

# Annual Report 2021





# Credit Suisse International

Annual Report 2021

## **Board of Directors as at 10 March 2022**

John Devine – Chair and Independent Non-Executive

David Mathers – Chief Executive Officer (CEO)

Debra Davies – Independent Non-Executive

Doris Honold – Independent Non-Executive

Christopher Horne – Deputy CEO

Caroline Waddington – Chief Financial Officer (CFO)

Jonathan Moore

Nicola Kane

## **Company Secretary**

Paul Hare

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Company Registration Number

02500199

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# Annual Report for the Year Ended 31 December 2021

<b>Strategic Report</b>	
<b>Credit Suisse International at a glance</b>	<b>3</b>
Business Model	3
Purpose	3
Strategy	4
Operating Environment	5
<b>Performance</b>	<b>9</b>
Key Performance Indicators ('KPIs')	9
Commentary on Consolidated Statement of Income	10
Commentary on Consolidated Statement of Financial Position	12
CSi Branches	13
<b>Principal risks and uncertainties</b>	<b>14</b>
Principal risks	14
Other risks	16
Risk Exposures	18
<b>Risk Management</b>	<b>20</b>
Overview	20
Risk Governance	20
Risk Organisation	20
Risk Appetite	20
Climate Change	21
<b>Corporate Responsibility</b>	<b>23</b>
Overview	23
Environmental Matters	23
Economy and Society	26
Employee Matters	27
Respect for Human Rights	29
Modern Slavery and Human Trafficking	29
Anti-Bribery and Corruption Matters	30
<b>Corporate Governance Statement</b>	<b>31</b>
FRC Wates Governance Principles	31
Board of Directors	31
Members of the Board of Directors	31
Internal Control and Financial Reporting	31
Meeting attendance – Board and Board committees	32
Board Committees	33
Executive Management	33
Section 172 Statement	34
<b>Directors' Report</b>	<b>38</b>
<b>Independent Auditors' Report to the Members of Credit Suisse International</b>	<b>41</b>
<b>Financial Statements</b>	<b>50</b>
<b>Country-by-Country Reporting</b>	<b>165</b>

# Strategic Report

## Credit Suisse International at a glance

### Business Model

#### Entity Structure

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

CSG, a company domiciled in Switzerland, is a leading wealth manager with strong investment banking capabilities. Founded in 1856, CSG has a global reach today, with operations in over 50 countries and a team of more than 50,000 employees from approximately 150 different nations. It is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP').

→ These accounts are publicly available and can be found at <https://www.credit-suisse.com/about-us/en/investor-relations/financial-regulatory-disclosures/annual-interim-reports.html>

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to high-net-worth individuals, corporate, institutional and government clients worldwide, as well as to retail clients in Switzerland. On 4 November 2021, CSG announced that the Board of Directors had agreed on a long-term strategic direction for the CS group and approved the introduction of a global business and regional matrix structure. A series of structural improvements were implemented, which are intended to improve effectiveness, drive efficiencies and capture future growth opportunities.

Effective 1 January, 2022, the CS group is organised into four divisions – Wealth Management ('WM'), Investment Bank ('IB'), Swiss Bank ('SB') and Asset Management ('AM') and four geographic regions – Switzerland, Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) and Americas. Beginning in 2022, CS group's financial reporting will be presented as these four divisions, together with the Corporate Centre.

The Wealth Management division integrates the former International Wealth Management division with the high-net-worth ('HNW') and external asset manager client segments in the former Swiss Universal Bank division as well as the private banking business in the former Asia Pacific division. The Investment Bank division integrates the advisory and capital markets businesses of the former Asia Pacific and Swiss Universal Bank divisions with

the existing Investment Bank division to create a single global franchise across all four regions.

In addition, CS group reintegrated parts of the Sustainability, Research & Investment Solutions ('SRI') function into the global business divisions, namely Investment Solutions & Products ('IS&P') into Wealth Management and Securities Research into the Investment Bank. Sustainability remains a core priority of the CS group, and CS group remain committed to its sustainability objectives.

CSi is one of the principal booking entities for CSG's Investment Banking business.

#### Financial statements

The CSi Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Bank. They have been prepared in accordance with UK-adopted international accounting standards ('UK-adopted IFRSs') in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('EU-adopted IFRSs'). The Directors present their Strategic Report, Directors' Report and the Financial Statements for the year ended 31 December 2021. The Financial Statements were authorised for issue by the Directors on 10 March 2022.

#### Purpose

In line with CS group's purpose to build lasting value by serving its clients with care and entrepreneurial spirit, CSi supports economies through its activities and plays a constructive role in the broader social and environmental context, while generating long-term sustainable returns. CSi aims to create lasting value for its clients by delivering client-centric sales and trading products, services and solutions across all asset classes and regions as well as advisory, underwriting and financing services. CSi's range of products and services includes global securities sales, trading and execution, capital raising and comprehensive corporate advisory services. CSi's clients include financial institutions and sponsors, corporations, governments, ultra-high-net-worth individuals, sovereigns and institutional investors. CSi recognises the importance of its relationships with stakeholders. CSi has implemented a strategy, which takes into account the impact of its long-term decisions on its stakeholders and, in doing so, aims to deliver consistent and sustainable profitability.

# Strategy

## Credit Suisse International strategy

CSi's strategy is to provide a comprehensive range of Investment Banking services and to build on its strengths as a global hub for CS group's derivative products and as a registered swap dealer for Dodd-Frank clients, to support securities and non-securities sales, trading, risk management and settlement services for Investment Banking clients. The strategy encompasses the provision of solutions for CS group's other divisions, and businesses, including WM clients; and the provision of Merger and Acquisitions ('M&A') and underwriting and arrangement services, and bilateral or syndicated loans, for corporate clients.

CSi believes that it is well positioned to benefit from M&A and asset finance activity and increased capital markets activity driven by leveraged finance. CSi intends to continue to strengthen the connectivity to the CS group WM related businesses, particularly through Global Trading Solutions ('GTS'), delivering institutional-style solutions to WM clients.

CSi is focused on disciplined investment in people, capital and technology in its businesses across equities, fixed income and capital markets and advisory.

Following the UK's withdrawal from the European Union ('EU'), subject to certain exceptions, CSi completed the transfer of EU clients and EU venue-facing businesses to entities in the EU. Management has also transferred the majority of the core businesses out of Credit Suisse Securities (Europe) Limited ('CSS(E)L') to CSi during 2021 (CSS(E)L 'Ramp Down Project'), which has simplified the UK business model, improved resolvability and optimised financial resources resulting in a consolidation of activities across the core UK Investment Banking legal entities into CSi.

CSi is part of CS group's commitment to integrating sustainability across businesses and remains committed to CS group's sustainability objectives. The aim is to provide a single "House View" with a focus on supertrends and sustainability. CSi as part of the CS group is also committed to driving their own transition, including the commitment to achieve net zero emissions from operations, supply chain and financing activities no later than 2050. The ambition is to provide sustainable investment solutions at the core of the offering to wealth management clients. CS group is extending the breadth and depth of the offering by integrating Environmental, Social and Governance ('ESG') into the investment processes through the proprietary Credit Suisse Sustainability Framework.

## Clients

CSi aims to provide its corporate, institutional and wealth management clients with a broad range of financial solutions. To meet clients' evolving needs, CSi serves its clients through an integrated franchise and international presence. CSi is a global

market leader in over-the-counter ('OTC') derivative products and offers its clients a range of interest rate, currency, equity and credit-related products. CSi's business focuses 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 corporate clients, CSi provides a wide spectrum of banking products such as traditional and structured lending and investment solutions. In addition, CSi applies its Investment Banking capabilities to provide customised services in the areas of M&A, equity and debt syndications and structured finance.

CSi also provides institutional-style solutions to wealth management clients as part of GTS. It delivers industry-leading sustainable insights and solutions across wealth management and corporate and institutional clients.

## Investment Bank

### Business Profile

CSi provides a broad range of financial products and services focused on client driven businesses. Products and services include global securities sales, trading and execution, capital raising and advisory. The business model enables CSi to deliver high value, customised solutions that leverage the expertise offered across CS group helping clients unlock capital and value in order to achieve their strategic goals.

The principal businesses within CSi are Cash Equities and Prime, Credit, Global Trading Solutions ('GTS') and Capital Markets and Advisory.

### Cash Equities and Prime

Cash Equities provides a comprehensive suite of offerings, including: (i) sales trading, responsible for managing the order flow between clients and the marketplace and providing clients with trading ideas and capital commitments, identifying trends and delivering the most effective trade execution, (ii) high touch and program trading, exchange traded funds ('ETFs') and advanced execution services ('AES') platform, which executes client orders and makes markets in listed and OTC cash securities, ETFs and programs, providing liquidity to the market through both capital commitments and risk management. AES is a sophisticated suite of algorithmic trading strategies, tools and analytics that facilitates global trading across equities, options, futures and foreign exchange. By employing algorithms to execute client orders and limit volatility, AES helps institutions and hedge funds reduce market impact.

Prime offers hedge funds and institutional clients execution, financing, custody, clearing and risk advisory services across various asset classes through synthetic financing and listed over the counter ('OTC') derivatives. The Prime Services business is being downsized globally, including a full exit of Prime Brokerage and

client clearing. CSi will become the main hub for remaining Delta One activity within a simplified Legal Entity booking model.

### **Credit**

Credit is made up of both Global Credit Products ('GCP') and Securitised Products. GCP is a client focused franchise that offers expert coverage in credit trading, sales and financing. CSi offers private and public debt offerings across the credit spectrum, including leveraged loans, high yield and investment graded cash as well as systematic trading. GCP is a leading market maker in the credit derivatives market including credit default swap ('CDS') index suite, liquid single-name credit default swaps, sovereign CDS and credit default swaptions. CSi offers a comprehensive range of financing options for credit products including committed financing (bridge and mezzanine finance), repurchase agreements, short covering, total return swaps and portfolio lending. The Collateralised Loan Obligations ('CLO') origination business structures, prices and distributes new CLO issues. GCP customers include financial sponsors and corporate issuers as well as hedge funds, banks, insurance and pension companies, asset managers and CLO managers.

Securitised products provide asset and portfolio advisory services, structures and executes new issue securitisations and provides full scope financing solutions (warehouse, bridge and acquisition) to global clients. CSi has experience in a broad range of asset categories including consumer, commercial, residential, commercial real estate, transportation and alternatives. CSi's trading platform also provides liquidity through secondary trading to clients across the broad range of asset categories.

### **GTS**

GTS is a cross-asset integrated platform driving collaboration across the IB, WM, AM and SB divisions. GTS brings together Equity Derivatives and Fixed Income and Wealth Management Sales and Execution businesses from across ITS and APAC Markets. It merges the regional and global models to ensure a robust, cohesive product and sales engine to drive growth and efficiencies.

### **Capital Markets**

Debt capital markets originates, syndicates and underwrites corporate and sovereign debt, including investment grade and leveraged loans, investment grade and high yield bonds and unit transactions. It also provides committed acquisition financing, including leveraged loan, bridge finance and mezzanine finance and collateralised loan obligation formation.

Equity capital markets originates, syndicates and underwrites equity in initial public offerings ('IPOs'), common and convertible stock issues, acquisition financing and other equity issues.

### **Advisory**

CSi Advisory advises clients on all aspects of M&A, corporate sales, restructurings, divestitures, spin-offs and takeover defence strategies.

### **Other**

#### **Corporate Centre**

Corporate Centre includes the Asset Resolution Unit ('ARU'). The ARU's core mandate is proactive risk management of a legacy non-strategic portfolio. Certain activities not linked to the underlying portfolio such as legacy litigation provisions are also recorded in Corporate Centre.

## **Operating 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.

### **Significant Events**

#### **Archegos Capital Management**

CSi incurred significant losses in 2021 in respect of the failure by Archegos to meet its margin commitments. CSi was notified by the fund that it would be unable to return margin advances previously extended and, following the failure of the fund, CSi exited the fund positions.

In 2021, CSi recorded a provision for credit losses of USD 4,540 million and incurred additional losses of USD 592 million with regard to this matter, consisting of USD 535 million of trading losses as a result of market movements during the process of closing out the fund positions, and operating expenses of USD 57 million mainly reflecting severance-related costs and professional services fees. The aggregate loss attributable to this matter in 2021 was USD 5,132 million.

