Member of the Remuneration Committee

American Express Middle East, Non-Executive Director

Utilitywise plc, Non-Executive Director

Caroline Waddington

British Citizen

Board member since 2017

Chief Financial Officer

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Trustee of Credit Suisse EMEA Foundation (2018-present)
	Executive Director (2017–present)
	CFO for UK Regulated Entities, Chair of the UK Pension Committee (2017-present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2017-present)
	Member of the Management Committee of Credit Suisse AG, London Branch (2017-present)
2013–2016	Deutsche Bank, London
	Global Co-Head of Markets and Non Core Product Control (2014–2016)
	Global Head of Markets and Non Core Risk and P&L (2013-2014)
2008–2012	Royal Bank of Scotland, London
	Global Head of Markets Business Unit Control (2009–2012)
	Global Head of Rates, Local Markets, Currencies and Commodities Business Unit Control (2008–2009)
2004–2008	Barclays Capital, London
	Global Head of Equity Linked and Prime Services Product Control and Head of Price Testing and Provisioning Group (2006–2008)
	Global Head of Fixed Income Product Control (2004–2006)
1994–2004	Credit Suisse, London
	Programme Manager for the Prime Services Equity Swaps Programme (2003–2004)
	Global Head of Line Control and Management Information, OTC Derivatives Support Group, Operations (2002–2003)
	Product Control (1994–2002)
1990–1994	Coopers & Lybrand, London
	Auditor

Education

1994	ACA, Institute of Chartered Accountants in England and Wales
1990	BSc Cellular and Molecular Pathology (Hons), Bristol University

Other activities and functions

NameCo (No.357) Limited, Director

Roffey Park Institute Limited, Director, Member of Audit and Risk Committee

Brook House (Clapham Common) Management Company Limited, Director

Christopher Horne

British Citizen

Board member since 2015

Deputy Chief Executive Officer

Professional history

1997–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2015–present; 2010–2011)
	Chair of the CSi Disclosure Committee (2015–present)
	Alternate Director of the Board of Directors (2008)
	Deputy CEO (2015–present)
	Branch Manager and Chair of the Management Committee of Credit Suisse AG, London Branch (2015–present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2014–present)
	Deputy Head of the European Investment Banking Department (2014–2015)
	Global COO of the Investment Banking Department (2009–2014)
	Member of the Supervisory Board of Credit Suisse (Poland) Sp. z o.o. (2010-2013)
	Member of the Management Committee of Credit Suisse AG, London Branch (2010-2011)
	COO of the European Investment Banking Department (2005–2008)
	Managing Director, Global Mergers and Acquisitions Group (2004–2005)
	Co-head of Corporate Advisory & Finance within Global Industrial & Services in Europe (2001–2004)
	Managing Director, European Mergers & Acquisitions Department and European Corporate Advisory & Finance team (1997–2000)
1990–1997	BZW, London
	Investment Banker
1986–1990	Deloitte Haskins & Sells, London
	Auditor

Education

1989	ACA, Institute of Chartered Accountants in England and Wales
1986	BSc Honours, Chemistry, Durham University

Other activities and functions

UK Finance, Capital Markets and Wholesale Products and Services Board, Member

Paul Ingram

British Citizen

Board member since 2015

Chief Risk Officer

Professional history

2013–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2015–present)
	Member of the Management Committee of Credit Suisse AG, London Branch (2013-present)
	Chief Risk Officer (2013–present)
2009–2013	RBS Group
	Global Head of Market Risk and Insurance Risk
1994–2008	HSBC Group
	Global Head of Market Risk and Traded Credit Risk (2001–2008)
	Head of Finance, Operations & Risk, Asia Pacific (ex Hong Kong), Hong Kong (1998–2001)
	Country CFO & Branch Manager Midland Bank Japan, Tokyo (1995–1998)
	Head of Markets Product Control & Risk Projects, New York (1994–1995)
1987–1994	Samuel Montagu & Co
	Various Markets roles
1985–1987	LittleJohn Fraser
	Audit & Consultancy

Education

1985	BA Honours Economics, University of Essex

Jonathan Moore

British Citizen

Board member since 2017

Professional history

2001–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2017-present)
	Head of Global Credit Products EMEA & Senior Manager for Credit & Client in UK (2017-present)
	Co-Head of Global Credit Products in EMEA (2015-2017)
	Head of Trading for Global Credit Products in EMEA (2009-2015)
	Global Head of Structured Credit Trading (2008-2009)
	Investment Grade, Asset Swap & Illiquid Credit Trading (2002-2008)
	Investment Grade, Credit Research Analyst (2001-2002)

Education

2000	BSc Mathematics, University of Nottingham

Other activities and functions

Association for Financial Markets in Europe, Director

Michael DiIorio

American Citizen

Board member since 2017

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2017-present)
	EMEA Head for Global Markets Equities (2017–present)
	Member of Management Committee of Credit Suisse AG, London Branch (2017-present)
2013-2017	Barclays Capital, London
	Global Head of Equity Sales
2010-2013	Barclays Capital, Hong Kong
	Asia Pacific Head of Equities (2011-2013)
	Asia Pacific Head of Equity Trading (2010-2011)
2008-2010	Nomura, Hong Kong
	Asia Pacific Head of Equity Trading
2007-2008	Lehman Brothers, Hong Kong
	Asia Pacific Head of Equity Trading
2003-2007	Lehman Brothers, London
	Head of Flow Equity Derivatives Trading
2000-2003	Nations – CRT, Frankfurt and London
	Head of Europe
1996-2000	Nations – CRT, Frankfurt
	Single Stock Derivatives Trading
1995-1995	Barclays de Zoete Wedd (Frankfurt)
	Equity Derivatives Sales Trading

Education

1995	BA Economics and Mathematical Sciences, University of North Carolina at Chapel Hill

Nicola Kane

British Citizen

Board member since 2018

Professional history

2014–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Trustee of Credit Suisse EMEA Foundation (2018-present)
	Executive Director (2018-present)
	Global Head of Group Operations, Co-head of Operations' Technology and Solutions Delivery (2017-present)
	Head of Group Operations UK Entities, Wroclaw and Dublin and Global Head of Trade Validation, Asset Protection, Cash and Liquidity Management, Utility Oversight for Cleared Products (2016-2017)
	Member of the Board of Directors of Buckmore Nominees Limited and Credit Suisse London Nominees Limited (2015-2016)
	Member of the Board of Directors of Credit Suisse Client Nominees (UK) Limited (2014-2019)
	Regional Head of Global Operations in EMEA and Global Head of Cross Product Margin, Clearing and Liquidity Management (2014-2016)
1999-2014	Goldman Sachs
	Global Co-Head of Securities Operations (2009-2014)
	Regional Head of Asia ex-Japan operations (2008-2009)
	Margin, Valuations, Product and Pricing (2001-2008)
	Department Manager for Private Wealth Management, Client Services (1999-2001)
1996-1999	Merrill Lynch
	Project Manager (1998-1999)
	Operations Manager, Debt Derivatives Operations (1996-1997)
1994-1996	J.P. Morgan
	Operations manager
1988-1994	Deloitte and Touche Management Consultancy
	Various assignments

Education

1991	ACA, Institute of Chartered Accountants in England and Wales
1988	BSc (Hons) in Business Studies, City University Business School

Other activities and functions

International Association of Securities Services, Board Member

Interim Management Report for the Six Months Ended 30 June 2019

Credit Suisse International at a glance

Business model

Entity Structure

Credit Suisse International ('CSi' or 'Bank') is a private unlimited company and an indirect wholly owned subsidiary of Credit Suisse Group AG ('CSG'). CSi is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. CSi is a bank domiciled in the United Kingdom ('UK') and together with its subsidiaries is referred to as the 'CSi group'. The Bank has branch operations in Amsterdam, Madrid, Milan, Singapore and Sweden. The Bank also maintains representative offices in Geneva, Hong Kong and Zurich.

CSG, a company domiciled in Switzerland, is a leading wealth manager with strong investment banking and asset management capabilities. Founded in 1856, CS group has a global reach today, with operations in over 50 countries and a team of more than 46,000 employees from approximately 150 different nations. It is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through three focused divisions: Swiss Universal Bank ('SUB'), International Wealth Management ('IWM') and Asia Pacific ('APAC'). These businesses are supported by two divisions specialising in investment banking: Global Markets ('GM') and Investment Banking & Capital Markets ('IBCM'). CSi is one of the principal booking entities for the CSG's investment banking business.

Financial statements

The CSi Condensed Consolidated Interim Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Bank and in accordance with the International Financial Reporting Standards ('IFRS'). CSi's 2019 Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use in the European Union ('EU'). The Directors present their Interim Management Report and the Condensed Unaudited Consolidated Interim Financial Statements for the six months ended 30 June 2019. The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 16 August 2019.

Change in directors

Changes in the directorate since 31 December 2018 and up to the date of this report are as follows:

Appointment	
Debra Davies	01 July 2019
Resignation	
Noreen Doyle	30 April 2019
Robert Endersby	16 August 2019

None of the directors who held office at the end of the period were directly beneficially interested, at any time during the period, in the shares of the Bank.

Directors of the CSi group benefited from qualifying third party indemnity provisions in place during the interim period and at the date of this report.

Strategy

Client focused, capital efficient strategy

CSi remains focused on strengthening its position in executing a client-focused, capital-efficient strategy to meet client needs and regulatory trends. The CSi group continues to focus on businesses in which the Bank has a competitive advantage and is able to operate profitably with an attractive return on capital.

Specifically, CSi is committed to profitably supporting CSG and its divisional ambitions, leveraging UK assets and infrastructure, to:
- Provide a competitively priced, resource-efficient securities booking platform, giving market, exchange and venue access across Europe, Middle East and Africa ('EMEA');
- Facilitate global client preference through global derivatives capabilities;
- Be the primary booking entity supporting Dodd-Frank registered trading; and
- Provide underwriting and advisory services for EMEA corporates including mergers and acquisitions ('M&A') and equity, debt and derivative underwriting and arrangement.

Clients

CSi aims to provide its corporate, institutional and IWM clients with a broad range of financial solutions. To meet clients' evolving needs, CSi serves its clients through an integrated franchise and international presence. CSi is a global market leader in over-the-counter ('OTC') derivative products and offers to its clients a range of interest rate, currency, equity and credit-related products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment requirements of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

For CSi's corporate clients, CSi provides a wide spectrum of banking products such as traditional and structured lending and investment solutions. In addition, CSi applies its investment banking capabilities to provide customised services in the areas of M&A, equity and debt syndications and structured finance.

Growth driven by principal divisions

The CSi group has two principal divisions, GM and IBCM.

Global Markets

Business Profile

GM provides a broad range of financial products and services to client-driven businesses and also supports the CS group's IWM, IBCM and APAC businesses and their clients. The suite of products and services includes global securities sales, trading and execution and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors as well as pension, hedge funds and private individuals around the world.

The business structure consists of equity sales and trading, fixed income sales and trading and underwriting. Equity sales and trading includes cash equities, prime services, convertibles and equity derivatives. Fixed income sales and trading is comprised of yield businesses, including global credit products, securitised products and structured lending, rates, foreign exchange and emerging markets businesses. Underwriting includes leveraged finance, investment grade and equity underwriting businesses.

Business Strategy

Looking ahead, GM continues to focus further increasing collaboration across CSG specifically IBCM, APAC and IWM clients, increasing operating leverage as well as attracting top talent. With regards to costs and ongoing cost saving initiatives, GM continues to pursue efficiencies from consolidating redundant platforms and eliminating duplication across functions.

Investment Banking & Capital Markets

Business Profile

The IBCM division offers a broad range of services which includes advisory services relating to M&A, divestitures, takeover defence, business restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions relating to these activities are also offered. Clients include leading corporations and financial sponsors. Investment banking capabilities are delivered through regional and local teams based in developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CSG and that helps clients to unlock capital and value in order to achieve their strategic goals.

Business Strategy

IBCM's strategy focuses on leveraging our structuring and execution expertise to develop innovative financing and advisory solutions for clients. The divisional strategy is designed to generate sustainable and profitable growth. IBCM's key strategic priorities include: achieving a balanced product mix, optimising the client coverage model and using the CS group's global platform to meet our clients' needs for cross-border expertise in developed and emerging markets.

In the UK, IBCM is focused on a capital efficient product mix of activities which includes advisory and underwriting activities as well as our global corporate derivatives business. A key element of IBCM's strategy is rebalancing its product mix to generate stronger results in M&A, advisory and equity underwriting, while maintaining leading leveraged finance franchise. Refocusing efforts on these products will not only allow better support to clients' strategic goals, but will also contribute to a revenue mix that is more diversified and less volatile through the cycle. IBCM also continues to focus on cross selling and offering multi-product solutions to its core clients.

IBCM also focuses on its cost efficiency in the UK and on aligning its resource to market opportunities with the highest potential. IBCM continues to optimise client strategy in order to deliver efficient and effective client coverage. The strategic objective is to align and selectively invest in coverage and capital resources with the largest growth opportunities and where the CS group franchise is well-positioned.

Other divisions

APAC

CSi also facilitates the APAC division, which delivers a range of financial products and services to corporate and institutional clients. The APAC Markets business consists of equities and fixed income sales and trading businesses, which support wealth management activities, but also deals extensively with a broader range of institutional clients.

Corporate Centre

Corporate Centre includes the newly formed Asset Resolution Unit ('ARU') and certain other expenses and revenues that have not been allocated to divisions. The Strategic Resolution Unit ('SRU') was created in 2015 to allow the right-sizing of CS group divisions. Within CSi, the SRU predominantly comprised derivative portfolios across interest rate and credit products and its primary focus was on the wind-down of assets with high capital usage and costs in order to reduce the negative impact on legal entity performance. The SRU completed its active wind down at the end of 2018 and now ceases to exist as a separate division of the CS group. The residual portfolio remaining as of 31 December 2018 is now managed in ARU and is separately disclosed within the Corporate Centre. The ARU's core mandate has transitioned from accelerated risk reduction to active risk monitoring.

Operating environment

Political and Economic environment

CSi is impacted by a range of political, macroeconomic, regulatory and accounting developments. The operating environment continues to evolve rapidly resulting in the need for CSi to continue evaluating, assessing and adapting its strategy.

The UK exit from the EU has dominated the news in recent months, with the political uncertainty giving rise to greater volatility. These uncertainties have continued to weigh on confidence and short-term economic activity, notably business investment. The economic outlook of the UK will depend greatly on the nature of the EU withdrawal. Shifting expectations about the potential nature and timing of the UK's withdrawal from the EU had continued to generate volatility in UK asset prices, particularly the sterling exchange rate.

The gross domestic product ('GDP') in the United Kingdom grew 1.8% year-on-year in the first quarter of 2019 but is expected to have been flat in Q2. In its August inflation report, the Bank of England ('BoE') cut the economic growth forecast for this year and next from 1.5% and 1.6% respectively to 1.3% each year – the weakest annual rate since 2012.

At its meeting ending on 31st July 2019, the Monetary Policy Committee ('MPC') voted unanimously to maintain base rate at 0.75% and to maintain the stock of sterling non-financial investment-grade corporate bond purchases and UK government bond purchase, financed by the issuance of central bank reserves, at GBP10 billion and GBP435 billion respectively.

Consumer Price Index ('CPI') inflation was 2% in June and is expected to remain close to the 2.0% target over coming months. The labour market had remained tight and annual pay growth, having risen through 2018, has been relatively strong. Most indicators of consumer spending were consistent with ongoing modest growth.

