



Credit Suisse International

# Unaudited Consolidated Interim Financial Statements for the Six Months Ended 30 June 2018



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Unaudited Consolidated Interim Financial Statements  
for the Six Months Ended 30 June 2018

**Board of Directors as at 16 August 2018**

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Noreen Doyle (Chair and Independent Non-Executive)

David Mathers (CEO)

Alison Halsey (Independent Non-Executive)

Robert Endersby (Independent Non-Executive)

John Devine (Independent Non-Executive)

Andreas Gottschling (Non-Executive)

Caroline Waddington (CFO)

Christopher Horne (Deputy CEO)

Paul Ingram (CRO)

Jonathan Moore

Michael Dilorio

Nicola Kane

**Company Secretary**

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Paul E Hare

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### Noreen Doyle

Irish and US Citizen

**Non-Executive**

**Board member since 2011**

**Chair of the Board**

#### Professional history

2011–present	Credit Suisse International Credit Suisse Securities (Europe) Limited Chair of the Board of Directors (2012–present) Non-Executive Director (2011–present) Chair of the Advisory Remuneration Committee (2015–present) Chair of the Nomination Committee (2014–present) Member of the Risk Committee (2013–present) Member of the Audit Committee (2011–2017) Chair of the Risk Committee (2016) Chair of the Audit Committee (2011–2012)
2004–2017	Credit Suisse AG & Credit Suisse Group AG Member of the Board of Directors (2004–2017) Vice-Chair and Lead Independent Director of the Board of Directors (2014–2017) Member of the Chairman's and Governance Committee (2014–2017) Member of the Risk Committee (2004–2007; 2009–2014; 2016–2017) Member of the Audit Committee (2007–2009; 2014–2016)
1992–2005	European Bank for Reconstruction (EBRD) First vice president and head of banking (2001–2005) Deputy vice president finance and director of risk management (1997–2001) Chief credit officer and director of syndications (1994–1997) Head of syndications (1992–1994)
Prior to 1992	Bankers Trust Company, New York and London Managing director, European Structured Sales (1990–1992) Various positions at management level

#### Education

1974	MBA in Finance, Tuck at Dartmouth College, New Hampshire
1971	BA in Mathematics, The College of Mount Saint Vincent, New York

#### Other activities and functions

Newmont Mining Corporation, Chair of the Board of Directors, Chair of the Corporate Governance & Nominating Committee and the Executive Finance Committee, Member of the Safety & Sustainability Committee  
St Mary's University, Twickenham, London, Member of the Board of Governors  
Tuck European Advisory Board, Member  
Marymount International School, London, Chair of the Board of Governors  
Sarita Kenedy East Foundation, Trustee



### 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 Chairman of Strategic Resolution Oversight Board (2015–present) Member of the Executive Board (2010–present) Chief Financial Officer (2010–present) 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	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  
Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, Sponsor





**Alison Halsey**

British Citizen

Non-Executive

Board member since 2015



**Robert Endersby**

British Citizen

Non-Executive

Board member since 2016

**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–present	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

**Professional history**

2016–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2016–present)
	Chair of the Risk Committee (2016–present)
	Member of the Audit Committee (2016–present)
	Member of the Advisory Remuneration Committee (2016–present)
	Member of the Conflicts Committee (2017–present)
	Co-Chair of the Conflicts Committee (2016–2017)
	Member of the Nomination Committee (2016–2017)
2012–2014	Danske Bank Group / Danske Bank A/S
	Chief Risk Officer & Member of Executive Board
	Chair of Executive Risk Committee
	Chair of Group Liquidity Risk Committee
2011–2012	Royal Bank of Scotland plc
	Chief Operating Officer, Group Credit Risk
2006–2010	Barclays Bank plc
	Commercial Credit Risk Director, Global Retail & Commercial Banking

**Education**

1982	BA in Social Science (Economics), University of the West of England
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**Other activities and functions**

Tesco Personal Finance Group Limited and Tesco Personal Finance Plc, Non-Executive Director, Chair of Risk Committee, Member of Audit Committee, Remuneration Committee and Disclosure Committee



### John Devine

British Citizen

**Non-Executive**

**Board member since 2017**

#### Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited Non-Executive Director (2017–present) Member of the Audit Committee (2017–present) 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, Director, Chair of Audit Committee, Member of Risk Committee and Remuneration Committee  
Citco Custody (UK) Ltd and Citco Custody Holding Ltd Malta, Director, Chair of Audit Committee, Member of Risk Committee and Nominations 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 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 Chair of the Risk Committee (2018–present) Member of the Audit Committee (2018–present) Member of the Risk Committee (2017)
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, UK and Switzerland 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, Germany 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



**Caroline Waddington**

British Citizen

Board member since 2017

Chief Financial Officer



**Christopher Horne**

British Citizen

Board member since 2015

Deputy Chief Executive Officer

**Professional history**

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited Executive Director (2017–present) Regional 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 Markets Division, 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), University of Bristol

**Other activities and functions**

NameCo (No.357) Limited, Director
Roffey Park Institute Limited, Non-Executive Director
Brook House (Clapham Common) Management Company Limited, Director
Credit Suisse EMEA Foundation, Trustee

**Professional history**

1997–present	Credit Suisse International Credit Suisse Securities (Europe) Limited Executive Director (2015–present; 2010–2011) Chair of the 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) COO of Credit Suisse First Boston's European Mergers & Acquisitions Department and European Corporate Advisory & Finance team (1999–2000)
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, University of Durham

**Other activities and functions**

UK Finance, Capital Markets and Wholesale Products and Services Board, Member
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**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)
2018–present	Credit Suisse AG & Credit Suisse Group AG Global Head of Market Risk (2018–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
<b>Education</b>	
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)
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**Education**

2000	BSc Mathematics, University of Nottingham
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**Other activities and functions**

Association for Financial Markets in Europe, Director
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**Michael Dilorio**

American Citizen

Board member since 2017



**Nicola Kane**

British Citizen

Board member since 2018

**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
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**Professional history**

2014–present	Credit Suisse International Credit Suisse Securities (Europe) Limited 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) 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 Operations Manager, Debt Derivatives Operations (1994-1995) Project Manager (1998-1999)
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
Credit Suisse EMEA Foundation, Trustee

# Interim Management Report for the Six Months Ended 30 June 2018

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# Credit Suisse International at a glance

## BUSINESS MODEL

### Entity Structure

Credit Suisse International ('CSi') 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. Credit Suisse International ('CSi' or 'Bank') is a bank domiciled in the United Kingdom. CSi together with its subsidiaries is referred to as the 'CSi group'. The Bank has branch operations in Dublin, Milan, Madrid, Sweden, Amsterdam and Singapore. The Bank also maintains representative offices in Hong Kong, Geneva and Zurich.

CSG, a company domiciled in Switzerland, 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](http://www.credit-suisse.com).

CSG 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 45,000 employees from approximately 150 different nations.

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'). The Strategic Resolution Unit ('SRU') consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with CSG's strategic direction. 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 2018 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 2018. The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 16 August 2018.

### Change in directors

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.

Changes in the directorate since 31 December 2017 and up to the date of this report are as follows:

#### Appointment

Andreas Gottschling	1 January 2018
Nicola Kane	7 June 2018

## 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. CSi is progressing towards achieving specific goals to return to profitability and maintain its strong capital position. 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 for EMEA corporates including mergers and acquisitions ('M&A') and equity, debt and derivative underwriting and arrangement services.

### 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 with respect to counterparty service, innovation, product range and geographic scope of operations. CSi offers to its clients a range of interest rate, currency, equity and credit-related OTC derivatives and securitised 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 supply 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 and hedge funds.

The business structure consists of equity sales and trading, fixed income sales and trading and underwriting. Equity sales and trading includes 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. In July 2017, the GM division entered into an agreement with SUB and IWM whereby it provides centralised trading and sales services to private and institutional clients across the three divisions referred to as International Trading Solutions ('ITS'). These services are now managed as a single business providing aligned market strategies, cost synergies and enhanced client focus.

##### Business Strategy

Looking ahead, the division continues to focus on the following ambitions: further increasing collaboration across CSG focusing on IBCM, APAC and IWM clients, increasing operating leverage as well as attracting top talent. With regards to costs and ongoing cost saving initiatives, GM will continue 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 the 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 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

CSI facilitates two other divisions:

- APAC delivers a range of financial products and services to corporate and institutional clients; and
- SRU was created to allow the right-sizing of CS group divisions. Within CSI, the SRU predominantly comprises derivative portfolios across interest rate and credit products. The portfolio includes a tail of long-dated trades, and spans both central counterparties ('CCP') and bilateral counterparties. The primary focus of the SRU is on the wind-down of assets with high capital usage and costs in order to reduce the negative impact on CSG and legal entity performance.

## OPERATING ENVIRONMENT

### 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 global economic outlook has continued to improve, with the pace of economic growth picking up and the recovery becoming more synchronised around the world. In the UK, the Bank of England recently announced an increase in the base rate of 0.25% and Gross Domestic Product ('GDP') growth appears to have recovered as it is estimated to be 0.4% in Q2 following a dip in Q1 of 0.2%. However, concerns around the UK's exit from the EU remain. In the United States ('US'), the Federal Reserve increased the rate by 0.5% to a range of 1.75% and 2.00% and signaled an expectation that rates will be raised twice more this year.

The political environment continues to be uncertain. Tensions in international trade have escalated with the US and Chinese

governments announcing tariffs to be imposed on steel and aluminum. Although the tariffs are only on a small share of bilateral trades, there is a risk that a further rise in trade protectionism could reduce global activity. This is also coupled with instability in the Eurozone because of political developments within Italy and the UK preparing for its exit from the EU. CSi remains vigilant to these risks and their potential impact.

### **Accounting and regulatory environment**

#### **Accounting**

The CSi group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers accounting standards on 1 January 2018. CSi group will adopt IFRS 16 Leases on 1 January 2019. For further details, refer to Note 2 – Significant Accounting Policies.)

#### **Recovery and Resolution Planning**

CSi is preparing to comply with the Operational Continuity in Resolution ('OCIR') requirements, as set out in the Operational Continuity part of the PRA Rulebook, Policy Statement 21/26 and Supervisory Statement 9/16, which becomes effective on 1 January 2019. The CSi group is assessing the impact of these requirements to ensure operational arrangements are sufficiently robust to support its critical services throughout the stabilisation and restructuring process were the bank to fail.

#### **Regulatory**

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.

The 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 will implement these principles with respect to a defined scope of risk measures and risk reports by year-end 2018.

CSi continues to monitor and adapt to ongoing changes in the regulatory and accounting environment.



# Performance

## KEY PERFORMANCE INDICATORS ('KPI'S')

The Bank uses a range of KPI's to manage its financial position which are critical to the successful management of the business 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.

	6M18	6M17	6M16	6M15	6M14
<b>Earnings</b>					
<b>Net profit/(loss) before tax (USD million):</b>					
Continuing operations	131	(142)	(140)	(64)	101
Discontinued operations	–	–	79	237	–
<b>Total</b>	<b>131</b>	<b>(142)</b>	<b>(61)</b>	<b>173</b>	<b>101</b>
	<b>Jun 18</b>	Jun 17	Jun 16	Jun 15	Jun 14
<b>Consolidated Statement of Financial Position (USD million):</b>					
Total Assets	247,165	273,633	444,997	452,959	520,587
Total Asset reduction	(9.67)%	(38.51)%	(1.76)%	(12.99)%	(9.58)%
Return on Total Assets	0.05%	(0.05)%	(0.01)%	0.04%	0.02%
	<b>Jun 18</b>	Jun 17	Jun 16	Jun 15	Jun 14
<b>Capital (USD million):</b>					
Risk Weighted Assets	100,354	101,875	163,750	176,021	158,339
Tier 1 capital	21,123	21,153	20,750	22,296	23,183
Return on Tier 1 capital	0.62%	(0.67)%	(0.29)%	0.78%	0.44%
	<b>Jun 18</b>	Jun 17	Jun 16	Jun 15	Jun 14
<b>Liquidity (USD million):</b>					
Liquidity Buffer	17,781	17,485	27,134	29,700	17,700

## Capital

In line with strategy, CSi continues to maintain a strong capital position and as a result was able to repay USD 1.5 billion of surplus capital in the form of subordinated debt during the first six months of the year. CSi's RWA has reduced significantly since 2015, which is in line with CSi's business model. Over the past year, credit risk and regulatory Credit Valuation Adjustment ('CVA')

RWA decreased further, partially offset by an increase in market and CS group entities concentration risk RWA.

## Liquidity

Minimal increases in High Quality Liquid Assets ('HQLA') portion of liquidity buffer as additional PRA requirements from 1 January 2018 came into effect, offset by underlying liquidity risk reductions.

**CONSOLIDATED STATEMENT OF INCOME**

	6M18	6M17 <sup>1</sup>	6M16 <sup>1</sup>	6M15 <sup>1</sup>	6M14 <sup>1</sup>
<b>Consolidated Statement of Income (USD million)</b>					
Net revenues	1,210	580	634	926	882
Total operating expenses	(1,079)	(722)	(774)	(990)	(781)
<b>Profit/(Loss) before tax from continuing operations</b>	<b>131</b>	<b>(142)</b>	<b>(140)</b>	<b>(64)</b>	<b>101</b>
<b>Profit/(Loss) before tax from discontinuing operations</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>237</b>	<b>-</b>
<b>Profit/(Loss) before tax</b>	<b>131</b>	<b>(142)</b>	<b>(61)</b>	<b>173</b>	<b>101</b>
Income tax benefit/(expense) from continuing operations	9	1	(10)	(16)	(472)
Income tax benefit/(expense) from discontinuing operations	-	-	-	(57)	-
<b>Profit/(Loss) after tax</b>	<b>140</b>	<b>(141)</b>	<b>(71)</b>	<b>100</b>	<b>(371)</b>

<sup>1</sup> Excludes IFRS 15 revenue and expense classification impact.

The CSi group has returned to profitability reporting a net gain attributable to shareholders of USD 140 million (2017: USD 141 million loss).

Profit before tax for the CSi group was USD 131 million (2017: USD 142 million loss).

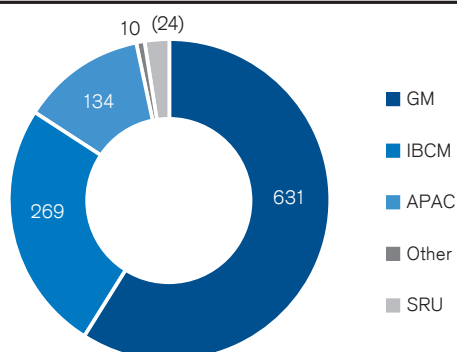
**Net Revenues**

	6M18	6M17 <sup>1</sup>	Variance	% Variance
<b>Reconciliation of reportable segment revenues (USD million)</b>				
Total Revenues for reportable segments <sup>2</sup>				
- Global Markets	631	524	107	20%
- Investment Banking & Capital Markets	269	173	96	55%
- APAC	134	174	(40)	(23)%
- Other	10	1	9	900%
- Strategic Resolution Unit	(24)	(108)	84	78%
Revenue sharing agreements	75	(174)	249	143%
Cross divisional revenue share	34	3	31	1,033%
Treasury funding	137	2	135	6,750%
Other corporate items	26	(4)	30	750%
Shared services	18	(19)	37	195%
CSi group to primary reporting reconciliations	(100)	8	(108)	(1,350)%
<b>Net revenues as per Consolidated Statement of Income</b>	<b>1,210</b>	<b>580</b>	<b>630</b>	<b>109%</b>

<sup>1</sup> Excludes IFRS 15 revenue classification impact.