In connection with this matter, CS group reviewed exposures across the Investment Bank, in particular in the prime services business. In 2021, CSi significantly reduced RWA and leverage exposure compared to the end of 2020, including a substantial resizing of our prime services business. In connection with the long-term strategic direction that the CS group announced on 4 November 2021, CS group are in the process of exiting the prime services business, with the exception of Index Access and APAC Delta One.

The CSG Board had initiated an externally led investigation of the Archegos matter, which was supervised by a special committee of the CSG Board. On 29 July 2021, Credit Suisse published on its website the report based on this independent external investigation, as well as a summary of management's responses to this report. Since then, CS group have continued to further implement a Group-wide remediation program to facilitate the execution of key activities including:

- strengthening the risk management environment through the streamlining of governance and oversight structures and through the reinforcement of a Group-wide risk mindset and speak-up culture;

- holistically reviewing client relationships to identify and manage similar risk concentrations; and
- reinforcing and extending risk capabilities and frameworks, especially in the areas of credit risk, counterparty risk and stress testing, including the related models employed.

The Archegos review also considers a broader set of remediation efforts in specific functions and business lines to identify areas across the CS group where similar risks may exist and to identify and implement solutions in response to lessons learned, including key controls and requisite risk metrics. While many of the key actions have already been completed or are in the process of being completed in 2022, CS group expects certain aspects of the remediation activities, particularly to the extent they require infrastructure changes, to continue into 2023 and beyond as CS group seeks to strengthen specific risk management capabilities, expertise and culture.

As a consequence of the Archegos losses and the findings of the externally led investigation of this matter, previously granted compensation awards were recovered from certain individuals through clawback provisions. In 2021, CS group also applied a downward adjustment on outstanding performance share awards in the Investment Bank, reflecting the full year loss in the Investment Bank division.

#### **Replacement of Interbank Offered Rates ('IBOR')**

A major milestone of the London Interbank Offered Rate ('(L)IBOR') transition passed at the end of 2021. From 1 January 2022 most non-USD, (Swiss franc ('CHF'), Euro ('EUR'), the Sterling ('GBP') and Japanese Yen ('JPY')) and select USD LIBOR (1week and 2month) settings have ceased publication. These rates have been in use for decades and the cessation impacted millions of transactions and thousands of market participants. Certain GBP and JPY LIBOR settings (1,3 and 6month) remain published on a synthetic, temporary and non-representative basis, primarily to facilitate the transition of any residual legacy contract that parties were unable to address in time. However, synthetic LIBORs are not available for reference in new trading activity and as publication is temporary, remediation efforts need to continue.

Successfully executing the CS group transition strategy, well over 99% of CSi's legacy non-USD LIBOR portfolio has been remediated, either by active transition to Alternative Reference Rates ('ARRs'), or by adding robust fallback provisions that govern the transition to ARR upon the cessation of LIBORs. Legacy derivative contracts were de-risked largely by the widespread adherence to the International Swaps and Derivatives Association ('ISDA') 2020 IBOR Fallbacks Protocol, while for cash instruments the dominant strategy was more bilateral in nature. By the end of the year the CHF, JPY, GBP and EUR LIBOR derivatives and cash markets have successfully transitioned to Swiss Average Rate Overnight ('SARON'), Tokyo Overnight Average Rate ('TONAR'), Sterling Overnight Index Average ('SONIA') and

Euro Short-Term Rate ('ESTR') and these rates now underpin the Bank's core product offerings worldwide. The Bank is fully prepared to operate fallback provisions during the first half of 2022, when most of the CSi legacy portfolio transitions upon the expiry of the last LIBOR reset from 2021. At the end of 2021, less than 0.1% of the portfolio remains to be remediated and for the time being utilises Synthetic LIBOR for the upcoming interest rate resets. Remediation efforts continue in order to remove these references as soon as possible.

The transition of the USD markets was given an 18-month extension, with the remaining USD LIBOR settings scheduled to be discontinued at the end of June 2023. Secured Overnight Financing Rate ('SOFR'), the alternative reference rate recommended by the Alternative Reference Rates Committee ('ARRC') has already gained a significant foothold in the markets and with the prohibition of new LIBOR trading other than for risk management purposes, is now becoming the dominant market rate even ahead of the official cessation date for USD LIBOR.

While CSi has a significant level of liabilities and assets linked to USD LIBOR, most of the legacy portfolio has reduced transition risk due to the presence of robust fallback provisions. Many of CSi's derivative counterparts (derivatives make up the majority of the CSi USD LIBOR portfolio) have already adhered to the ISDA Protocol, eliminating contractual uncertainty around the discontinuation of USD LIBOR.

CSi continues to focus on identifying the potential impact this transition may have on clients, and new risks that may arise, to assist them through the whole of the transition period.

→ For further details, refer to Note 2 – Significant Accounting Policies.

→ For further disclosure details, refer to Note 41 – Financial Risk Management.

## **Political and Economic environment**

### **2021**

The COVID-19 pandemic has had, and continues to have, a material impact on operating conditions on businesses around the world and the economic environments in which they operate. The emergence of new COVID-19 variants during 2021 (Delta, Omicron) continued these impacts whilst the roll out of vaccination programmes across the world helped to constrain the impacts of the pandemic and facilitate the re-opening of the world's economies. Central banks' loose monetary policy and fiscal support helped calm the financial markets as well as led to a surge in global demand for goods. Furthermore, these policies have driven a higher energy demand that has led to a surge in energy prices and supported global equities markets reaching an all-time high.

The Bank of England ('BOE') Monetary Policy Committee ('MPC') sets monetary policy with the aim of meeting the 2% inflation target, to help sustain growth and employment. The inflation rate at the end of 2021 was 5.4% and in December, to control inflation, the MPC voted to increase the Bank rate by



0.15% to 0.25% (31 December 2020: 0.1%). The MPC voted unanimously for the BOE to maintain the stock of sterling non-financial investment-grade corporate bond purchases at GBP 20 billion and UK government bond purchases at GBP 875 billion, with the total target stock of asset purchases remaining at GBP 895 billion.

The GBP exchange rate index against the USD ended the year at 135.03, a decrease of 0.2% since 31 December 2020.

The latest UK Gross Domestic Product ('GDP') figures showed an increase of 1.5% in Q3 2021, but the growth slowed down to 1.1% in Q4 2021. UK-weighted world GDP rose by 1.2% in Q3 2021 and by 0.8% in Q4 2021. The weaker near term outlook mainly reflects the impact of supply constraints, both domestic and global.

The Financial Times Stock Exchange 100 ('FTSE 100') index of top UK-listed shares closed at 7,384 points for 31 December 2021, an increase of 14.3% since 31 December 2020. Standard and Poor's 500 index closed at 4,766 points increasing by 8.2% since the same period last year.

Globally, export volumes picked up significantly in 2021. UK goods trade flows also picked up but remained below pre pandemic levels in 2021. These have been affected by pandemic related issues and also the new trading arrangements with the EU that came into effect at the start of the year.

### Looking Forward

The International Monetary Fund ('IMF') have forecasted the global economy to grow by 4.9% in 2022 and 3.3% in 2023. The recovery in the UK and globally will continue with weaker near term outlook impacted by the unwind of fiscal stimulus and supply-chain constraints.

The scale and longevity of the global inflation increases took most central banks by surprise and is bringing forward the start of global monetary policy normalisation. These measures will help reduce the upward pressure on inflation as global demand rebalances due to fiscal stimulus unwind. However, the recent Russian attack on Ukraine has pushed up the oil and natural gas prices higher. The prospect that supply chain disruptions could be prolonged together with the recent surge in oil & natural gas prices indicates that annual inflation rates would likely remain high far into 2022.

With respect to the Russian government's attack on Ukraine, various countries imposed sanctions on Russia and Russia imposed certain countermeasures. These actions are having significant impacts on the global markets and market conditions will remain volatile for an extended period of time in 2022.

→ For further details, refer to Note 44 – Subsequent events.

CSi will continue to monitor developments in this dynamic operating environment.

## Regulatory environment

### EU Benchmark Regulation

Following the EU Markets in Financial Instruments Directive ('MiFID II') Review, EU legislators will seek to agree, during 2022/23, changes to the EU MiFID framework covering a breadth of topics. The UK is set to overhaul its wholesale market regulation by identifying efficiencies on similar topics, but with a more ambitious scope. There will be complexities in how the EU and UK regimes interact and changes will require system builds for firms in order to accommodate both regimes. The scope includes EU/UK trading obligations; powers to suspend the EU/UK derivatives trading obligations; simplification of equities and non-equities pre-trade and post-trade transparency regimes, standardisation of, and access to, market data through consolidated tape providers ('CTPs') for different asset classes, and (in the UK) changes to the scope of the position limits regime for commodity derivatives.

### Recovery and Resolution Planning

As of 1 January 2022 implementation date of the Bank of England's Resolvability Assessment Framework ('RAF'), CSi deems itself able to deliver the resolvability outcomes outlined by the RAF in the context of a FINMA led resolution of CSG.

CSi works closely with CSG to ensure that the CS group wide recovery and resolution capabilities meet the expectations of the UK regulatory authorities. CSi will continue to ensure that these capabilities will sufficiently maintain critical functions provided to the UK economy through any stabilisation, resolution or restructuring.

### Operational Resilience and European Banking Authority ('EBA') Outsourcing

The UK's operational resilience regime will apply from 31 March 2022, introducing a more prescriptive approach to preparing for cyber attacks, failed IT upgrades and other forms of disruption to firms' systems. By then, in-scope firms will need to have completed a set of "self-assessment" documentation recording how they comply with the new regime. The PRA's new supervisory statement 'Outsourcing and third party risk management' also takes effect on 31 March 2022, which is largely equivalent to the EBA guidelines on outsourcing.

### Dodd-Frank Wall Street Reform and Consumer Protection Act – Security Based Swaps ('SBS')

On 1 November 2021, CSi registered as a Securities Based Swap Dealer ('SBSD') pursuant to the US Security and Exchange Commission's ('SEC') implementation of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Accordingly, CSi is subject to SEC rules relating to non-security based swaps, including business conduct requirements, reporting and mandatory clearing requirements.

The rules also include a cross-border framework that permits CSi to satisfy certain SBSD rules through compliance with comparable UK regulatory requirements ('substitute compliance'). CSi

has elected substitute compliance for areas including risk management, trade acknowledgement and verification and record-keeping. In addition to this substitute compliance, and as CSI is prudentially regulated, it is not subject to SEC regulation for capital or margin requirements. The programme continues through 2022 to implement compliance with rules coming into effect in 2022 and to build the attestation which will support annual compliance reporting.

### **The new Consumer Duty**

FCA's Consumer Duty final rules are due to come into force in July 2022. This will apply to CSI in relation to the manufacture, distribution or sale of products to retail consumers even though it generally does not have a direct relationship with the end consumer.

### **UK Onshoring**

The European Union (Withdrawal) Act 2018 ('EUWA') provides UK ministers with powers to adopt statutory instruments ('SIs') to prevent, remedy or mitigate any failure of EU law to operate effectively, or any other deficiency in retained EU law. This process of converting existing EU law into UK domestic law has become known as "On-Shoring" and saw a number of SIs announced throughout 2021, with CSI's implementation for operational readiness concluding in 2022.

### **Sustainability**

In October 2021, the UK Government published its report, entitled "Greening Finance: Roadmap to Sustainable Investing", which sets out the Government's long-term ambition to green the financial system and align it with the UK's net-zero commitment. The Roadmap provides details on the UK's approach and timeline for its sustainable finance framework including Sustainability Disclosure Requirements and the UK Green Taxonomy – both with direct impact for CS group's UK entities within one to three years.

→ For further details, refer to Climate Change in Risk Management.

CSI has established a change program to ensure it addresses these requirements as well as the broader EU Commission legislative proposals relating to the EU's Sustainable Finance action plan. These proposals include the establishment of a unified taxonomy of sustainable economic activities, disclosure requirements relating to the consideration of ESG factors in risk processes and the creation of a new category of benchmarks which will help investors compare the carbon footprint of their investments. There are also proposed related amendments to product governance, suitability and appropriateness and product disclosure requirements under the MiFID II.

# Performance

## Key Performance Indicators ('KPIs')

The Bank uses a range of KPIs to manage its financial position to achieve the Bank's objectives.