The MPC has noted that UK data could be unusually volatile in the near term, due to shifting expectations about the UK exit from the EU in financial markets and among households and businesses. The economic outlook will continue to depend significantly on the nature and timing of EU withdrawal, in particular: the new trading arrangements between the European Union and the United Kingdom; whether the transition to them is abrupt or smooth; and how households, businesses and financial markets respond. The BoE also reported that the increased uncertainty about the nature of EU withdrawal means that the economy could follow a wide range of paths over coming years.

In its August inflation report, the BoE reported that during the second quarter of 2019, global trade tensions have intensified and the outlook for global growth has deteriorated. This has led to a substantial decline in advanced economies' forward rates and a material loosening in financial conditions, including in the United Kingdom. The United States ('US') and euro-area GDP growth appear to have slowed, following surprising strength in Q1, to 0.5% and 0.2% respectively.

In the US, the Federal Open Market Committee ('FOMC') made no change to its target range for the federal funds rate in June, but the path of policy rates implied by market prices has declined further over the past three months and is markedly lower than in March. In July the FOMC has reduced interest rates by 0.25%, reflecting the perceptions of increased risk around the global outlook. The Committee also announced an end to the reduction in its balance sheet by September 2019.

The political environment remains tense. Tensions in international trade have escalated with the US and Chinese governments announcing more tariffs to be imposed. This is coupled with instability in the Eurozone because of political developments within the UK preparing for its exit from the EU. CSi remains vigilant to these risks and their potential impact.

Taking into account these market factors CSi has recorded a profit for the first six months of 2019, as detailed in the Performance section.

Accounting environment

IFRS 16

CSi group adopted IFRS 16 Leases on 1 January 2019. For further details, refer to Note 2 – Significant Accounting Policies.

Regulatory environment

Potential Replacement of interbank offered rates

There is significant international and regulatory pressure to replace the current interbank offered rates benchmarks (IBORs), including LIBOR, with alternative reference rates. The transition away from LIBOR and IBORs by the end of 2021 is considered one of the most significant changes to financial markets in recent years.

CSi has a significant number of liabilities and assets linked to certain indices, such as IBORs. There is ongoing work through numerous industry bodies and working groups to determine replacement benchmarks, including assessing the practicability of using alternative rates. CS group has established a global governance structure and change program to manage transition to the new benchmarks.

Resolvability Assessment Framework

The Bank of England published its policy on the Resolvability Assessment Framework ('RAF') in July 2019. The Policy expectation is that firms with a resolution bail-in strategy build a broad range of resolution capabilities that will ensure continuity of critical functions to the UK economy in the event of failure. The implementation date of the RAF is 1 January 2022.

CSi is currently enhancing its existing recovery plan and developing resolution capabilities in line with regulatory expectations, including the RAF, and industry good practice. CSi will continue to enhance its capabilities to ensure they are sufficiently robust to maintain critical functions provided to the UK economy through the stabilisation and restructuring phase, in the event of the bank failing.

MiFID II

Markets in Financial Instruments Directive II ('MiFID II') and the Markets in Financial Instruments Regulation ('MiFIR') have applied since 3 January 2018. MiFID II and MiFIR have introduced a number of significant changes to the regulatory framework established by the Markets in Financial Instruments Directive ('MiFID') and the European Commission has adopted a number of delegated and implementing measures, which supplement their requirements. In particular, MiFID II and MiFIR have introduced enhanced organisational and business conduct standards that apply to investment firms and changes to certain market structures and business operating models. CSi is completing its implementation of the MiFID II programme and is monitoring the impact of this new regulation on clients and market behaviour more broadly.

BCBS 239

The Basel Committee on Banking Supervision ('BCBS') published the 'Principles for effective risk data aggregation and risk reporting' (BCBS 239) in 2013 in order to strengthen the risk data aggregation and risk reporting practices at banks and enhance their risk management and decision-making process. CSi has implemented these principles with respect to a defined scope of risk measures and risk reports.

Performance

Key performance indicators ('KPI's')

The Bank uses a range of KPI's to manage its financial position to achieve the Bank's objectives. Profitability and Risk Weighted Assets ('RWA') are reviewed at the business line level to promote the drive towards the development and maintenance of profitable and capital efficient businesses.

	6M19	6M18	6M17	6M16	6M15
Earnings					
Net profit/(loss) before tax (USD million):					
Continuing operations	262	131	(142)	(140)	(64)
Discontinued operations	–	–	–	79	237
Total	**262**	**131**	**(142)**	**(61)**	**173**

	6M19	6M18	6M17	6M16	6M15
Consolidated Statement of Financial Position (USD million):					
Total Assets	233,248	247,165	273,633	444,997	452,959
Total Asset reduction	(5.63)%	(9.67)%	(38.51)%	(1.76)%	(12.99)%
Return on Total Assets	0.11%	0.05%	(0.05)%	(0.01)%	0.04%

	6M19	6M18	6M17	6M16	6M15
Capital (USD million):					
Risk Weighted Assets	77,622	100,354	101,875	163,750	176,021
Tier 1 capital	21,190	21,123	21,153	20,750	22,296
Return on Tier 1 capital	1.24%	0.62%	(0.67)%	(0.29)%	0.78%

	6M19	6M18	6M17	6M16	6M15
Liquidity (USD million):					
Liquidity Buffer	15,939	17,781	17,485	27,134	29,700

Capital

In line with strategy, CSi continues to maintain a strong capital position. During the first six months of the year there have been no material changes in Tier 1 capital for CSi and RWA reduced significantly due to a transition in exposure calculation for interest rate and FX derivatives from a non-modelled to a modelled methodology.

Liquidity

The High Quality Liquid Assets ('HQLA') proportion of the liquidity buffer decreased in the period as Pillar 2 add-on requirements reduced.

Consolidated statement of income

	6M19	6M18	6M17 [1]	6M16 [1]	6M15 [1]
Consolidated Statement of Income (USD million)					
Net revenues	1,323	1,210	580	634	926
Total operating expenses	(1,061)	(1,079)	(722)	(774)	(990)
Profit/(Loss) before tax from continuing operations	**262**	**131**	**(142)**	**(140)**	**(64)**
Profit/(Loss) before tax from discontinuing operations	**–**	**–**	**–**	**79**	**237**
Profit/(Loss) before tax	**262**	**131**	**(142)**	**(61)**	**173**
Income tax benefit/(expense) from continuing operations	43	9	1	(10)	(16)
Income tax benefit/(expense) from discontinuing operations	–	–	–	–	(57)
Profit/(Loss) after tax	**305**	**140**	**(141)**	**(71)**	**100**

[1] Excludes IFRS 15 revenue and expense classification impact.

The CSi group reported a net gain attributable to shareholders of USD 305 million (2018: USD 140 million). Profit before tax for the CSi group was USD 262 million (2018: USD 131 million).

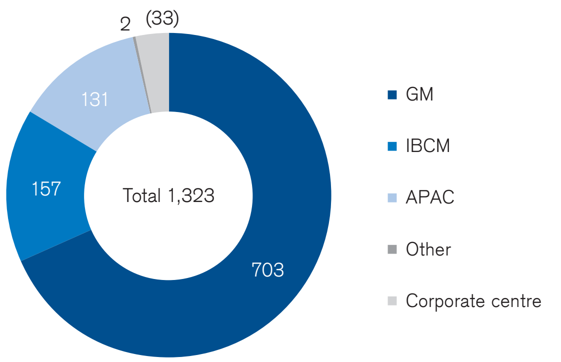
Net Revenues

	6M19	6M18 [2]	Variance	% Variance
Reconciliation of reportable segment revenues (USD million)				
Total Revenues for reportable segments				
- GM	703	631	72	11%
- IBCM	157	269	(112)	(42)%
- APAC	131	134	(3)	(2)%
- Other	2	10	(8)	(80)%
- Corporate centre (Includes ARU) [1]	(33)	2	(35)	1,750%
Revenue sharing agreements	59	75	(16)	21%
Cross divisional revenue share	29	34	(5)	(15)%
Treasury	290	137	153	112%
Shared services	(10)	18	(28)	156%
Provision for credit losses	(4)	(8)	4	50%
CSi group to primary reporting reconciliations	(1)	(92)	91	(99)%
Net revenues as per Consolidated Statement of Income	**1,323**	**1,210**	**113**	**9%**

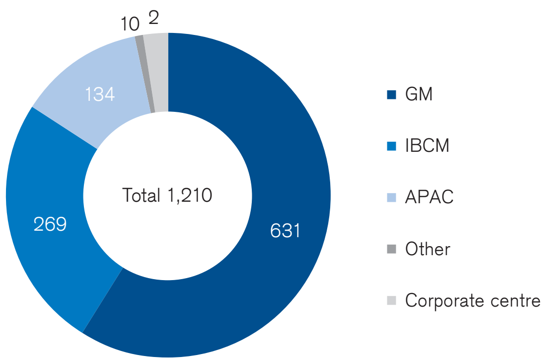
[1] Beginning in 2019, the SRU has ceased to exist as a separate division of the Group. The residual portfolio remaining as of 31 December 2018 is now managed in an ARU and is separately disclosed within the Corporate Centre.
[2] 6M18 numbers have been re-stated to conform to current period's presentation

Revenues of each reporting segment are as below:

6M19 (USD million)



6M18 (USD million)



In the first half of 2019, GM revenues increased by 11% primarily from Fixed Income & Wealth Management Products ('FIWM') and Equity Derivatives and Investor Products ('EDIP'). FIWM increased primarily due to increased client activity and more favorable positioning amid the global rally in rates combined with beneficial market making activity during first half of 2019. This was coupled with an increase in trading activity in structured equity derivatives in EDIP.

IBCM Revenues decreased by 42% primarily due to less activity during the first half of 2019 as compared to H1 2018 where there was an unfavourable market environment for M&A activity, which was consistent across the industry.

Net revenues were also impacted by the following items not included in the divisional revenues above:

- USD 153 million increase in treasury due to increase in interest earned from cash funding from shareholders equity and again from share based compensation following movements in CS share price.
- USD 91 million increase primarily due to the accounting treatment on deferral of day 1 gains on transactions under IFRS which are not deferred under US GAAP and own credit on matured trades as this is recorded in Profit and loss under IFRS.

Expenses

	6M19	6M18	Variance	% Variance
Operating expenses (USD million)				
Compensation and Benefits	(504)	(282)	(222)	79%
General, administrative and trading expenses	(557)	(747)	190	-25%
Restructuring expenses	–	(50)	50	-100%
Total operating expenses	**(1,061)**	**(1,079)**	**18**	**-2%**

The CSi group's operating expenses decreased by USD 18 million to USD 1,061 million (30 June 2018: USD 1,079 million).

Compensation and benefits has increased by USD 222 million to USD 504 million (30 Jun 2018: USD 282 million) primarily due to the transfer of employees from Credit Suisse Securities (Europe) Limited ('CSS(E)L') to CSi during the 4th quarter of 2018 which is offset by the decrease seen in General, administrative and trading expenses by USD 190 million to USD 557 million (30 Jun 2018: USD 747 million) due to lower allocated costs caused by the employee transfer noted above.

There are no restructuring expenses in 2019 due to the end of the restructuring programme at the end of 2018. The 2018 expenses related to onerous lease reserves relating to One Cabot Square.

Consolidated statement of financial position

As at 30 June 2019 the CSi group had total assets of USD 233 billion (31 December 2018: USD 232 billion).

Business driven movements in the Consolidated Statement of Financial Position are:

- Trading financial assets mandatorily at fair value through profit or loss have increased by USD 10 billion to USD 159 billion (2018: USD 149 billion). The increase was primarily due to market moves on trading derivatives primarily driven by Interest Rate products. Both EMEA and USD rates have been reducing during 2019 as the market expects interest rate cuts due to weak economic data, market uncertainty with UK EU exit and global trade wars; and
- Non-trading financial assets mandatorily at fair value through profit and loss have decreased by USD 2 billion to USD 15 billion (2018: USD 17 billion) mainly due to lower reverse repo trades due to optimisation of trade flow.

Further movements in the Consolidated Statement of Financial Position reflect the impacts of managing the required liquidity profile in accordance with risk appetite, regulatory requirements including European Banking Authority ('EBA') Basel III, and overall optimisation of the funding profile. This has resulted in:

- A decrease of USD 4 billion in Interest-bearing deposits with banks to USD 14 billion (2018: USD 18 billion) due to a higher business cash usage and a change in funding requirements to maintain overall liquidity and regulatory ratios;
- A reduction of USD 4 billion in Securities purchased under resale agreements and securities borrowing transactions driven by the change in sourcing of HQLA from other CS group entities; and
- A decrease in Borrowings of USD 4 billion from CS group entities primarily due to cash generation of Euro, Sterling and Japanese Yen within the business, which was used to repay funding.

Financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy; where the significant inputs for the Level 3 assets and liabilities are unobservable.

Total Level 3 assets decreased to USD 3.9 billion as at 30 June 2019 (31 December 2018: USD 5.4 billion) mainly driven by derivative hedges on Equity linked Structured notes. This was equivalent to 1.7% of total assets (2018: 2.3%). Total level 3 liabilities were USD 4.9 billion as at 30 June 2019 (31 December 2018: USD 4.8 billion) primarily driven by equity/index related products and structured notes. This was equivalent to 2.3% (2018: 2.3%) of total liabilities.

Fair value disclosure are presented in Note 24 – Financial Instruments.

Dividends

No dividends have been paid for the period ended 30 June 2019 (2018: USD Nil).

Subsequent events

On 16 August 2019, CSi and CSS(E)L agreed to transfer the Principal Employer of the UK Pension Fund from CSS(E)L to CSi, subject to the formal execution of the transfer with the Trustees of the Credit Suisse Group (UK) Pension Fund.

Following this, CSS(E)L's share of the assets and liabilities of the defined benefit arrangement will be transferred to CSi and as a result of this transfer of Principal Employer status, CSi will become responsible for providing for CSS(E)L's share of pension benefits to be payable to or in respect of persons who are or have been qualifying members of the UK Pension Fund. CSi will apply the defined benefit accounting model to account for the full liabilities of the UK Pension Fund.

Based on the 31 December 2018 actuarial valuation, the net carrying value of the surplus to be received from CSS(E)L as part of the transfer is $1 billion.