<sup>2</sup> 6M17 numbers have been re-stated to conform to current period's presentation

Revenues of each reporting segment are as below:

**6M18 (USD million)**


In the first half of 2018, GM revenues increased by 20% primarily from Equity Derivatives and Investor Products. Flow equity derivatives increased due to market volatility as inflation concerns in

February led to the market selling off, forcing an exit on equities, driving prices lower and volumes higher. This was coupled with an increase in structured equity derivatives driven by strong trading activity resulting in material gains on large trades.

IBCM Revenues increased by 55% following a strong performance in M&A, following the execution of a number of large deals in the UK. Corporate debt derivatives and leveraged finance also performed well with revenues increasing by 43% in leveraged finance, despite overall fees in the street being 3% lower than prior year.

As expected, the SRU division reported a loss primarily due to trade compressions and asset sales. Offsetting these losses were mark to market gains made following the widening of Italian credit spreads bolstering revenues resulting in a lower loss for 2018.

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

- Increase of USD 249 million in revenue sharing agreements of which USD 240 million relates to the adoption of IFRS 15 Revenue from Contracts with Customers on 1 January 2018. Under the new accounting standard, revenues related to

revenue sharing agreements are presented gross of offsetting expenses in contrast to prior periods in which these were presented on a net basis. The CSi group adopted the guidance in IFRS 15 and clarifications to IFRS 15 on 1 January 2018 using the cumulative effect transition approach with a transition adjustment recognised in retained earnings without restating comparatives;

- Increase in treasury funding due to higher global cost of carry rates on CSi equity; and
- Decrease of USD 108 million primarily due to the accounting treatment on deferral of day 1 gains on transactions under IFRS which are not deferred under US GAAP.

## Expenses

	6M18	6M17 <sup>1</sup>	Variance	% Variance
<b>Operating expenses (USD million)</b>				
Compensation and Benefits	(282)	(343)	61	(18)%
General, administrative and trading expenses	(747)	(362)	(385)	106%
Restructuring expenses	(50)	(17)	(33)	194%
<b>Total operating expenses</b>	<b>(1,079)</b>	<b>(722)</b>	<b>(357)</b>	<b>49%</b>

<sup>1</sup> Excludes IFRS 15 expense classification impact.

The CSi group's operating expenses increased by USD 357 million to USD 1,079 million (30 June 2017: USD 722 million).

The decrease in Compensation and benefits costs is driven by the deferred compensation awards that are accounted for at fair value and linked to the share price of CSG. In the first 6 months of 2018, the CSG share price decreased resulting in gains to be recorded for deferred compensation. This reduced the overall compensation expense in 2018.

General, administrative and trading expenses have increased by USD 385 million due to:

- Increase of USD 263 million due to the impact of adoption of IFRS 15 as described previously within transfer pricing arrangements (USD 240 million) and trading expenses (USD 23 million). Trading expenses increased by a further USD 28

million primarily driven by higher commission expenses in the listed derivative business;

- Increase in professional services of USD 73 million following the transfer of all corporate function staff who perform multiple material legal entity critical functions and critical service contracts moving into Credit Suisse Services AG, London Branch in June 2017; and
- Increase of USD 29 million in net overheads allocated from other CS group entities driven by revised allocation methodologies implemented during the year.

Restructuring expenses have increased primarily due to an increase in the provisions on onerous leases on One Cabot Square, London.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 the CSi group had total assets of USD 247 billion (31 December 2017: USD 249 billion).

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

- Trading financial assets mandatorily at fair value through profit or loss have decreased by USD 12 billion. The decrease was primarily due to reduction of trades in the SRU division due to trade compressions and asset sales. Additionally there was a decrease in GM on interest rate products driven by movement on rates curves in Euro and Great British Pound amid the concern over the European Central Bank's monetary policy, increasing inflation within the Eurozone, Italian political uncertainty and continued global tensions in international trade. Similarly, there has been a decrease of USD 12 billion in trading financial liabilities mandatorily at fair value through profit or loss;
- Associated with this, other assets have decreased by USD 2 billion primarily due to a decrease in cash collateral provided to external counterparties in line with the reduction in derivative exposures; and
- Non-trading financial assets mandatorily at fair value through profit and loss and Financial assets designated at fair value

through profit and loss have increased by USD 9 billion, of which USD 4 billion relates to the change in sourcing of securities for HQLA from within the CS group with the offset in Securities purchased under resale agreements and securities borrowing transactions as referred to below. There was also an increase of USD 3 billion with Stock Loan trades in order to cover short positions for entities within the CS group. Following the adoption of IFRS 9 during the year, the assets included within Financial assets designated at fair value through profit or loss are now classified as Non-trading financial assets mandatorily at fair value through profit or loss.

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:

- An increase of USD 8 billion in interest-bearing deposits with banks due to 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 purposes from other CS group entities as referred to previously on Financial assets designated at fair value through profit or loss; and

- An increase in borrowings of USD 5 billion from CS group entities primarily in higher cash usage of Euro and Japanese Yen within the business.

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 increased to USD 4.7 billion as at 30 June 2018 (31 December 2017: USD 4.5 billion) mainly driven by an increase in equity derivatives and debt securities due to the buying back of structured notes. This was equivalent to 1.9% of total assets (2017: 2.1%). Total Level 3 liabilities were USD 5.2 billion as at 30 June 2018 (31 December 2017: USD 5.6 billion) primarily

driven by credit derivatives and structured notes. This was equivalent to 2.3% (2017: 2.5%) of total liabilities.

Fair Value disclosures are presented in Note 24 – Financial Instruments.

#### **DIVIDENDS**

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No dividends have been paid for the period ended 30 June 2018 (2017: USD Nil).

#### **SUBSEQUENT EVENTS**

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There are no material subsequent events that require disclosure in the Condensed Consolidated Interim Financial Statements as at the date of this report.

# Principal risks and uncertainties

## SIGNIFICANT RISKS

RISK TYPE	DESCRIPTION	HOW RISKS ARE MANAGED
Conduct Risk	Conduct risk is the risk that improper behaviour or judgement by employees results in negative financial or non-financial, or reputational harm to clients, employees, firm and/or the integrity of the market.	CSi seeks to promote good behaviour and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards. In addition, six Conduct and Ethics Standards establish group-wide standards and further embed clear expectations of Conduct and Ethics in Credit Suisse's employees. The Code of Conduct and set of Conduct and Ethics Standards are linked to the employee performance assessment and compensation process.
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 Prudential Regulation Authority'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 parameters, such as market 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.	CSi believes 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 Enterprise Risk and Control Framework ('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.	The Bank's Board has established a CSi 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, divisional, shared services and CSi entity management.



**OTHER SIGNIFICANT RISKS**

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**UK EU Exit**

CSi already provides a comprehensive range of services to clients through both the London operations and a number of different subsidiaries and branches across the Continent. CSi continues to explore solutions to various outcomes, including a hard exit, and is looking at ways to optimise its current infrastructure. This includes

options for continuing to service EU clients and access markets and leveraging existing CS group EU presence where appropriate.

**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 2018

# Financial Statements for the six months ended 30 June 2018 (Unaudited)

## Condensed Consolidated Statement of Income for the six months ended 30 June 2018 (Unaudited)

	Reference to note	6M18	in 6M17 <sup>1</sup>
<b>Consolidated Statement of Income (USD million)</b>			
<b>Continuing Operations</b>			
Interest income	4	667	365
- of which Interest income from instruments at amortised cost		509	na <sup>2</sup>
Interest expense	4	(559)	(425)
- of which Interest expense on instruments at amortised cost		(463)	na <sup>2</sup>
Net interest income/(expense)		108	(60)
Commission and fee income	5	350	285
Commission and fee expense	5	(2)	(52)
Net commission and fee income		348	233
Provision for credit losses	7	(8)	(4)
Net gains from financial assets/liabilities at fair value through profit or loss	8	673	600
Other revenues/(expenses)	9	89	(189)
<b>Net revenues</b>		<b>1,210</b>	<b>580</b>
Compensation and benefits	10	(282)	(343)
General, administrative and trading expenses	11	(747)	(362)
Restructuring expenses	12	(50)	(17)
<b>Total operating expenses</b>		<b>(1,079)</b>	<b>(722)</b>
<b>Profit/(Loss) before taxes from continuing operations</b>		<b>131</b>	<b>(142)</b>
Income tax benefit/(expense) from continuing operations	13	9	1
<b>Net Profit/(Loss) from continuing operations</b>		<b>140</b>	<b>(141)</b>
<b>Net Profit/(Loss) attributable to Credit Suisse International shareholders</b>		<b>140</b>	<b>(141)</b>

<sup>1</sup> The CSI group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. 2017 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 20 – Discontinued operations and Assets held for sale. 6M17 numbers have been further restated due to negative interest for securities purchased/ sold under resale/ repurchase agreements and securities borrowing/ lending transactions.

<sup>2</sup> na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

## Condensed Statement of Comprehensive Income for the six months ended 30 June 2018 (Unaudited)

	6M18	in 6M17
<b>Consolidated Statement of Comprehensive Income (USD million)</b>		
<b>Net Profit/(Loss)</b>	<b>140</b>	<b>(141)</b>
Foreign currency translation differences	-	1
Cash flow hedges – effective portion of changes in fair value	(2)	-
Gains on designated financial liabilities relating to credit risk	6	-
<b>Total items that may be reclassified to net income/retained earnings</b>	<b>4</b>	<b>1</b>
<b>Total comprehensive profit/(loss)</b>	<b>144</b>	<b>(140)</b>
Attributable to Credit Suisse International shareholders	144	(140)

## Condensed Consolidated Interim Statement of Financial Position as at 30 June 2018 (Unaudited)

	Reference to note	6M18	end of 2017 <sup>1</sup>
<b>Assets (USD million)</b>			
Cash and due from banks		4,084	4,971
Interest-bearing deposits with banks		12,165	4,187
Securities purchased under resale agreements and securities borrowing transactions		12,898	17,052
Trading financial assets mandatorily at fair value through profit or loss	15	162,154	174,555
of which positive market values from derivative instruments	15	135,303	144,364
Non-trading financial assets mandatorily at fair value through profit or loss	17	20,209	na <sup>2</sup>
Financial assets designated at fair value through profit or loss		–	11,130
Net loans		3,813	3,331 <sup>3</sup>
Investment property		105	131
Current tax assets		8	5
Deferred tax assets	14	366	349
Other assets	18	30,605	32,957
Property and equipment		210	157
Intangible assets		473	454
Assets held for sale	20	75	161
<b>Total assets</b>		<b>247,165</b>	<b>249,440</b>
<b>Liabilities (USD million)</b>			
Deposits		1,062	188
Securities sold under repurchase agreements and securities lending transactions		9,524	7,193
Trading financial liabilities mandatorily at fair value through profit or loss	15	137,629	149,505
of which negative market values from derivative instruments	15	134,822	146,102
Financial liabilities designated at fair value through profit or loss		23,908	22,899
Borrowings		11,247	5,940 <sup>3</sup>
Current tax liabilities		66	91
Other liabilities	18	23,573	24,176
Provisions		9	6
Debt in issuance	19	17,451	16,847 <sup>3</sup>
Liabilities held for sale	20	77	117
<b>Total liabilities</b>		<b>224,546</b>	<b>226,962</b>
<b>Shareholders' equity (USD million)</b>			
Share capital	21	12,366	12,366
Share premium	21	12,704	12,704
Retained earnings		(2,437)	(2,592)
Accumulated other comprehensive income		(14)	–
<b>Total shareholders' equity</b>		<b>22,619</b>	<b>22,478</b>
<b>Total liabilities and shareholders' equity</b>		<b>247,165</b>	<b>249,440</b>

<sup>1</sup> The CSI group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

<sup>2</sup> na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

<sup>3</sup> Other loans and receivables, Short term borrowings and Long term debt were renamed to Net loans, Borrowings and Debt in issuance respectively to better describe the financial instruments under these headings.

Approved by the Board of Directors on 16 August 2018 and signed on its behalf by:



Caroline Waddington  
Chief Financial Officer

**Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2018 (Unaudited)**

	Share Capital	Share Premium	Retained Earnings	AOCI <sup>1</sup>	Total <sup>2</sup>
<b>Condensed Consolidated Statement of Changes in Equity (USD million)</b>					
<b>Balance at 1 January 2018</b>	<b>12,366</b>	<b>12,704</b>	<b>(2,592)</b>	<b>–</b>	<b>22,478</b>
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
<b>Adjusted balance at 1 January 2018</b>	<b>12,366</b>	<b>12,704</b>	<b>(2,577)</b>	<b>(18)</b>	<b>22,475</b>
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)
<b>Total comprehensive gain for the period</b>	<b>–</b>	<b>–</b>	<b>140</b>	<b>4</b>	<b>144</b>
Additional paid in capital	–	–	–	–	–
<b>Balance at 30 June 2018</b>	<b>12,366</b>	<b>12,704</b>	<b>(2,437)</b>	<b>(14)</b>	<b>22,619</b>
<b>Condensed Consolidated Statement of Changes in Equity (USD million)</b>					
<b>Balance at 1 January 2017</b>	<b>12,366</b>	<b>12,704</b>	<b>(2,360)</b>	<b>(2)</b>	<b>22,708</b>
Net loss for the period	–	–	(141)	–	(141)
Foreign exchange translation differences	–	–	–	1	1
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>(141)</b>	<b>1</b>	<b>(140)</b>
Additional paid in capital	–	–	29	–	29
<b>Balance at 30 June 2017</b>	<b>12,366</b>	<b>12,704</b>	<b>(2,472)</b>	<b>(1)</b>	<b>22,597</b>

<sup>1</sup> AOCI refers to Accumulated Other Comprehensive Income

<sup>2</sup> The CSI group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

There were no dividends paid during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).



## Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2018 (Unaudited)

	Reference to note	6M18	6M17 <sup>1</sup>
<b>Cash flows from operating activities (USD million)</b>			
Profit/(Loss) before tax for the period		131	(142)
<b>Adjustments to reconcile net profit/(loss) to net cash generated from/(used in) operating activities (USD million)</b>			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation	11	60	71
Depreciation & impairment on investment property	11	3	13
Gain on non current assets held for sale		–	(6)
Losses on long lived assets held for sale		–	4
Accrued interest on debt in issuance		151	168
Provision for credit losses		8	4
Foreign exchange loss		39	480
Provisions		3	(22)
Total adjustments		264	712
<b>Cash generated before changes in operating assets and liabilities</b>		<b>395</b>	<b>570</b>
<b>Net decrease in operating assets:</b>			
Interest bearing deposits with banks		(7,978)	3,090
Securities purchased under resale agreements and securities borrowing transactions		4,154	(2,885)
Trading financial assets mandatorily at fair value through profit or loss	15,20	12,441	48,968
Non-trading financial assets mandatorily at fair value through profit or loss		(20,130)	na <sup>2</sup>
Financial assets designated at fair value through profit or loss		11,130	6,099
Net loans		(567)	(92)
Other assets		2,352	3,202
<b>Net decrease in operating assets:</b>		<b>1,402</b>	<b>58,382</b>
<b>Net decrease in operating liabilities:</b>			
Securities sold under repurchase agreements and securities lending transactions		2,331	1,095
Trading financial liabilities mandatorily at fair value through profit or loss		(11,918)	(43,980)
Financial liabilities designated at fair value through profit or loss		1,015	(806)
Borrowings		5,307	4,217
Share based compensation (Included in other liabilities & provisions)		(45)	(11)
Other liabilities and provisions		(714)	(6,107)
<b>Net decrease in operating liabilities</b>		<b>(4,024)</b>	<b>(45,592)</b>
Income taxes refunded		–	61
Income taxes paid		–	(6)
Group relief paid		(26)	–
<b>Net cash (used in)/generated from operating activities</b>		<b>(2,253)</b>	<b>13,415</b>
<b>Cash flows from investing activities (USD million)</b>			
Capital expenditures for property, plant equipment and intangible assets		(137)	(118)
Sale of assets held for sale		73	94
<b>Net cash used in investing activities</b>		<b>(64)</b>	<b>(24)</b>
<b>Cash flow from financing activities (USD million)</b>			
Issuances of debt in Issuance		5,085	–
Repayments of debt in Issuance		(4,529)	(13,643)
<b>Net cash flow generated from/(used in) financing activities</b>		<b>556</b>	<b>(13,643)</b>
<b>Net change in cash and cash equivalents</b>		<b>(1,761)</b>	<b>(252)</b>
Cash and cash equivalents at beginning of period		4,783	5,033
<b>Cash and cash equivalents at end of period (USD million)</b>		<b>3,022</b>	<b>4,781</b>
Cash and due from banks		4,084	5,199
Demand deposits		(1,062)	(418)
<b>Cash and cash equivalents at end of period (USD million)</b>		<b>3,022</b>	<b>4,781</b>

<sup>1</sup> The CSI group has elected to present a Consolidated Statement of Cash Flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 20.