	2021 <sup>1</sup>	2020 <sup>3</sup>	2019 <sup>3</sup>	2018 <sup>2</sup>	2017 <sup>1</sup>
<b>Earnings</b>					
<b>Net profit/(loss) before tax (USD million):</b>					
Continuing operations	(5,386)	191	163	57	(142)
Discontinued operations	–	10	27	17	–
<b>Total</b>	<b>(5,386)</b>	<b>201</b>	<b>190</b>	<b>74</b>	<b>(142)</b>
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Extracts from Consolidated Statement of Financial Position (USD million):</b>					
Total Assets	244,515	290,246	226,248	231,753	249,579
Total Asset growth/(reduction)	(15.76)%	28.29%	(2.38)%	(7.14)%	(24.91)%
Return on Total Assets	(2.20)%	0.07%	0.08%	0.03%	(0.06)%
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Capital (USD million):</b>					
Risk Weighted Assets	62,643	106,476	77,108	103,983	104,871
Tier 1 capital	15,022	20,520	20,293	21,270	21,080
Tier 1 capital ratio (%)	23.98%	19.27%	26.32%	20.46%	20.10%
Return on Tier 1 capital	(35.85)%	0.98%	0.94%	0.35%	(0.67)%
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Liquidity (USD million):</b>					
Liquidity Buffer	24,280	13,663	16,255	15,685	17,892

<sup>1</sup> All operations were reported as continued in 2021 and 2017.

<sup>2</sup> Discontinued operations in 2018 relate to a portfolio transfer of derivatives and securities in the Asia Pacific division to another CS group entity.

<sup>3</sup> Discontinued operations in 2019 and 2020 relate to transfer of EU business to European based CS group entities.

## Capital

Risk Weighted Assets ('RWA') have decreased by USD 44 billion to USD 63 billion (2020: USD 106 billion) primarily due to a reduced large exposures charge. The large exposures charge decreased due to an extension of the existing Credit Suisse AG ('CS AG') funding set off agreement between CSi and CS AG, together with reduced exposure to CSS(E)L as a result of the CSS(E)L Ramp-Down Project.

The credit risk charge has decreased due to a reduction in derivative volumes during the year, a decrease in synthetic lending activities in the form of sold CDS positions and reduced trading activity with hedge funds. The market risk charge also reduced due to lower back-testing exceptions on the market risk Valuation at Risk ('VaR') model.

## Capital Resources

The Bank closely monitors its capital position to ensure ongoing stability and support of its business activities. This monitoring takes into account the requirements of the current regime

and any forthcoming changes to the capital framework or to the Bank's business models.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Bank did not breach any capital limits during the year. During 2021, CSi's total capital resources decreased by USD 5.3 billion to USD 15.1 billion (2020: USD 20.5 billion) as a result of the Archegos counterparty default.

→ Pillar 3 disclosures required under the Capital Requirements Regulation ('CRR') can be found separately at [www.credit-suisse.com](http://www.credit-suisse.com).

→ Changes in senior and subordinated debt are set out in Note 27 – Debt in Issuance.

→ Changes in capital are set out in Note 30 – Share Capital and Share Premium.

## Liquidity

CSi maintains a strong liquidity position and also has a letter of intent from CS AG ensuring support for meeting CSi's debt obligations and maintaining a sound financial position for the next 18 months from 21 February 2022. During 2021 additional funding from CS AG was provided to meet the liquidity impacts relating to

the Archegos counterparty default. CSi did not breach any Pillar 1 liquidity regulatory limits during 2021. As at 31 December 2021, all regulatory and internal metrics are in compliance on a spot and forward looking basis.

The liquidity buffer increased by USD 10.6 billion to USD 24.3 billion (2020: USD 13.7 billion) primarily due to additional liquidity requirements due to the Archegos counterparty default and business transfers from CSS(E)L.

## Commentary on Consolidated Statement of Income

	2021 <sup>1</sup>	2020 <sup>3</sup>	2019 <sup>3</sup>	2018 <sup>2</sup>	2017 <sup>1</sup>
<b>Consolidated Statement of Income (USD million)</b>					
Net revenues	(2,151)	2,312	2,049	1,875	1,401
Total operating expenses	(3,235)	(2,121)	(1,886)	(1,818)	(1,543)
<b>Profit/(Loss) before tax from continuing operations</b>	<b>(5,386)</b>	<b>191</b>	<b>163</b>	<b>57</b>	<b>(142)</b>
<b>Profit/(Loss) before tax from discontinuing operations</b>	<b>–</b>	<b>10</b>	<b>27</b>	<b>17</b>	<b>–</b>
<b>Profit/(Loss) before tax</b>	<b>(5,386)</b>	<b>201</b>	<b>190</b>	<b>74</b>	<b>(142)</b>
Income tax benefit/(expense) from continuing operations	43	12	150	(7)	(82)
Income tax expenses from discontinuing operations	–	(2)	(4)	(8)	–
<b>Profit/(Loss) after tax</b>	<b>(5,343)</b>	<b>211</b>	<b>336</b>	<b>59</b>	<b>(224)</b>

<sup>1</sup> All operations were reported as continued in 2021 and 2017.

<sup>2</sup> Discontinued operations in 2018 relate to a portfolio transfer of derivatives and securities in the Asia Pacific division to another CS group entity.

<sup>3</sup> Discontinued operations in 2019 and 2020 relate to transfer of EU business to European based CS group entities

For the year ended 31 December 2021, CSi group reported a net loss attributable to shareholders of USD 5,343 million

(2020: USD 211 million profit). Loss before tax for the CSi group was USD 5,386 million (2020: USD 201 million profit).

## Net Revenues

	2021 <sup>2</sup>	2020 <sup>2,3</sup>	Variance	% Variance
<b>Reconciliation of reportable segment revenues (USD million)<sup>1</sup></b>				
Total Revenues				
- Cash Equities and Prime	(255)	106	(361)	(341)%
- Credit	209	434	(225)	(52)%
- GTS	1,564	1,506	58	4%
- Capital Markets	213	221	(8)	(4)%
- Advisory	176	60	116	193%
- GTS Management	33	(185)	218	(118)%
- IB Other	25	43	(18)	(42)%
<b>Investment bank</b>	<b>1,965</b>	<b>2,185</b>	<b>(220)</b>	<b>(10)%</b>
APAC	2	57	(55)	(96)%
Corporate centre	115	93	22	24%
Other	19	15	4	27%
<b>Total reportable revenues</b>	<b>2,101</b>	<b>2,350</b>	<b>(249)</b>	<b>(11)%</b>
Transfer pricing agreements	165	176	(11)	(6)%
Cross divisional revenue share	59	55	4	7%
Treasury funding	(160)	15	(175)	(1,167)%
Shared services	14	23	(9)	39%
Provision for credit losses	(4,530)	(17)	(4,513)	(25,934)%
CSi group to primary reporting reconciliations	200	45	155	344%
<b>Net revenues as per Consolidated Statement of income</b>	<b>(2,151)</b>	<b>2,647</b>	<b>(4,798)</b>	<b>(181)%</b>
<b>Of which net revenues – discontinued operations</b>	<b>–</b>	<b>335</b>	<b>(335)</b>	<b>(100)%</b>
<b>Of which net revenues – continued operations</b>	<b>(2,151)</b>	<b>2,312</b>	<b>(4,463)</b>	<b>(193)%</b>

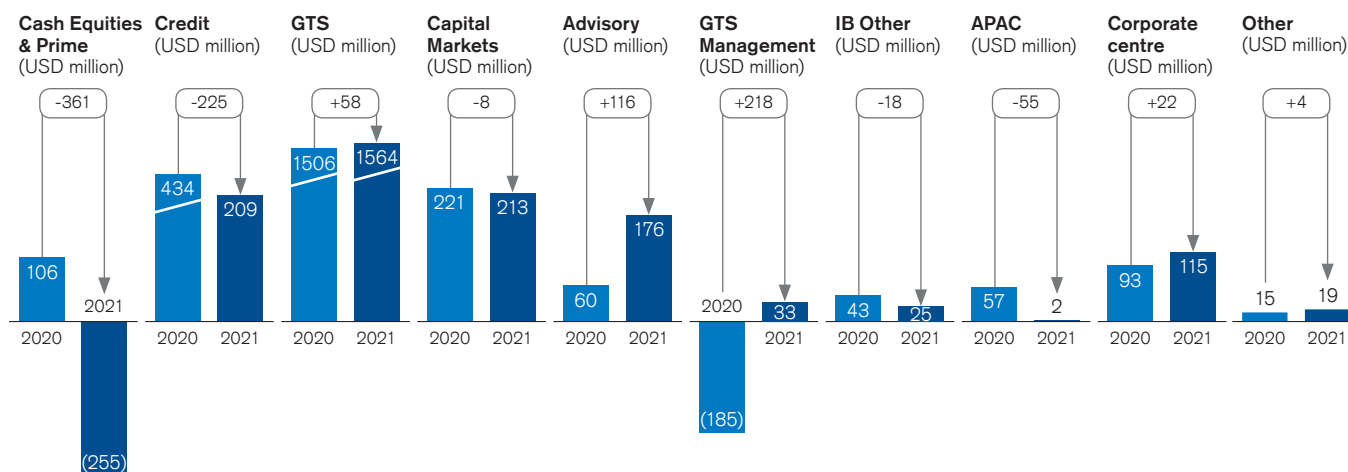
<sup>1</sup> In accordance with IFRS 8, Reportable segments are reported above under US GAAP, as reviewed by the Board of Directors.

<sup>2</sup> On 30 July 2020, the CEO of CSG announced the CSG Boards decision to create a single, globally integrated Investment Bank, through the combination of the existing GM, IBCM and APAC Markets businesses to achieve critical scale. Effective from 1 January 2021, 2020 net revenues have been restated to reflect the change in business roll up.

<sup>3</sup> Discontinued operations in 2020 relate to transfer of EU business to European based CS group entities.

Revenues of each reporting segment, including continued and discontinued, are as below:

**Revenues of each reporting segment are:**



In comparison to 2020, IB 2021 revenue decreased by 10% to USD 1,965 million primarily in Cash Equities and Prime, Credit and Capital Markets. The majority of businesses reported lower revenue due to lower client activity throughout the year and reduced volatility impacting margins.

The decreased revenue in Cash Equities and Prime was primarily driven by losses booked for subsequent market movements on underlying positions associated with the Archegos counterparty default offset with an increase across Prime due to business transfers from CSS(E)L to CSi. Further, Credit reported lower revenue due to reduced Bonds and Credit default swap trading on back of lower client activity. GTS Management revenue increased USD 218 million due to one off losses booked in 2020 in relation to a counterparty default.

APAC revenues decreased by USD 55 million due to large one off revenue booked in 2020 in relation to structured transactions with no similar material transaction in 2021.

Offsetting these reductions in revenues, Advisory increased USD 116 million following more favourable market conditions for M&A activity in 2021 particularly in the Americas and EMEA regions compared to 2020 which was impacted by the COVID-19 situation.

Corporate Centre revenues of USD 115 million is driven by gains generated on buy backs of structured notes in 2021 and other market movements.

Net revenues outside of reportable segments were impacted by increased credit losses of USD 4.5 billion due to provisions associated with the Archegos counterparty default. Additionally, reduction in treasury income of USD 175 million mainly due to lower interest rate environment driving lower funding costs to the business and ultimately lower returns on Tier 1 Equity.

**Expenses**

	2021	2020	Variance	% Variance
<b>Operating expenses (USD million)</b>				
Compensation and benefits	(729)	(957)	228	(24)%
General, administrative and trading expenses	(2,489)	(1,481)	(1,008)	68%
Restructuring expenses	(17)	(8)	(9)	>100%
<b>Total operating expenses</b>	<b>(3,235)</b>	<b>(2,446)</b>	<b>(789)</b>	<b>32%</b>
<b>Of which operating expenses – discontinued operations</b>	<b>–</b>	<b>(325)</b>	<b>325</b>	<b>(100)%</b>
<b>Of which operating expenses – continued operations</b>	<b>(3,235)</b>	<b>(2,121)</b>	<b>(1,114)</b>	<b>53%</b>

The CSi group's operating expenses (including continued and discontinued operations) increased by USD 789 million to USD 3,235 million (2020: USD 2,446 million).