Principal risks and uncertainties

Significant risks

RISK TYPE	DESCRIPTION	HOW RISKS ARE MANAGED
Conduct Risk	The risk that improper behaviour or judgement by our employees results in negative financial or non-financial, or reputational impacts to our clients, employees, the bank and the integrity of the markets.	CSi apply conduct risk across the bank's Enterprise Risk and Control Framework ('ERCF') Risk Register to identify potential conduct risks and evaluate conduct breaches that have occurred. In line with CSi's overall risk management model, all staff are responsible for assessing and managing the conduct risks inherent in the activities they undertake. Identifying and understanding conduct risk enables us to take appropriate remedial action, improve CSi's controls, and assess lessons learned.
Credit Risk	The risk of a loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower, or counterparty.	Credit risk in CSi is managed by the CSi Credit Risk Management ('CSi CRM') department, which is headed by the CSi Chief Credit Officer ('CSi CCO'). CSi CRM is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business area credit portfolios and allowances. All credit limits in CSi are subject to approval by CSi CRM.
Liquidity Risk	The risk that a bank is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.	The liquidity risk of CSi is managed as an integral part of the overall CS global liquidity risk management framework. This legal entity liquidity risk management framework also includes local regulatory compliance requirements. Such compliance requirements are measured as part of the PRA's Individual Liquidity Guidance ('ILG') which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.
Market Risk	The risk of a loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant market parameters, such as volatilities and correlations.	CSi has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Bank level down to specific portfolios. CSi uses market risk measurement and management methods in line with regulatory and industry standards. The principal portfolio measurement methodologies are Value-At-Risk ('VaR') and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.
Operational Risk	The risk of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes risks arising from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on our franchise and clients we serve.	The effective management of operational risk requires a common operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. The ERCF integrates the Operational Risk Framework with Compliance related components to provide coverage for operational risks, including technology, cyber, compliance and conduct risk.
Reputational Risk	The risk that an action, transaction, investment or event results in damages to CSi's reputation as perceived by clients, shareholders, the media and the public.	CSi has a Reputational Risk Review Process ('RRRP'). All formal submissions in the RRRP require review by senior business management in the relevant division, and are then subsequently referred to one of the CSi Reputational Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject or impose conditions on the Bank's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee ('the committee') for further discussion, review and final decision. The committee is comprised of senior regional management from the divisions, corporate functions and CSi entity management.
Technology Risk	The risk of failure or malfunction of storage, server or other Technology assets impacting business operability and access to information, and leading to harm or loss, whether caused by: an IT failure or an external cyber-attack; Theft of CSi data and/or information by a third party; Unintentional or intentional theft or misuse of internal (non-public) CSi data or information by a CSi employee/contractor.	Technology risks are managed through CSi's technology risk management program, business continuity management plan and business contingency and resiliency plans. Technology risks are included as part of CSi's overall ERCF and are assessed based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood. CSi has an enterprise-wide Cybersecurity Strategy to provide optimised end-to-end security and risk competence that enables a secure and innovative business environment, aligned with the Bank's risk appetite.

Other significant risks

UK exit from the EU

Uncertainty continues to exist over the outcome of the negotiations surrounding the anticipated withdrawal of the UK from the EU. The risk of a potentially disruptive withdrawal of the UK from the EU without an agreement in place is widely perceived to have increased. That uncertainty had a significant negative impact on the UK economy in the first half of 2019. CSi has prepared for a 'Hard Exit' scenario.

CSi provides a comprehensive range of services to clients through both the London operations and a number of different branches across the EU and on exit CSi may be required to transfer, subject to certain exceptions, its EU client and EU venue facing businesses to entities in the EU27 as CSi may not be able to legally transact with EU clients after the UK exit.

CS group is executing a group-wide plan and has built out trading capabilities in locations in existing companies within CS group. In the event that these business transfers are necessary:

- CSi would complete the transfer of its EU client and EU venue facing broker-dealer business to a member of the CS group incorporated in Spain, Credit Suisse Securities Sociedad de Valores S.A. ('CSSSV'). Under these circumstances, new in scope business would be transacted and booked in CSSSV from the date that the UK leaves the EU, and
- CSi would transfer its EU client lending business activities where required, to Credit Suisse (Deutschland) AG ('CSD'). Under these circumstances, most of the existing loans to EU domiciled clients would be transferred to CSD in a controlled migration.
- CSi currently has branches in Amsterdam, Madrid, Milan and Stockholm. The businesses in the Amsterdam, Milan and Stockholm branches may be transferred to newly set up branches of CSSSV and CSi Madrid branch may transfer its business to CSSSV, if required.

Litigation

The main litigation matters are set out in Note 23 – Contingent Liabilities and Commitments.

Statement of Directors’ Responsibilities

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board:

Caroline Waddington
Chief Financial Officer

One Cabot Square
London E14 4QJ
16 August 2019

Independent Review Report to Credit Suisse International

Conclusion

We have been engaged by Credit Suisse International ("the Bank") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Statements of Income, Comprehensive Income, Financial Position, Changes in Equity and Cash Flows for the six months ended 30 June 2019 and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of the EU exit are relevant to understanding our review of the condensed financial statements. The EU exit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors of all possible future implications for the Bank and this particularly the case in relation to the EU exit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half- yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Bank in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank for our review work, for this report, or for the conclusions we have reached.

R. Faulkner

Richard Faulkner

For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
16 August 2019

Financial Statements for the six months ended 30 June 2019 (Unaudited)

Condensed Consolidated Statement of Income for the six months ended 30 June 2019 (Unaudited)

	Reference to note	in 6M19	6M18
Consolidated Statement of Income (USD million)			
Interest income	4	814	667
- of which Interest income from instruments at amortised cost		684	509
Interest expense	4	(645)	(559)
- of which Interest expense on instruments at amortised cost		(537)	(463)
Net interest income		169	108
Commission and fee income	5	197	350
Commission and fee expense	5	–	(2)
Net commission and fee income		197	348
Allowance for credit losses	7	(4)	(8)
Net gains from financial assets/liabilities at fair value through profit or loss	8	857	673
Other revenues	9	104	89
Net revenues		**1,323**	**1,210**
Compensation and benefits	10	(504)	(282)
General, administrative and trading expenses	11	(557)	(747)
Restructuring expenses	12	–	(50)
Total operating expenses		**(1,061)**	**(1,079)**
Profit before taxes		**262**	**131**
Income tax benefit/(expense)	13	43	9
Net Profit		**305**	**140**
Net Profit attributable to Credit Suisse International shareholders		305	140

The CSi group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach with the cumulative effect adjustment recognised in retained earnings without restating comparatives.

Condensed Statement of Comprehensive Income for the six months ended 30 June 2019 (Unaudited)

	in 6M19	6M18
Consolidated Statement of Comprehensive Income (USD million)		
Net Profit	**305**	**140**
Cash flow hedges – effective portion of changes in fair value	–	(2)
Total items that may be reclassified to net income	**–**	**(2)**
Gains on designated financial liabilities relating to credit risk	(13)	6
Total items that will not be reclassified to net income	**(13)**	**6**
Total comprehensive profit	**292**	**144**
Attributable to Credit Suisse International shareholders	292	144

The accompanying notes on pages 25 to 66 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2019 (Unaudited)

	Reference to note	6M19	end of 2018
Assets (USD million)			
Cash and due from banks		3,282	2,229
Interest-bearing deposits with banks		13,683	17,859
Securities purchased under resale agreements and securities borrowing transactions		6,203	10,487
Trading financial assets mandatorily at fair value through profit or loss	15	159,494	148,674
of which positive market values from derivative instruments	15	133,879	124,434
Non-trading financial assets mandatorily at fair value through profit or loss	17	15,358	17,659
Net loans		3,435	3,512
Investment property		18	18
Current tax assets		54	21
Deferred tax assets	14	351	330
Other assets	18	30,054	30,254
Property and equipment		839	234
Intangible assets		477	476
Total assets		**233,248**	**231,753**
Liabilities (USD million)			
Deposits		940	1,028
Securities sold under repurchase agreements and securities lending transactions		1,327	2,391
Trading financial liabilities mandatorily at fair value through profit or loss	15	134,912	126,414
of which negative market values from derivative instruments	15	131,555	123,455
Financial liabilities designated at fair value through profit or loss		19,336	24,164
Borrowings		15,822	19,555
Current tax liabilities		51	51
Other liabilities	18	23,965	23,339
Provisions		4	5
Debt in issuance	19	13,939	12,146
Total liabilities		**210,296**	**209,093**
Shareholders' equity (USD million)			
Share capital	20	12,366	12,366
Share premium	20	12,704	12,704
Retained earnings		(2,076)	(2,381)
Accumulated other comprehensive income		(42)	(29)
Total shareholders' equity		**22,952**	**22,660**
Total liabilities and shareholders' equity		**233,248**	**231,753**

The CSi group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach with the cumulative effect adjustment recognised in retained earnings without restating comparatives.

Approved by the Board of Directors on 16 August 2019 and signed on its behalf by:

Caroline Waddington
Chief Financial Officer

The accompanying notes on pages 25 to 66 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2019 (Unaudited)

	Share Capital	Share Premium	Retained Earnings	AOCI [1]	**Total**
Condensed Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2019	**12,366**	**12,704**	**(2,381)**	**(29)**	**22,660**
Net profit for the period	–	–	305	–	305
Losses on designated financial liabilities relating to credit risk	–	–	–	(13)	(13)
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	–
Total comprehensive gain for the period	**–**	**–**	**305**	**(13)**	**292**
Balance at 30 June 2019	**12,366**	**12,704**	**(2,076)**	**(42)**	**22,952**
Condensed Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2018	**12,366**	**12,704**	**(2,455)**	**–**	**22,615**
Adjustment on initial application of IFRS 15 (net of tax)	–	–	(10)	–	(10)
Adjustment on initial application of IFRS 9 (net of tax)	–	–	25	(18)	7
Adjusted balance at 1 January 2018	**12,366**	**12,704**	**(2,440)**	**(18)**	**22,612**
Net profit for the period	–	–	140	–	140
Gains on designated financial liabilities relating to credit risk	–	–	–	6	6
Cash flow hedges – effective portion of changes in fair value	–	–	–	(2)	(2)
Total comprehensive gain for the period	**–**	**–**	**140**	**4**	**144**
Balance at 30 June 2018	**12,366**	**12,704**	**(2,300)**	**(14)**	**22,756**

[1] AOCI refers to Accumulated Other Comprehensive Income

There were no dividends paid during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

The accompanying notes on pages 25 to 66 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2019 (Unaudited)

	Reference to note	6M19	Restated 6M18 [1]
Cash flows from operating activities (USD million)			
Profit before tax for the period		262	131
Adjustments to reconcile net profit/(loss) to net cash generated from/(used in) operating activities (USD million)			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation	11	97	60
Depreciation and impairment on investment property		–	3
Accrued interest on debt in issuance	4	179	151
Allowances for credit losses	7	4	8
Foreign exchange (gain)/loss		(10)	56
Provisions		(1)	3
Total adjustments		**269**	**281**
Cash generated before changes in operating assets and liabilities		**531**	**412**
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		4,176	(7,978)
Securities purchased under resale agreements and securities borrowing transactions		4,284	4,154
Trading financial assets mandatorily at fair value through profit or loss	15	(10,820)	12,441
Non-trading financial assets mandatorily at fair value through profit or loss	17	2,301	(20,130)
Financial assets designated at fair value through profit or loss		–	11,130
Net loans		73	(567)
Other assets		200	2,352
Net decrease in operating assets:		**214**	**1,402**
Net (decrease)/increase in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions		(1,064)	2,331
Trading financial liabilities mandatorily at fair value through profit or loss		8,498	(11,918)
Financial liabilities designated at fair value through profit or loss		(4,828)	1,015
Borrowings		(3,733)	5,307
Share based compensation (Included in other liabilities & provisions)		61	(45)
Other liabilities and provisions		612	(714)
Net (decrease) in operating liabilities		**(454)**	**(4,024)**
Income taxes paid		(5)	–
Group relief paid		(4)	(26)
Net cash generated/(used) from operating activities		**282**	**(2,236)**
Cash flows from investing activities (USD million)			
Proceeds from property, equipment and intangible assets		4	73
Capital expenditures for property, plant equipment and intangible assets		(102)	(137)
Net cash used in investing activities		**(98)**	**(64)**
Cash flow from financing activities (USD million)			
Issuances of debt in Issuance	19	1,681	5,085
Repayments of debt in Issuance	19	(729)	(4,529)
Net cash flow generated used in financing activities		**952**	**556**
Net change in cash and cash equivalents		**1,136**	**(1,744)**
Cash and cash equivalents at beginning of period		1,201	4,783
Effect of exchange rate fluctuations on cash and cash equivalents		5	(17)
Cash and cash equivalents at end of period (USD million)		**2,342**	**3,022**
Cash and due from banks		3,282	4,084
Demand deposits		(940)	(1,062)
Cash and cash equivalents at end of period (USD million)		**2,342**	**3,022**

[1] 6M18 numbers have been re-stated to conform to current period's presentation.

The accompanying notes on pages 25 to 66 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2019 (Unaudited)

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2019 (Unaudited)

1 General

Credit Suisse International ('CSi' or the 'Bank') is a private unlimited company registered in England. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2019 comprise CSi and its subsidiaries (together referred to as the 'CSi group').

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 16 August 2019.

2 Significant Accounting Policies

Basis of preparation

The accompanying unaudited Condensed Consolidated Interim Financial Statements of the CSi group are prepared in accordance with IAS 34 "Interim Financial Reporting" ('IAS 34') as adopted for use in the European Union ('EU') and are stated in United States Dollars ('USD') rounded to the nearest million. Certain financial information, which is normally included in Annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') but not required for interim reporting purposes, has been condensed or omitted. These Condensed Consolidated Interim Financial Statements should be read in conjunction with the IFRS Consolidated Financial Statements and notes thereto for the year ended 31 December 2018. Except as described below for IFRS 16 Leases, the accounting policies applied by the CSi group in these Condensed Consolidated Interim Financial Statements are the same as those applied by the CSi group in its Consolidated Financial Statements for the year ended 31 December 2018. For the comparative numbers except for Leases, the accounting policies applied are the same as those applied by the CSi group in its Consolidated Financial Statements for the year ended 31 December 2018.

The Condensed Consolidated Interim Financial Statements are prepared on the historical cost basis except where the following assets and liabilities are stated at their fair value: derivative financial instruments, trading financial assets and liabilities mandatorily at fair value through profit or loss, non-trading financial assets mandatorily at fair value through profit or loss and financial instruments designated by the CSi group as at fair value through profit and loss.

The preparation of Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Statement of Financial Position and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from management's estimates.

The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2018.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

CSG continues to provide confirmation that it will provide sufficient funding to the Bank to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. Accordingly with this support and other factors, the Directors have prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

Except as described in the Key Change to the Accounting Policies below for IFRS 16 Leases, the accounting policies have been applied consistently by the CSi group entities. Certain reclassifications have been made to the prior year Condensed Consolidated Interim Financial Statements of the CSi group to conform to the current year's presentation and had no impact on net income/(loss) or total shareholders' equity. Within these Condensed Consolidated Interim Financial Statements, references to ('6M19') represent the six month period ended 30 June 2019, references to ('6M18') represent the six month period ended 30 June 2018, and ('end of 2018') represents the financial position as at and for the year ended 31 December 2018.

Standards effective in the current period

The CSi group has adopted the following amendments in the current year.

- IFRS 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) superseding IAS 17 'Leases' (IAS 17), IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Lease-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged. Under the IAS 17 lessee accounting model the CSi group was required to distinguish between finance leases, which were recognised on balance sheet, and operating leases, which were not. IFRS 16 introduced a single, on-balance sheet lessee accounting model and requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet.

IFRS 16 was effective for annual periods beginning on or after 1 January 2019. The CSi group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach with the cumulative effect adjustment recognised in retained earnings without restating comparatives. The CSi group elected to apply the following practical expedients on transition:

- to apply IFRS 16 to all contracts that were previously identified as leases under IAS 17 and IFRIC 4;
- to use hindsight when determining the lease term where the lease contains extension or termination options;
- to discount lease liabilities using the CSi group's incremental borrowing rate in each currency as at 1 January 2019;
- to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- to rely on the previous assessments of whether leases were considered onerous.