6M17 numbers have been re-stated to conform to current period's presentation.

<sup>2</sup> na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

**Notes to the Condensed Consolidated Interim Financial Statements  
for the Six Months Ended 30 June 2018 (Unaudited)**

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# Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2018 (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 2018 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 2018.

## 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 2017. Except as described below for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, 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 2017. For the comparative numbers for Financial Instruments and items impacted by Revenue from Contracts with Customers, 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 2017.

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 2017 except as described below for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

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 the Directors have prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

Except as described in the Changes to the Significant Accounting Policies below for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, 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 ('6M18') represent the six month period ended 30 June 2018,

references to ('6M17') represent the six month period ended 30 June 2017, and ('end of 2017') represents the financial position as at and for the year ended 31 December 2017.

### Standards effective in the current period

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

- IFRS 9 Financial Instruments: In July 2014, the IASB issued IFRS 9 as a complete standard which replaces IAS 39. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The CSi group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39, until at the latest the requirements on macro hedging are finalised and released. The amendments to IFRS 7 resulting from IFRS 9 also require new disclosures as well as the revision of current disclosure requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The full set of required disclosures for IFRS 7 as amended by IFRS 9 would be included in Consolidated Financial Statements for the year ended 31 December 2018.

In October 2017, the IASB issued Prepayments Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The CSi group early adopted this amendment during 2018.

Changes in accounting policies resulting from the adoption of IFRS 9 are generally applied retrospectively; however the CSi group has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

For the impact of adoption of IFRS 9 on 1 January 2018, please refer to the subsequent sections detailing the changes to the significant accounting policies.

- IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 requires that an entity recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements that enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In April 2016, the IASB issued Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Clarifications to IFRS 15). The Clarifications to IFRS 15 are intended to address implementation questions that were discussed by the Joint Transition Resource Group for Revenue Recognition on licenses of intellectual property, identifying performance obligations, principal versus agent application guidance and transition. IFRS 15 replaces existing revenue guidance in IFRS. IFRS 15 and Clarifications to IFRS 15 are effective for annual reporting periods beginning on or after 1 January 2018.

The CSi group adopted the guidance in IFRS 15 and Clarifications to IFRS 15 on 1 January 2018 using the cumulative effect transition approach with a transition adjustment recognised in retained earnings without restating comparatives. As a result of adoption, there was a decrease in retained earnings (net of tax) of USD 10 million due to timing of the recognition of certain fees. In assessing whether an entity's promises to transfer goods or services to the customers are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs. As a result of the CSi group's assessment of performance obligations within advisory contracts, the CSi group identified changes in the timing of the recognition of certain fees in the investment banking capital markets business.

Additionally, the new revenue recognition criteria required the CSi group to present underwriting revenue, reimbursed expenses in fund management and in investment banking advisory gross of offsetting expenses and revenues related to Revenue Share Agreements and Transfer Pricing Adjustments gross of offsetting expenses in contrast to prior periods in which the financial statements presented these amounts net; this change in presentation from net to gross would have increased the revenues and expenses for 6 months 2017 by USD 259 million.

- Amendments to IFRS 2: Share-based Payment: In June 2016, the IASB issued narrow scope amendments to IFRS 2 Share based payments (Amendments to IFRS 2). The Amendments clarify how to account for certain types of share-based payment transactions. The Amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The adoption of the Amendments to IFRS 2, did not have a material impact to the CSi group's financial position, results of operation or cash flows.

### Standards and Interpretations 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.

- IFRS 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) which 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 compared to the current accounting guidance. Under the current lessee accounting model the CSi group is required to distinguish between finance leases, which are recognised on balance sheet, and operating leases, which are not. IFRS 16 will require lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet for most leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The CSi group has established a cross-functional implementation team and governance structure for the project. The CSi group is

currently reviewing its existing contracts to determine the impact of the adoption of IFRS 16. The CSi group expects an increase in total assets and total liabilities as a result of recognising right-of-use assets and lease liabilities for all leases under the new guidance and is currently evaluating the impact of the adoption of IFRS 16 on the CSi group's results of operations and 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.

- 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 is effective for annual periods beginning on or after 1 January 2019. The CSi group is currently evaluating the impact of adopting IFRIC 23 on the CSi group's financial position, results of operations and 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 are effective for annual periods beginning on or after 1 January 2019. The CSi group is currently evaluating the impact of adopting the Improvements to IFRSs 2015-2017.
- 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 are effective for annual periods beginning on or after 1 January 2019. The CSi group is currently evaluating the impact of adopting the Amendments to IAS 19.

### Changes to the Significant Accounting Policies

#### IFRS 9 Financial Instruments

##### Classification and Measurement

Under IFRS 9, financial assets are classified on the basis of two criteria: 1) the business model of why the financial assets are held and how they are managed and 2) the contractual cash flow characteristics of the financial asset. These factors determine whether the financial assets are measured at Amortised Cost, Fair value through Other Comprehensive Income ('FVOCI') or Fair value through Profit & Loss ('FVTPL'). For equity investments that are not held for trading, the CSi group may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income ('OCI'). The accounting for financial liabilities remains largely unchanged except for those financial liabilities designated at fair value through profit or loss, where the gains and losses arising from changes in credit risk are presented in OCI rather than profit or loss.

The business model assessments are performed by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management. The assessment is made at the level at which the group of financial assets are managed. These assessments are based on reasonable expectations. All relevant and objective evidence are considered while performing the business model assessments, for example:

- How the performance of the financial assets are evaluated and reported to key management personnel;
- The risks that affect the performance of the financial assets and how those risks are managed;
- How managers of the business are compensated.

The 'Hold to Collect' business model is a model with the objective to hold a financial asset to collect contractual cash flows. Sales are incidental to the objective of this model. The 'Hold to Collect and Sell' business model is a model with the objective to both hold financial assets to collect contractual cash flows and to sell financial assets. This model has a greater frequency of sales than a 'Hold to Collect' business model. For both the 'Hold to Collect' and 'Hold to Collect and Sell' business models, the group makes an assessment whether the contractual cash flows of the financial assets are solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A 'Hold to Collect' financial asset is subsequently measured at amortised cost and is subject to impairment losses, recorded through profit and loss. A 'Hold to Collect and Sell' debt instrument is measured at FVOCI, with interest income, foreign currency gains and losses and impairment losses recorded through profit or loss, whilst all other gains and losses are reported in OCI.

Financial assets that are in neither a 'Hold to Collect' nor a 'Hold to collect and Sell' business model are FVTPL. An equity instrument irrevocably designated at FVOCI is subsequently measured at FVOCI, with dividend income recognised in profits and loss, and all other gains and losses recognised in OCI.

##### Amendments to Statement of Financial Position presentation

The CSi group has made a series of changes to the presentation of its IFRS balance sheet due to the changes in categories under IFRS 9. The primary changes include:

- Instruments mandatorily at fair value are now divided between trading financial assets mandatorily at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss;



- IFRS 9 does not change balance sheet presentation on the liability side; however the trading line item has been updated to be consistent with the asset side of balance sheet, "Trading financial liabilities mandatorily at fair value through profit and loss";
- The life to date own credit changes on financial liabilities designated at fair value through profit or loss held at the transition date, has been moved from "Retained Earnings" to "Accumulated Other Comprehensive Income", as IFRS 9 requires own credit to be reported in equity;

### Impairment of financial assets, loan commitments and financial guarantees

#### Overview of the ECL principles

Under IFRS 9, the new impairment requirements apply primarily to financial assets measured at amortised cost and FVOCI as well as certain loan commitments and financial guarantee contracts. The impairment requirements have changed from an incurred loss model under IAS 39 to an expected credit loss ('ECL') model under IFRS 9 by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. This requires considerable judgement over how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. The objective of this accounting change is to recognise credit losses earlier than was the case under IAS 39.

All financial assets attract a 12 month ECL on origination (Stage 1) except for financial assets that are purchased or originated credit-impaired. When credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement is changed from 12-month expected credit losses (Stage 1) to lifetime expected credit losses (Stage 2).

The assessment of a significant increase in credit risk since initial recognition is based on different quantitative and qualitative factors that are relevant to the particular financial instrument in scope. A financial asset moves into Stage 3 when it becomes credit-impaired. The definition of credit-impaired under IFRS 9 is similar to the current indicators in IAS 39 of objective evidence of impairment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of potential credit losses and application of measurement is as follows:

- financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the CSi group expects to receive. The CSi group applies a PD/LGD approach under which term structures of point-in-time probability of defaults ('PDs'), point-in-time loss given defaults ('LGDs') and exposure at defaults ('EADs') are estimated;
- financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows. Stage 3 provisions are generally consistent with the individually assessed allowances for impaired instruments that had been recognised under IAS 39, however, these processes have

been updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios;

- undrawn loan commitments apply the present value of the difference between the contractual cash flows that are due to the CSi group if the commitment is drawn down and the cash flows that the CSi group expects to receive;
- financial guarantee contracts apply the present value of the expected payments to reimburse the holder less any amounts that the CSi group expects to recover; and
- the CSi group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all fee receivables. To measure the expected credit losses, the CSi group will apply a provision matrix in the form of aging analysis, including relevant forward looking information. The fee receivables do not contain a significant financing component in accordance with IFRS 15.

#### Definition of default

The definition of default for IFRS 9 purposes is aligned with the current regulatory definition of default which is based on 90 days past due and unlikely to pay on material obligation.

In assessing whether a borrower is in default, the CSi group considers indicators that are:

- Qualitative: e.g. breaches of covenants;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the CSi group; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

#### Forward looking information

The estimation and application of forward-looking information requires significant judgement. The CSi group's estimation of expected credit losses is based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios to capture the point of non-linearity of losses: a base scenario, an upside scenario, and a downside scenario. The base case represents a most-likely outcome and is aligned with information used by the CSi group for other purposes, such as strategic planning and budgeting. Currently, the other scenarios represent more optimistic and more pessimistic outcomes with the downside scenario being more severe relative to the upside scenario.

Scenarios are probability-weighted according to the CSi group's best estimate of their relative likelihood based on historical frequency and current trends and conditions and macroeconomic factors such as interest rates, gross domestic product and unemployment rates. Probability weights are reviewed and updated (if required) on a quarterly basis.

#### Significant increases in credit risk ('SICR')

Under IFRS 9, the measurement of expected credit losses for each stage and the assessment of significant increases in credit

risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The CSi group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the CSi group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly vary by portfolio.

The assessment of significant increases in credit risk is generally based on two indicators:

- Changes in probability-weighted forward-looking lifetime PD, using the same macroeconomic scenarios as the calculation of expected credit losses for newly originated financial instruments (forward book); or changes in credit rating for financial instruments originated prior to the effective date of IFRS 9 (back book), and;
- Credit watch list as specific qualitative information.

The rebuttable presumption of more than 30 days past due has not been used because financial instruments are considered credit-impaired and therefore transferred into Stage 3 earlier than 30 days past due, unless credit risk management determines the default to be operational in nature and it is rectified in a short period of time (normally within a week).

The CSi group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

A financial instrument is transferred from Stage 2 to Stage 1, if it no longer meets the stage transition criteria. The stage transition criteria implicitly reflect a probation period, either by the idiosyncratic nature of PDs or by the credit watch list process.

A financial instrument is transferred from Stage 3 to Stage 2 or 1 after a probation period in line with the CSi group's credit risk management practices. If the financial instrument has not met the criteria to be considered credit-impaired for a minimum number of months, it will be returned to either Stage 2 or Stage 1 depending on the characteristics of the financial instrument.

The low credit risk exemption has not been used in the context of determining significant increases in credit risk.

Reverse repurchase agreements and securities borrowing transactions are not impacted by the SICR process due to the risk management practices adopted, including regular margin calls. If margin calls are not satisfied, positions will be closed out immediately with any shortfall generally classified as a Stage 3 position.

### Expected life

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including borrower-only extension options) over which the CSi group is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

### Grouping financial assets measured on a collective basis

For Stage 1 and Stage 2 ECLs, financial assets are grouped based on shared credit risk characteristics, e.g. product type and geographic location. However, for each financial asset within the grouping an ECL is calculated based on the PD/LGD approach. Financial assets are grouped as follows:

- Financial institutions;
- Corporates
- Fallback (assets not included in any of the above categories).

For all Stage 3 assets, regardless of the class of financial assets, the CSi group calculates ECL on an individual basis.

### Write-off policy

When it is considered certain that there is no reasonable prospect of recovery and all collateral has been realised or transferred to the CSi group, the loan and any associated allowance is written off. If the amount of loss on write-off is greater than the accumulated loss allowance, the difference results in an additional impairment loss. The additional impairment loss is first recognised as an addition to the allowance that is then applied against the gross carrying amount. Any repossessed collateral is initially measured at fair value. The subsequent measurement depends on the nature of the collateral.

### Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, client retention and other factors not related to a current or potential credit deterioration of the client. An existing financial asset whose terms have been modified may be derecognised and the renegotiated financial asset recognised as a new financial asset at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- The remaining lifetime risk of a default at the reporting date based on the modified terms; with
- The remaining lifetime risk of a default estimated based on data on initial recognition and the original contractual terms.

The CSi group renegotiates loans to clients in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the CSi group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.



The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The credit committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the CSi group's forbearance policy, the estimate of the debtor's PD reflects whether the modification has improved or restored the CSi group's ability to collect interest and principal and the CSi group's previous experience of similar forbearance action. As part of this process, the CSi group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a client needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD

is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

#### **Interest income and expense**

Interest income and expense includes interest income and expense on the CSi group's financial instruments owned and financial instruments sold not yet purchased, borrowings and debt in issuance, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSi group's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability. When a financial asset becomes credit-impaired (or 'Stage 3'), interest income is calculated by applying the effective interest rate to the amortised cost (i.e. net of the expected credit loss provision).

The below table provides a reconciliation between the original measurement categories and carrying amounts determined under IAS 39 and the new measurement categories under IFRS 9.