The decrease of USD 228 million in Compensation and benefits is mainly attributed to a decrease of USD 144 million due to the valuation of deferred compensation awards, the majority of which

are linked to the CSG share price which reduced year on year and USD 68 million related to lower Incentive Performance Bonus ('IPB') accruals in 2021.

General, administrative and trading expenses have increased by USD 1,008 million due to:

- Increase of USD 322 million due to increased cost allocation from other CS group entities to CSi driven by the CSS(E)L ramp down project and higher outsourced services cost and legal fees;
- Increase of USD 331 million in litigation expenses primarily due to increased provisions booked in relation to various litigation matters;
- Increase of USD 163 million in net overheads due to the reduction in depreciation allocation from CSi to CSS(E)L and increased transfer pricing expense; and
- Increase in brokerage and clearing house fees of USD 192 million driven by higher brokerage expense within Prime services and Cash equities.

The effective tax rate for the period to December 2021 is higher than the UK statutory tax rate. Material items increasing

the effective tax rate are non-deductible expenses, deferred tax assets not recognised on tax losses arising in the year and non-recoverable withholding taxes, offset in part by the effect of a change in the statutory tax rate on deferred tax balances. The effective tax rate for the period to December 2020 was lower than the UK statutory tax rate. In that period, the material items impacting the effective tax rate were prior year adjustments to current tax liabilities and deferred tax balances, the reversal of the impairment of deferred tax assets and the effect of a change in the statutory tax rate on deferred tax balances, offset in part by the impact of UK bank corporate tax surcharge, permanent differences and non-recoverable withholding taxes.

The CSi group has accrued taxes in the UK during 2021, including Bank Levy of USD 16 million (2020: USD 37 million), employer's national insurance of USD 94 million (2020: USD 105 million) and irrecoverable UK value added tax ('VAT') of USD 65 million (2020: USD 54 million). As disclosed in the additional Country-by-Country Reporting, Corporation taxes paid in United Kingdom ('UK') for CSi are USD 16 million (2020: USD 18 million). The CSi group has paid USD Nil million (2020: USD 2 million) in taxes in branches located outside the UK.

## Commentary on Consolidated Statement of Financial Position

Extracts from Consolidated Statement of Financial Position (USD million)	2021	2020	Variance	% Variance
<b>Assets</b>				
Interest-bearing deposits with banks	13,284	14,486	(1,202)	(8)%
Trading financial assets mandatorily at fair value through profit or loss	143,718	188,620	(44,902)	(24)%
Non-trading financial assets mandatorily at fair value through profit or loss	38,226	25,516	12,710	50%
Other assets	34,666	44,566	(9,900)	(22)%
Other (aggregated remaining balance sheet assets lines)	14,621	17,058	(2,437)	(14)%
<b>Total assets</b>	<b>244,515</b>	<b>290,246</b>	<b>(45,731)</b>	<b>(16)%</b>
<b>Liabilities</b>				
Trading financial liabilities mandatorily at fair value through profit or loss	122,054	164,364	(42,310)	(26)%
Financial liabilities designated at fair value through profit or loss	35,012	29,788	5,224	18%
Borrowings	1,470	2,436	(966)	(40)%
Other liabilities	23,584	32,418	(8,834)	(27)%
Debt in issuance	40,224	31,597	8,627	27%
Other (aggregated remaining balance sheet liabilities lines)	4,542	6,636	(2,094)	(32)%
<b>Total liabilities</b>	<b>226,886</b>	<b>267,239</b>	<b>(40,353)</b>	<b>(15)%</b>

As at 31 December 2021, the CSi group had total assets of USD 245 billion (31 December 2020: USD 290 billion) as shown in the Consolidated Statement of Financial Position on page 50.

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

- Trading financial assets mandatorily at fair value through profit or loss decreased by USD 45 billion driven by Interest Rate and Equity products due to reduced trading activity and the mark to market valuations on trades amid stable market conditions with low volatility;
- Non-Trading financial assets mandatorily at fair value through profit and loss increased by USD 13 billion driven by an increase in CSi's liquidity buffer by USD 11 billion;
- Trading financial liabilities mandatorily at fair value through profit or loss have decreased by USD 42 billion in Interest Rate and Equity Derivative products in line with decreased trading activity and the mark to market valuations on trades amid stable market conditions with low volatility;
- Financial liabilities designated at fair value through profit or loss have increased by USD 5 billion driven by changes in High Quality Liquid Assets ('HQLA') sourcing requirements from CSS(E)L to CSi for other CS group entities on account of CSS(E)L ramp down and increased trading volume following CSS(E)L business moving into CSi;
- Other assets and other liabilities have decreased by USD 10 billion and USD 9 billion respectively due to a decrease in cash collateral provided and received primarily to

external counterparties in line with the decrease in derivative exposures; and

- Cash and due from banks which is part of Other balances have decreased by USD 5 billion due to changes in the treasury funding requirement.

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

- A decrease of USD 1 billion in Interest-bearing deposits with banks due to cash usage in USD and JPY;
- An increase of USD 9 billion in Debt in issuance (partially offset by Borrowings) mainly driven by a change in funding requirements with CS AG, London Branch to maintain regulatory ratios, primarily in EUR and GBP.

The movements in Debt in issuance and Borrowings can also be seen in the Consolidated Statement of Cash Flows offsetting between operating and financing activities.

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

Total Level 3 assets decreased to USD 2.8 billion (31 December 2020: USD 3.3 billion) and Level 3 liabilities increased to USD 4.7 billion as at 31 December 2021 (31 December 2020: USD 4.6 billion). The movement in assets is mainly driven by a reduction in trades due to maturity events and assets transferred out due to improved observability in price. Level 3 assets were equivalent to 1.1% of total assets (2020: 1.1%) and Level 3 liabilities equivalent to 2.1% of total liabilities (2020: 1.7%).

→ For further details, refer to Note 38 – Financial Instruments.

## CSi Branches

The Bank has dormant branch operations in Amsterdam and Milan. The Bank branches in Stockholm and Madrid are closed. The Bank branches in Amsterdam and Milan are in the process of closing down once final tax returns are completed and filed.

The combined assets of CSi's branches reduced to USD 0.4 million (31 December 2020: USD 15 million) this reduction is primarily due to the transfer of the CSi Amsterdam, Stockholm and Milan branches businesses into branches of Credit Suisse Bank (Europe) SA. The combined loss before tax of the CSi branches was USD 0.3 million (31 December 2020: USD 2 million profit).

# Principal risks and uncertainties

## Principal risks

RISK TYPE	DESCRIPTION	HOW RISKS ARE MANAGED
Climate Change	Climate-related risks are potentially adverse direct and indirect impacts on the bank's financial metrics, operations or reputation due to transitional or physical effects of climate change. Climate-related risks could manifest themselves through existing risk types such as credit risk, market risk, non-financial risk, business risk or reputational risk.	Climate change risk in CS group is managed centrally by the Climate Risk department within the Global Credit Risk function. For CSI, the CSI Enterprise Risk Management department ensures accurate ongoing reporting and monitoring within the appetite framework. The theme of climate change risk has been explicitly considered in the course of CSI's risk identification and assessment process as well as its risk appetite and risk reporting. As part of the climate change risk assessment, CSI has considered credit exposure to sectors with the closest nexus to the physical and transition implications of climate change risk. Sectors include fossil fuels as well as energy, transport, property, and agriculture. As at 31 December 2021 direct lending exposure to fossil fuels and related sectors are immaterial in CSI (31 December 2020: Immaterial). A CS group Climate Risk Strategy program exists to continue evolving and embedding a consistent approach to governance, risk management, scenario analysis and disclosure across the group and legal entities, including compliance with regulatory requirements across the jurisdictions within which the group operates. Under the program, metrics have been defined as part of the Risk Identification and Appetite Framework, while scenario capabilities have been established across market risk (short-term analysis), single clients (for large Oil & Gas companies), and portfolio level (using the BoE climate scenario).
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 Credit Risk Management ('CRM') function which sits in the second line of defence. CRM 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 CRM UK based employees. CRM maintain a Watchlist which serves as a tool for monitoring and reporting counterparties with negative factors requiring enhanced monitoring but which are not severe enough for the counterparty to be considered impaired. Counterparties are subject to additional scrutiny through watchlist committees and escalation to senior management. Watchlist counterparties are classified as Amber when they are performing but potential weaknesses (early signs of potential financial difficulty) have been identified, which require closer and continuous monitoring. Counterparties are classified as Red if they are performing but well-defined weaknesses and actual stress are apparent; there are increasing signs of declining credit worthiness but those signs are not yet severe enough to indicate impairment. Following the Archegos default, CRM have undertaken a thorough review of the concentrations in the CSI portfolio and have enhanced the Credit Risk Appetite with a more granular limit framework to ensure timely identification and escalation of any increasing concentrations. CRM also has a Recovery Management team who are responsible for managing and resolving troubled or impaired exposures, establishing appropriate provisions for impaired loans and maximising recovery throughout the workout process, thereby protecting CSI's capital and reputation and minimising potential litigation risks.
Liquidity Risk	The risk that a bank is unable to fund assets and meet obligations as they fall due in times of stress, whether caused by markets events and/or firm-specific issues.	CSI Liquidity Risk ('LR') is responsible for the oversight of Treasury and the business divisions in managing CSI's liquidity risks as a second line of defence. LR is responsible for ensuring that CSI has adequate liquidity and achieves full compliance with CSI's Risk Appetite Framework and Strategic Risk Objectives, which include maintaining sufficient headroom above applicable regulatory constraints (in particular LCR and NSFR) and adherence to all applicable risk constraints covering short-term, medium-term and longer-term liquidity, based on regulatory and internal risk metrics (including those based on the internal liquidity stress testing framework). LR ensures that various risk controls appropriately limit funding concentration to tenors, products, currencies and counterparties as part of the framework and are adhered to. The liquidity and funding profile reflects CSI's respective strategies and risk appetites, and is driven by business activity levels and the overall operating environment. The liquidity and funding profile has been adapted to reflect lessons learned from the COVID-19 pandemic and the Archegos default, the subsequent changes in the business strategy, and resulting regulatory developments.
Market Risk	The risk of a loss arising from adverse changes in interest rates, credit spreads, foreign currency exchange rates, equity and commodity prices, and other relevant market parameters, such as volatilities and correlations.	Market Risk in CSI is managed by the CSI Market Risk department which sits in the second line of defence. 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 tools are Value-at-Risk ('VaR'), scenarios and sensitivity analyses, which complement each other in measuring market risk. A new Counterparty market risk function has been created to focus on capability building for assessing counterparty market risk, thereby improving the way in which risk is measured by leveraging the subject matter expertise of market risk managers. This team will closely collaborate with the Counterparty Credit Risk team within the Investment Bank to further progress how risk of counterparties is assessed allowing for enhanced credit decision making.



RISK TYPE	DESCRIPTION	HOW RISKS ARE MANAGED
Model Risk	Model Risk is the potential for financial loss, negative reputational impact and/or adverse regulatory action from decisions made based on model outputs that may be incorrect or used inappropriately.	<p>Model Risk Management consists of a set of processes and activities to verify whether the model is performing as expected and is appropriate for its intended use. These include:</p> <ul style="list-style-type: none"> <li>• Maintaining a bank-wide model inventory, model type classification, risk tiering and inventory attestation</li> <li>• Training</li> <li>• Performing independent validation and approval of Models</li> <li>• Communicating model validation plans and schedules to relevant review committees and stakeholders</li> <li>• Managing validation outcomes, findings and any required follow-up actions, and reporting/ communicating them to the relevant review committees and stakeholders</li> <li>• Defining model risk Key Risk Indicators ('KRIs') and assessing, aggregating and reporting model risks</li> <li>• Escalate policy violations to the MRSC, BoD Risk Committee, and other relevant group/ regional/ legal entity/ divisional committee.</li> </ul>
Non-Financial Risk	Non-financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities.	<p>Non-Financial Risk Management oversees the CS group's established Non-Financial Risk Framework ('NFRF'), providing a consistent and unified approach to evaluating and monitoring CSi's non-financial risks. The NFRF sets common minimum standards across non-financial risk and control processes and review and challenge activities. Risk and control assessments are in place across all divisions and functions, consisting of the risk and control self-assessment, compliance risk assessment and legal risk assessment. Key non-financial risks are identified annually and represent the most significant risks requiring senior management attention. Where appropriate, remediation plans are put in place with ownership by CSi's senior management, and with ongoing Board level oversight at the CSi Risk Committee.</p>
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.	<p>The Reputational Risk Review Process ("RRRP") assesses whether the identified reputational risks are acceptable and the proposed activity is within the Bank's risk appetite.</p> <p>Reputational Risk Approvers ("RRAs") are subject matter experts and senior risk managers independent from the business. The RRA is responsible for assessing whether the identified reputational risks and the mitigation presented by the business (and other support areas) is acceptable and the proposed activity is within the Bank's risk appetite for reputational risk. All RRA decisions in the RRRP are predicated on the relevant Divisional Approver's ('DA') review and approval.</p> <p>Based on guidance from governing bodies, or at their discretion the RRA may escalate a submission to the IB EMEA Divisional Client Risk Committee ("DCRC"). The DCRC is comprised of senior regional management from the divisions, corporate functions and CSi entity management. Clients deemed to carry the highest compliance and reputational risks are escalated to the Global Client Risk Committee ("GCRC"). Once a submission has been escalated, the final decision cannot be taken until the escalation process has been concluded.</p>

→ For further details on how CSi manages risk, refer to Note 41 – Financial Risk Management.