As a result of adoption, CSi group recognised additional liabilities of USD 836 million based on the present value of the remaining rental payments and corresponding right-of-use assets (net of onerous lease provisions) of USD 598 million. No retained earnings impact was associated with this change in accounting.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the CSi group's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate used is the comparable rate that the CSi group would expect to pay to borrow a similar amount, for a similar term and with similar collateral. The CSi group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.92 %.

The following table reconciles the operating leases commitments as at 31 December 2018 to the opening lease liabilities recognised on 1 January 2019:

in USD million	
Operating lease commitments disclosed as at 31 December 2018	**1,011**
Discounted using the lessee's incremental borrowing rate as of at the date of initial application (1 January 2019)	(169)
Adjustments as a result of a different treatment of extension and termination options	23
Indexation included in commitment reporting	(29)
Lease liability recognised as at 1 January 2019	**836**

- IFRIC 23: In June 2017, the IASB issued IFRIC 23 'Uncertainty over Income Tax Treatments' (IFRIC 23). IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 was effective for annual periods beginning on or after 1 January 2019. The CSi group adopted IFRIC 23 on 1 January 2019. The adoption did not have a material impact to the CSi group's financial position, results of operation or cash flows.
- Annual Improvements to IFRSs 2015-2017 Cycle: In December 2017, the IASB issued 'Annual Improvements to IFRSs 2015-2017 cycle' (Improvements to IFRSs 2015-2017). The Improvements to IFRSs 2015-2017 were effective for annual periods beginning on or after 1 January 2019. The CSi group adopted the Annual Improvements to IFRSs 2015-2017 Cycle on 1 January 2019. The adoption did not have a material impact to the CSi group's financial position, results of operation or cash flows.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement: In February 2018, the IASB issued 'Plan Amendment, Curtailment or Settlement' (Amendments to IAS 19) that specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The Amendments to IAS 19 were effective for annual periods beginning on or after 1 January 2019. The CSi group adopted the Amendments to IAS 19 on 1 January 2019. The adoption did not have a material impact to the CSi group's financial position, results of operation or cash flows.

Standards and Interpretations not endorsed by the EU and not yet effective

The CSi group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- Amendment to definition of Business (IFRS 3): In October 2018, the IASB issued 'Definition of a Business' (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The CSi group is currently evaluating the impact of adopting the Amendments to IFRS 3.

Key Change to Accounting Policies

IFRS 16 Leases

The CSi group enters into both lessee and lessor arrangements. A lease is identified when a contract (or a part of a contract) exists that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For lessee arrangement, the CSi group recognises lease liabilities representing the present value of future lease payments, which are reported as debt in issuance, and right-of-use (ROU) assets, which are reported as property and equipment. Lease ROU assets are amortised on straight-line basis over the lease term with the amortisation expense recognised in general and administrative and trading expenses. Interest expense on lease liabilities is recognised in interest expense.

For finance leases under lessor arrangements, which are classified as loans, the CSi group de-recognises the underlying asset and recognises a net investment in the lease. Subsequently, unearned income is amortised to interest income over the lease term using the effective interest method. For operating leases under lessor arrangements, the CSi group continues to recognise the underlying asset and depreciates the asset over its estimated useful life. Lease income is recognised in other revenue on a straight-line basis over the lease term.

3 Segmental Analysis

The CSi group has reportable segments including the Corporate Centre that are regularly reviewed by the Chief Operating Decision Maker ('CODM') when assessing the performance and allocation of resources. The CODM has been determined to be the Board.

The segments are based on products and services offered by the CSi group and are explained in the Interim Management Report.

Segment performance is assessed by the Board based on the CEO report, which details revenues and pre-tax income by segment. CSi group assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CODM does assess the overall expense base for CSi group, it does not specifically manage the expenses at the more granular CSi group segment level.

The following table shows the revenue of each operating segment during the six months to June:

	6M19	6M18 [2]
Revenues (USD million)		
Global Markets	**703**	**631**
- Credit	151	125
- Equities	40	51
- Fixed Income & Wealth Management Products	253	214
- Equity Derivatives & Investor Products	319	285
- International Trading Solutions Management	(63)	(59)
- Global Markets Management	3	15
Investment Banking & Capital Markets	157	269
APAC	131	134
Other	2	10
Corporate centre (includes ARU) [1]	(33)	2
Total	**960**	**1,046**

[1] Beginning 2019, the SRU has ceased to exist as a separate division of the Group. The residual portfolio remaining as of 31 December 2018 is now managed in an ARU and is separately disclosed within the Corporate Centre.
[2] 6M18 numbers have been re-stated to conform to current period's presentation

The following table shows the profit before taxes of each operating segment during the six months to June:

	6M19	6M18 [2]
Consolidated Income/(loss) before taxes (USD million)		
Global Markets	**342**	**195**
- Credit	99	70
- Equities	23	45
- Fixed Income & Wealth Management Products	153	75
- Equity Derivatives & Investor Products	150	111
- International Trading Solutions Management	(68)	(64)
- Global Markets Management	(15)	(42)
Investment Banking & Capital Markets	(90)	18
APAC	96	77
Other	(9)	(3)
Corporate centre (includes ARU) [1]	(50)	(53)
Total	**289**	**234**

[1] Beginning 2019, the SRU has ceased to exist as a separate division of the Group. The residual portfolio remaining as of 31 December 2018 is now managed in an ARU and is separately disclosed within the Corporate Centre.
[2] 6M18 numbers have been re-stated to conform to current period's presentation

Reconciliation of reportable segment revenues

	6M19	6M18 [2]
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments	960	1,046
Transfer pricing arrangements	59	75
Cross divisional revenue share	29	34
Treasury funding	290	137
Shared services	(10)	18
Provision for Credit Losses	(4)	(8)
CSi group to primary reporting reconciliations [1]	(1)	(92)
Net revenues as per Consolidated Statement of Income	**1,323**	**1,210**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group accounts prepared in accordance with IFRS.
[2] 6M18 numbers have been re-stated to conform to current period's presentation

	6M19	6M18 [2]
Reconciliation of reportable segment income before taxes (USD million)		
Income before taxes for reportable segments	289	234
Shared services	(26)	(6)
CSi group to primary reporting reconciliations [1]	(1)	(97)
Profit/(Loss) before taxes as per Consolidated Statement of Income	**262**	**131**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group accounts prepared in accordance with IFRS.
[2] 6M18 numbers have been re-stated to conform to current period's presentation

The CSi group is not reliant on any single client for its revenue generation.

4 Net Interest Income/(Expense)

	6M19	6M18
Net interest income (USD million)		
Loans	71	73
Securities purchased under resale agreements and securities borrowing transactions	150	218
Cash collateral paid on OTC derivatives transactions	309	193
Interest income on cash and cash equivalents	284	183
Interest income	**814**	**667**
Deposits	(2)	(4)
Borrowings	(51)	(40)
Securities sold under repurchase agreements and securities lending transactions	(126)	(181)
Debt in Issuance	(179) [1]	(151)
Cash collateral received on OTC derivatives transactions	(287)	(183)
Interest expense	**(645)**	**(559)**
Net interest income	**169**	**108**
of which		
Interest income of Financial assets measured at fair value through profit or loss	130	158
Interest income of Financial assets measured at amortised cost	684	509
Interest expenses of Financial liabilities measured at fair value through profit or loss	(108)	(96)
Interest expenses of Financial liabilities measured at amortised cost	(537)	(463)

[1] Interest expense (Debt in issuance) includes interest on lease liability of USD 12 million.

5 Commission and Fee Income

	6M19	6M18
Net Commission and fee income (USD million)		
Lending business	43	78
Brokerage	27	58
Underwriting	51	30
Other client services	76	184
Total commission and fee income	**197**	**350**
Other client services	–	(2)
Total commission and fee expense	**–**	**(2)**
Net commission and fee income	**197**	**348**

Income under other client services primarily consists of fees from mergers and acquisitions and advisory services.

	6M19	6M18
Fee income and expense from financial instruments (USD million)		
Origination fees and other services	23	16
Commitment fees	11	13
Total fee income	**34**	**29**
Total fee expense	**–**	**–**
Net fee income	**34**	**29**

6 Revenue from contracts with customers

Nature of services

The following is a description of the principal activities from which the CSi group generates its revenues from contracts with customers.

The performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. Any variable consideration is only included in the transaction price and recognised as revenue when it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the amount is subsequently resolved.

The CSi group's capital markets businesses underwrite and sell securities on behalf of customers. Typically, the fees in these businesses are recognised at a single point in time once the transaction is complete, i.e. when the securities have been placed with investors, and recognised as underwriting revenue. All expenses incurred in satisfying the performance obligation are deferred and recognised once the transaction is complete. Generally the CSi group and other banks form a syndicate group to underwrite and place the securities for a customer. The CSi group may act as the lead or a participating member in the syndicate group. Each member of the syndicate group, including the lead and participating underwriters, is acting as principal for their proportionate share of the syndication. As a result, the individual underwriters reflect their proportionate share of underwriting revenue and underwriting costs on a gross basis.

The CSi group also offers brokerage services in its investment banking businesses, including global securities sales, trading and execution and investment research. For the services provided, for example the execution of customer trades in securities or derivatives, CSi group typically earns a brokerage commission when the trade is executed. CSi group generally acts as an agent when buying or selling exchange-traded cash securities, exchange-traded derivatives or centrally cleared OTC derivatives on behalf of customers.

The CSi group's investment banking businesses provide services that include advisory services to customers in connection with corporate finance activities. The term 'advisory' includes any type of service the CSi group provides in an advisory capacity. For these types of services, the CSi group typically receives a non-refundable retainer fee and/or a success fee which usually represents a percentage of the transaction proceeds if and when the corporate finance activity is completed. Additionally, the contract may contain a milestone fee such as an 'announcement fee' that is payable upon the public announcement of the corporate finance activity. Typically the fees in the investment banking business are recognised at a specific point in time once it is determined that the performance obligation related to the transaction has been completed. A contract liability will be recorded if the CSi group receives a payment such as a retainer fee or announcement fee for an advisory service prior to satisfying the performance obligation. Advisory fees are recognised ratably over time in scenarios where the contracted service of the CSi group is to act as an advisor over a specified period not related to or dependent on the successful completion of a transaction. Revenues recognised from these services are reflected in the line item 'Other Services' in the following table.

The table explains disaggregation of the revenue from service contracts with customers into different categories:

	6M19	6M18
Type of Services (USD million)		
Lending business	9	49
Other securities business	2	4
Brokerage	27	58
Underwriting	51	30
Transfer pricing arrangement and other services	133	255
Total	**222**	**396**

Contract balances (USD million)	**6M19**	2018
Contract receivables	56	35
Contract liabilities	6	1
Revenue recognised in the reporting period included in the contract liabilities balance at the beginning of period	1	9

Remaining performance obligations

The practical expedient allows the CSi group to exclude from its remaining performance obligations disclosure of any performance obligations which are part of a contract with an original expected duration of one year or less. Additionally any variable consideration, for which it is probable that a significant reversal in the amount of cumulative revenue recognised will occur when the uncertainty associated with the variable consideration is subsequently resolved, is not subject to the remaining performance obligations disclosure because such variable consideration is not included in the transaction price (e.g. investment management fees). Upon review, the CSi group determined that no material obligations are in scope of the remaining performance obligations disclosure

7 Allowance for Credit Losses

	6M19	6M18
(Additional)/Release of allowance for credit losses (USD million)		
Allowance for credit losses	(6)	(13)
Allowance for off-balance sheet exposures	–	(4)
Additional allowance for credit losses	**(6)**	**(17)**
Allowance for credit losses	1	7
Allowance for off-balance sheet exposures	1	2
Release of allowance for credit losses	**2**	**9**
(Additional)/Release of allowance for credit losses	**(4)**	**(8)**

8 Net Gains from Financial Assets/Liabilities at Fair Value Through Profit or Loss

	6M19	6M18
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss	1,881	157
Net (losses)/gains from financial liabilities designated at fair value through profit or loss	(1,024)	516
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**857**	**673**

	6M19	6M18
Trading financial assets/liabilities mandatorily measured at fair value through profit or loss (USD million)		
Interest rate	599	1,762
Foreign exchange	117	(570)
Equity	1,035	(1,056)
Credit	(7)	213
Commodity	15	28
Other	(128)	(150)
Total net gains from trading financial assets/liabilities mandatorily measured at fair value through profit or loss	**1,631**	**227**
Non-trading financial assets mandatorily measured at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	103	(124)
Net loans	49	(8)
Other financial assets	98	62
Total net gains/(losses) from non-trading financial assets mandatorily measured at fair value through profit or loss	250	(70)
Total net gains from financial assets/liabilities mandatorily measured at fair value through profit or loss	**1,881**	**157**

	6M19		6M18	
	Profit or Loss	OCI	Profit or Loss	OCI
Net gains/(losses) from financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	(29)	–	(2)	–
Borrowings	(282)	–	234	–
Debt in issuance	(715)	(13)	290	6
Other financial liabilities designated at fair value through profit or loss	2	–	(6)	–
Total net gains from financial liabilities designated at fair value through profit or loss	**(1,024)**	**(13)**	**516**	**6**

9 Other Revenues

	6M19	6M18
Other revenues (USD million)		
Transfer pricing arrangements	59	75
Other	45 [1]	14
Total other revenues	**104**	**89**

[1] Other revenue includes sublease income of USD 12 million.

The transfer pricing arrangements reflect the revenues allocated to CSi group from other companies in the CS group under transfer pricing policies.

10 Compensation and Benefits

	6M19	6M18
Compensation and benefits (USD million)		
Salaries and variable compensation	(413)	(238)
Social security	(62)	(34)
Pensions	(19)	(9)
Other	(10)	(1)
Total compensation and benefits	**(504)**	**(282)**

In the latter part of 2018, CSS(E)L transferred the majority of its employees to CSi increasing compensation and benefit expenses with a corresponding offset in general, administrative and trading expenses.

11 General, Administrative and Trading Expenses

	6M19	6M18
General, administrative and trading expenses (USD million)		
Brokerage charges and clearing house fees	(165)	(169)
Insurance charges	(1)	(3)
Trading expenses	**(166)**	**(172)**
Occupancy expenses	(33)	(12)
Depreciation and amortisation expenses	(97) [1]	(60)
Depreciation and impairment of investment property	–	(3)
Litigation	(7)	(8)
Auditor remuneration	(1)	(1)
Professional services	(170)	(117)
CSG trademark	(2)	(2)
Net Overheads allocated to/(from) other CS group entities	205	(75)
Transfer pricing arrangements	(218)	(240)
UK Bank Levy	–	2
Marketing data, publicity and subscription	(21)	(17)
Non income taxes	(7)	(18)
Other	(40)	(24)
General and administrative expenses	**(391)**	**(575)**
Total general, administrative and trading expenses	**(557)**	**(747)**

[1] Depreciation and amortisation expense includes amortisation on right-of-use assets of USD 25 million.

The CSi group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through Net overheads allocated to other CS group entities. The recharges comprise compensation and benefit expenses and general administrative expenses. The charge year on year is due to employee transfers disclosed in Note 10.

12 Restructuring Expenses

The CSi group completed the three-year restructuring plan in connection with the implementation of the revised Group strategy by the end of 2018. Accordingly, there are no restructuring expenses for the current period . Restructuring expenses primarily included termination costs, expenses in connection with the acceleration of certain deferred compensation awards and real estate contract termination costs.