Class of Financial Instrument	FVTPL	Held for trading
<b>Financial assets (USD million)</b>		
Cash and due from banks	–	–
Interest-bearing deposits with banks	–	–
Securities purchased under resale agreements and securities borrowing transactions	–	–
Trading financial assets at fair value through profit or loss	–	174,555
Financial assets designated at fair value through profit or loss	11,130	–
Net loans	–	–
Other assets	–	–
Assets held for sale	–	115
<b>Total Carrying Value of Financial assets</b>	<b>11,130</b>	<b>174,670</b>
<b>Financial liabilities (USD million)</b>		
Deposits	–	–
Securities sold under repurchase agreements and securities lending transactions	–	–
Trading financial liabilities at fair value through profit or loss	–	149,505
Financial liabilities designated at fair value through profit or loss	22,899	–
Borrowings	–	–
Debt in issuance	–	–
Other liabilities	–	–
Liabilities held for sale	–	117
<b>Total Carrying Value of Financial liabilities</b>	<b>22,899</b>	<b>149,622</b>

Measurement Category at 31 December 2017 (IAS 39)			Measurement Category at 1 January 2018 (IFRS 9)				
Loans and Receivable	Other Amortised Cost	Total Carrying Value	Reclassifications	Remeasurements	FVTPL	Amortised Cost	Total Carrying Value
–	4,971	4,971	–	–	–	4,971	4,971
–	4,187	4,187	–	–	–	4,187	4,187
–	17,052	17,052	–	–	–	17,052	17,052
–	–	174,555	–	–	174,555	–	174,555
–	–	11,130	83	(4)	11,209	–	11,209
3,331	–	3,331	(83)	6	–	3,254	3,254
–	32,957	32,957	–	–	–	32,957	32,957
–	–	115	–	–	115	–	115
<b>3,331</b>	<b>59,167</b>	<b>248,298</b>	<b>–</b>	<b>2</b>	<b>185,879</b>	<b>62,421</b>	<b>248,300</b>
–	188	188	–	–	–	188	188
–	7,193	7,193	–	–	–	7,193	7,193
–	–	149,505	–	–	149,505	–	149,505
–	–	22,899	–	–	22,899	–	22,899
–	5,940	5,940	–	–	–	5,940	5,940
–	16,847	16,847	–	–	–	16,847	16,847
–	24,176	24,176	–	(7)	–	24,169	24,169
–	–	117	–	–	117	–	117
–	<b>54,344</b>	<b>226,865</b>	<b>–</b>	<b>(7)</b>	<b>172,521</b>	<b>54,337</b>	<b>226,858</b>

The below table provides reconciliation between categories and carrying amounts determined under IAS 39 and the new measurement categories under IFRS 9.

Financial assets (USD million)	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements <sup>1</sup>	IFRS 9 carrying amount 1 January 2018	Retained earnings effect on 1 January 2018
<b>Fair value through profit or loss</b>	<b>185,800</b>	<b>83</b>	<b>(4)</b>	<b>185,879</b>	<b>(4)</b>
Additions:					
From amortised cost (IAS 39) – required reclassification	–	83	(4)	79	(4)
Total change to fair value through profit or loss	–	83	(4)	79	(4)
<b>Amortised Cost</b>	<b>62,498</b>	<b>(83)</b>	<b>–</b>	<b>62,415</b>	<b>–</b>
Subtractions:					
To fair value through profit or loss (IFRS 9) – at 1 January 2018	–	(83)	–	(83)	–
Total change to amortised cost	–	(83)	–	(83)	–
<b>Total financial asset balances, reclassifications and remeasurements at 1 January 2018</b>	<b>248,298</b>	<b>–</b>	<b>(4)</b>	<b>248,294</b>	<b>(4)</b>

<sup>1</sup> The impact of impairment is not included above. Please see the table below for impairment.

On adoption of IFRS 9, there was a transition loss recognised in retained earnings of USD 4 million. Under IAS 39, loans aggregating USD 83 million were accrual accounted in the Corporate Bank. The risks that affect the performance of the loans are managed on

a fair value basis, hedged by credit default swaps and accordingly with the implementation of IFRS 9, these are now mandatorily fair valued through profit or loss.

The below table provides a reconciliation of impairment of financial assets, loan commitments and financial guarantees between IAS 39 and IFRS 9.

(USD million)	31 December 2017 (IAS 39/IAS 37)	Reclassification	Remeasurement	1 January 2018 (IFRS 9)
Net loans	8	–	(6)	2
Loan commitments and financial guarantee contracts issued	9	–	(7)	2
<b>Total</b>	<b>17</b>	<b>–</b>	<b>(13)</b>	<b>4</b>

There was a transition gain recognised in retained earnings of USD 13 million as IAS 39 collective provisions for exposures without objective evidence of impairment were USD 16 million compared to Stage 1 and Stage 2 ECL provisions of USD 3 million (Stage 1 : USD 2 million and Stage 2 : USD 1 million). In a benign credit environment and outlook, Stage 1 ECL can be lower than through the cycle based IAS 39 collective provisions for exposures without objective evidence of impairment.

### IFRS 15 Revenue from Contracts with Customers Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. The CSi group recognises revenue when it satisfies a contractual performance obligation. Variable consideration is only included in the transaction price once it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the amount of variable consideration is subsequently resolved. Generally no significant judgement is required with respect to recording variable consideration. If a fee is a fixed percentage of a variable account value at contract inception, recognition of the fee revenue is constrained as the contractual consideration is highly susceptible to change due to factors outside of the CSi group's influence. However, at each end of a performance measurement period (e.g.

daily, monthly, quarterly), recognition of the cumulative amount of the consideration to which the CSi group is entitled is no longer constrained because it is calculated based on a known account value and the fee revenue is no longer variable.

IFRS 15 includes revised guidance for the determination of the presentation of certain costs that were previously offset against revenue. As a result, when the CSi group is involved in Transfer Pricing Arrangements ('TPA'), Revenue Share Agreements ('RSA') and Single Global Currency ('SGC') the revenues and expenses resulting from TPA, RSA and SGC are generally reported on a gross basis in the CSi group's financial statement.

### Critical Accounting Estimates and Judgements in Applying Accounting Policies Financial Instruments

#### Classification and Measurement

The CSi group exercises judgement to determine the appropriate level at which to assess its business models. In general the assessment is performed at the product level, e.g. corporate lending, middle market lending. In other cases the assessment is carried out at a more granular level, e.g. loan portfolio by type of loan contract, and, if required, further disaggregation is performed by business strategy. In addition, the group exercises judgement in determining the effect of sales of financial instruments on the business model assessment.

Financial assets held within a 'Hold to Collect' business model include corporate loans and reverse repo transactions terms of which are consistent with a basic lending arrangement. As a result, very limited judgement is needed in concluding that the cash flows of these instruments are solely payments of principal and interest.

**Allowance and impairment losses on loans and receivables (IAS 39) and financial instruments subject to expected credit loss model (IFRS 9)**

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Under IFRS 9, the CSi group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The CSi group's internal credit grading model, which assigns PDs to the individual grades;
- The CSi group's quantitative and qualitative criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis;

- The segmentation of financial assets under the PD/LGD approach to estimate Stage 1 and Stage 2 ECLs;
- The development of ECL models, including the various formulas and the choice of inputs;
- The determination of the associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the CSi group's policy to regularly review its models for actual loss experience and adjust when necessary.

**Revenue Recognition**

Variable consideration is only included in the transaction price once it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the amount of variable consideration is subsequently resolved. Generally no significant judgement is required with respect to recording variable consideration.

Advisory contracts may have one or more services that meet the definition of a performance obligation. The assessment of what is the performance obligation in an advisory contract requires judgement.

**3 Segmental Analysis**

The Group has 4 reportable segments 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. Certain revenue items are not directly allocated to the above business segments at a CSi group level. These items include certain transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi group may earn revenues. Transactions between reportable segments are held at an arm's length basis and are included in the segment results.

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

	6M18	6M17 <sup>1</sup>
<b>Revenues (USD million)</b>		
Global Markets	631	524
- Credit	125	117
- Equities	51	25
- Fixed Income & Wealth Management Products	214	227
- Equity Derivatives & Investor Products	285	134
- International Trading Solutions Management	(59)	(7)
- Global Markets Management	15	28
Investment Banking & Capital Markets	269	173
APAC	134	174
Other	10	1
<b>Core Business</b>	<b>1,044</b>	<b>872</b>
Strategic Resolution Unit	(24)	(108)
<b>Total</b>	<b>1,020</b>	<b>764</b>

<sup>1</sup> 6M17 numbers have been re-stated to conform to current period's presentation

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

	6M18	6M17 <sup>1</sup>
<b>Consolidated Income/(loss) before taxes (USD million)</b>		
Global Markets	195	93
- Credit	70	66
- Equities	45	4
- Fixed Income & Wealth Management Products	75	78
- Equity Derivatives & Investor Products	111	(23)
- International Trading Solutions Management	(64)	(19)
- Global Markets Management	(42)	(13)
Investment Banking & Capital Markets	18	(20)
APAC	77	43
Other	(3)	(4)
<b>Core Business</b>	<b>287</b>	<b>112</b>
Strategic Resolution Unit	(72)	(172)
<b>Total</b>	<b>215</b>	<b>(60)</b>

<sup>1</sup> 6M17 numbers have been re-stated to conform to current period's presentation

### Reconciliation of reportable segment revenues

	6M18	6M17 <sup>2</sup>
<b>Reconciliation of reportable segment revenues (USD million)</b>		
Total revenues for reportable segments	1,020	764
Transfer pricing arrangements	75	(174)
Cross divisional revenue share	34	3
Treasury funding	137	2
Other corporate items	26	(4)
Shared services	18	(19)
CSi group to primary reporting reconciliations <sup>1</sup>	(100)	8
<b>Net revenues as per Consolidated Statement of Income</b>	<b>1,210</b>	<b>580</b>

<sup>1</sup> 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.

<sup>2</sup> 6M17 numbers have been re-stated to conform to current period's presentation

	6M18	6M17 <sup>2</sup>
<b>Reconciliation of reportable segment income/(loss) before taxes (USD million)</b>		
Income/(Loss) before taxes for reportable segments	215	(60)
Other corporate items	19	(46)
Shared services	(6)	(28)
CSi group to primary reporting reconciliations <sup>1</sup>	(97)	(8)
<b>Profit/(Loss) before taxes as per Consolidated Statement of Income</b>	<b>131</b>	<b>(142)</b>

<sup>1</sup> 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.

<sup>2</sup> 6M17 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)

	6M18 <sup>1</sup>
<b>Net interest income (USD million)</b>	
<b>Loans</b>	
of which are held at fair value through profit or loss	41
of which are held at amortised cost	32
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	
of which are held at fair value through profit or loss	117
of which are held at amortised cost	101
<b>Other</b>	
of which are held at fair value through profit or loss	-
of which are held at amortised cost	376
<b>Interest income</b>	<b>667</b>
<b>Deposits</b>	
of which are held at fair value through profit or loss	-
of which are held at amortised cost	(4)
<b>Borrowings</b>	
of which are held at fair value through profit or loss	-
of which are held at amortised cost	(40)
<b>Securities sold under repurchase agreements and securities lending transactions</b>	
of which are held at fair value through profit or loss	(95)
of which are held at amortised cost	(86)
<b>Debt in issuance</b>	
of which are held at fair value through profit or loss	(1)
of which are held at amortised cost	(150)
<b>Other</b>	
of which are held at fair value through profit or loss	-
of which are held at amortised cost	(183)
<b>Interest expense</b>	<b>(559)</b>
<b>Net interest income</b>	<b>108</b>

<sup>1</sup> The disclosure is applicable under IFRS 9. The CSi group has taken advantage of the exemption allowing it not to restate comparative information for the prior period.



	6M17 <sup>1</sup>
<b>Net interest expense (USD million)</b>	
Securities purchased under resale agreements and securities borrowing transactions	92
Cash collateral provided on OTC derivatives transactions	136
Interest income on cash and cash equivalents and loans	58
Net loans	79
<b>Total interest income</b>	<b>365</b>
Deposits	(3)
Borrowings	(58)
Securities sold under repurchase agreements and securities lending transactions	(66)
Debt in issuance	(168)
Cash collateral received on OTC derivatives transactions	(130)
<b>Total interest expense</b>	<b>(425)</b>
<b>Net interest expense</b>	<b>(60)</b>

<sup>1</sup> 6M17 numbers have been restated due to negative interest for securities purchased/ sold under resale/ repurchase agreements and securities borrowing/ lending transactions.

For securities purchased under resale agreements and securities borrowing transactions if the interest rate is negative the associated interest expense is recorded in interest expense (6M17: Interest income). For securities sold under repurchase agreements and securities lending transactions if the interest rate is negative the

associated interest income is recorded in interest income (6M17: Interest expense). This is a change in 6M18 and the 6M17 numbers have been adjusted to conform to the current year's presentation.

## 5 Commission and Fee Income

	6M18	6M17
<b>Net Commission and fee income (USD million)</b>		
Lending business	78	65
Brokerage	58	58
Underwriting	30	27
Other client services	184	135
<b>Total commission and fee income</b>	<b>350</b>	<b>285</b>
Brokerage	-	(22)
Other client services	(2)	(30)
<b>Total commission and fee expense</b>	<b>(2)</b>	<b>(52)</b>
<b>Net commission and fee income</b>	<b>348</b>	<b>233</b>

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

The adoption of IFRS 15 resulted in certain brokerage fees paid in an agency capacity reclassified from brokerage commission and fee expenses to brokerage commission and fee income on a

prospective basis from 1 January 2018. This primarily related to where the CSI group acts as an agent when buying or selling exchange traded securities, exchange traded derivatives or centrally cleared OTC derivatives on behalf of clients.

	6M18 <sup>1</sup>
<b>Fee income and expense from financial instruments (USD million)</b>	
Origination fees & other services	16
Commitment fees	13
<b>Total fee income</b>	<b>29</b>
<b>Total fee expense</b>	<b>-</b>
<b>Net fee income</b>	<b>29</b>

<sup>1</sup> The disclosure is applicable under IFRS 9. The CSI group has taken advantage of the exemption allowing it not to present comparative information for the prior period.

## 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 table below.

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

	6M18 <sup>1</sup>
<b>Type of Services (USD million)</b>	
Lending business	49 <sup>2</sup>
Other securities business	4
Underwriting	30
Brokerage	58
Other services	255
<b>Total</b>	<b>396</b>

<sup>1</sup> The disclosure is applicable under IFRS 15. The CSi group has not presented comparative information for the prior period. The table above differs from note 5 – Commission and Fee income as it includes only those contracts with customers that are in scope of IFRS 15 – Revenue from contracts with customers.

<sup>2</sup> Lending fees include loan syndication fees received by the CSi group for arranging loans for which it retains no part of the loan package (or retains a part at the same effective interest rate for comparable risk as other participants).

The impact of adoption of IFRS 15 on the CSi group's condensed consolidated statement of income for the period ended 30 June 2018 resulted in an increase in net commission and fees revenues of USD 40 million, an increase in other revenues of USD 240 million and an increase in other expenses of USD 280 million. The

impact of the adoption did not have a material impact on the CSi group's interim consolidated statement of financial position or the CSi group's consolidated statement of cash flows for the period ended 30 June 2018.