## Other risks

### Macro-Economic Environment

#### Archeegos Matter

CSi incurred significant losses in the first and second quarter of 2021 in respect of the failure by Archeegos to meet its margin commitments. CS was notified by Archeegos that it would be unable to return margin advances previously extended and, following the failure of the fund, CS exited the fund positions. Subsequently, Investment Bank RWA and leverage exposure were reduced in prime services, and RWA in the other divisions reflected reductions from de-risking measures. Also, in connection with our long-term strategic direction announced on 4 November, 2021, we are in the process of exiting the prime services businesses, with the exception of Index Access and APAC Delta One.

The CSG Board had initiated an externally led investigation of the Archeegos matter, which was supervised by a special committee of the Board. On 29 July, 2021, Credit Suisse published on its website the report based on this independent external investigation, as well as a summary of management's responses to this report. Since then, we have continued to further implement a Group-wide remediation program to facilitate the execution of key activities including:

- Risk appetite: In connection with the Archeegos matter, CSi significantly reduced its overall risk appetite in 2021, reduced credit concentrations and conducted a detailed review across all business divisions and risk types to assess if CSi has other material risk concentrations similar to Archeegos. A subsequent risk appetite review was performed in late 2021 also in connection with the strategy review across all risk classes, including a review of the strategic risk objectives, CSi's overall risk capacity in light of the updated financial and capital plans and an assessment of several focus portfolios. In addition, we continue to review and implement efforts to improve the overall risk appetite and limit framework and breach escalation processes. We have completed the initial fundamental review of risk exposures led by the tactical crisis committee. We continue to examine the risk profile of each business division, recalibrating limits, reducing concentrations and strengthening our risk governance.
- Governance and leadership: CSi focused on strengthening the risk management environment through the streamlining of governance and oversight structures. The CS group also focused on the reinforcement of a Group-wide risk mindset and speak-up culture, a broad-reaching review of resource and seniority levels across relevant areas to strengthen the overall Risk organisation and its leadership team as well as the first line of defense.
- Risk management culture and capabilities: Credit Suisse is committed to continuing to build and enhance risk management capabilities through investments in people, data and infrastructure and reporting capabilities. We holistically reviewed client relationships to identify and manage risk

concentrations and reinforced risk capabilities and frameworks, especially in the areas of credit risk, counterparty risk and stress testing, including the related models employed.

The Archeegos review contains a broader aspect of leveraging remediation efforts in specific functions and business lines to identify areas across the CS group where similar risks may exist and to identify and implement solutions in response to lessons learned, including key controls and requisite risk metrics. While many of the key actions have already been completed or are in the process of being completed in 2022, we expect certain aspects of our remediation activities, particularly to the extent they require infrastructure changes, to continue into 2023 and beyond as we seek to further strengthen specific risk management capabilities, expertise and culture.

#### COVID-19

The COVID-19 pandemic continued to affect the economic environment throughout 2021. Infection rates ebbed and COVID-19 flowed across countries during the course of 2021. Vaccination programs during the year continued to significantly reduce the correlation between COVID-19 infection and serious illness, although booster shots were increasingly required to sustain a high level of protection. In addition, in the fourth quarter of 2021 an additional challenge arose with the emergence of the COVID-19 Omicron variant, which is more transmissible than previous variants. However, in January 2022 there were signs in Europe that the Omicron infection wave was peaking and that governments would relatively soon be able to ease social and economic activity restrictions.

CSi is closely monitoring the spread of COVID-19 and the effects on operations, business and financial performance including credit loss adjustments, trading revenues and net interest income.

→ For further details, refer to Operating environment.

#### Inflation concerns

Annual inflation rates increased in 2021 across all major economies. The prospect that supply chain disruptions could be prolonged and the surge in natural gas prices in late 2021 also indicated that annual inflation rates would likely remain high far into 2022. The outlook of annual inflation remaining high for a longer period of time forced major central banks to accelerate the withdrawal of emergency monetary policies and liquidity supports put in place to underpin the markets during the earlier stages of the COVID-19 crisis. In the fourth quarter of 2021 and in early 2022, the Fed started to reduce its asset purchase program and indicated to the markets that it would raise the federal funds rate and start to reduce its balance sheet during the course of 2022. Other major central banks also started to withdraw their emergency monetary policies in late 2021.

Government bond yields increased across durations and were more volatile. The rise in US government bond yields also lifted sovereign bond yields in other developed market economies and led to a stronger US dollar. Investors were concerned that an

accelerated withdrawal of support, as well as higher and more volatile government bond yields would have potentially adverse impacts on major global equity and credit markets as well as on certain emerging market countries.

### **Turkey**

The implementation of central bank interest rate cuts, in the context of inflation far above the Turkish central bank target, created the potential for a further large decrease in the value of the Turkish lira, a significant widening in sovereign and corporate debt spreads and an increase in political and social risks, and threatened a substantial weakening in gross domestic product growth. Domestic economic policymaking in 2021 and in the first months of 2022 remained especially challenging to predict. Dependency on foreign capital inflows remained high in the context of Turkey's need to roll over significant amounts of debt in 2021 and 2022 while its foreign reserves remained close to historically low levels. CSi continues to monitor exposures and local funding conditions as well as potential reputational risks. Stress tests are also frequently applied.

### **Russia's invasion of Ukraine**

In late February 2022, the Russian government launched a military attack on Ukraine. In response to Russia's military attack, the US, EU, UK, Switzerland and other countries across the world imposed severe sanctions against Russia's financial system and on Russian government officials and Russian business leaders. The sanctions included limitations on the ability of Russian banks to access the SWIFT financial messaging service and restrictions on transactions with the Russian central bank. The Russian government has also imposed certain countermeasures, which include restrictions relating to foreign currency accounts and security transactions. These measures followed earlier sanctions that had already been imposed by the US, EU and UK in 2021 in response to alleged Russian activities related to Syria, cybersecurity, electoral interference and other matters, including the prohibition of US banks from participating in the primary market for any Russian sovereign bonds or any lending to the Russian sovereign, as well as other restrictions since 2014 relating to new debt or equity of certain Russian banks and energy companies.

CSi is assessing the impact of the sanctions already imposed, and potential future escalations, on our exposures and client relationships. A stress test has also been developed and in February 2022 the CSG Executive Board invoked the crisis management process. Key priorities in this respect include taking measures to protect the safety and security of impacted staff, implementing the different sanctions and close monitoring of potential business interruptions and increased cyber threats.

### **Cyber risk**

The financial industry continues to be increasingly reliant on technology, faces dynamic cyber threats from a variety of actors and new technology vulnerabilities are being discovered. CS group,

including CSi, continue to invest significantly in the information and cybersecurity program in order to strengthen the ability to anticipate, detect, defend against and recover from cyber attacks. CSi regularly assesses the effectiveness of key controls and conduct ongoing employee training and awareness activities, including for key management personnel, in order to embed resilience of the CSi group systems and a strong cyber risk culture. In response to the ongoing COVID-19 pandemic, the CS group has further increased the usage of remote working technology and has been continuously adapting controls to address the increased cyber risk exposure.

### **Replacement of interbank offered rates**

A major structural change in global financial markets is in progress with respect to the replacement of certain IBOR benchmarks with alternative reference rates. There are significant risks associated with the transition, including financial, legal, tax, operational and conduct risks and the risk of an untimely transition due to a lack of client or market readiness. At the end of 2021, a major industry milestone was reached: the publication of most non-USD and select USD LIBOR rates has been discontinued. While most of the remaining USD legacy portfolio has LIBOR fallback provisions that are sufficient to manage the transition, transition risk remediation activities remain in select areas. Global policies and controls have been updated to reflect the latest developments and the CS group's IBOR transition program team continues to work with the CS businesses and clients to ensure timely mitigation of the residual risks.

### **Equity markets**

Equity markets experienced large moves in January and February of 2021 in some single-name stocks, driven by unprecedented activity from retail investors focused on stocks in which hedge funds held large short positions. The rally in those heavily shorted stocks led to a so-called short squeeze, which forced some hedge funds into quickly unwinding their positions. The event drew scrutiny from regulators on concerns over market collusion, investor protection and potentially excessive risk-taking. In addition, the need for trading platforms favored by retail investors to raise significant amounts of additional capital showed that such activities have grown to potentially become systemic threats to future financial market stability. In response to these events, CSi have tightened the monitoring of potential short squeeze target positions.

### **Litigation**

The main litigation matters are set out in Note 36 – Contingent liabilities guarantees and commitments. Litigation provisions are set out in Note 26 – Provisions. CSi is the defendant in several legal cases, currently some of these have led to claims being made against the Bank. CSi is defending itself with regard to these claims.

## Risk Exposures

### Credit Risk

CSi has a global portfolio with exposures driven by a number of businesses across diverse industries and countries, and is therefore exposed to risks from a broad range of sources. These risks are managed within CSi's Credit Risk Appetite Framework to ensure control and oversight of any concentrations by product, industry or geography. Some of the events and risk areas which could potentially have an impact on the credit portfolio of the Bank are discussed further.

The main driver of credit risk in CSi is trading in OTC derivatives. On a potential exposure basis, exposure in CSi decreased by USD 5.2 billion in 2021 to USD 38.6 billion (31 December 2020: USD 43.8 billion). Potential exposure for each trading relationship is calculated as 95 percentile of a distribution of possible future exposures. OTC derivatives were the main driver of the overall exposure move, with exposure falling by USD 6.2bn to USD 29.6 billion (31 December 2020: USD 35.7 billion). Lending exposure also decreased during 2021 as CSi saw new transactions booked in CS AG or Credit Suisse (Deutschland) Aktiengesellschaft ('CSD') (the latter in the case of EU borrowers). Total lending exposure as at 31 December 2021 was USD 1.9 billion (31 December 2020: USD 2.6 billion). Against these reductions, there was growth in the CSi repo portfolio in 2021, with exposure totalling USD 1.1 billion as at 31 December 2021 as a result of transfers from CSS(E)L.

The default of Archegos counterparty was a major event in the CSi portfolio in 2021. CSi undertook a thorough review into the events leading to this default and a remediation programme has been established to address shortcomings across the organisation. A number of remediation actions have been completed,

resulting in the enhancement of risk management controls and heightened governance over large exposures and limit breaches.

While the impact of the COVID-19 pandemic resulted in the growth of the CSi Watchlist in 2020, in 2021 there was a steady improvement in the number of credits on the Watchlist as economies re-opened and cashflow improved. This resulted in Watchlist exposure reducing to USD 330 million (31 December 2020: USD 646 million). While this trend in the Watchlist is encouraging, CSi remains vigilant over potential risks associated with inflation and increasing interest rates.

### Selected Credit Risk Exposure Views by Country and Industry Segment

The following table shows the largest exposures in CSi by country. The largest exposures are in well-developed countries, with exposure from the United States and United Kingdom accounting for over half of the total exposure. With respect to emerging markets, CSi has exposure in several countries, but none of these exposures represents a concentration relative to overall exposure in the Bank.