	6M18
Restructuring expenses by type (USD million)	
Compensation and benefits-related expenses	(13)
of which severance	(9)
of which accelerated deferred compensation	(4)
General and administrative-related expenses	(37)
Total Restructuring expenses by type	**(50)**

			6M19			2018
	Severance expenses	General and administrative-expenses	**Total**	Severance expenses	General and administrative-expenses	**Total**
Restructuring provision (USD million)						
Balance at beginning of the period/year	4	192	196 [1]	4	156	160
Net additional charges	–	–	–	11	66	77 [3]
Utilisation and foreign exchange fluctuations	–	–	–	(11)	(42)	(53)
Reclassification from/to other liabilities	(4)	(192)	(196) [2]	–	12	12 [4]
Balance at end of the period/year	**–**	**–**	**–**	**4**	**192**	**196**

1 Liability relating to severance expenses and general and administrative expenses of USD 196 million have been included in 'Other Assets and Other Liabilities'.
2 The CSi group completed the three-year restructuring plan in connection with the implementation of the revised CS group strategy by the end of 2018. Accordingly, the restructuring provision cease to exist. The property related general and adminstrative expenses are reclassified to right-of-use assets on implementation of IFRS 16 Leases.
3 Liability arising on restructuring has been included in Note 18 – Other Assets and Other Liabilities as follows:
a) Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 3.5 million and unsettled cash based deferred compensation of USD 1.8 million, (not included in the table above) have been included in 'Share-based compensation liability' and 'Other', respectively. The settlement date for the unsettled share-based compensation remains unchanged.
b) Other general & administrative expenses related expenses of USD 13 million relates to other than property expenses and not included in table above.
4 USD 12 million pertaining to onerous lease for 5 Canada Square was reclassified from "Other liabilities" to "Restructuring provision" in the above table.

13 Income Tax

	6M19	6M18
Income tax (USD million)		
Current tax [1]	22	(8)
Deferred tax	21	17
Income tax benefit	**43**	**9**

1 Withholding taxes are included within income taxes.

The income tax benefit for the period can be reconciled to the profit/(loss) as per the Condensed Consolidated Interim Statement of Income as follows:

Reconciliation of taxes computed at the UK statutory rate

	6M19	6M18
Income tax reconciliation (USD million)		
Profit before tax	262	131
Profit before tax multiplied by the UK statutory rate of corporation tax of 19% (2018: 19%)	(50)	(25)
Non recoverable foreign taxes including withholding taxes [1]	(5)	(3)
Impact of UK bank corporation tax surcharge	(21)	(10)
Adjustments to current tax in respect of previous periods	–	(2)
Other permanent differences	3	5
Other movements in deferred tax for current period	116	44
Income tax benefit	**43**	**9**

[1] Withholding taxes are included within income taxes.

The UK corporation tax rate will reduce from 19% to 17% with effect from 1 April 2020.

14 Deferred Tax Asset

	6M19	2018
Deferred tax (USD million)		
Deferred tax assets	351	330
Net position	**351**	**330**
Balance at 1 January	**330**	**349**
Credit/(Debit) to income for the period	21	(15)
Adjustments in respect of previous periods	–	(2)
Other	–	(2)
At end of the period	**351**	**330**

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2018: 25%). Deferred taxes are calculated on carry forward tax losses using effective tax rates of 17% or 25% (2018: 17% or 25%). Legislation has been enacted which reduced the UK corporation tax rate to 17% with effect from 1 April 2020. There are restrictions on the use of tax losses carried forward. However, these are not expected to have a material impact on the recoverability of the net deferred tax assets.

Deferred tax assets ('DTA') and deferred tax liabilities ('DTL') are recognised 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 at the balance sheet date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax asset established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Bank. The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they were temporary or indicated an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, deferred tax assets of USD 814 million (2018: USD 920 million) have not been recognised.

If strategies and business plans significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

15 Trading Financial Assets and Liabilities Mandatorily at Fair Value Through Profit or Loss

	6M19	2018
Trading financial assets mandatorily at fair value through profit or loss (USD million)		
Debt securities	15,702	16,845
Equity securities	9,285	6,816
Derivative instruments	133,879	124,434
Other	628	579
Trading financial assets mandatorily at fair value through profit or loss	**159,494**	**148,674**
Trading financial liabilities mandatorily at fair value through profit or loss (USD million)		
Short positions	3,357	2,959
Derivative instruments	131,555	123,455
Trading financial liabilities mandatorily at fair value through profit or loss	**134,912**	**126,414**

16 Derivatives

				6M19
		Trading		Hedging
	Gross Derivative Assets	Gross Derivative Liabilities	Positive replacement value	Negative replacement value
Derivatives (USD million)				
Interest rate products	92,002	85,591	–	–
Foreign exchange products	19,866	23,492	–	12
Equity/indexed-related products	15,488	14,572	–	–
Credit products	8,255	9,095	–	–
Other products	164	242	–	–
Total derivative instruments	**135,775**	**132,992**	**–**	**12**

				2018
		Trading		Hedging
	Gross Derivative Assets	Gross Derivative Liabilities	Positive replacement value	Negative replacement value
Derivatives (USD million)				
Interest rate products	77,803	73,484	–	–
Foreign exchange products	23,067	26,616	–	12
Equity/indexed-related products	23,187	22,898	–	–
Credit products	7,010	7,437	–	–
Other products	641	134	–	–
Total derivative instruments	**131,708**	**130,569**	**–**	**12**

Offsetting of derivative instruments

	6M19			2018		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets (USD millions)						
Derivative instruments subject to enforceable master netting agreements	134,377	(1,896)	132,481	130,634	(7,274)	123,360
Derivative instruments not subject to enforceable master netting agreements [1]	1,398	–	1,398	1,074	–	1,074
Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position	**135,775**	**(1,896)**	**133,879**	**131,708**	**(7,274)**	**124,434**
of which recorded in trading financial assets mandatorily at fair value through profit or loss	135,775	(1,896)	133,879	131,708	(7,274)	124,434
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	131,811	(1,437)	130,374	129,334	(7,114)	122,220
Derivative instruments not subject to enforceable master netting agreements [1]	1,193	–	1,193	1,247	–	1,247
Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position	**133,004**	**(1,437)**	**131,567**	**130,581**	**(7,114)**	**123,467**
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	132,992	(1,437)	131,555	130,569	(7,114)	123,455
of which recorded in other liabilities	12	–	12	12	–	12

[1] Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

17 Non-Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss

	6M19	2018
Non-trading financial assets mandatorily at fair value through profit or loss (USD million)		
Loans	1,302	1,045
Securities purchased under resale agreements and securities borrowing transactions	12,833	15,650
Other non-trading financial assets mandatorily at fair value through profit or loss	1,223	964
Total non-trading financial assets mandatorily at fair value through profit or loss	**15,358**	**17,659**

18 Other Assets and Other Liabilities

	6M19	2018
Other assets (USD million)		
Brokerage receivables	4,577	5,584
Interest and fees receivable	675	464
Cash collateral on derivative instruments		
Banks	11,316	12,069
Customers	13,100	11,866
Other	386	271
Total other assets	**30,054**	**30,254**
Other liabilities (USD million)		
Brokerage payables	1,770	1,613
Interest and fees payable	1,464	1,116
Cash collateral on derivative instruments		
Banks	14,452	14,367
Customers	5,650	5,229
Share-based compensation liability	171	110
Other	458	904
Total other liabilities	**23,965**	**23,339**

19 Debt in Issuance

	Balance as at 1 January 2019	Cash Flows		Non Cash Changes		Balance as at 30 June 2019
		Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	
Debt in issuance (USD million)						
Debt in issuance	10,652	1,681	(709)	–	4	11,628
Subordinated debt	1,494	–	–	–	7	1,501
Lease liabilities [1]	836	–	(20)	–	(6)	810
Total debt in issuance	**12,982**	**1,681**	**(729)**	**–**	**5**	**13,939**

[1]The total cash flows related to leases includes the repayment of USD 12 million of interest that is not included in this table as it is separately classified as cash flows from operating activities.

	Balance as at 1 January 2018	Cash Flows		Non Cash Changes		Balance as at 30 June 2018
		Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	
Debt in issuance (USD million)						
Debt in issuance	13,840	5,085	(2,989)	–	27	15,963
Subordinated debt	3,007	–	(1,540)	–	21	1,488
Total debt in issuance	**16,847**	**5,085**	**(4,529)**	**–**	**48**	**17,451**

Total debt in issuance principally comprised vanilla debt issuances managed by treasury which do not contain derivative features, these are issued as part of the CSi group's structured activities.

20 Called-up Share Capital and Share Premium

	6M19	2018
Share Capital		
Allotted called-up and fully paid (USD million)		
131,158,070,611 Ordinary voting shares of USD 0.09 each	12,366	12,366
Total allotted called-up and fully paid capital	**12,366**	**12,366**
Share Premium (USD million)		
Share Premium	**12,704**	**12,704**

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

21 Expected Credit Loss Measurement

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as well as reconciliations of the gross carrying amounts.

	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
6M19	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Net loans (USD million)								
Opening balance	3,504	2	12	–	8	4	3,524	6
Transfer to 12 Month ECL	1	–	(1)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(7)	–	7	–	–	–	–	–
Net remeasurement of loss allowance	–	(1)	–	2	–	2	–	3
New financial assets originated or purchased	191	–	–	–	–	–	191	–
Financial assets that have been derecognised (including write-offs)	(232)	–	–	–	–	–	(232)	–
Other changes	(44)	–	16	–	–	–	(28)	–
Foreign exchange	(3)	–	–	–	–	–	(3)	–
Closing balance	**3,410**	**1**	**34**	**2**	**8**	**6**	**3,452**	**9**

	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
6M18	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Net loans (USD million)								
Opening balance	3,208	1	42	–	8	1	3,258	2
Transfer to lifetime ECL not credit impaired	(16)	–	16	–	–	–	–	–
Net remeasurement of loss allowance	–	(1)	–	9	–	3	–	11
New financial assets originated or purchased	1,175	1	–	–	–	–	1,175	1
Financial assets that have been derecognised (including write-offs)	(561)	–	(19)	(7)	–	–	(580)	(7)
Other changes	(14)	–	(16)	–	–	–	(30)	–
Foreign exchange	(2)	–	(1)	–	–	–	(3)	–
Closing balance	**3,790**	**1**	**22**	**2**	**8**	**4**	**3,820**	**7**

6M19	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Loan commitments (USD million)								
Opening balance	2,939	–	29	–	–	–	2,968	–
Transfer to lifetime ECL not credit impaired	(6)	–	6	–	–	–	–	–
Net remeasurement of Loss Allowance	–	–	–	–	–	–	–	–
New financial assets originated or purchased	706	–	–	–	–	–	706	–
Financial assets that have been derecognised (including write-offs)	(207)	–	(8)	–	–	–	(215)	–
Other changes	(40)	–	(6)	–	–	–	(46)	–
Foreign exchange	(10)	–	–	–	–	–	(10)	–
Closing balance	**3,382**	**–**	**21**	**–**	**–**	**–**	**3,403**	**–**

6M18	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Loan commitments (USD million)								
Opening balance	2,947	1	319	–	–	–	3,266	1
Transfer to lifetime ECL not credit impaired	(108)	(1)	108	1	–	–	–	–
New financial assets originated or purchased	1,935	–	–	–	–	–	1,935	–
Financial assets that have been derecognised (including write-offs)	(1,687)	–	(195)	–	–	–	(1,882)	–
Other changes	140	–	(121)	–	–	–	19	–
Foreign exchange	(23)	–	(12)	–	–	–	(35)	–
Closing balance	**3,204**	**–**	**99**	**1**	**–**	**–**	**3,303**	**1**

6M19	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
Financial guarantees (USD million)								
Opening balance	240	3	–	–	–	–	240	3
Transfer to lifetime ECL not credit impaired	(150)	(3)	150	3	–	–	–	–
Net remeasurement of loss allowance	–	2	–	(3)	–	–	–	(1)
New financial assets originated or purchased	–	–	–	–	–	–	–	–
Financial assets that have been derecognised (including write-offs)	–	–	–	–	–	–	–	–
Changes in Model/ Risk parameters (model inputs) used for ECL calculation	–	–	–	–	–	–	–	–
Other changes	49	–	–	–	–	–	49	–
Foreign Exchange	–	–	–	–	–	–	–	–
Closing balance	**139**	**2**	**150**	**–**	**–**	**–**	**289**	**2**

6M18	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
Financial guarantees (USD million)								
Opening balance	64	1	–	–	–	–	64	1
Transfer to lifetime ECL not credit impaired	(10)	–	10	–	–	–	–	–
New financial assets originated or purchased	160	4	–	–	–	–	160	4
Financial assets that have been derecognised (including write-offs)	(14)	(2)	–	–	–	–	(14)	(2)
Other changes	–	–	9	–	–	–	9	–
Closing balance	**200**	**3**	**19**	**–**	**–**	**–**	**219**	**3**

	6M19	6M18
Other assets (USD million)		
Opening balance	2	–
Net remeasurement of loss allowance	2	1
Closing balance	**4**	**1**

For financial instruments originated prior to the effective date of IFRS 9, the origination PD does not include any further adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. The quantitative comparison is based on a number of grade notches deterioration to identify significant increase in credit risk as set out in the following table:

SICR thresholds (back book)

Origination Rating	SICR Trigger – # notch(es) of downgrade
AAA to A+	7
A	6
A-	5
BBB+	4
BBB to BB-	3
B+ to B-	2
CCC+ to CCC-	1
CC	–

In terms of the quantitative trigger for new originated financial instruments, the CSi group compared:
- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

If the difference between the two exceeds a multiple according to the following table, there is a significant increase in credit risk.

SICR thresholds (forward book)

Global Corporates

Origination Rating	Americas	APAC	EMEA
AAA	1,244	2,447	206
AA+ to AA-	163 to 24	1,191 to 589	18
A+ to A-	5 to 4	95	18
BBB+ to BBB-	3	95 to 34	7 to 3
BB+ to BB-	3	34 to 18	3
B+ to B-	3	7 to 2	3 to 2
CCC+ to CCC-	2 to 1	1	1
CC	Last rating before default	Last rating before default	Last rating before default

SICR thresholds (forward book)

Financial Institutions and Fallback

Origination Rating	Americas	APAC	EMEA
AAA	743	339,092	49
AA+ to AA-	97 to 8	339,092 to 172,811	49
A+ to A-	8 to 7	50,576 to 480	49 to 8
BBB+ to BBB-	5 to 4	171 to 5	5 to 3
BB+ to BB-	4	4	3
B+ to B-	3	4 to 1	3 to 2
CCC+	2	1	1
CCC to CCC-	Last rating before default	1	1
CC	Last rating before default	Last rating before default	Last rating before default

22 Related Parties

The CSi group is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The CSi group's parent company, which holds a majority of the voting rights in the undertaking, is Credit Suisse AG, which is incorporated in Switzerland. The registered address of CSG and Credit Suisse AG is Paradeplatz 8, 8070 Zurich, Switzerland.

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, reverse repurchase or repurchase agreements. In addition, the ordinary shares are issued to CSG and subsidiaries of CSG, as outlined in Note 20 – Called-up Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties. The nature of related party transactions remained consistent for the six months ended 30 June 2019 compared to the year ended 31 December 2018.