## 7 (Additional)/Release of provision for Credit Losses

	6M18	6M17
<b>(Additional)/Release of provision for credit losses (USD million)</b>		
Allowances for loan losses	(13)	(8)
Provision for off-balance sheet exposures	(4)	(2)
<b>Additional provision for credit losses</b>	<b>(17)</b>	<b>(10)</b>
Allowances for loan losses	7	4
Provision for off-balance sheet exposures	2	2
<b>Release of provision for credit losses</b>	<b>9</b>	<b>6</b>
<b>(Additional)/Release of provision for credit losses</b>	<b>(8)</b>	<b>(4)</b>

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			Total Gross carrying amount	Total Allowance for ECL
	Gross carrying amount	12 Month ECL Stage 1 Allowance for ECL	Gross carrying amount	Lifetime ECL Stage 2 Allowance for ECL	Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 Gross carrying amount	Allowance for ECL			
<b>6M18</b>									
<b>Net loans (USD million)</b>									
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)	–	
<b>Closing balance</b>	<b>3,790</b>	<b>1</b>	<b>22</b>	<b>2</b>	<b>8</b>	<b>4</b>	<b>3,820</b>	<b>7</b>	

	Not credit impaired				Credit impaired			Total Gross carrying amount	Total Allowance for ECL
	Gross carrying amount	12 Month ECL Stage 1 Allowance for ECL	Gross carrying amount	Lifetime ECL Stage 2 Allowance for ECL	Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 Gross carrying amount	Allowance for ECL			
<b>6M18</b>									
<b>Loan commitments (USD million)</b>									
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)	–	
<b>Closing balance</b>	<b>3,204</b>	<b>–</b>	<b>99</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>3,303</b>	<b>1</b>	

6M18	Not credit impaired				Credit impaired		Total Gross carrying amount	Total Allowance for ECL
	Gross carrying amount	12 Month ECL Stage 1	Gross carrying amount	Lifetime ECL Stage 2	Lifetime ECL (excluding purchased / originated credit impaired)			
		Allowance for ECL		Lifetime ECL Stage 3	Gross carrying amount	Allowance for ECL		
<b>Financial guarantees (USD million)</b>								
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	-
<b>Closing balance</b>	<b>200</b>	<b>3</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219</b>	<b>3</b>

6M18	12 Month ECL Amount
<b>Other assets (USD million)</b>	
Opening balance	-
Net remeasurement of loss allowance	1
Foreign exchange	-
<b>Closing balance</b>	<b>1</b>

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 table below:

**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 is a multiple according to the below table, there is a significant increase in credit risk.

SICR thresholds (forward book)				SICR thresholds (forward book)			
Global Corporates				Financial Institutions and Fallback			
Origination Rating	Americas	APAC	EMEA	Origination Rating	Americas	APAC	EMEA
AAA	1,244	2,447	206	AAA	743	339,092	49
AA+ to AA-	163 to 24	1,191 to 589	18	AA+ to AA-	97 to 8	339,092 to 172,811	49
A+ to A-	5 to 4	95	18	A+ to A-	8 to 7	50,576 to 480	49 to 8
BBB+ to BBB-	3	95 to 34	7 to 3	BBB+ to BBB-	5 to 4	171 to 5	5 to 3
BB+ to BB-	3	34 to 18	3	BB+ to BB-	4	4	3
B+ to B-	3	7 to 2	3 to 2	B+ to B-	3	4 to 1	3 to 2
CCC+ to CCC-	2 to 1	1	1	CCC+	2	1	1
CC	Last rating before default	Last rating before default	Last rating before default	CCC to CCC-	Last rating before default	1	1
				CC	Last rating before default	Last rating before default	Last rating before default

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

	6M18	
<b>Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)</b>		
Net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss	157	
Net gains/(losses) from financial liabilities designated at fair value through profit or loss	516	
<b>Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss</b>	<b>673</b>	
<b>Trading financial assets/ liabilities mandatorily measured at fair value through profit or loss (USD million)</b>		
Interest rate	1,762	
Foreign exchange	(570)	
Equity	(1,056)	
Credit	213	
Commodity	28	
Other	(150)	
<b>Total net gains/(losses) from trading financial assets/liabilities mandatorily measured at fair value through profit or loss</b>	<b>227</b>	
<b>Non-trading financial assets mandatorily measured at fair value through profit or loss (USD million)</b>		
Securities purchased under resale agreements and securities borrowing transactions	(124)	
Loans	(8)	
Other financial assets	62	
<b>Total net (losses)/gains from non-trading financial assets mandatorily measured at fair value through profit or loss</b>	<b>(70)</b>	
<b>Total net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss</b>	<b>157</b>	
<b>Net gains/(losses) from financial liabilities designated at fair value through profit or loss (USD million)</b>		
	Profit or Loss	OCI
Securities sold under repurchase agreements and securities lending transactions	(2)	-
Borrowings	234	-
Debt in issuance	290	6
Other financial liabilities designated at fair value through profit or loss	(6)	-
<b>Total net gains from financial liabilities designated at fair value through profit or loss</b>	<b>516</b>	<b>6</b>

	6M17 <sup>1</sup>
<b>Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)</b>	
Interest rate	1,909
Foreign exchange	35
Equity	(1,240)
Commodity	21
Credit	(59)
Other	(66)
<b>Total net gains from financial assets/liabilities at fair value through profit or loss</b>	<b>600</b>

<sup>1</sup> 2017 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 20 – Discontinued Operations and Assets Held for Sale.

The above table represents revenues on a product basis which are not representative of business results within segments, as segments utilise financial instruments across various product types.

## 9 Other Revenues

	6M18 <sup>2</sup>	6M17 <sup>1</sup>
<b>Other revenues (USD million)</b>		
Transfer pricing arrangements	75	(174)
Other	14	(15)
<b>Total other revenues</b>	<b>89</b>	<b>(189)</b>

<sup>1</sup> 2017 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 20 – Discontinued Operations and Assets Held for Sale.

<sup>2</sup> Refer Note 6 for further details.

The transfer pricing arrangements reflect the revenues allocated to CSi group from other companies in the CS group under transfer pricing policies. In prior periods both revenues and expenses

related to transfer pricing arrangements had been presented in Other Revenues which resulted in a net expense for 6M17.

## 10 Compensation and Benefits

	6M18	6M17
<b>Compensation and benefits (USD million)</b>		
Salaries and variable compensation	(238)	(286)
Social security	(34)	(43)
Pensions	(9)	(10)
Other	(1)	(4)
<b>Total compensation and benefits</b>	<b>(282)</b>	<b>(343)</b>

## 11 General, Administrative and Trading Expenses

	6M18 <sup>2</sup>	6M17 <sup>1</sup>
<b>General, administrative and trading expenses (USD million)</b>		
Brokerage charges and clearing house fees	(169)	(109)
Insurance charges	(3)	(12)
<b>Trading expenses</b>	<b>(172)</b>	<b>(121)</b>
Occupancy expenses	(12)	(9)
Depreciation and amortisation expenses	(60)	(70)
Depreciation and impairment of investment property	(3)	(13)
Litigation	(8)	(2)
Auditor remuneration	(1)	(1)
Professional services	(117)	(44)
Impairment of intangible asset	–	(1)
CSG trademark	(2)	(2)
Net Overheads allocated from other CS group entities	(75)	(46)
Transfer pricing arrangements	(240)	–
UK Bank Levy	2	–
Marketing data, publicity and subscription	(17)	(15)
Non income taxes	(18)	(16)
Other	(24)	(22)
<b>General and administrative expenses</b>	<b>(575)</b>	<b>(241)</b>
<b>Total general, administrative and trading expenses</b>	<b>(747)</b>	<b>(362)</b>

<sup>1</sup> 2017 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 20 – Discontinued Operations and Assets Held for Sale.

<sup>2</sup> Refer Note 6 for further details.

The expenses incurred by other CS group company under common control are recharged to CSi group through 'Net overheads allocated from other CS group entities'. The recharges comprise

compensation and benefit expenses and general administrative expenses.

## 12 Restructuring Expenses

In accordance with the CS group wide strategic review, restructuring expenses of USD 50 million (2017: USD 17 million) were recognised by CSi group during 2018. Restructuring expenses primarily include termination costs and expenses in connection with the acceleration of certain deferred compensation awards arrangement and onerous lease costs for the 6 months ended 30 June 2018.

	6M18	6M17
<b>Restructuring expenses by type (USD million)</b>		
Compensation and benefits-related expenses	(13)	(9)
of which severance	(9)	(5)
of which accelerated deferred compensation	(4)	(4)
General and administrative-related expenses	(37)	(8)
<b>Total Restructuring expenses by type</b>	<b>(50)</b>	<b>(17)</b>

	6M18			2017		
	Severance expenses	General and administrative expenses	Total	Severance expenses	General and administrative expenses	Total
<b>Restructuring provision (USD million)</b>						
<b>Balance at beginning of the period/year</b>	4	156	160	12	153	165
Net additional charges	9	37	46 <sup>1</sup>	5	15	20
Utilisation and foreign exchange fluctuations	(6)	(23)	(29)	(13)	(12)	(25)
Reclassification from other liabilities	–	12	12 <sup>3</sup>	–	–	–
<b>Balance at end of the period/year</b>	<b>7</b>	<b>182</b>	<b>189<sup>2</sup></b>	<b>4</b>	<b>156</b>	<b>160</b>

<sup>1</sup> Liability arising on restructuring has been included in Note 18 – Other Assets and Other Liabilities. Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 2.9 million and unsettled cash based deferred compensation of USD 1.2 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.

<sup>2</sup> Liability relating to severance expenses and general and administrative expenses of USD 189 million have been included in 'Other Assets and Other Liabilities'.

<sup>3</sup> 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

	6M18	6M17
<b>Income tax (USD million)</b>		
Current tax <sup>1</sup>	(8)	(6)
Deferred tax	17	7
<b>Income tax benefit</b>	<b>9</b>	<b>1</b>

<sup>1</sup> 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

	6M18	6M17 <sup>2</sup>
<b>Income tax reconciliation (USD million)</b>		
Profit/(Loss) before tax	131	(142)
Profit/(Loss) before tax multiplied by the UK statutory rate of corporation tax of 19% (2017: 19.25%)	(25)	27
Non recoverable foreign taxes including withholding taxes <sup>1</sup>	(3)	(4)
Impact of UK bank corporation tax surcharge	(10)	12
Adjustments to current tax in respect of previous periods	(2)	(2)
Other permanent differences	5	(11)
Utilisation of deferred taxes not previously recognised / (Deferred taxes not recognised)	44	(21)
<b>Income tax benefit</b>	<b>9</b>	<b>1</b>

<sup>1</sup> Withholding taxes are included within income taxes.

<sup>2</sup> 6M17 numbers have been restated to conform to the current period's presentation.

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

### 14 Deferred Tax Asset

	6M18	2017
<b>Deferred tax (USD million)</b>		
Deferred tax assets	366	349
<b>Net position</b>	<b>366</b>	<b>349</b>
<b>Balance at 1 January</b>	<b>349</b>	<b>338</b>
Credit to income for the period	17	11
<b>At end of the period</b>	<b>366</b>	<b>349</b>

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2017: 25%). Deferred taxes are calculated on carry forward tax losses using effective tax rates of 17% or 25% (2017: 17% or 25%). Legislation has been enacted which reduced the UK corporation tax rate to 19% with effect from 1 April 2017 and then 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 948 million (2017: USD 1,001 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

	6M18	2017
<b>Trading financial assets mandatorily at fair value through profit or loss (USD million)</b>		
Debt securities	19,061	22,722
Equity securities	7,142	6,831
Derivative instruments	135,303	144,364
Other	648	638
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>162,154</b>	<b>174,555</b>
<b>Trading financial liabilities mandatorily at fair value through profit or loss (USD million)</b>		
Short positions	2,807	3,400
Derivative instruments	134,822	146,102
Other	-	3
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>137,629</b>	<b>149,505</b>

## 16 Derivatives

	6M18	
	Gross Derivative Assets <sup>1</sup>	Gross Derivative Liabilities <sup>1</sup>
<b>Derivatives (USD million)</b>		
Interest rate products	81,611	76,028
Foreign exchange products	30,090	34,008
Equity/indexed-related products	21,137	21,379
Credit products	8,159	8,945
Other products	215	186
<b>Total derivative instruments</b>	<b>141,212</b>	<b>140,546</b>

<sup>1</sup> Table includes both continuing and discontinued operations. Details are included in Note 20 – Discontinued Operations and Assets Held for Sale.

	2017	
	Gross Derivative Assets <sup>1</sup>	Gross Derivative Liabilities <sup>1</sup>
<b>Derivatives (USD million)</b>		
Interest rate products	93,189	87,624
Foreign exchange products	25,858	30,710
Equity/indexed-related products	21,104	22,103
Credit products	9,488	10,396
Other products	138	454
<b>Total derivative instruments</b>	<b>149,777</b>	<b>151,287</b>

<sup>1</sup> Table includes both continuing and discontinued operations. Details are included in Note 20 – Discontinued Operations and Assets Held for Sale.

**Offsetting of derivative instruments**

	6M18 <sup>2</sup>			2017 <sup>2</sup>		
	Gross	Offsetting	Net	Gross	Offsetting	Net
<b>Derivative Assets (USD millions)</b>						
Derivative instruments subject to enforceable master netting agreements	140,332	(5,834)	134,498	148,709	(5,298)	143,411
Derivative instruments not subject to enforceable master netting agreements <sup>1</sup>	880	–	880	1,068	–	1,068
<b>Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position</b>	<b>141,212</b>	<b>(5,834)</b>	<b>135,378</b>	<b>149,777</b>	<b>(5,298)</b>	<b>144,479</b>
of which recorded in trading financial assets mandatorily at fair value through profit or loss	141,212	(5,834)	135,378	149,777	(5,298)	144,479
<b>Derivative Liabilities</b>						
Derivative instruments subject to enforceable master netting agreements	139,221	(5,647)	133,574	149,546	(5,068)	144,478
Derivative instruments not subject to enforceable master netting agreements <sup>1</sup>	1,325	–	1,325	1,741	–	1,741
<b>Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position</b>	<b>140,546</b>	<b>(5,647)</b>	<b>134,899</b>	<b>151,287</b>	<b>(5,068)</b>	<b>146,219</b>
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	140,546	(5,647)	134,899	151,287	(5,068)	146,219

<sup>1</sup> 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.

<sup>2</sup> Table includes both continuing and discontinued operations. Details are included in Note 20 – Discontinued Operations and Assets Held for Sale.

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

	6M18
<b>Non-trading financial assets mandatorily at fair value through profit or loss (USD million)</b>	
Loans	1,109
Securities purchased under resale agreements and securities borrowing transactions	17,658
Other non-trading financial assets mandatorily at fair value through profit or loss	1,442
<b>Total non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>20,209</b>

**18 Other Assets and Other Liabilities**

	6M18	2017
<b>Other assets (USD million)</b>		
Brokerage receivables	5,394	4,937
Interest and fees receivable	338	326
<b>Cash collateral on derivative instruments</b>		
Banks	12,154	12,778
Customers	12,553	14,754
Other	166	162
<b>Other assets</b>	<b>30,605</b>	<b>32,957</b>
<b>Other liabilities (USD million)</b>		
Brokerage payables	1,650	1,817
Interest and fees payable	1,216	929
<b>Cash collateral on derivative instruments</b>		
Banks	14,142	15,053
Customers	5,803	5,379
Share-based compensation liability	115	160
Other	647	838
<b>Other liabilities</b>	<b>23,573</b>	<b>24,176</b>

## 19 Debt in Issuance

	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	
<b>Debt in issuance (USD million)</b>						
Debt in issuance	13,840	5,085	(2,989)	–	27	15,963
Subordinated debt	3,007	–	(1,540)	–	21	1,488
<b>Total Debt in issuance</b>	<b>16,847</b>	<b>5,085</b>	<b>(4,529)</b>	<b>–</b>	<b>48</b>	<b>17,451</b>

	Balance as at 1 January 2017	Cash Flows		Non Cash Changes		Balance as at 30 June 2017
		Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	
<b>Debt in issuance (USD million)</b>						
Debt in issuance	26,016	–	(13,643)	–	641	13,014
Subordinated debt	6,124	–	–	–	20	6,144
<b>Total Debt in issuance</b>	<b>32,140</b>	<b>–</b>	<b>(13,643)</b>	<b>–</b>	<b>661</b>	<b>19,158</b>

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 Discontinued Operations and Assets Held for Sale

In 2016, the CSi group entered into an agreement to transfer a subset of derivatives and securities in the Asia Pacific division into another CS group entity representing a discontinued operation. Subsequently in the second half of 2017, following a re-planning exercise, timelines to completion of this transfer were extended to greater than 12 months resulting in the requirements of IFRS 5

Non-current Assets Held for Sale and Discontinued Operations no longer being met. The transfer of the derivatives and securities will continue to progress over the newly agreed timeframe. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations requires the restatement of the 2017 Consolidated Statement of Income from discontinuing into continuing operations.