Gross credit risk exposures include loans and loan commitments, investments (such as cash securities and other investments) and all exposures of derivatives (not limited to credit protection purchased and sold), after consideration of legally enforceable netting agreements. Gross exposures are calculated after netting long and short positions, capped at nil for net short positions. Net exposures include the impact of risk mitigation such as CDS and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

31 December 2021 (USD millions)	Sovereign		Financial Institutions		Corporate		Total		AnnualΔ		Net Exposure as % of All Country Exposures
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	
United States	346	346	5,925	2,635	3,393	2,847	<b>9,664</b>	<b>5,829</b>	(1,092)	(248)	30%
United Kingdom	93	85	5,311	2,488	1,922	1,774	<b>7,327</b>	<b>4,347</b>	(1,988)	(1,207)	22%
France	247	211	2,492	788	856	840	<b>3,595</b>	<b>1,839</b>	(506)	152	9%
Germany	497	55	2,381	1,112	143	139	<b>3,022</b>	<b>1,306</b>	(1,037)	374	7%
Switzerland	30	12	585	459	530	529	<b>1,145</b>	<b>1,000</b>	233	497	5%
Netherlands	0	0	1,385	670	295	283	<b>1,680</b>	<b>953</b>	(672)	(304)	5%
Italy	410	345	232	85	159	159	<b>802</b>	<b>590</b>	(461)	(59)	3%
Japan	153	153	1,504	101	274	272	<b>1,931</b>	<b>526</b>	(91)	347	3%
Luxembourg	-	-	1,139	285	119	119	<b>1,259</b>	<b>404</b>	(40)	(117)	2%
Taiwan	46	46	317	265	-	-	<b>362</b>	<b>311</b>	196	201	2%
<b>Total</b>	<b>1,822</b>	<b>1,253</b>	<b>21,272</b>	<b>8,889</b>	<b>7,692</b>	<b>6,963</b>	<b>30,786</b>	<b>17,105</b>	<b>(5,457)</b>	<b>(365)</b>	<b>88%</b>

31 December 2020 (USD millions)	Sovereign		Financial Institutions		Corporate		Total		Annual Δ		Net Exposure as % of All Country Exposures
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	
United States	57	57	7,433	2,969	3,265	3,050	<b>10,756</b>	<b>6,077</b>	3,010	1,474	31%
United Kingdom	1,345	1,324	6,682	3,161	1,288	1,068	<b>9,315</b>	<b>5,554</b>	2,317	1,740	28%
France	388	320	3,247	903	465	463	<b>4,100</b>	<b>1,687</b>	(100)	(258)	9%
Germany	769	127	2,925	457	366	348	<b>4,059</b>	<b>932</b>	84	(553)	5%
Switzerland	49	2	685	322	178	178	<b>912</b>	<b>503</b>	(583)	(629)	3%
Netherlands	-	-	1,778	732	573	525	<b>2,352</b>	<b>1,257</b>	(38)	(583)	6%
Italy	711	418	402	114	150	117	<b>1,263</b>	<b>649</b>	70	(41)	3%
Japan	25	25	1,902	60	95	94	<b>2,022</b>	<b>180</b>	(169)	(81)	1%
Luxembourg	-	-	1,155	378	144	144	<b>1,299</b>	<b>522</b>	109	(62)	3%
Taiwan	-	-	166	110	-	-	<b>166</b>	<b>110</b>	130	104	1%
<b>Total</b>	<b>3,344</b>	<b>2,274</b>	<b>26,375</b>	<b>9,208</b>	<b>6,524</b>	<b>5,989</b>	<b>36,244</b>	<b>17,470</b>	<b>4,830</b>	<b>1,112</b>	<b>89%</b>

The following table shows the ten largest exposures in CSI, which make up 71% of net exposure in the Bank. Exposures are those used for internal risk management and are calculated on the same basis as the country exposures shown in the previous table.

Industry Segments (USD millions)	2021			2020			Annual Δ	
	Gross Exposure	Net Exposure	Net Exposure as % of All Industry Exposures	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	
Central Clearing Parties	5,031	4,825	25%	5,025	4,709	6	116	
Sovereigns, Monetary Authorities, Central & Development Banks	2,338	1,697	9%	4,245	2,937	(1,908)	(1,239)	
Other Financial Companies	2,394	1,411	7%	2,886	1,310	(492)	100	
Commercial & Investment Banks	9,090	1,033	5%	12,331	940	(3,241)	93	
Securitized	1,753	954	5%	1,901	1,149	(148)	(195)	
Media	1,061	876	4%	876	548	185	328	
Telecommunications	1,088	825	4%	468	371	620	454	
Services	821	782	4%	1,191	1,191	(370)	(408)	
Asset Management & Investment Funds	2,888	725	4%	4,084	895	(1,196)	(170)	
Utilities	731	703	4%	659	598	72	105	
<b>Total</b>	<b>27,196</b>	<b>13,832</b>	<b>71%</b>	<b>33,668</b>	<b>14,649</b>	<b>(6,472)</b>	<b>(817)</b>	

The other risks are set out in Note 41 – Financial Risk Management.

# Risk Management

## Overview

Risk management plays an important role in the Bank's business planning process and is strongly supported by senior management and the Board. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital and liquidity are well deployed to support business activities and grow shareholder value. The Bank has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring all relevant risks including credit, market, liquidity, enterprise and non-financial risks.

## Risk Governance

The taking of risk in line with the Bank's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the Bank seeks to continuously strengthen the risk function, which is independent of but closely interacts with the businesses. Further information is included within Corporate Governance.

## Risk Organisation

Risks arise in all of the CSi business activities and are monitored and managed through its risk management framework. The CSi risk management organisation reflects the specific nature of the various risks in order to ensure that risks are taken within limits set in a transparent and timely manner.

The CSi independent risk management function is headed by the CSi CRO, who reports to the Chief Executive Officer ('CEO') of CSi in respects of matters relating to CSi. The CSi CRO also has a functional reporting line to the CS group CRO. The CSi CRO is responsible for overseeing CSi's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The CSi CRO provides a dedicated focus on the risks at the Bank level whilst appropriately leveraging the global risk management processes applied by CS group.

The CSi CRO function in 2021 comprised of:

- Market Risk Management ('MRM');
- Treasury & Liquidity Risk Management ('TLRM');
- Credit Risk Management ('CRM');
- Enterprise Risk Management ('ERM'); and
- Non-Financial Risk ('NFR').

The CSi CRO is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions:

- MRM is responsible for assessing, monitoring and managing the market risk profiles of the Bank and recommends corrective action where necessary;

- TLRM is responsible for assessing, monitoring and managing the liquidity risk profiles of the Bank and recommends corrective action where necessary;
- CRM is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances;
- ERM is responsible for providing holistic risk coverage focusing on cross-functional and cross-divisional risk governance, frameworks, best practice, policies and processes. It drives risk reporting and analysis; and
- NFR is responsible for the identification, recording, assessment and monitoring of non-financial risks, as well as timely management reporting.

The CSi CRO additionally relies on the following teams within the Global Risk Functions:

- Chief Risk Office ('CRO') Chief Operating Officer;
- CRO Data and technology;
- Independent validation and review (including Model risk management);
- Quantitative analysis and technology ('QAT');
- Non-financial risk management: Coverage of EMEA business continuity management;
- Credit Risk Management: Coverage of climate and reputational risk as well as recovery management;
- Global market risk management;
- Global enterprise risk management; and
- Global treasury and liquidity risk management.

## Risk Appetite

A system of risk limits is fundamental to effective risk management. The limits define the Bank's risk appetite given management capabilities, the market environment, business strategy and financial resources available to absorb potential losses. The overall risk limits for the Bank are set by the Board.

Within the bounds of the overall risk appetite of the Bank, as defined by the limits set by the Board, the CSi CRO is the nominated executive who is responsible for implementing a limit framework. The Bank has a range of more granular limits for individual businesses and specific risks, including limits on transactions booked from remote locations.

Market risk limit measures are typically based on Value at Risk ('VaR') and scenario analysis, although they also include risk sensitivities, notionals and other metrics. Liquidity risk limits include regulatory and internal metrics based on computing liquidity inflows and outflows under stress scenarios over different time horizons. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty, country, industry, product and scenario limits, which are used to mitigate concentration risks. Liquidity risk limits are set against applicable regulatory constraints (in particular LCR and NSFR) and internal risk metrics, including those based on the internal liquidity stress

testing framework. In addition, the Bank has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (bank-wide statements linked to risk and control indicators) terms. Alignment to business strategy is a key requirement to ensure the Risk Appetite framework is effective in managing to the entities' acceptable risk profile and acting as an early warning indicator for material changes in risk profile. Capital Limits for each material risk type are determined by ERM and cascaded to each risk area for use as a calibration point for the lower level limit cascade. Limits are reviewed quarterly against the capital plan and are aligned to divisional limits which are cascaded by the CFO function covering all risk types.

The majority of these limits are monitored on a daily basis, though some, such as those for which the inherent calculation time is longer or for which the risk profile changes less often (such as some credit portfolio limits) are monitored on a weekly or monthly basis depending on the nature of the limit.

→ The Bank's financial risk management objectives and policies and the exposure of the CSi group to market risk, credit risk, liquidity risk, currency risk and operational risk are outlined in Note 41 – Financial Risk Management.

## Climate Change

### Definition of climate risks

Climate-related risks are the potentially adverse direct and indirect impacts on CSi's financial metrics, operations or reputation due to transitional or physical effects of climate change. Climate-related risks could manifest themselves through existing risk-types such as credit risk, market risk, non-financial risk, business risk or reputational risk.

### Sources of climate-related risks

CSi have identified several key risks and opportunities originating from either the physical or the transitional effects of climate change. Physical risks can arise from climate and weather-related events (e.g. heatwaves, droughts, floods, storms and sea-level rise) and can potentially result in material financial losses, impairing asset values and the creditworthiness of borrowers. Transitional risks can arise from the process of adjustment towards a low carbon economy through changes in climate policy, technological developments and disruptive business models, and shifting investor and consumer sentiment. Physical and transitional climate risks can affect CSi as an organisation either directly, through its physical assets, costs and operations, or indirectly, through its financial relationships with clients.

### Evaluation and management of climate-related risks

CSi's approach to climate risk is closely aligned with the CS group approach. Climate risk is one of the environmental aspects considered as part of the broader sustainability risk agenda of the CS group. A climate change program was established in 2018 to address the recommendations of the FSB's Taskforce on Climate-related Financial Disclosures ('TCFD')

with respect to external disclosures on climate-related risks and opportunities.

In 2021, CS group published the climate-related risk disclosures following the structure provided by the TCFD recommendations for the first time. These were included in the Sustainability Report and summarised in a dedicated TCFD extract. These included quantitative metrics alongside explanations of these frameworks and overall CS group climate strategy.

→ More details can be found at: [www.credit-suisse.com/sustainabilityreport](http://www.credit-suisse.com/sustainabilityreport)

### Strategy

CSi recognises its share of responsibilities in combating climate change by supporting the transition to a low-carbon and climate-resilient economy. As a financial institution, it is committed to playing its part in addressing this global challenge through its role as a financial intermediary between the economy, the environment and society.

Overall, in line with CS group, CSi is pursuing a three-pronged approach as part of the efforts to address climate change and climate-related risks. First, CSi is working with the clients to support their transition to low-carbon and climate-resilient business models, and to further integrate climate change into the risk management models as part of the CS group climate risk strategy program. Second, CSi is focusing on delivering sustainable finance solutions that help the clients achieve their goals and contribute to the realisation of the UN Sustainable Development Goals; and third, CSi is working on further reducing the carbon footprint of its own operations.

In 2021, CS group became a founding member of the Net-Zero Banking Alliance, which focuses on aligning member banks' portfolios with net-zero emissions by 2050. Further, CS group has committed to the Science Based Targets initiative ('SBTi') Net-Zero Standard and is expected to submit proposed emission reduction commitments to the SBTi by December 2022.

CS group is a member of the Financial Services Task Force ('FSTF'), convened as part of His Royal Highness The Prince of Wales' Sustainable Markets Initiative (Sustainable Markets Initiative). The Sustainable Markets Initiative looks to define a credible pathway to net zero and bolster engagement and accelerate transition to a net-zero economy. The Sustainable Markets Initiative joined forces with the UN Environment Programme Finance Initiative to found the Net-Zero Banking Alliance in 2021, and published a guide which aims to support the banking industry to adopt a consistent and transparent approach to supporting clients' transition to net zero.