23 Contingent Liabilities and Commitments

CSi is the defendant in a lawsuit brought by the German public utility company Stadtwerke München GmbH in a German court, in connection with a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the trades at inception. In March 2019, the trial court (the Regional Court of Frankfurt am Main) dismissed the claims in their entirety. In April 2019 the claimant filed a notice of appeal.

Credit Suisse including CSi is responding to requests from regulatory and enforcement authorities related to Credit Suisse's arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiacana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and certain Credit Suisse entities' subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. In January 2019, the United States Attorney for the Eastern District of New York unsealed an indictment against several individuals in connection with the matter, including three former Credit Suisse employees. In May and July 2019, two of the former employees pleaded guilty to accepting improper personal benefit. Credit Suisse is cooperating with the authorities on this matter. In February 2019, certain Credit Suisse entities, the same three former employees, and several other unrelated entities were sued in the English High Court by the Republic of Mozambique. The proceedings were served on CSi in June 2019. Credit Suisse is aware of statements made by the Attorney General of Mozambique and notes that it had no involvement in the transaction with Mozambique Asset Management S.A.

24 Financial Instruments

The disclosure of the CSi group's financial instruments below includes the following sections:
- Analysis of financial instruments by categories, and
- Fair value measurement (including fair value hierarchy; transfers between levels; Level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit).

Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSi group's financial instruments.

Financial assets and liabilities by categories

As at 30 June 2019	Total carrying value	Mandatorily at FVTPL	Designated at fair value	Amortised cost	Total fair value
				Carrying value	
Financial assets (USD million)					
Cash and due from banks	3,282	–	–	3,282	3,282
Interest-bearing deposits with banks	13,683	–	–	13,683	13,683
Securities purchased under resale agreements and securities borrowing transactions	6,203	–	–	6,203	6,203
Trading financial assets mandatorily at fair value through profit or loss	159,494	159,494	–	–	159,494
Non-trading financial assets mandatorily at fair value through profit or loss	15,358	15,358	–	–	15,358
Net loans	3,435	–	–	3,435	3,433
Other assets	30,054	–	–	30,054	30,054
Total financial assets	**231,509**	**174,852**	**–**	**56,657**	**231,507**
Financial liabilities (USD million)					
Deposits	940	–	–	940	940
Securities sold under repurchase agreements and securities lending transactions	1,327	–	–	1,327	1,327
Trading financial liabilities mandatorily at fair value through profit or loss	134,912	134,912	–	–	134,912
Financial liabilities designated at fair value through profit or loss	19,336	–	19,336	–	19,336
Borrowings	15,822	–	–	15,822	15,822
Other liabilities	23,965	12	–	23,953	23,965
Debt in issuance	13,939	–	–	13,939	13,966
Total financial liabilities	**210,241**	**134,924**	**19,336**	**55,981**	**210,268**

As at 31 December 2018 Group (USD million)	Total carrying value	Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
				Carrying value	
Financial assets (USD million)					
Cash and due from banks	2,229	–	–	2,229	2,229
Interest-bearing deposits with banks	17,859	–	–	17,859	17,859
Securities purchased under resale agreements and securities borrowing transactions	10,487	–	–	10,487	10,487
Trading financial assets mandatorily at fair value through profit or loss	148,674	148,674	–	–	148,674
Non-trading financial assets mandatorily at fair value through profit or loss	17,659	17,659	–	–	17,659
Net loans	3,512	–	–	3,512	3,510
Other assets	30,254	–	–	30,254	30,254
Total financial assets	**230,674**	**166,333**	**–**	**64,341**	**230,672**
Financial liabilities (USD million)					
Deposits	1,028	–	–	1,028	1,028
Securities sold under repurchase agreements and securities lending transactions	2,391	–	–	2,391	2,391
Trading financial liabilities mandatorily at fair value through profit or loss	126,414	126,414	–	–	126,414
Financial liabilities designated at fair value through profit or loss	24,164	–	24,164	–	24,164
Borrowings	19,555	–	–	19,555	19,555
Other liabilities	23,339	12	–	23,327	23,339
Debt in issuance	12,146	–	–	12,146	12,181
Total financial liabilities	**209,037**	**126,426**	**24,164**	**58,447**	**209,072**

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSi group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgement, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked and mortgage-related securities, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds. The fair value measurement disclosures exclude derivatives transactions that are daily settled.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swap ('CDS') prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

CSi group applies Funding Valuation Allowance ('FVA') on uncollateralised derivatives. FVA also applies to collateralised derivatives where the collateral received cannot be used for funding purposes. The banking industry has increasingly moved towards this valuation methodology, which accounts for the funding cost of the uncollateralised derivatives at their present value rather than accruing for these costs over the life of the derivatives.

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSi group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realised under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSi group reflects the net exposure to credit risk for its derivative instruments where the CSi group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the fair value hierarchy as follows:

- **Level 1**: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSi group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- **Level 2**: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3**: Inputs for the asset or liability that are not based on observable market data (significant unobservable inputs). These inputs reflect the CSi group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which includes the CSi group's own data. The CSi group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

Fair value of assets and liabilities measured at fair value on a recurring basis

As at 30 June 2019	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**10,049**	**4,540**	**1,113**	**–**	**15,702**
of which UK government	6,566	–	–	–	6,566
of which foreign governments	3,481	463	–	–	3,944
of which corporates	2	4,077	1,100	–	5,179
of which residential mortgage backed securities	–	–	–	–	–
of which commercial mortgage backed securities	–	–	13	–	13
Equity securities	**6,171**	**2,517**	**597**	**–**	**9,285**
Derivatives	**2,461**	**131,385**	**1,929**	**(1,896)**	**133,879**
of which interest rate products	341	91,409	252	(1,896)	90,106
of which foreign exchange products	36	19,571	259	–	19,866
of which equity/index-related products	2,082	12,405	1,001	–	15,488
of which credit derivatives	–	7,838	417	–	8,255
of which other derivative products	2	162	–	–	164
Other	**–**	**508**	**120**	**–**	**628**
Trading financial assets mandatorily at fair value through profit or loss	**18,681**	**138,950**	**3,759**	**(1,896)**	**159,494**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**13,053**	**–**	**(220)**	**12,833**
Loans	**–**	**1,138**	**164**	**–**	**1,302**
of which commercial and industrial loans	–	650	72	–	722
of which loans to financial institutions	–	417	92	–	509
of which government and public institutions	–	71	–	–	71
Other Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**1,202**	**21**	**–**	**1,223**
of which failed purchases	–	1,152	–	–	1,152
of which other	–	50	21	–	71
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**15,393**	**185**	**(220)**	**15,358**
Total assets at fair value	**18,681**	**154,343**	**3,944**	**(2,116)**	**174,852**

[1] Derivative contracts/ Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

Fair value of assets and liabilities measured at fair value on a recurring basis

As at 30 June 2019	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**464**	**363**	**–**	**–**	**827**
of which UK government	362	–	–	–	362
of which foreign governments	102	105	–	–	207
of which corporates	–	258	–	–	258
Equity securities	**2,520**	**10**	**–**	**–**	**2,530**
Derivatives	**2,811**	**127,979**	**2,202**	**(1,437)**	**131,555**
of which interest rate products	345	85,012	234	(1,437)	84,154
of which foreign exchange products	37	23,324	131	–	23,492
of which equity/index-related products	2,427	10,793	1,352	–	14,572
of which credit derivatives	–	8,610	485	–	9,095
of which other derivative products	2	240	–	–	242
Trading financial liabilities mandatorily at fair value through profit or loss	**5,795**	**128,352**	**2,202**	**(1,437)**	**134,912**
Securities sold under resale agreements and securities borrowing transactions	**–**	**8,945**	**–**	**(220)**	**8,725**
Borrowings	**–**	**1,822**	**524**	**–**	**2,346**
Debt in issuance	**–**	**5,665**	**2,116**	**–**	**7,781**
of which structured notes between one and two years	–	1,515	211	–	1,726
of which other debt instruments between one and two years	–	–	–	–	–
of which treasury debt over two years	–	62	–	–	62
of which structured notes over two years	–	1,959	1,570	–	3,529
of which other debt instruments over two years	–	2,108	311	–	2,419
of which non-recourse liabilities	–	21	24	–	45
Other financial liabilities designated at fair value through profit or loss	**20**	**411**	**53**	**–**	**484**
of which failed sales	20	380	42	–	442
of which others	–	31	11	–	42
Financial liabilities designated at fair value through profit or loss	**20**	**16,843**	**2,693**	**(220)**	**19,336**
Total liabilities at fair value	**5,815**	**145,195**	**4,895**	**(1,657)**	**154,248**
Net assets/liabilities at fair value	**12,866**	**9,148**	**(951)**	**(459)**	**20,604**

[1] Derivative contracts/Securities sold under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

[2] Fair value of cash flow hedging derivatives of USD 12 million is included in 'Other liabilities'. These are level 2 instruments.

Fair value of assets and liabilities measured at fair value on a recurring basis

As at 31 December 2018	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**12,069**	**3,622**	**1,154**	**–**	**16,845**
of which UK government	7,355	–	–	–	7,355
of which foreign governments	4,682	297	49	–	5,028
of which corporates	32	3,274	1,090	–	4,396
of which residential mortgage backed securities	–	13	3	–	16
of which commercial mortgage backed securities	–	38	12	–	50
Equity securities	**5,334**	**871**	**611**	**–**	**6,816**
Derivatives	**3,829**	**124,832**	**3,047**	**(7,274)**	**124,434**
of which interest rate products	185	77,414	204	(1,249)	76,554
of which foreign exchange products	47	22,744	276	–	23,067
of which equity/index-related products	3,596	17,582	2,009	(6,025)	17,162
of which credit derivatives	–	6,452	558	–	7,010
of which other derivative products	1	640	–	–	641
Other	**–**	**330**	**249**	**–**	**579**
Trading financial assets mandatorily at fair value through profit or loss	**21,232**	**129,655**	**5,061**	**(7,274)**	**148,674**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**16,459**	**–**	**(809)**	**15,650**
Loans	**–**	**772**	**273**	**–**	**1,045**
of which commercial and industrial loans	–	243	98	–	341
of which loans to financial institutions	–	448	175	–	623
of which government and public institutions	–	81	–	–	81
Other non-trading financial assets mandatorily at fair value through profit or loss	**–**	**886**	**78**	–	**964**
of which failed purchases	–	854	51	–	905
of which other	–	32	27	–	59
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**18,117**	**351**	**(809)**	**17,659**
Total assets at fair value	21,232	147,772	5,412	(8,083)	166,333

[1] Derivative contracts/ Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

Fair value of assets and liabilities measured at fair value on a recurring basis

As at 31 December 2018	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**776**	**237**	**–**	**–**	**1,013**
of which UK government	348	–	–	–	348
of which foreign governments	428	80	–	–	508
of which corporates	–	157	–	–	157
Equity securities	**1,946**	**–**	**–**	**–**	**1,946**
Derivatives	**3,944**	**124,706**	**1,919**	**(7,114)**	**123,455**
of which interest rate products	140	73,145	199	(1,249)	72,235
of which foreign exchange products	50	26,430	136	–	26,616
of which equity/index-related products	3,753	18,135	1,010	(5,865)	17,033
of which credit derivatives	–	6,863	574	–	7,437
of which other derivative products	1	133	–	–	134
Trading financial liabilities mandatorily at fair value through profit or loss	**6,666**	**124,943**	**1,919**	**(7,114)**	**126,414**
Securities sold under resale agreements and securities borrowing transactions	**–**	**15,736**	**–**	**(809)**	**14,927**
Borrowings	**–**	**1,325**	**460**	**–**	**1,785**
Debt in issuance	**–**	**4,822**	**2,302**	**–**	**7,124**
of which structured notes between one and two years	–	1,437	126	–	1,563
of which other debt instruments between one and two years	–	–	–	–	–
of which treasury debt over two years	–	60	–	–	60
of which structured notes over two years	–	1,873	1,894	–	3,767
of which other debt instruments over two years	–	1,416	256	–	1,672
of which non-recourse liabilities	–	36	26	–	62
Other financial liabilities designated at fair value through profit or loss	**–**	**198**	**130**	**–**	**328**
of which failed sales	–	187	99	–	286
of which other	–	11	31	–	42
Financial liabilities designated at fair value through profit or loss	**–**	**22,081**	**2,892**	**(809)**	**24,164**
Total liabilities at fair value	**6,666**	**147,024**	**4,811**	**(7,923)**	**150,578**
Net assets/liabilities at fair value	**14,566**	**748**	**601**	**(160)**	**15,755**

[1] Derivative contracts/Securities sold under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.
[2] Fair value of cash flow hedging derivatives of USD 12 million is included in 'Other liabilities'. These are level 2 instruments.

Transfers between Level 1 and Level 2

The following table shows the transfers from Level 1 to Level 2 of the fair value hierarchy.

	6M19		2018	
USD million	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2
Assets				
Trading financial assets mandatorily at fair value through profit or loss	59	1,693	109	3,413
Total transfers in assets at fair value	**59**	**1,693**	**109**	**3,413**
Liabilities				
Trading financial liabilities mandatorily at fair value through profit or loss	–	1,988	8	3,584
Total transfers in liabilities at fair value	**–**	**1,988**	**8**	**3,584**

The transfers from Level 1 to Level 2 were mainly driven by debt securities where the liquidity had decreased and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

The transfers from Level 2 to Level 1 are mainly driven by the transfer of exchange traded options as they moved closer to maturity and inputs became observable. All transfers were reported at the end of the reporting period.