	Held for Sale – CDS Portfolio	Held for Sale – Pre-mises and equipment	Total
<b>2018</b>			
<b>Statement of Financial Position for discontinued operations (USD million)</b>			
Trading financial assets mandatorily at fair value through profit or loss	75	–	<b>75</b>
of which positive market values from derivative instruments	75	–	<b>75</b>
Property and Equipment	–	–	–
<b>Total assets held for sale</b>	<b>75</b>	<b>–</b>	<b>75</b>
Trading financial liabilities mandatorily at fair value through profit or loss	77	–	<b>77</b>
of which negative market values from derivative instruments	77	–	<b>77</b>
<b>Total liabilities held for sale</b>	<b>77</b>	<b>–</b>	<b>77</b>

	Held for Sale – CDS Portfolio	Held for Sale – Pre-mises and equipment	Total
<b>2017</b>			
<b>Statement of Financial Position for discontinued operations (USD million)</b>			
Trading financial assets mandatorily at fair value through profit or loss	115	–	<b>115</b>
of which positive market values from derivative instruments	115	–	<b>115</b>
Property and Equipment	–	46	<b>46</b>
<b>Total assets held for sale</b>	<b>115</b>	<b>46</b>	<b>161</b>
Trading financial liabilities mandatorily at fair value through profit or loss	117	–	<b>117</b>
of which negative market values from derivative instruments	117	–	<b>117</b>
<b>Total liabilities held for sale</b>	<b>117</b>	<b>–</b>	<b>117</b>

There is no cumulative income or expense included in OCI relating to the disposal group. The presentation of assets and liabilities held for sale required the separation of certain assets and liabilities that were previously treated as a single unit of account into disaggregated asset and liability positions.

CSi group disclosed the transfer of derivatives and securities in the Asia Pacific division as a discontinued operation in the

unaudited consolidated interim financial statements for the period ended 30 June 2017. During the second half of 2017, the migration plans were changed and this impact would have reduced the disclosed profit after tax from discontinued business from USD 46 million to USD nil in the unaudited interim financial statements of CSi group for the period ended 30 June 2017.

## 21 Called-up Share Capital and Share Premium

	6M18	2017
<b>Share Capital</b>		
<b>Allotted called-up and fully paid (USD million)</b>		
131,158,070,611 Ordinary voting shares of USD 0.094284 each	12,366	12,366
<b>Total allotted called-up and fully paid capital</b>	<b>12,366</b>	<b>12,366</b>
<b>Share Premium (USD million)</b>		
Share Premium	12,704	12,704

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

## 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 21 – 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 2018 compared to the year ended 31 December 2017.

## 23 Contingent Liabilities and Commitments

CSi is the subject of a number of litigation matters. Provision for loss will be made where the IFRS requirements for recognition of a provision are satisfied i.e. i) loss is 'more likely than not' (>50% likelihood of loss); and ii) losses can be reasonably estimated. Furthermore, under IFRS, legal expenses are only accrued where we have accrued for loss.

CSi is the defendant in German court litigation brought by Stadtwerke Munchen GmbH, a German public utility company. The litigation relates to 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. The claimant seeks damages of EUR 63 million, repayment of EUR 100 million of collateral held by CSi and release from all future obligations under the trades.

Witness hearings took place in June – October 2017 and January 2018. A further hearing is expected to be scheduled for December 2018, with a first instance judgment likely in early/mid 2019. No provision for liability is currently held for this matter.

CSi (along with other Credit Suisse entities) 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 Mocambicana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and Credit Suisse's subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. CSi has been cooperating with the authorities on this matter. No provision for liability is currently held for this matter.

## 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 2018	Total carrying value	Mandatorily at FVTPL	Designated at fair value	Carrying value		Total fair value
				Amortised cost		
<b>Financial assets (USD million)</b>						
Cash and due from banks	4,084	–	–	4,084		4,084
Interest-bearing deposits with banks	12,165	–	–	12,165		12,165
Securities purchased under resale agreements and securities borrowing transactions	12,898	–	–	12,898		12,898
Trading financial assets mandatorily at fair value through profit or loss	162,154	162,154	–	–		162,154
Non-trading financial assets mandatorily at fair value through profit or loss	20,209	20,209	–	–		20,209
Net loans	3,813	–	–	3,813		3,813
Other assets	30,605	–	–	30,605		30,605
Assets held for sale	75	75	–	–		75
<b>Total financial assets</b>	<b>246,003</b>	<b>182,438</b>	<b>–</b>	<b>63,565</b>		<b>246,005</b>
<b>Financial liabilities (USD million)</b>						
Deposits	1,062	–	–	1,062		1,062
Securities sold under repurchase agreements and securities lending transactions	9,524	–	–	9,524		9,524
Trading financial liabilities mandatorily at fair value through profit or loss	137,629	137,629	–	–		137,629
Financial liabilities designated at fair value through profit or loss	23,908	–	23,908	–		23,908
Borrowings	11,247	–	–	11,247		11,247
Other liabilities	23,573	–	–	23,573		23,573
Debt in issuance	17,451	–	–	17,451		17,490
Liabilities held for sale	77	77	–	–		77
<b>Total financial liabilities</b>	<b>224,471</b>	<b>137,706</b>	<b>23,908</b>	<b>62,857</b>		<b>224,510</b>

As at 31 December 2017	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Carrying value		Total fair value
					Other amortised cost		
<b>Financial assets (USD million)</b>							
Cash and due from banks	4,971	–	–	–	4,971		4,971
Interest-bearing deposits with banks	4,187	–	–	–	4,187		4,187
Securities purchased under resale agreements and securities borrowing transactions	17,052	–	–	–	17,052		17,052
Trading financial assets at fair value through profit or loss	174,555	174,555	–	–	–		174,555
Financial assets designated at fair value through profit or loss	11,130	–	11,130	–	–		11,130
Net loans	3,331	–	–	3,331	–		3,334
Other assets	32,957	–	–	–	32,957		32,957
Assets held for sale	115 <sup>1</sup>	115	–	–	–		115
<b>Total financial assets</b>	<b>248,298</b>	<b>174,670</b>	<b>11,130</b>	<b>3,331</b>	<b>59,167</b>		<b>248,301</b>
<b>Financial liabilities (USD million)</b>							
Deposits	188	–	–	–	188		188
Securities sold under repurchase agreements and securities lending transactions	7,193	–	–	–	7,193		7,193
Trading financial liabilities at fair value through profit or loss	149,505	149,505	–	–	–		149,505
Financial liabilities designated at fair value through profit or loss	22,899	–	22,899	–	–		22,899
Borrowings	5,940	–	–	–	5,940		5,940
Other liabilities	24,176	–	–	–	24,176		24,176
Debt in issuance	16,847	–	–	–	16,847		16,875
Liabilities held for sale	117	117	–	–	–		117
<b>Total financial liabilities</b>	<b>226,865</b>	<b>149,622</b>	<b>22,899</b>	<b>–</b>	<b>54,344</b>		<b>226,893</b>

<sup>1</sup> Assets held for sale does not include USD 46 million Premises and equipment as these are out of scope of the Financial instruments disclosure.

**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 2018	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Assets (USD million)</b>					
<b>Debt securities</b>	<b>13,897</b>	<b>4,122</b>	<b>1,042</b>	<b>–</b>	<b>19,061</b>
of which UK government	9,383	–	–	–	9,383
of which foreign governments	4,514	282	30	–	4,826
of which corporates	–	3,681	976	–	4,657
of which residential mortgage backed securities	–	35	29	–	64
of which commercial mortgage backed securities	–	124	7	–	131
<b>Equity securities</b>	<b>5,123</b>	<b>1,302</b>	<b>717</b>	<b>–</b>	<b>7,142</b>
<b>Derivatives</b>	<b>4,318</b>	<b>134,221</b>	<b>2,598</b>	<b>(5,834)</b>	<b>135,303</b>
of which interest rate products	201	81,131	279	(1,066)	80,545
of which foreign exchange products	76	29,758	256	–	30,090
of which equity/index-related products	4,040	15,651	1,446	(4,768)	16,369
of which credit derivatives	–	7,467	617	–	8,084
of which other derivative products	1	214	–	–	215
<b>Other</b>	<b>–</b>	<b>560</b>	<b>88</b>	<b>–</b>	<b>648</b>
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>23,338</b>	<b>140,205</b>	<b>4,445</b>	<b>(5,834)</b>	<b>162,154</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>18,167</b>	<b>–</b>	<b>(509)</b>	<b>17,658</b>
<b>Loans</b>	<b>–</b>	<b>910</b>	<b>199</b>	<b>–</b>	<b>1,109</b>
of which commercial and industrial loans	–	365	108	–	473
of which loans to financial institutions	–	414	91	–	505
of which government and public institutions	–	131	–	–	131
<b>Other Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>1,399</b>	<b>43</b>	<b>–</b>	<b>1,442</b>
of which failed purchases	–	1,299	1	–	1,300
of which other	–	100	42	–	142
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>20,476</b>	<b>242</b>	<b>(509)</b>	<b>20,209</b>
<b>Derivatives</b>	<b>–</b>	<b>75</b>	<b>–</b>	<b>–</b>	<b>75</b>
of which credit derivatives	–	75	–	–	75
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>75</b>	<b>–</b>	<b>–</b>	<b>75</b>
<b>Assets held for sale</b>	<b>–</b>	<b>75</b>	<b>–</b>	<b>–</b>	<b>75</b>
<b>Total assets at fair value</b>	<b>23,338</b>	<b>160,756</b>	<b>4,687</b>	<b>(6,343)</b>	<b>182,438</b>

<sup>1</sup> 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 2018	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Liabilities (USD million)</b>					
<b>Debt securities</b>	<b>580</b>	<b>316</b>	<b>–</b>	<b>–</b>	<b>896</b>
of which UK government	436	–	–	–	436
of which foreign governments	144	115	–	–	259
of which corporates	–	201	–	–	201
<b>Equity securities</b>	<b>1,847</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>1,911</b>
<b>Other securities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Derivatives</b>	<b>4,460</b>	<b>133,767</b>	<b>2,242</b>	<b>(5,647)</b>	<b>134,822</b>
of which interest rate products	307	75,461	260	(879)	75,149
of which foreign exchange products	74	33,811	123	–	34,008
of which equity/index-related products	4,078	16,196	1,105	(4,768)	16,611
of which credit derivatives	–	8,114	754	–	8,868
of which other derivative products	1	185	–	–	186
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>6,887</b>	<b>134,147</b>	<b>2,242</b>	<b>(5,647)</b>	<b>137,629</b>
<b>Securities sold under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>12,235</b>	<b>–</b>	<b>(509)</b>	<b>11,726</b>
<b>Borrowings</b>	<b>–</b>	<b>2,035</b>	<b>240</b>	<b>–</b>	<b>2,275</b>
<b>Debt in issuance</b>	<b>–</b>	<b>6,536</b>	<b>2,655</b>	<b>–</b>	<b>9,191</b>
of which structured notes between one and two years	–	972	139	–	1,111
of which other debt instruments between one and two years	–	–	1	–	1
of which treasury debt over two years	–	59	–	–	59
of which structured notes over two years	–	3,012	2,293	–	5,305
of which other debt instruments over two years	–	2,467	211	–	2,678
of which non-recourse liabilities	–	26	11	–	37
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>657</b>	<b>59</b>	<b>–</b>	<b>716</b>
of which failed sales	–	645	56	–	701
of which others	–	12	3	–	15
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>21,463</b>	<b>2,954</b>	<b>(509)</b>	<b>23,908</b>
<b>Derivatives</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>–</b>	<b>77</b>
of which credit derivatives	–	77	–	–	77
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>–</b>	<b>77</b>
<b>Liabilities held for sale</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>–</b>	<b>77</b>
<b>Total liabilities at fair value</b>	<b>6,887</b>	<b>155,687</b>	<b>5,196</b>	<b>(6,156)</b>	<b>161,614</b>
<b>Net assets/liabilities at fair value</b>	<b>16,451</b>	<b>5,069</b>	<b>(509)</b>	<b>(187)</b>	<b>20,824</b>

<sup>1</sup> 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.

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

As at 31 December 2017	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Assets (USD million)</b>					
<b>Debt securities</b>	<b>18,627</b>	<b>3,194</b>	<b>901</b>	<b>–</b>	<b>22,722</b>
of which UK government	9,939	–	–	–	9,939
of which foreign governments	8,560	466	53	–	9,079
of which corporates	128	2,352	809	–	3,289
of which residential mortgage backed securities	–	138	29	–	167
of which commercial mortgage backed securities	–	238	10	–	248
<b>Equity securities</b>	<b>4,944</b>	<b>1,146</b>	<b>741</b>	<b>–</b>	<b>6,831</b>
<b>Derivatives</b>	<b>2,280</b>	<b>144,982</b>	<b>2,400</b>	<b>(5,298)</b>	<b>144,364</b>
of which interest rate products	116	92,550	523	(1,096)	92,093
of which foreign exchange products	41	25,655	162	–	25,858
of which equity/index-related products	2,122	17,865	1,117	(4,202)	16,902
of which credit derivatives	–	8,775	598	–	9,373
of which other derivative products	1	137	–	–	138
<b>Other</b>	<b>–</b>	<b>455</b>	<b>183</b>	<b>–</b>	<b>638</b>
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>25,851</b>	<b>149,777</b>	<b>4,225</b>	<b>(5,298)</b>	<b>174,555</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>50</b>	<b>10,792</b>	<b>–</b>	<b>(2,353)</b>	<b>8,489</b>
<b>Loans</b>	<b>–</b>	<b>1,124</b>	<b>196</b>	<b>–</b>	<b>1,320</b>
of which commercial and industrial loans	–	387	132	–	519
of which loans to financial institutions	–	536	64	–	600
of which government and public institutions	–	201	–	–	201
of which real estate	–	–	–	–	–
<b>Other financial assets designated at fair value through profit or loss</b>	<b>–</b>	<b>1,287</b>	<b>34</b>	<b>–</b>	<b>1,321</b>
of which failed purchases	–	1,223	33	–	1,256
of which other	–	64	1	–	65
<b>Financial assets designated at fair value through profit or loss</b>	<b>50</b>	<b>13,203</b>	<b>230</b>	<b>(2,353)</b>	<b>11,130</b>
<b>Derivatives</b>	<b>–</b>	<b>115</b>	<b>–</b>	<b>–</b>	<b>115</b>
of which credit derivatives	–	115	–	–	115
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>115</b>	<b>–</b>	<b>–</b>	<b>115</b>
<b>Assets held for sale</b>	<b>–</b>	<b>115</b>	<b>–</b>	<b>–</b>	<b>115</b>
<b>Total assets at fair value</b>	<b>25,901</b>	<b>163,095</b>	<b>4,455</b>	<b>(7,651)</b>	<b>185,800</b>