CS group actively engage in industry forums to foster the development of industry standards.

As part of CS group strategy, in 2021 CS group expanded the scope of the Client Energy Transition Frameworks ('CETFs') that were launched in 2020, to cover the additional sectors of shipping, aviation and commodity trade finance (fossil-fuel related).

The CETFs consist in identifying priority sectors/industries and a methodology to categorise clients that operate in these sectors according to their energy transition readiness. With this approach CSi aims to actively encourage clients to transition along the CETF scale over time and support them through financing and advisory services.

### **Risk Management**

Climate-related risks are embedded in CSi risk taxonomy as a risk driver which typically manifests itself through other traditional risk types. Risk identification is performed holistically for all potential manifestations of climate-related risks, across all risk types, in order to obtain a comprehensive view of potential portfolio and business impacts. A CSi specific climate risk identification exercise was performed in 2021 to identify material risks for the entity. An initial risk appetite and control framework has been developed and is planned to be enhanced regularly. CSi monitors these risks through existing internal reports as well as dedicated climate reporting to the risk committee containing various metrics. CSi will continue to embed the climate risk appetite and risk management framework across the businesses throughout 2022.

CSi have identified sensitive sectors which pose greater environmental and social risks (including impacts to the climate) and have policies and guidelines in place to govern the responsible provision of financial services to clients within these sectors. Consequently, within the reputational risk review process, CSi evaluates factors such as a company's greenhouse gas footprint or its energy efficiency targets and assesses whether in-scope clients have a plan in place to address climate-related risks. CSi's policies and guidelines describe business activities and operations that CSi will not finance. In 2021, CS group announced a time-bound commitment to restrict financing and capital market underwriting to businesses involved in activities related to thermal coal mining and coal power. In addition, restrictions for clients developing new greenfield thermal coal mines, coal-fired power plants or capacity expansions have been adopted.

Direct physical risks of climate change are identified and assessed through the business continuity management process alongside other physical risks such as natural disasters.

→ For further details, refer to Streamlined Energy and Carbon Reporting ('SECR').

### **Governance**

Climate change-related responsibilities are explicitly in the CS group Boards Risk Committee charter. Additionally, at the CS group Board level, CS group have a Sustainability Advisory Committee. At the Executive Board level, the ExB RMC assumes responsibility for the overall climate change strategy and is mandated to ensure that the capabilities for the management of relevant long-term risk trends, including climate change, are put in place. Furthermore, key internal policies incorporate important elements of climate risk management. In 2021, CS group established a global internal policy that addresses CS group's broader long-term climate change strategy, reflecting the commitment to the Paris Agreement as well as CS group approach to the transition and physical risks arising from a changing climate.

In the UK, CSi's CRO is the Senior Manager for climate-related risk. During 2021, the Board Risk Committee had a standing item related to the progress on development of the risk management for climate-related risks and the PRA's requirements. CSi has a dedicated representation in the global program to ensure ongoing compliance to the requirements as set out by the PRA. The scope of CSi's development completed in 2021 includes risk identification, risk appetite and reporting of climate related risks. In addition, pilot exercises in scenario analysis and stress testing climate exposures aligned to the Bank of England Climate Biennial Exploratory Scenario have been performed. Future UK developments include further embedding the Risk Appetite as well as enhancing reporting and scenario analysis.

→ More details can be found at: [www.credit-suisse.com/climate](http://www.credit-suisse.com/climate)



# Corporate Responsibility

## Overview

CSG publishes a comprehensive Sustainability Report which can be found on CS group's website at [www.credit-suisse.com/sustainabilityreport](http://www.credit-suisse.com/sustainabilityreport). The Sustainability Report describes how CS group including CSi, assumes its various responsibilities towards society and the environment.

## Environmental Matters

### Sustainability

Certain industries are particularly sensitive from a social or environmental perspective. To assess potential transactions with clients in these industries, specific global policies and guidelines have been defined, taking account of standards developed by international organisations such as the United Nations ('UN'), the World Bank or the International Finance Corporate ('IFC'). These policies and guidelines cover the sectors oil and gas, mining, power generation, and forestry and agribusiness which includes pulp and paper as well as palm oil production. In 2021, CS group introduced a time-bound commitment to restrict financing and capital market underwriting to businesses involved in activities related to thermal coal mining and coal power, unless a particular transaction is supporting a client's energy transition.

CSi assesses risks to the environment, people and society through the bank-wide Sustainability Risk Review process which informs the Reputational Risk Review Process. In CSi, decisions regarding reputational risks are made by a Reputational Risk Approver, or escalated to the Divisional Client Risk Committee ('DCRC'). If necessary, decisions can be further escalated to the Global Client Risk Committee.

As a global financial institution, CS group recognises the important role that banks play in combating climate change through support of the transition to a low-carbon and climate-resilient global economy. In December 2020, Credit Suisse announced its 2050 net zero emission ambition and committed to develop interim 2030 science-based reduction goals for key sectors.

As part of CS group strategy, CSi have developed sector specific Client Energy Transition Frameworks (CETFs). The frameworks consist of the identification of priority sectors and a methodology

to categorise clients that operate in these sectors according to their energy transition readiness.

To open up sources of capital for the development of future markets, CSi also offers clients a broad range of investment products and services with a focus on environmental and social themes. CS group has a goal to provide at least CHF 300 billion of sustainable financing by 2030.

Financial regulators globally are increasingly recognising the potential for climate change, environmental degradation and social risks to create financial risks for companies and markets on one hand, and the role of sustainable finance in mobilising capital to meet the goals of the Paris Agreement and Sustainable Development Goals on the other hand.

In April 2019, the Prudential Regulatory Authority issued a Supervisory Statement setting out its expectations of how firms manage the financial risks associated with climate change. The supervisory statement drives firms to take a more strategic approach, in particular, by embedding consideration of the financial risks from climate change in their governance, risk management, scenario analysis and disclosure.

→ For further details, refer to Climate change.

CSi has established a change program to ensure it addresses these requirements as well as the broader EU Commission legislative proposals relating to the EU's Sustainable Finance action plan. These proposals include the establishment of a unified taxonomy of sustainable economic activities, disclosure requirements relating to the consideration of ESG factors in risk processes and the creation of a new category of benchmarks which will help investors compare the carbon footprint of their investments. There are also proposed related amendments to product governance, suitability and appropriateness and product disclosure requirements under the MiFID II.

→ More details can be found at: [www.credit-suisse.com/sustainability](http://www.credit-suisse.com/sustainability)

Further information:

- Sustainability Report:  
[www.credit-suisse.com/sustainability](http://www.credit-suisse.com/sustainability)
- Risk Management and Sustainability:  
[www.credit-suisse.com/riskmanagement](http://www.credit-suisse.com/riskmanagement)
- Climate Change:  
[www.credit-suisse.com/climate](http://www.credit-suisse.com/climate)
- Environmental Management:  
[www.credit-suisse.com/environmentalmanagement](http://www.credit-suisse.com/environmentalmanagement)

## Streamlined Energy and Carbon Reporting ('SECR')

CSi, as part of CS group, is committed to enabling a more environmentally sustainable economy and recognises climate change as one of the most significant risks facing the planet. Climate and sustainability objectives are predominantly set at CS group level and CSi contributes to these objectives. Sustainability initiatives are designed and implemented for CS group operations, including CSi, and supply chains globally including carbon footprinting, environmental and energy reporting and energy efficiency programmes.

In December 2020, Credit Suisse announced its 2050 net zero emission ambition and committed to develop interim 2030 science-based reduction goals for key sectors. The first of these sector climate strategies has been set in 2021, with the remainder expected by the end of 2022. CS group will continue its commitment to achieve net zero ambitions by aligning with the Science Based Targets initiative ('SBTi') and the Net Zero Banking Alliance ('NZBA') guidelines.

→ More details can be found at: [www.credit-suisse.com/sustainabilityreport](http://www.credit-suisse.com/sustainabilityreport)

CS group recognises its share of responsibilities in combating climate change by supporting the transition to a low-carbon and climate-resilient global economy. In 2021, Credit Suisse articulated its framework and approach to tackle climate change in CS group internal Global Climate Change Policy. This policy outlines

CS group commitment to align CS group business strategy with the Paris Agreement and provides a robust framework for managing climate change.









→ For further details, please refer to the Climate change section in Risk Management.

CS group has a rigorous control framework in place to manage its environmental impact. A key component of this framework is CS group's globally certified Environmental Management System ('EMS'), which is operated in accordance with the ISO 14001:2015 standard. In 2021, CS group's EMS successfully achieved its re certification without receiving any corrective action requests.

Energy consumption represents one of the most material environmental impacts from CSi's operations. CSi is committed to improving the energy efficiency by setting environmental objectives to measure CS group operations environmental impact.

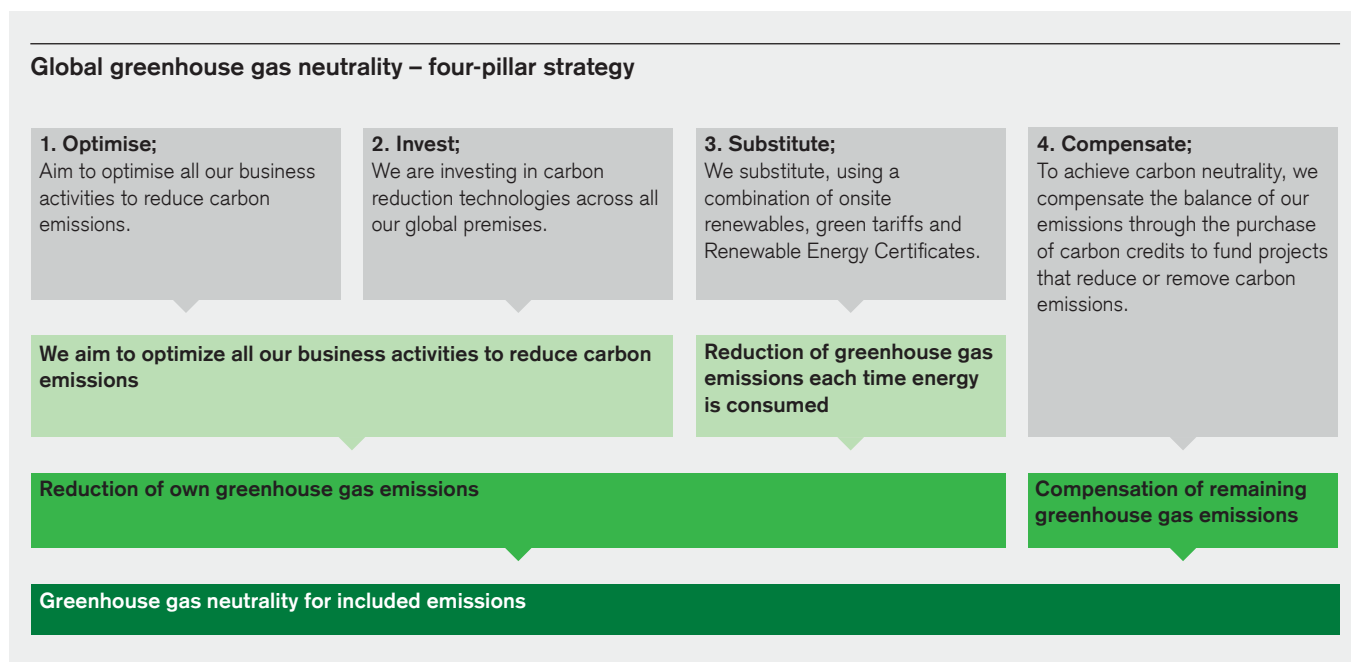
### 2025 Environmental objectives

In 2020, CS group introduced environmental objectives to be achieved by 2025. CS group intend to develop new science based greenhouse gas ('GHG') emissions reduction objectives in 2022 to drive further reductions in CS group's operational emissions. The following table demonstrate CS group progress in 2021 towards 2025 objectives:

2025 objectives	2021 progress towards 2025 objectives
<b>75% Reduction in GHG emissions</b> compared with 2010 levels on reported operational aspects	 <b>85%</b> reduction
<b>100% Renewable electricity</b> consistent with RE100	 <b>87%</b> achieved
<b>50% Green Label Office Space<sup>1</sup></b> (in m <sup>2</sup> ) certified to a green building standard	 <b>39%</b> achieved
<b>1.5% Energy efficiency improvement</b> in all regions compared to 2020	 COVID-19 delayed the implementation of planned energy efficiency improvements. We are re-evaluating our global office space needs and intend to make progress towards this objective in 2022.
<b>Reduce single-use plastic items</b> and increase the share of products made from recycled material and reusable materials	
<b>10% Paper reduction</b> on per FTE basis, compared to 2018 baseline	 Use of single-use plastic items, paper and water were reduced during COVID-19. 100% of our transaction (customer) prints and copycenter printing is FSC-certified. We are working to improve data collection on eco-certifications for office printing.
<b>100% Environmental label paper</b>	
<b>10% Water efficiency improvement</b> on a per FTE basis, compared to 2018 baseline	 In addition, we continued to experience low occupancy in our offices, making it difficult to estimate consumption and water efficiency per FTE.