Movements of Level 3 instruments

The following table presents a reconciliation of financial instruments categorised in level 3 of the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis for Level 3

6M19	Balance as at 1 January 2019	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues: On transfers in/out [1]	Trading revenues: On all other	Balance as at 30 June 2019
Assets at fair value (USD million)										
Debt securities	**1,154**	**224**	**(322)**	**697**	**(690)**	**–**	**–**	**–**	**50**	**1,113**
of which foreign governments	49	–	(44)	39	(48)	–	–	3	1	–
of which corporates	1,090	224	(278)	658	(642)	–	–	(3)	51	1,100
of which commercial mortgage backed securities	12	–	–	–	–	–	–	–	1	13
of which Residential Mortgage-Backed Securities	3	–	–	–	–	–	–	–	(3)	–
Equity securities	**611**	**–**	**(3)**	**1**	**(67)**	**–**	**–**	**–**	**55**	**597**
Derivatives	**3,047**	**373**	**(616)**	**–**	**–**	**418**	**(934)**	**(95)**	**(264)**	**1,929**
of which interest rate products	204	12	–	–	–	16	(23)	3	40	252
of which foreign exchange products	276	15	(14)	–	–	29	(19)	(1)	(27)	259
of which equity/index-related products	2,009	274	(511)	–	–	305	(726)	(94)	(256)	1,001
of which credit derivatives	558	72	(91)	–	–	68	(166)	(3)	(21)	417
Other	**249**	**43**	**(186)**	**208**	**(180)**	**5**	**(20)**	**(2)**	**3**	**120**
Trading financial assets mandatorily at fair value through profit or loss	**5,061**	**640**	**(1,127)**	**906**	**(937)**	**423**	**(954)**	**(97)**	**(156)**	**3,759**
Loans	**273**	**–**	**–**	**17**	**(95)**	**22**	**(69)**	**–**	**16**	**164**
of which commercial and industrial loans	98	–	–	–	(24)	21	(25)	–	2	72
of which loans to financial institutions	175	–	–	17	(71)	1	(44)	–	14	92
Other Non-trading financial assets mandatorily at fair value through profit or loss	**78**	**8**	**(50)**	**–**	**–**	**–**	**–**	**(2)**	**(13)**	**21**
of which failed purchases	51	–	(49)	–	–	–	–	(2)	–	–
of which other	27	8	(1)	–	–	–	–	–	(13)	21
Non-trading financial assets mandatorily at fair value through profit or loss	**351**	**8**	**(50)**	**17**	**(95)**	**22**	**(69)**	**(2)**	**3**	**185**
Total assets at fair value	**5,412**	**648**	**(1,177)**	**923**	**(1,032)**	**445**	**(1,023)**	**(99)**	**(153)**	**3,944**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

Assets and liabilities measured at fair value on a recurring basis for Level 3

6M19	Balance as at 1 January 2019	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues: On transfers in/out [1]	Trading revenues: On all other	Balance as at 30 June 2019
Liabilities at fair value (USD million)										
Derivatives	**1,919**	**164**	**(316)**	**–**	**–**	**94**	**(479)**	**67**	**753**	**2,202**
of which interest rate products	199	8	(5)	–	–	15	(23)	1	39	234
of which foreign exchange products	136	13	(10)	–	–	1	(13)	(2)	6	131
of which equity/index-related products	1,010	72	(203)	–	–	60	(294)	64	643	1,352
of which credit derivatives	574	71	(98)	–	–	18	(149)	4	65	485
Trading financial liabilities mandatorily at fair value through profit or loss	**1,919**	**164**	**(316)**	**–**	**–**	**94**	**(479)**	**67**	**753**	**2,202**
Borrowings	**460**	**38**	**(122)**	**–**	**–**	**481**	**(368)**	**2**	**33**	**524**
Debt in issuance	**2,302**	**453**	**(910)**	**–**	**–**	**691**	**(506)**	**29**	**57**	**2,116**
of which structured notes between one and two years	126	65	(54)	–	–	141	(80)	1	12	211
of which other debt instruments between one and two years	–	–	–	–	–	–	–	–	–	–
of which structured notes over two years	1,894	360	(536)	–	–	94	(325)	18	65	1,570
of which other debt instruments over two years	256	24	(320)	–	–	448	(87)	10	(20)	311
of which non-recourse liabilities	26	4	–	–	–	8	(14)	–	–	24
Other financial liabilities designated at fair value through profit or loss	**130**	**29**	**(75)**	**2**	**(24)**	**3**	**–**	**(1)**	**(11)**	**53**
of which failed sales	99	25	(64)	–	(17)	–	–	(1)	–	42
of which others	31	4	(11)	2	(7)	3	–	–	(11)	11
Financial liabilities designated at fair value through profit or loss	**2,892**	**520**	**(1,107)**	**2**	**(24)**	**1,175**	**(874)**	**30**	**79**	**2,693**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total liabilities at fair value	**4,811**	**684**	**(1,423)**	**2**	**(24)**	**1,269**	**(1,353)**	**97**	**832**	**4,895**
Net assets/liabilities at fair value	**601**	**(36)**	**246**	**921**	**(1,008)**	**(824)**	**330**	**(196)**	**(985)**	**(951)**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

Assets and liabilities measured at fair value on a recurring basis for Level 3

Group	Balance as at 1 January 2018	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues On transfers in/out [1]	Trading revenues On all other	Balance as at 31 December 2018
Assets at fair value (USD million)										
Debt securities	**901**	**218**	**(215)**	**1,688**	**(1,322)**	**–**	**–**	**(10)**	**(106)**	**1,154**
of which foreign governments	53	21	(12)	46	(47)	–	–	–	(12)	49
of which corporates	809	197	(203)	1,624	(1,236)	–	–	(10)	(91)	1,090
of which commercial mortgage backed securities	10	–	–	18	(13)	–	–	–	(3)	12
of which Residential Mortgage-Backed Securities	29	–	–	–	(26)	–	–	–	–	3
Equity securities	**741**	**1**	**–**	**115**	**(190)**	**–**	**–**	**–**	**(56)**	**611**
Derivatives	**2,400**	**763**	**(718)**	**–**	**–**	**3,023**	**(2,589)**	**64**	**104**	**3,047**
of which interest rate products	523	15	(66)	–	–	51	(176)	16	(159)	204
of which foreign exchange products	162	3	(4)	–	–	44	(18)	1	88	276
of which equity/index-related products	1,117	567	(476)	–	–	2,740	(2,098)	42	117	2,009
of which credit derivatives	598	178	(172)	–	–	188	(297)	5	58	558
Other	**183**	**120**	**(79)**	**168**	**(130)**	**30**	**(79)**	**2**	**34**	**249**
Trading financial assets mandatorily at fair value through profit or loss	**4,225**	**1,102**	**(1,012)**	**1,971**	**(1,642)**	**3,053**	**(2,668)**	**56**	**(24)**	**5,061**
Loans	**257**	**62**	**(16)**	**121**	**(20)**	**11**	**(124)**	**–**	**(18)**	**273**
of which commercial and industrial loans	193 [2]	58	(16)	–	(19)	11	(118)	–	(11)	98
of which loans to financial institutions	64	4	–	121	(1)	–	(6)	–	(7)	175
Other non-trading financial assets mandatorily at fair value through profit or loss	**34**	**57**	**–**	**37**	**(32)**	**–**	**–**	**–**	**(18)**	**78**
of which failed purchases	33	38	–	3	(32)	–	–	–	9	51
of which other	1	19	–	34	–	–	–	–	(27)	27
Non-trading financial assets mandatorily at fair value through profit or loss	**291**	**119**	**(16)**	**158**	**(52)**	**11**	**(124)**	**–**	**(36)**	**351**
Total assets at fair value	**4,516**	**1,221**	**(1,028)**	**2,129**	**(1,694)**	**3,064**	**(2,792)**	**56**	**(60)**	**5,412**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.

[2] Certain loans aggregating USD 61 million were accrual accounted under IAS 39. The risks are managed on a fair value basis and accordingly, with the implementation of IFRS 9, these are now fair valued.

Assets and liabilities measured at fair value on a recurring basis for Level 3

Group	Balance as at 1 January 2018	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues: On transfers in/out [1]	Trading revenues: On all other	Balance as at 31 December 2018
Liabilities at fair value (USD million)										
Derivatives	**2,489**	**571**	**(535)**	**–**	**–**	**1,424**	**(2,171)**	**21**	**120**	**1,919**
of which interest rate products	287	15	(3)	–	–	214	(137)	12	(189)	199
of which foreign exchange products	96	27	(1)	–	–	14	(28)	–	28	136
of which equity/index-related products	1,181	264	(350)	–	–	1,097	(1,424)	(9)	251	1,010
of which credit derivatives	925	265	(181)	–	–	99	(582)	18	30	574
Trading financial liabilities mandatorily at fair value through profit or loss	**2,489**	**571**	**(535)**	**–**	**–**	**1,424**	**(2,171)**	**21**	**120**	**1,919**
Borrowings	**106**	**75**	**(90)**	**–**	**–**	**469**	**(51)**	**4**	**(53)**	**460**
Debt in issuance	**2,878**	**173**	**(559)**	**–**	**–**	**884**	**(888)**	**(7)**	**(179)**	**2,302**
of which structured notes between one and two years	43	50	(104)	–	–	249	(80)	(7)	(25)	126
of which other debt instruments between one and two years	–	1	(1)	–	–	–	–	–	–	–
of which structured notes over two years	2,500	53	(390)	–	–	485	(719)	1	(36)	1,894
of which other debt instruments over two years	335	59	(64)	–	–	132	(89)	(1)	(116)	256
of which non-recourse liabilities	–	10	–	–	–	18	–	–	(2)	26
Other financial liabilities designated at fair value through profit or loss	**99**	**51**	**(1)**	**5**	**(30)**	**2**	**–**	**–**	**4**	**130**
of which failed sales	97	43	–	2	(30)	–	–	–	(13)	99
of which others	2	8	(1)	3	–	2	–	–	17	31
Financial liabilities designated at fair value through profit or loss	**3,083**	**299**	**(650)**	**5**	**(30)**	**1,355**	**(939)**	**(3)**	**(228)**	**2,892**
Total liabilities at fair value	**5,572**	**870**	**(1,185)**	**5**	**(30)**	**2,779**	**(3,110)**	**18**	**(108)**	**4,811**
Net assets/liabilities at fair value	**(1,056)** [2]	**351**	**157**	**2,124**	**(1,664)**	**285**	**318**	**38**	**48**	**601**

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.
[2] Certain loans aggregating USD 61 million were accrual accounted under IAS 39. The risks are managed on a fair value basis and accordingly, with the implementation of IFRS 9, these are now fair valued.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

	6M19	2018
Trading revenues (USD million)		
Net realised/unrealised (losses)/gains included in net revenues	(1,181)	86
Whereof:		
Changes in unrealised (losses)/gains relating to assets and liabilities still held as of the reporting date		
Trading financial assets mandatorily at fair value through profit or loss	73	1,061
Non-trading financial assets mandatorily at fair value through profit or loss	7	(9)
Trading financial liabilities mandatorily at fair value through profit or loss	(853)	(357)
Financial liabilities designated at fair value through profit or loss	(75)	64
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(848)**	**759**

Transfers in and out of Level 3

Trading financial assets mandatorily at fair value through profit or loss
Trading financial assets transferred into and out of Level 3 as at 30 June 2019 amounted to USD 640 million and USD (1,127) million, respectively. Transfers into Level 3 mainly comprised USD 373 million mainly related to equity/ index-related and credit derivatives and USD 224 million related to trading debt securities. Transfers out of Level 3 mainly comprised USD (616) million of equity/ index-related derivatives and credit derivatives, USD (322) million related to trading debt securities and USD (186) million related to trading loans.

Trading financial assets transferred into and out of Level 3 as at 31 December 2018 amounted to USD 1,102 million and USD (1,012) million. Transfers into Level 3 mainly comprised USD 1,083 million related to debt securities, equity/ index-related, credit derivatives and others. Transfers out of Level 3 mainly comprised USD (714) million of equity/index-related derivatives, interest rate derivatives and credit derivatives.

Non-trading financial assets mandatorily at fair value through profit or loss
Non-trading financial assets mandatorily at fair value through profit or loss transferred into and out of Level 3 in 2019 amounted to USD 8 million and USD (50) million respectively. Transfers in Level 3 pertains to loan commitments and transfer out of Level 3 were relates to failed purchases.

Non-trading financial assets mandatorily at fair value through profit or loss transferred into and out of Level 3 in 2018 amounted to USD 119 million and USD (16) million respectively. Transfers into Level 3 largely comprised of loans and failed purchases. Transfers out of Level 3 related to loans.

Trading financial liabilities at fair value through profit or loss
Trading financial liabilities transferred into and out of Level 3 as at 30 June 2019 amounted to USD 164 million and USD (316) million, respectively. Both transfers into and out of Level 3 were mainly related to equity/ index-related and credit derivatives.

Trading financial liabilities transferred into and out of Level 3 as at 31 December 2018 amounted to USD 571 million and USD (535) million, respectively.

Financial liabilities designated at fair value through profit or loss
Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 30 June 2019 amounted to USD 520 million and USD (1,107) million, respectively. The transfers into and out of Level 3 were mainly related to Borrowings and Debt in Issuance.

For CSi group financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2018 amounted to USD 299 million and USD (650) million. Transfers into Level 3 were in relation to both structured notes and failed sales. Transfers out of Level 3 were largely related to structured notes and other hybrid instruments.

Qualitative disclosures of valuation techniques

The CSi group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the CSi group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the CSi group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Business and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Business, Product Control, Risk Management, and Group Finance to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of CSG Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSi group. VARMC includes a formal CSi voting sub-committee comprising the CEO CSi, CFO CSi and CRO CSi, who ratify decisions relevant to the entity. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the CSG Executive Board and CSi Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Business and Product Control. The Business is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Business values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSi group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Business professional judgement is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table "Quantitative disclosure of valuation techniques".

Securities purchased/sold under resale/repurchase agreements and securities borrowing/lending transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in Level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds or other debt instruments. In the event of counterparty default, the collateral service agreement provides the CSi group with the right to liquidate the collateral held.

The CSi group enters into transactions involving securities borrowed and securities loaned transactions as part of the CSi group's matched-book activities to accommodate clients, finance the CSi group's trading inventory, obtain securities for settlement and earn interest spreads.

Debt securities

Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorised as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modelling techniques, which may involve judgement. Those securities where the significant price or model inputs are observable in the market are categorised as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modelling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include market comparable price, buyback probability, correlation, volatility and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e. the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3). Generally, the interrelationship between volatility and correlation is positively correlated.

CMBS securities

Fair values of CMBS may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of CMBS for which there are significant unobservable inputs are valued using capitalisation rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

Equity securities

The majority of the CSi group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortisation, ('EBITDA') multiple, discount rate and capitalisation rate.

Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the market is not considered active, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, then the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the market place, while more complex derivatives may use unobservable inputs that rely on specific proprietary modelling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

CSi valuation of derivatives includes an adjustment for the cost of funding uncollateralised OTC derivatives.

Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products inputs include, but are not limited to, correlation, volatility skew, prepayment rate, credit spread, basis spread, recovery rate and mean reversion.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modelling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to, prepayment rate, correlation, volatility skew and credit spread and event probability.

Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include market comparable price, correlation, volatility, skew and buyback probability. Generally, volatility, forward skew, correlation and gap risk are positively correlated.

Credit derivatives

Credit derivatives include index and single name CDSs in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation, funding spread, discount rate, default rate, market comparable price and prepayment rate. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs default rate, loss severity and discount rate.

Other Trading Assets

Other trading assets primarily include loans and receivables which are valued using market comparable price and discounted cash flow. The significant unobservable inputs of the trading loans and receivables are credit spread and price.

Other non-trading financial assets mandatorily at fair value through profit or loss

Loans

The CSi group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans, loans to government and public institutions, and loans to financial institutions. These categories include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and market comparable price and mortality rate.

Borrowings and Debt in issuance

The CSi group's borrowings and debt in issuance include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable), funded derivatives and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the CSi group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for debt in issuance and borrowings include buyback probability, gap risk, correlation, volatility, credit spread and market comparable price. Generally, volatility, credit curve, forward skew, correlation and gap risk are positively correlated.

Other financial liabilities designated at fair value through profit or loss

Failed sales

These liabilities represent securitisations that do not meet the criteria for sale treatment under IFRS. Failed sales are valued in a manner consistent with the related underlying financial instruments.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the statement of financial position, but a fair value has been disclosed in the table "Financial assets and liabilities by categories". These instruments include: cash and due from banks deposits, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realisation, as well as the minimal credit risk inherent in these instruments.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, contingent probability, correlation, price, volatility, mean reversion, mortality and discount rate in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of capitalisation rate, prepayment rate, recovery rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value.

Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs may move independently, generally an increase or decrease in one significant unobservable input may have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted average of each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

As at 30 June 2019 USD million, except as indicated	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,113**					
of which corporates	1,100					
of which	920	Option model	Correlation in %	(80)	99	67
			Volatility in %	–	126	25
of which	81	Discounted cash flow	Credit spread in bp	111	484	273
of which	13	Market comparable	Price in %	–	104	91
Equity securities	**597**					
of which	7	Market Comparables	Price, in %	10	12	11
	589	Vendor price	Fund NAV, in USD million	–	17	1
Derivatives	**1,929**					
of which interest rate products	252					
of which	50	Option model	Correlation in %	5	100	49
	127		Prepayment rate in %	1	26	9
	50		FX volatility in %	(4)	14	(2)
	1		Mean reversion in %	(51)	15	6
of which foreign exchange products	259					
of which	100	Option model	Correlation in %	5	70	29
	37		Prepayment rate in %	22	26	24
	53		Volatility, in %	78	90	84
of which	21	Discounted cash flow	Contingent probability, in %	95	95	95
of which equity/index-related products	1,001					
of which	498	Option model	Correlation in %	(80)	99	56
	424		Volatility in %	1	126	27
	15		Buyback probability in %	50	100	73
of which credit derivatives	417					
of which	–	Discounted cash flow	Correlation in %	97	97	97
	185		Credit spread in bp	1	1,149	162
	–		Default rate, in %	2	20	4
	149		Discount rate, in %	2	23	12
	–		Loss severity, in %	7	85	60
	51		Recovery rate, in %	–	45	22
	24		Funding Spread, in %	–	–	–
Other	**120**					
of which trading	33	Discounted cash flow	Credit spread in bp	11	16	15
	85	Market comparable	Price in %	–	101	72
Loans	**164**					
of which commercial and industrial loans	72					
of which	51	Discounted cash flow	Credit spread in bp	373	503	398
	12	Market comparable	Price in %	42	42	42

As at 30 June 2019 USD million, except as indicated	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**2,202**					
of which interest rate products	234					
of which	34	Option model	Correlation, in %	5	100	32
	108		Prepayment rate, in %	1	26	6
	17		Mean reversion, in %	(10)	–	(4)
	11	Discounted cash flow	Funding Spread, in %	–	–	–
of which foreign exchange products	131					
of which	43	Option model	Prepayment rate, in %	22	26	24
of which	21	Discounted cash flow	Contingent probability, in %	95	95	95
	36		Credit spread, in bp	146	362	301
of which equity/index-related products	1,352					
of which	491	Option model	Correlation, in %	(80)	99	65
	748		Volatility, in %	–	126	26
	112		Buyback probability in %	50	100	73
of which credit derivatives	485					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	273		Credit spread, in bp	1	1,186	216
	–		Default rate, in %	2	20	4
	152		Discount rate, in %	2	23	12
	–		Loss severity, in %	7	85	60
	51		Recovery rate, in %	–	60	28
	8		Funding spread, in %	–	–	–
Debt in issuance	**2,116**					
of which structured notes over two years	1,570					
of which	221	Option model	Buyback probability, in %	50	100	73
	229		Correlation, in %	(80)	99	61
	101		Gap risk, in %	–	4	1
	79		Volatility, in %	–	126	21
of which	900	Discounted cash flow	Credit spread, in bp	8	8	8
of which other debt over two years	311					
of which	103	Option model	Buyback probability, in %	50	100	73
	35		Correlation, in %	(80)	99	66
	148		Gap risk, in %	–	4	1
of which structured notes between one and two years	211					
of which	54	Option model	Buyback probability, in %	50	100	73
	39		Correlation, in %	29	87	53
	61		Gap risk, in %	–	4	1
	52		Volatility, in %	12	82	41
Borrowings	**524**					
of which	233	Option model	Buyback probability, in %	50	100	73
	106		Correlation, in %	(80)	99	58
	46		Gap risk, in %	–	4	1
	136		Volatility, in %	11	75	37
Other Financial liabilities designated at fair value						
of which failed sales	65	Market comparable	Price in %	–	100	55

As at 31 December 2018 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,154**					
of which corporates	1,090					
of which	392	Option model	Correlation in %	(40)	98	71
	245		Volatility in %	–	178	30
of which	269	Discounted cash flow	Credit spread in bp	5	1,187	201
	198	Market comparable	Price in %	–	110	98
Equity securities	**611**					
of which	8	Market comparable	Price in %	12	14	13
	603	Vendor price	Fund NAV, in USD million	–	24	1
Derivatives	**3,047**					
of which interest rate products	204					
of which	26	Option model	Correlation in %	35	100	61
	32		Mean reversion, in %	(55)	5	(6)
	90		Prepayment rate in %	1	17	7
	55		Volatility skew, in %	(4)	–	(2)
of which foreign exchange products	276					
of which	105	Option model	Correlation in %	5	70	29
	39		Prepayment rate in %	21	26	23
	46		Volatility in %	80	90	84
	30		Contingent probability, in %	95	95	95
of which equity/index-related products	2,009					
of which	1,206	Option model	Correlation in %	(60)	98	72
	668		Volatility in %	2	178	30
	13		Buyback probability in %	50	100	74
of which credit derivatives	558					
of which	–	Discounted cash flow	Correlation in %	97	97	97
	172		Credit spread in bp	3	2,994	399
	55		Recovery rate in %	–	68	17
	206		Discount rate in %	3	28	14
	–		Default rate in %	1	20	4
	40		Funding spread in bps	–	–	–
	–		Loss severity in %	16	95	56
Other	**249**					
of which trading	33	Discounted cash flow	Credit spread in bp	20	20	20
	177	Market comparable	Price in %	–	100	87
of which failed purchases	51	Discounted cash flow	Funding Spread, in %	1	1	1
Loans	**273**					
of which commercial and industrial loans	98					
of which	72	Discounted cash flow	Credit spread in bp	741	1,184	932
of which	13	Market comparable	Price in %	44	44	44

As at 31 December 2018 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**1,919**					
of which interest rate products	199					
of which	42	Option model	Correlation, in %	5	100	41
	79		Prepayment rate, in %	1	26	7
of which foreign exchange products	136					
of which	46	Option model	Prepayment rate, in %	21	26	23
	71	Discounted cash flow	Credit spread, in bp	146	535	438
of which equity/index-related products	1,010					
of which	222	Option model	Correlation, in %	(60)	98	72
	641		Volatility, in %	2	178	30
	143		Buyback probability in %	50	100	74
of which credit derivatives	574					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	207		Credit spread, in bp	3	2,937	262
	–		Default rate, in %	1	20	4
	206		Discount rate, in %	3	28	14
	–		Loss severity, in %	16	95	56
	51		Recovery rate, in %	–	68	22
	84		Funding Spread, in %	–	–	–
of which	7	Market comparable	Price, in %	83	83	83
Debt in issuance	**2,302**					
of which structured notes over two years	1,894					
of which	259	Option model	Buyback probability, in %	50	100	74
	276		Correlation, in %	(40)	99	65
	164		Gap risk, in %	–	4	1
	90		Volatility, in %	–	178	23
of which	1,042	Discounted cash flow	Credit spread, in bp	(12)	495	415
of which other debt over two years	256					
of which	79	Option model	Buyback probability, in %	50	100	74
	54		Correlation, in %	(40)	98	72
	11		Gap risk, in %	–	4	1
of which structured notes between one and two years	126					
of which	46	Option model	Correlation, in %	(40)	98	59
	18		Volatility, in %	15	43	27
Borrowings	**460**					
of which	309	Option model	Buyback probability, in %	50	100	74
	46	Option model	Correlation, in %	(40)	98	59
	49	Option model	Gap risk, in %	–	4	1
	54	Option model	Volatility, in %	12	43	30
Other Financial liabilities designated at fair value	**130**					
of which failed sales	99	Market comparable	Price in %	–	99	72

Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the previous tables. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary between collateral pools, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives' the volatility attributed to a structure may vary greatly depending upon the underlying reference name.

Price

Bond equivalent price is a primary significant unobservable input for bonds and loans. Where market prices are not available for an instrument, benchmarking may be utilised to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability

Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap Risk

Gap risk is the primary significant unobservable input for fund linked Constant Proportion Portfolio Insurance ('CPPI') products and structures where the payoff may be sensitive to "discontinuity" in the hedging portfolio.

Mean Reversion

Mean reversion is the primary significant unobservable input for callable Constant Maturity Swap ('CMS') spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding Spread

Funding spread is the primary significant unobservable input for SPV funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

Basis Spread

Basis spread is the primary significant unobservable input for non-callable constant maturity treasury-CMS products and is used to determine interest rate risk as a result of differing lending and borrowing rates.

Capitalisation Rate
Capitalisation rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Contingent Probability
Contingent probability is the primary significant unobservable input for contingent foreign exchange forward trades where the delivery or exercise and the premium payment are contingent on an event such as completion of an M&A deal or regulatory approval for a product.

Mortality Rate
Mortality rate is the primary significant unobservable input for variable annuities-backed loans with early termination clause based on mortality or lapse of the policy holders.

Sensitivity analysis of unobservable input parameters
The fair value of certain financial instruments recognised in the Condensed Consolidated Interim Financial Statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data. The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

	Reflected in net income/(loss)	
	Favourable changes	Unfavourable changes
As at 30 June 2019 (USD million)		
Derivative assets and liabilities	222	(232)
Assets-backed securities, loans and derivatives	1	(2)
Debt and equity securities	54	(47)
Loans	22	(15)
Total	**299**	**(296)**
As at 31 December 2018 (USD million)		
Derivative assets and liabilities	269	(282)
Assets-backed securities, loans and derivatives	1	(4)
Debt and equity securities	36	(24)
Loans	23	(16)
Total	**329**	**(326)**

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Derivative assets and liabilities include primarily equity, foreign exchange, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements up and down. The movements varied by product and existing levels of correlation based upon management judgement. Volatility sensitivities are predominantly equity volatilities and are generally subjected to a 5% to 10% movement up and down. Credit spread sensitivities were subjected to generally equal movements up and down based upon management judgement and underlying market conditions.

Asset backed securities, loans and derivatives include CMBS, ABS CDO and balance guaranteed swap positions. CMBS sensitivities are calculated by subjecting the prices of the positions to a 5% movement up and down. ABS CDO positions were subjected to sensitivities to underlying asset prices, as well as recovery rates on the underlying assets. The underlying asset prices were subjected to a range of downward movements with no movement up. Balance guaranteed swap positions were subjected to sensitivities on prepayment speeds which were estimated based on management's assessment of fast/slow notional bands for movements up and down.

Debt and equity securities include equity fund linked products, variable funding notes and corporate and emerging market bonds. The primary parameters subjected to sensitivity analysis for equity fund linked products and variable funding notes include price, gap risk and secondary market reserves. Price sensitivity is generally estimated based on a +/- bump in the price of the underlying security. Gap risk sensitivity is estimated by using limited pricing service information and valuing to the conservative side of the range of values. The parameter subjected to sensitivity for emerging market positions is price.

Loans include emerging market loans and corporate loans. For emerging market loans the parameter subjected to sensitivity analysis is credit spreads which is subjected to a 15% movement up and down. For corporate loans the parameter subjected to sensitivity analysis is the loan price which is subjected to an equal movement up and down which ranges from 5 to 10 points depending upon the position.

Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or until the fair value is expected to become observable. The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of half year with a reconciliation of the changes of the balance during the year:

	6M19	2018
Deferred trade date profit (USD million)		
Balance at the beginning of period	458	408
Increase due to new trades	135	246
Reduction due to passage of time	(40)	(59)
Reduction due to redemption, sales, transfers or improved observability	(44)	(137)
Balance at the end of period	**509**	**458**

25 Financial Instruments Risk Position

The CS group, of which the CSi group is a part, manages its risks under global policies complemented where appropriate by legal entity supplements. The CS group risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with CS group's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputation risk.

There have been no material changes in the risk management policies since the year ended 31 December 2018.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for the CSi group, as measured by ten-day 99% Value at Risk ('VaR'). The VaR model used by the CSi group is based on a historical simulation approach over a two-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Ten-day, 99% VaR – trading portfolios

	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
30 June 2019 (USD million)						
Average	31	8	3	16	(26)	32
Minimum	22	3	2	8	– [2]	19
Maximum	49	17	7	43	– [2]	57
End of period	28	5	4	20	(22)	35
31 December 2018 (USD million)						
Average	26	7	4	20	(24)	33
Minimum	14	4	2	10	– [2]	16
Maximum	55	15	8	54	– [2]	67
End of period	27	5	3	44	(22)	57

[1] VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.

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

VaR results

The Bank's ten-day, 99% regulatory VaR as of 30 June 2019 was USD 35 million (31 December 2018: USD 57 million).

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including back-testing. The Bank performs back-testing using both i) actual and ii) hypothetical daily trading revenues. These daily trading revenues are compared with VaR calculated using a one-day holding period. A back-testing exception occurs when either revenue type presents a loss in excess of the daily VaR estimate.

For capital purposes, a back-testing multiplier is added to the capital multiplier and increases (up to a maximum of 1) for every back-testing exception over four in the prior rolling 12-month period. This is calculated using the higher number of exceptions under either actual or hypothetical daily trading revenues. The back-testing multiplier is equal to zero as the bank had one back-testing exception in the 12-months period ending 30 June 2019 (31 December 2018: two).

Interest rate sensitivity position in the non-trading portfolio

Interest rate risk on banking book is measured using sensitivity analysis that estimates the potential change in value resulting from changes in interest rate yield curves. The impact of a one-basis-point parallel move on the fair value of interest rate-sensitive positions would be USD 0.12 million as of 30 June 2019 compared to USD 0.10 million as of 31 December 2018.

Non-trading interest rate risk is also assessed using the potential value change resulting from scenarios prescribed by BCBS 368 which include parallel shifts, flattening, steepening and shock to the short end of the yield curves.

As of the 30 June 2019, the worst fair value potential impacts were driven by a downward shock of the short term interest rates leading to a fair value loss of USD 57 million. In comparison, the 31 December 2018 worst fair value potential impacts were generated by a downward shock of short term interest rate driving a fair value loss of USD 32 million.

Counterparty exposure before Collateral by rating

	6M19		2018	
	USD million	%	USD million	%
AAA	733	2	1,274	4
AA+ to AA-	8,034	20	7,441	23
A+ to A-	11,167	28	9,955	29
BBB+ to BBB-	10,848	27	9,108	28
BB+ to BB-	4,995	13	1,713	5
B+ and below	3,858	10	3,461	11
	39,635	**100**	**32,952**	**100**

Unsecured exposure by rating (including provisions)

	6M19		2018	
	USD million	%	USD million	%
AAA	157	1	153	1
AA+ to AA-	3,460	20	3,465	25
A+ to A-	3,528	21	3,837	29
BBB+ to BBB-	3,934	23	3,170	23
BB+ to BB-	3,551	21	721	5
B+ and below	2,317	14	2,298	17
	16,947	**100**	**13,644**	**100**

26 Subsequent Events

On 16 August 2019, CSi and CSS(E)L agreed to transfer the Principal Employer of the UK Pension Fund from CSS(E)L to CSi, subject to the formal execution of the transfer with the Trustees of the Credit Suisse Group (UK) Pension Fund.

Following this, on 30 August 2019, CSS(E)L's share of the assets and liabilities of the defined benefit arrangement will be transferred to CSi and as a result of this transfer of Principal Employer status, CSi will become responsible for providing for CSS(E)L's share of pension benefits to be payable to or in respect of persons who are or have been qualifying members of the UK Pension Fund. CSi will apply the defined benefit accounting model to account for the full liabilities of the UK Pension Fund.

Based on the 31 December 2018 actuarial valuation, the net carrying value of the surplus to be received from CSS(E)L as part of the transfer is USD 1 billion.

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