<sup>1</sup> 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 2017	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Liabilities (USD million)</b>					
<b>Debt securities</b>	<b>1,672</b>	<b>480</b>	<b>–</b>	<b>–</b>	<b>2,152</b>
of which UK government	367	–	–	–	367
of which foreign governments	1,268	373	–	–	1,641
of which corporates	37	107	–	–	144
<b>Equity securities</b>	<b>1,240</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>1,248</b>
<b>Other securities</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>3</b>
<b>Derivatives</b>	<b>2,229</b>	<b>146,452</b>	<b>2,489</b>	<b>(5,068)</b>	<b>146,102</b>
of which interest rate products	176	87,161	287	(865)	86,759
of which foreign exchange products	26	30,588	96	–	30,710
of which equity/index-related products	2,026	18,896	1,181	(4,203)	17,900
of which credit derivatives	–	9,354	925	–	10,279
of which other derivative products	1	453	–	–	454
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>5,141</b>	<b>146,943</b>	<b>2,489</b>	<b>(5,068)</b>	<b>149,505</b>
<b>Securities sold under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>14,184</b>	<b>–</b>	<b>(2,353)</b>	<b>11,831</b>
<b>Borrowings</b>	<b>–</b>	<b>2,340</b>	<b>106</b>	<b>–</b>	<b>2,446</b>
<b>Debt in issuance</b>	<b>–</b>	<b>5,352</b>	<b>2,878</b>	<b>–</b>	<b>8,230</b>
of which structured notes between one and two years	–	939	43	–	982
of which other debt instruments between one and two years	–	22	–	–	22
of which treasury debt over two years	–	77	–	–	77
of which structured notes over two years	–	2,518	2,500	–	5,018
of which other debt instruments over two years	–	1,796	335	–	2,131
of which non-recourse liabilities	–	–	–	–	–
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>293</b>	<b>99</b>	<b>–</b>	<b>392</b>
of which failed sales	–	282	97	–	379
of which other	–	11	2	–	13
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>22,169</b>	<b>3,083</b>	<b>(2,353)</b>	<b>22,899</b>
<b>Derivatives</b>	<b>–</b>	<b>117</b>	<b>–</b>	<b>–</b>	<b>117</b>
of which credit derivatives	–	117	–	–	117
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>117</b>	<b>–</b>	<b>–</b>	<b>117</b>
<b>Liabilities held for sale</b>	<b>–</b>	<b>117</b>	<b>–</b>	<b>–</b>	<b>117</b>
<b>Total liabilities at fair value</b>	<b>5,141</b>	<b>169,229</b>	<b>5,572</b>	<b>(7,421)</b>	<b>172,521</b>
<b>Net assets/liabilities at fair value</b>	<b>20,760</b>	<b>(6,134)</b>	<b>(1,117)</b>	<b>(230)</b>	<b>13,279</b>

<sup>1</sup> 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.

## Transfers between Level 1 and Level 2

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

USD million	6M18 <sup>1</sup>		2017 <sup>1</sup>	
	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
<b>Assets</b>				
Trading financial assets mandatorily at fair value through profit or loss	63	2,495	141	2,866
<b>Total transfers in assets at fair value</b>	<b>63</b>	<b>2,495</b>	<b>141</b>	<b>2,866</b>
<b>Liabilities</b>				
Trading financial liabilities mandatorily at fair value through profit or loss	9	2,162	3	3,142
<b>Total transfers in liabilities at fair value</b>	<b>9</b>	<b>2,162</b>	<b>3</b>	<b>3,142</b>

<sup>1</sup> Amounts in the above table includes both continuing and discontinued operations.

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.

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2018 (Unaudited)

**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**

6M18	Balance as at 1 January 2018	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 30 June 2018
								On transfers in/out <sup>1</sup>	On all other	
<b>Assets at fair value (USD million)</b>										
<b>Debt securities</b>	<b>901</b>	<b>118</b>	<b>(67)</b>	<b>926</b>	<b>(735)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(101)</b>	<b>1,042</b>
of which foreign governments	53	15	(12)	15	(34)	-	-	-	(7)	30
of which corporates	809	103	(55)	911	(701)	-	-	-	(91)	976
of which commercial mortgage backed securities	10	-	-	-	-	-	-	-	(3)	7
of which Residential Mortgage-Backed Securities	29	-	-	-	-	-	-	-	-	29
<b>Equity securities</b>	<b>741</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>(33)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>717</b>
<b>Derivatives</b>	<b>2,400</b>	<b>182</b>	<b>(249)</b>	<b>-</b>	<b>-</b>	<b>1,180</b>	<b>(704)</b>	<b>(10)</b>	<b>(201)</b>	<b>2,598</b>
of which interest rate products	523	4	(17)	-	-	44	(133)	(2)	(140)	279
of which foreign exchange products	162	2	-	-	-	179	(14)	-	(73)	256
of which equity/index-related products	1,117	115	(173)	-	-	796	(445)	(2)	38	1,446
of which credit derivatives	598	61	(59)	-	-	161	(112)	(6)	(26)	617
of which other derivative products	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	<b>183</b>	<b>22</b>	<b>(64)</b>	<b>72</b>	<b>(123)</b>	<b>21</b>	<b>(25)</b>	<b>2</b>	<b>-</b>	<b>88</b>
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>4,225</b>	<b>322</b>	<b>(380)</b>	<b>1,026</b>	<b>(891)</b>	<b>1,201</b>	<b>(729)</b>	<b>(8)</b>	<b>(321)</b>	<b>4,445</b>
<b>Loans</b>	<b>257</b>	<b>-</b>	<b>(16)</b>	<b>36</b>	<b>(3)</b>	<b>12</b>	<b>(81)</b>	<b>-</b>	<b>(6)</b>	<b>199</b>
of which commercial and industrial loans	193 <sup>2</sup>	-	(16)	-	(3)	12	(75)	-	(3)	108
of which loans to financial institutions	64	-	-	36	-	-	(6)	-	(3)	91
of which government and public institutions	-	-	-	-	-	-	-	-	-	-
<b>Other Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>34</b>	<b>17</b>	<b>-</b>	<b>20</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>43</b>
of which failed purchases	33	-	-	-	(32)	-	-	-	-	1
of which other	1	17	-	20	-	-	-	-	4	42
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>291</b>	<b>17</b>	<b>(16)</b>	<b>56</b>	<b>(35)</b>	<b>12</b>	<b>(81)</b>	<b>-</b>	<b>(2)</b>	<b>242</b>
<b>Total assets at fair value</b>	<b>4,516</b>	<b>339</b>	<b>(396)</b>	<b>1,082</b>	<b>(926)</b>	<b>1,213</b>	<b>(810)</b>	<b>(8)</b>	<b>(323)</b>	<b>4,687</b>

<sup>1</sup> 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.

<sup>2</sup> 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

6M18	Balance as at 1 January 2018	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 30 June 2018
								On transfers in/out <sup>1</sup>	On all other	
<b>Liabilities at fair value (USD million)</b>										
<b>Derivatives</b>	<b>2,489</b>	<b>267</b>	<b>(269)</b>	<b>-</b>	<b>(4)</b>	<b>716</b>	<b>(891)</b>	<b>9</b>	<b>(75)</b>	<b>2,242</b>
of which interest rate products	287	11	(5)	-	(4)	123	(50)	3	(105)	260
of which foreign exchange products	96	25	(1)	-	-	11	(17)	-	9	123
of which equity/index-related products	1,181	144	(198)	-	-	570	(669)	16	61	1,105
of which credit derivatives	925	87	(65)	-	-	12	(155)	(10)	(40)	754
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>2,489</b>	<b>267</b>	<b>(269)</b>	<b>-</b>	<b>(4)</b>	<b>716</b>	<b>(891)</b>	<b>9</b>	<b>(75)</b>	<b>2,242</b>
<b>Borrowings</b>	<b>106</b>	<b>58</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>235</b>	<b>(122)</b>	<b>(2)</b>	<b>(7)</b>	<b>240</b>
<b>Debt in issuance</b>	<b>2,878</b>	<b>42</b>	<b>(385)</b>	<b>-</b>	<b>-</b>	<b>556</b>	<b>(416)</b>	<b>(1)</b>	<b>(19)</b>	<b>2,655</b>
of which structured notes between one and two years	43	16	(40)	-	-	172	(56)	(1)	5	139
of which other debt instruments between one and two years	-	1	-	-	-	-	-	-	-	1
of which structured notes over two years	2,500	20	(343)	-	-	347	(232)	-	1	2,293
of which other debt instruments over two years	335	5	(2)	-	-	26	(128)	-	(25)	211
of which non-recourse liabilities	-	-	-	-	-	11	-	-	-	11
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>99</b>	<b>15</b>	<b>(1)</b>	<b>2</b>	<b>(46)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>59</b>
of which failed sales	97	12	-	2	(46)	-	-	-	(9)	56
of which others	2	3	(1)	-	-	-	-	-	(1)	3
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>3,083</b>	<b>115</b>	<b>(414)</b>	<b>2</b>	<b>(46)</b>	<b>791</b>	<b>(538)</b>	<b>(3)</b>	<b>(36)</b>	<b>2,954</b>
<b>Total liabilities at fair value</b>	<b>5,572</b>	<b>382</b>	<b>(683)</b>	<b>2</b>	<b>(50)</b>	<b>1,507</b>	<b>(1,429)</b>	<b>6</b>	<b>(111)</b>	<b>5,196</b>
<b>Net assets/liabilities at fair value</b>	<b>(1,056)</b>	<b>(43)</b>	<b>287</b>	<b>1,080</b>	<b>(876)</b>	<b>(294)</b>	<b>619</b>	<b>(14)</b>	<b>(212)</b>	<b>(509)</b>

<sup>1</sup> 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**

	Balance as at 1 January 2017 <sup>1</sup>	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2017
								On transfers in/out <sup>2</sup>	On all other	
<b>Assets at fair value (USD million)</b>										
<b>Debt securities</b>	<b>1,551</b>	<b>154</b>	<b>(303)</b>	<b>1,232</b>	<b>(1,745)</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>17</b>	<b>901</b>
of which foreign governments	45	6	(9)	169	(167)	-	-	-	9	53
of which corporates	1,451	148	(294)	1,063	(1,578)	-	-	(5)	24	809
of which commercial mortgage backed securities	26	-	-	-	-	-	-	-	(16)	10
of which Residential Mortgage-Backed Securities	29	-	-	-	-	-	-	-	-	29
<b>Equity securities</b>	<b>24</b>	<b>601</b>	<b>-</b>	<b>187</b>	<b>(69)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>741</b>
<b>Derivatives</b>	<b>3,274</b>	<b>520</b>	<b>(561)</b>	<b>-</b>	<b>-</b>	<b>2,276</b>	<b>(1,645)</b>	<b>72</b>	<b>(1,536)</b>	<b>2,400</b>
of which interest rate products	577	92	(49)	-	-	879	(256)	3	(723)	523
of which foreign exchange products	343	-	(47)	-	-	12	(91)	2	(57)	162
of which equity/index-related products	1,444	152	(162)	-	-	1,214	(951)	30	(610)	1,117
of which credit derivatives	910	276	(303)	-	-	171	(347)	37	(146)	598
of which other derivative products	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	<b>526</b>	<b>127</b>	<b>(106)</b>	<b>139</b>	<b>(344)</b>	<b>11</b>	<b>(243)</b>	<b>3</b>	<b>70</b>	<b>183</b>
<b>Trading financial assets at fair value through profit or loss</b>	<b>5,375</b>	<b>1,402</b>	<b>(970)</b>	<b>1,558</b>	<b>(2,158)</b>	<b>2,287</b>	<b>(1,888)</b>	<b>70</b>	<b>(1,451)</b>	<b>4,225</b>
<b>Loans</b>	<b>706</b>	<b>-</b>	<b>(31)</b>	<b>-</b>	<b>(119)</b>	<b>117</b>	<b>(488)</b>	<b>-</b>	<b>11</b>	<b>196</b>
of which commercial and industrial loans	158	-	-	-	(4)	50	(63)	-	(9)	132
of which loans to financial institutions	512	-	-	-	(115)	67	(420)	-	20	64
of which government and public institutions	36	-	(31)	-	-	-	(5)	-	-	-
of which real estate	-	-	-	-	-	-	-	-	-	-
<b>Other financial assets designated at fair value through profit or loss</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>(69)</b>	<b>4</b>	<b>(26)</b>	<b>-</b>	<b>(27)</b>	<b>34</b>
of which failed purchases	102	-	-	1	(43)	-	-	-	(27)	33
of which other	24	-	-	25	(26)	4	(26)	-	-	1
<b>Financial assets designated at fair value through profit or loss</b>	<b>832</b>	<b>-</b>	<b>(31)</b>	<b>26</b>	<b>(188)</b>	<b>121</b>	<b>(514)</b>	<b>-</b>	<b>(16)</b>	<b>230</b>
<b>Total assets at fair value</b>	<b>6,207</b>	<b>1,402</b>	<b>(1,001)</b>	<b>1,584</b>	<b>(2,346)</b>	<b>2,408</b>	<b>(2,402)</b>	<b>70</b>	<b>(1,467)</b>	<b>4,455</b>

<sup>1</sup> Pursuant to Note 28 (Discontinued operations and assets held for sale), Ending balance of "Level 3 assets and liabilities held for sale" as on 31 December 2016 has been included and disclosed as a part of 'Balance as at 1 January 2017' on account of reclassification of trades from "Discontinued operations" to "Continuing Operations".

<sup>2</sup> 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 2017 <sup>1</sup>	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2017
								On transfers in/out <sup>2</sup>	On all other	
<b>Liabilities at fair value (USD million)</b>										
<b>Derivatives</b>	<b>2,704</b>	<b>431</b>	<b>(694)</b>	<b>-</b>	<b>-</b>	<b>931</b>	<b>(1,930)</b>	<b>85</b>	<b>962</b>	<b>2,489</b>
of which interest rate products	310	49	(32)	-	-	61	(172)	6	65	287
of which foreign exchange products	112	9	-	-	-	3	(60)	-	32	96
of which equity/index-related products	1,167	71	(260)	-	-	563	(1,230)	21	849	1,181
of which credit derivatives	1,115	302	(402)	-	-	304	(468)	58	16	925
of which other derivative products	-	-	-	-	-	-	-	-	-	-
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>2,704</b>	<b>431</b>	<b>(694)</b>	<b>-</b>	<b>-</b>	<b>931</b>	<b>(1,930)</b>	<b>85</b>	<b>962</b>	<b>2,489</b>
<b>Borrowings</b>	<b>119</b>	<b>14</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>252</b>	<b>(231)</b>	<b>-</b>	<b>(23)</b>	<b>106</b>
<b>Debt in issuance</b>	<b>2,542</b>	<b>1,126</b>	<b>(222)</b>	<b>-</b>	<b>-</b>	<b>469</b>	<b>(1,543)</b>	<b>11</b>	<b>495</b>	<b>2,878</b>
of which structured notes between one and two years	66	79	(33)	-	-	163	(373)	1	140	43
of which other debt instruments between one and two years	6	-	-	-	-	(3)	-	-	(3)	-
of which structured notes over two years	1,463	1,039	(110)	-	-	261	(451)	6	292	2,500
of which other debt instruments over two years	1,007	8	(79)	-	-	48	(719)	4	66	335
of which non-recourse liabilities	-	-	-	-	-	-	-	-	-	-
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>314</b>	<b>8</b>	<b>(16)</b>	<b>81</b>	<b>(279)</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(10)</b>	<b>99</b>
of which failed sales	311	4	(9)	84	(300)	-	-	-	7	97
of which others	3	4	(7)	(3)	21	-	-	1	(17)	2
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>2,975</b>	<b>1,148</b>	<b>(263)</b>	<b>81</b>	<b>(279)</b>	<b>721</b>	<b>(1,774)</b>	<b>12</b>	<b>462</b>	<b>3,083</b>
<b>Total liabilities at fair value</b>	<b>5,679</b>	<b>1,579</b>	<b>(957)</b>	<b>81</b>	<b>(279)</b>	<b>1,652</b>	<b>(3,704)</b>	<b>97</b>	<b>1,424</b>	<b>5,572</b>
<b>Net assets/liabilities at fair value</b>	<b>528</b>	<b>(177)</b>	<b>(44)</b>	<b>1,503</b>	<b>(2,067)</b>	<b>756</b>	<b>1,302</b>	<b>(27)</b>	<b>(2,891)</b>	<b>(1,117)</b>

<sup>1</sup> Pursuant to Note 28 (Discontinued operations and assets held for sale), Ending balance of "Level 3 assets and liabilities held for sale" as on 31 December 2016 has been included and disclosed as a part of 'Balance as at 1 January 2017' on account of reclassification of trades from "Discontinued operations" to "Continuing Operations".

<sup>2</sup> 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.

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

	6M18	2017
<b>Trading revenues (USD million)</b>		
Net realised/unrealised (losses)/gains included in net revenues	(226)	(2,918)
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	567	(25)
Non-trading financial assets mandatorily at fair value through profit or loss	(3)	na <sup>1</sup>
Financial assets designated at fair value through profit or loss	-	(7)
Trading financial liabilities mandatorily at fair value through profit or loss	(393)	(528)
Financial liabilities designated at fair value through profit or loss	1	(138)
<b>Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date</b>	<b>172</b>	<b>(698)</b>

<sup>1</sup> na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

#### 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 2018 amounted to USD 322 million and USD (380) million,

respectively. Transfers into Level 3 mainly comprised USD 176 million related to equity/ index-related and credit derivatives and USD 118 million related to trading securities. Transfers out of Level 3 mainly comprised USD (249) million of equity/ index-related derivatives, interest rate derivatives and credit derivatives, USD

(67) million related to trading securities and USD (64) million related to trading loans.

Trading financial assets transferred into and out of Level 3 as at 31 December 2017 amounted to USD 1,402 million and USD (970) million. USD 1,304 million of transfers into Level 3 related to equity and debt securities, credit derivatives, equity derivatives and others. Transfers out of Level 3 largely comprised credit, equity derivatives, debt securities and others. Transfers in and out of Level 3, is due to reduced or improved observability of pricing data.

#### 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 2017 amounted to USD 17 and USD (16) million respectively. Both Transfers in and out of Level 3 were loans related.

This financial statements caption applies under IFRS 9 adopted in the current year, and was not applicable under IAS 39 "Financial Instruments".

#### Financial assets designated at fair value through profit or loss

There are no financial assets designated at fair value through profit or loss after implementation of IFRS 9 for the period ended 30 June 2018.

Financial assets designated at fair value through profit or loss transferred into and out of Level 3 in 2017 amounted to USD Nil and USD (31) million respectively. Transfers out of Level 3 were loans related.

#### Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of Level 3 as at 30 June 2018 amounted to USD 267 million and USD (269) 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 2017 amounted to USD 431 million and USD (694) million, respectively. USD 302 million of transfers into Level 3 were related to credit derivatives. Transfers out of Level 3 largely comprised of equity/index related derivatives and credit derivatives.

#### 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 2018 amounted to USD 115 million and USD (414) million, respectively. The transfers into and out of Level 3 were mainly related to Borrowings and Debt in Issuance.

Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2017 amounted to USD 1,148 million and USD (263) million, respectively. 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 Front Office 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 Front Office, 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 Front Office and Product Control. The Front Office 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 Front Office 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, Front Office 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/ Other financial assets designated 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.



Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2018 (Unaudited)

**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 2018 USD million, except as indicated	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
<b>Assets at fair value</b>						
<b>Debt securities</b>	<b>1,042</b>					
of which corporates	976					
of which	660	Option model	Correlation in %	(60)	100	64
			Volatility in %	–	96	25
of which	174	Discounted cash flow	Credit spread in bp	(4)	1,001	142
of which	139	Market comparable	Price in %	–	104	94
of which CMBS	7	Discounted cash flow	Capitalisation rate in %	14	14	14
<b>Equity securities</b>	<b>717</b>					
of which	11	Market Comparables	Price, in %	15	16	16
	706	Vendor price	Fund NAV, in USD million	–	26	1
<b>Derivatives</b>	<b>2,598</b>					
of which interest rate products	279					
of which	35	Option model	Correlation in %	22	100	59
	120		Prepayment rate in %	1	25	7
	64		Volatility skew in %	(4)	–	(2)
	57		Mean reversion, in %	(110)	12	(6)
of which	–	Market Comparables	Price, in %	94	94	94
of which foreign exchange products	256					
of which	128	Option model	Correlation in %	22	70	42
	40		Prepayment rate in %	21	25	23
	34		FX vol of vol, in %	65	90	88
of which equity/index-related products	1,446					
of which	999	Option model	Correlation in %	(60)	100	64
	386		Volatility in %	–	96	26
	17		Buyback probability in %	50	100	75
of which credit derivatives	617					
of which	–	Discounted cash flow	Correlation in %	97	97	97
	155		Credit spread in bp	1	2,913	486
	–		Default rate, in %	2	20	5
	226		Discount rate, in %	2	28	15
	–		Loss severity, in %	16	100	65
	64		Recovery rate, in %	–	49	23
<b>Other</b>	<b>88</b>					
of which trading	33					
of which	–	Discounted cash flow	Credit spread in bp	47	47	47
<b>Loans</b>	<b>199</b>					
of which commercial and industrial loans	108					
of which	61	Discounted cash flow	Credit spread in bp	394	877	562
	25	Market comparable	Price in %	84	84	84



As at 30 June 2018 USD million, except as indicated	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
<b>Liabilities at fair value (USD million)</b>						
<b>Derivatives</b>	<b>2,242</b>					
of which interest rate products	260					
of which	53	Option model	Correlation, in %	22	100	55
	108		Prepayment rate, in %	1	25	8
of which foreign exchange products	123					
of which	47	Option model	Prepayment rate, in %	21	25	23
of which	13	Discounted cash flow	Contingent probability, in %	95	95	95
	5	Discounted cash flow	Credit spread, in bp	267	304	286
	22	Discounted cash flow	Credit curve – corporate / sovereign, in bp	267	473	426
of which equity/index-related products	1,105					
of which	328	Option model	Correlation, in %	(60)	100	68
	468		Volatility, in %	–	96	25
	241		Buyback probability in %	50	100	75
of which credit derivatives	754					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	235		Credit spread, in bp	–	2,913	345
	–		Default rate, in %	2	20	5
	223		Discount rate, in %	2	28	15
	–		Loss severity, in %	16	100	65
	64		Recovery rate, in %	–	60	29
of which	4	Market Comparables	Price, in %	95	98	97
of which	30	Option model	Funding spread, in bps	68	68	68
<b>Debt in issuance</b>	<b>2,655</b>					
of which structured notes over two years	2,293					
of which	1,042	Option model	Buyback probability, in %	50	100	75
	578		Correlation, in %	(40)	100	71
	270		Gap risk, in %	–	4	1
	174		Volatility, in %	–	96	20
of which	93	Discounted cash flow	Credit spread, in bp	(4)	495	45
of which other debt over two years	211					
of which	46	Option model	Buyback probability, in %	50	100	75
	64		Correlation, in %	(40)	98	69
	20		Gap risk, in %	–	4	1
	39		Volatility, in %	–	57	13
of which structured notes between one and two years	139					
of which	6	Option model	Correlation, in %	(40)	98	69
	108		Volatility, in %	3	96	26
of which failed sales	56	Market comparable	Price in %	–	101	83

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2018 (Unaudited)

As at 31 December 2017 (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
<b>Assets at fair value</b>						
<b>Debt securities</b>	<b>901</b>					
of which corporates	809					
of which	396	Option model	Correlation in %	(60)	98	55
	38		Volatility in %	–	105	22
of which	73	Discounted cash flow	Credit spread in bp	–	952	110
of which	267	Market comparable	Price in %	–	109	99
of which CMBS	10	Discounted cash flow	Capitalisation rate in %	14	14	14
<b>Equity securities</b>	<b>741</b>					
of which	14	Market comparable	Price in %	18	18	18
	726	Vendor price	Fund NAV, in USD million	1	28	1
<b>Derivatives</b>	<b>2,400</b>					
of which interest rate products	523					
of which	38	Option model	Correlation in %	22	100	59
	36		Mean reversion, in %	(14)	5	(5)
	280		Prepayment rate in %	4	34	17
	81		Volatility skew, in %	(4)	1	(1)
	–		Credit spread in bp	–	–	–
of which	59	Market comparable	Price, in %	1	4	3
of which foreign exchange products	162					
of which	106	Option model	Correlation in %	22	68	41
	39		Prepayment rate in %	27	34	30
	–		Volatility in %	–	–	–
of which	–	Discounted cash flow	Credit spread in bp	–	–	–
	–		Contingent probability, in %	–	–	–
of which equity/index-related products	1,117					
of which	831	Option model	Correlation in %	(40)	98	65
	241		Volatility in %	4	105	25
	22		Buyback probability in %	50	100	90
of which credit derivatives	598					
of which	–	Discounted cash flow	Correlation in %	97	97	97
	188		Credit spread in bp	1	1,287	220
	51		Recovery rate in %	–	40	27
	339		Discount rate in %	3	50	16
	–		Default rate in %	1	20	5
	–		Funding spread in bps	0	0	0
	–		Loss severity in %	1	100	65
<b>Other</b>	<b>183</b>					
of which trading	34	Discounted cash flow	Credit spread in bp	10	10	10
	105	Market comparable	Price in %	–	101	50
<b>Loans</b>	<b>196</b>					
of which commercial and industrial loans	132					
of which	108	Discounted cash flow	Credit spread in bp	208	973	450

As at 31 December 2017 (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
<b>Liabilities at fair value (USD million)</b>						
<b>Derivatives</b>	<b>2,489</b>					
of which interest rate products	287					
of which	51	Option model	Correlation, in %	22	100	57
	142		Prepayment rate, in %	6	20	8
	48	Market comparable	Price, in %	1	1	1
	–		Credit spread, in bp	–	–	–
	–		Volatility skew in %	–	–	–
	–		Mean reversion, in %	–	–	–
of which foreign exchange products	96					
of which	53	Option model	Prepayment rate, in %	27	34	30
	–		Price, in %	–	–	–
	9	Discounted cash flow	Credit spread, in bp	2	478	111
	5		Contingent probability in %	95	95	95
of which equity/index-related products	1,181					
of which	364	Option model	Correlation, in %	(60)	98	55
	443		Volatility, in %	–	105	24
	169		Buyback probability in %	50	100	90
	–		Gap risk in %	–	–	–
of which credit derivatives	925					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	278		Credit spread, in bp	2	973	141
	51		Recovery rate, in %	–	60	32
	346		Discount rate, in %	3	50	16
	–		Loss severity, in %	1	100	65
	–		Default rate, in %	1	20	5
	26	Option model	Funding spread in bps	68	68	68
of which	215	Market comparable	Price, in %	100	100	100
<b>Debt in issuance</b>	<b>2,878</b>					
of which structured notes over two years	2,500					
of which	566	Option model	Correlation, in %	(40)	99	64
	90		Volatility, in %	–	105	19
	157		Gap risk, in %	–	2	1
	646		Buyback probability, in %	50	100	90
of which	1,050	Discounted cash flow	Credit spread, in bp	–	495	44
of which other debt over two years	335					
of which	207	Option model	Correlation, in %	(40)	98	55
	40		Volatility, in %	–	43	12
	140		Buyback probability, in %	50	100	90
	22		Gap risk, in %	–	2	1
of which structured notes between one and two years	43					
of which	9	Option model	Correlation, in %	(40)	98	55
	–		Volatility, in %	4	105	25
of which	–	Discounted cash flow	Credit spread, in bp	–	–	–
of which	–	Market comparable	Price, in %	–	–	–
<b>Other Financial liabilities designated at fair value</b>	<b>99</b>					
of which failed sales	97					
of which	16	Discounted cash flow	Credit spread, in bp	852	973	904
	48	Market comparable	Price in %	–	100	35

#### 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
<b>As at 30 June 2018 (USD million)</b>		
Derivative assets and liabilities	254	(273)
Assets-backed securities, loans and derivatives	1	(4)
Debt and equity securities	37	(15)
Loans	16	(9)
<b>Total</b>	<b>308</b>	<b>(301)</b>
<b>As at 31 December 2017 (USD million)</b>		
Derivative assets and liabilities	229	(244)
Assets-backed securities, loans and derivatives	3	(6)
Debt and equity securities	43	(16)
Loans	22	(16)
<b>Total</b>	<b>297</b>	<b>(282)</b>

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:

	6M18	2017
<b>Deferred trade date profit (USD million)</b>		
Balance at the beginning of period	408	413
Increase due to new trades	220	175
Reduction due to passage of time	(30)	(37)
Reduction due to redemption, sales, transfers or improved observability	(102)	(143)
<b>Balance at the end of period</b>	<b>496</b>	<b>408</b>

## 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 2017.

### 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	Diversifi- cation benefit <sup>1</sup>	Total
<b>30 June 2018 (USD million)</b>						
Average	26	7	4	17	(26)	28
Minimum	14	4	2	10	- <sup>2</sup>	17
Maximum	41	15	8	53	- <sup>2</sup>	46
End of period	24	4	7	16	(9)	42
<b>31 December 2017 (USD million)</b>						
Average	29	8	6	13	(29)	26
Minimum	19	4	2	8	- <sup>2</sup>	16
Maximum	48	15	10	30	- <sup>2</sup>	47
End of period	34	6	3	17	(33)	26

<sup>1</sup> 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.

<sup>2</sup> 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 2018 was USD 42 million (31 December 2017: USD 26 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 at 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 three

back-testing exceptions in the 12-months period ending 30 June 2018 (31 December 2017: one)

#### Interest rate sensitivity position in the non-trading portfolio

Interest rate risk on banking book positions 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 non-trading book positions would be a gain USD 0.19 million as of the 30 June 2018 compared to a loss of USD 0.07 million as of the 31 December 2017.

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 2018, the worst fair value impacts would have been driven by a downward shock of the short term interest rates driving a fair value loss of USD 50 million. In comparison, the 31 December 2017 worst fair value impacts would have been generated by a downward parallel shock to the yield curve generating a fair value loss of USD 23 million.

#### Net Counterparty Exposure before Collateral by Internal Rating

	6M18		2017	
	USD million	%	USD million	%
AAA	1,077	3	885	2
AA+ to AA-	7,195	20	8,406	22
A+ to A-	10,845	30	10,741	29
BBB+ to BBB-	10,053	27	10,657	28
BB+ to BB-	2,232	6	3,194	9
B+ and below	5,119	14	3,682	10
	<b>36,521</b>	<b>100</b>	<b>37,565</b>	<b>100</b>

#### Net Unsecured Exposure by Internal Rating (including provisions)

	6M18		2017	
	USD million	%	USD million	%
AAA	263	2	455	3
AA+ to AA-	3,206	21	3,471	24
A+ to A-	3,736	25	3,540	25
BBB+ to BBB-	3,637	24	3,084	21
BB+ to BB-	794	5	1,435	10
B+ and below	3,482	23	2,452	17
	<b>15,118</b>	<b>100</b>	<b>14,437</b>	<b>100</b>

#### 26 Subsequent Events

There are no material subsequent events that require disclosure in the Condensed Consolidated Interim Financial Statements as at the date of this report.



# 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 2018 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 2018 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 2018 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.

## 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.

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.



Richard Faulkner

For and on behalf of KPMG LLP  
Chartered Accountants  
15 Canada Square  
London, E14 5GL  
16 August 2018





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