<sup>1</sup> Note: Scope limited to Credit Suisse facilities that contain office space. "Green" office space refers to third-party accredited certifications such as LEED, BREEAM, DGNB, Minergie as well as the Credit Suisse green property quality seal.

CS group pursues a four-pillar strategy to achieve carbon reductions across its global operations.



The objectives of CS group are made at the CS group level and then filtered down into both the regions and entities, including CSi. The process is centrally managed by CS group and all metrics collated at a CS group level. The metrics are then analysed to identify both the UK and CSi portion. CS group's global greenhouse gas neutrality naturally comes about as a result of actions taken across all countries in which CS group operates, including the UK.

All of the principles in the four-pillar strategy arise from actions taken in the countries in which it operates, such as the third pillar of the strategy, through which green tariffs are agreed for individual UK premises to ensure any remaining fossil fuel energy sources with zero-carbon energy supplies are substituted. Through the fourth pillar, the remaining emissions are compensated through the purchase of carbon credits, which covers the full portion of UK emissions by extension.

### Carbon Footprint Methodology

CS group follows the World Resources Institute ('WRI') and the World Business Council for Sustainable Development ('WBCSD') in the GHG Protocol Corporate Accounting and Reporting Standard ('GHG Protocol Corporate Standard').

For emissions from purchased or acquired electricity ('scope 2 emissions'), CS group follows the GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard.

For scope 3 emissions, CS group adheres to WRI/WBCSD's Corporate Value Chain ('scope 3') Accounting and Reporting Standard (GHG Protocol Scope 3 Standard).

Scope 1 emissions include natural gas, diesel fuel and heating oil from building energy consumption and gasoline/diesel from its fleet. Scope 2 emissions include purchased electricity. Scope 3 emissions include fuel used in rental cars and personal cars on business use.

2020 GHG emissions are restated because CS group implemented several changes to CS group GHG estimation approach to improve data quality and completeness and align with the GHG Protocol and RE100 criteria. CS group aligned group reporting to meet the SECR mandatory requirements for large unquoted companies.

Key methodology changes include:

- CS group formerly used the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. ('VfU') GHG emissions calculator tool, which was developed for the financial sector in Germany, Austria and Switzerland ('DACH region'). For the 2021 GHG Inventory, CS group used a custom GHG emissions calculation tool that enables selection of more up-to-date and geographically relevant emissions factors that better align with the GHG Protocol. In future years, GHG emissions calculations will be automated using Schneider Electric's Resource Advisor tool;
- CS group modified its approach to applying renewable energy credits ('RECs') to align with RE100 for its scope 2 market-based GHG emissions;
- CS group switched from using full-time equivalent ('FTE') employee numbers for extrapolating missing data for building energy consumption to using occupied square footage. Applying a building intensity ratio by square foot provides a more representative estimation of actual energy consumption than using occupancy rates;

## UK and CSi Energy Use

### CSi SECR Disclosure 2021

Disclosure	2021		2020 Revised	
	UK	CSi	UK <sup>1</sup>	CSi <sup>1</sup>
Energy consumption used to calculate emissions (kWh)	94,993,798	60,712,109	78,949,319	51,001,171
Facility Energy Use (kWh)	94,893,515	60,648,016	78,773,651	50,887,690
Transport Energy Use (kWh)	100,283	64,093	175,668	113,481
Emissions from stationary combustion of gas (Scope 1)	504	322	281	181
Emissions from combustion of fuel for transport purposes (Scope 1)	-	-	-	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	40	26	44	28
Emissions from purchased electricity (Scope 2, location-based)	20,066	12,825	16,251	10,498
Emissions from purchased electricity (Scope 2, market-based)	1,625	1,083	490	317
Total gross location-based CO <sub>2</sub> e based on above	20,611	13,173	16,576	10,708
Total gross market-based CO <sub>2</sub> e based on above	2,169	1,386	815	527
GHG Intensity (tCO <sub>2</sub> e gross location-based GHG emissions/FTE)	6	6	4	4

<sup>1</sup> 2020 GHG emissions are restated because (1) Credit Suisse implemented several changes to our GHG estimation approach to improve data quality and completeness and align with the GHG Protocol and RE100 criteria; and (2) We aligned our reporting to meet the SECR mandatory requirements for large unquoted companies.

### UK Energy Efficient Action

In 2021, CSi completed several energy efficiency initiatives throughout its UK offices. CSi's One Cabot Square and Twenty Columbus Courtyard offices achieved BREEAM. At these two offices, CSi conducted seasonal commissioning to validate control system operation against expected design targets, including temperature control of cooling units, fan performance and daylight lighting performance. A new management system was installed to improve the operation and efficiency of lifts, reducing lift traffic and thereby energy consumption.

In addition, energy efficient motor drives were installed for the firefighting and goods lifts along with the redesign of the Lift Motor Room cooling, right-sizing for the reduced design loads, and upgrading cooling in the Electrical Sub Station Cooling. A power monitoring system, allowing for visualisation of electrical loads, was also deployed during the year.

## Economy and Society

The primary function of a global bank is to be a reliable and professional partner to clients around the world, offering them a range of financial products and services to meet their individual needs. CSi plays an important role as a financial intermediary, bringing together borrowers and lenders of capital globally, from companies and public sector bodies to private individuals and institutions. They also supply businesses with the capital resources they need to expand their activities and finance innovation, thus helping to drive economic growth and job creation.

By assuming market and credit risks, banks make an important contribution to the efficient functioning of the economic system. Effective risk management is an important part of this process. In the credit business, for example, CSi analyses, measures and monitors key credit risk exposures and charge appropriate interest

rates on loans. CSi's capital policy is intended to ensure that it is capable of absorbing potential credit losses in a variety of stress scenarios. CSi achieves this by supporting growth, partnering with entrepreneurs; by being an integral part of the economy and society, maintaining constructive dialogues with various stakeholders and broader social commitments.

The long-term success of CSi's business is dependent on the existence of a sound social environment and stable economy. In addition to its core banking activities, CS group is committed to acting as a reliable partner and to making a targeted contribution to economic and social development in the regions where CS group operate.

CSi, together with the Credit Suisse EMEA Foundation, recognise Financial Inclusion, Financial Education and Future Skills as effective tools to promote economic growth and social change and as a means of helping people to help themselves. The Credit Suisse EMEA Foundation supports organisations that address barriers to education or employment and/or equip disadvantaged young people with the knowledge, skills and attitudes required to respond to the demands of evolving employment markets or create opportunities through their own entrepreneurial initiative. The Credit Suisse EMEA Foundation also support these young people to make informed decisions and take effective actions regarding their current and future use and management of money so they can fulfil their potential in their adult lives and works notably with organisations to develop, pilot or strengthen innovative models that have demonstrated their impact on the education and/or skills sectors or show real potential to bring sustainable change.

In 2021, the Credit Suisse EMEA Foundation supported 13 charities in the UK. Examples include ThinkForward, an organisation which supports young people who are disengaged from school transition successfully into higher education or sustained

employment. The Credit Suisse EMEA Foundation also supports the Fair Education Alliance, an education coalition uniting over 200 organisations across the UK to work together to ensure that no child's educational success is determined by their socio-economic background.

→ More details can be found at: [www.credit-suisse.com/responsibility/society](http://www.credit-suisse.com/responsibility/society).

## Employee Matters

CSi business performance is dependent on the skills, experience and conduct of highly skilled individuals and teams. Therefore, its continued ability to build lasting value by serving its clients with care and entrepreneurial spirit, depends on its ability to attract, retain and motivate highly talented and diverse employees.

CSi is an Equal opportunity employer, focused on Diversity & Inclusion, supported by a global Purpose and Values framework and has initiatives to support the wellbeing, work-life balance and career goals of employees.

### Equal Opportunity

CSi policies ensure the provision of equal employment opportunities for all employees and applicants in every facet of its operations. All employment-related decisions, including hiring, training, compensation, promotion, transfer, benefits, disciplinary action and dismissal or redundancy, are made on the basis of the individual's job qualifications and job performance or on any other legitimate business considerations provided for in the applicable law. There is no regard to ethnicity, nationality, gender, sexual orientation, gender identity, religion, age, civil partnership, marital or family status, pregnancy, disability or any other status that are protected as a matter of local law.

As part of the recruitment processes in particular, CSi considers all reasonable requests for additional equipment, adjustments to facilities and training procedures that will assist a person with a disabling condition in the performance of their duties and prohibits discrimination against disabled employees, including in relation to training, career development and promotion opportunities.

### Diversity & Inclusion

In 2021, CSi reinforced its commitments to advance diversity and inclusion across the legal entity, the banking sector and society, and made progress on a range of commitments in this field.

"Inclusion" is a core value and is embedded into daily operations to ensure sustainable change, through performance evaluations, to recognition systems and promotion criteria. All employees are responsible for inclusivity, and to this end during 2021 a range of programs were delivered to continue this focus, including: skill building sessions to increase the inclusive leadership competencies of senior leaders, the "Advancing Inclusion" curriculum – a multi-media online learning program and "Working with Respect", a mandatory learning program for all staff.

### Promoting Black Talent

Building on the existing Black Talent Program, in 2020 CS group set the target to double the Black Talent senior headcount and increase overall Black Talent representation by 50% by 2024. These targets rely on improvements in hiring, promotion and retention.

During 2021 a working group sponsored by the UK CEO enhanced its investments in early careers for Black Talent, recognising the importance of access to opportunities. To this end, CSi recommitted to the following initiatives: '10,000 Black interns', increased the number apprenticeships and graduate roles and sponsored specialist external organisations such as the Black Young Professionals Network to broaden reach. CSi also conducted a body of research focused on the lived experiences of Black colleagues and continue to address findings and recommendations, including the implementation of development and mentoring programs.

### Increasing gender diversity

Providing equal opportunities for women remains a key focus for CSi with a goal to increase the proportion of women at the bank to 42% by 2024.

In the UK, CSi continues to be a signatory to the Women in Finance Charter – a pledge to support the progression of women into senior roles. In 2021, CSi exceeded the target 35% female representation at management committees on an aggregate basis, with over two-thirds of committees achieving this on an individual basis. Additionally, CSi was recognised as a Times Top 50 Employer for Women in 2021.

CSi also continues to run the 'Real Returns' programme. This programme, designed to re-engage talented senior professionals, helping and facilitating their transition back into the workforce, reached the milestone last year of over 100 participants.

### Advancing an inclusive culture through employee networks

Employee Networks are a long-established component of CSi culture are influential at advocating for diverse employee communities, lending their voice to Courageous conversations and bringing fresh insights to achieve business goals. They serve as a platform for the exchange of knowledge and experience, thus fostering mutual understanding and respect, helping to strengthen the corporate culture. Led by employees on a voluntary basis, the networks are multi-dimensional – dedicated to women, families, lesbian, gay, bisexual, and transgender individuals (LGBTQ+), people with disabilities, veterans, multi-generations, and different races and ethnicities, and cultural diversity. Networks support and advocate for underrepresented talent at the bank, and influence Diversity and Inclusion strategy and initiatives.

### Courageous Conversations

Advancing inclusion requires dialogue where diverse perspectives are amplified, and barriers to equity can be addressed. Courageous Conversations is a platform that creates this safe

space, enabling colleagues to come together to share their stories – engaging audiences as they explore the uncomfortable, but earnest, questions that further the understanding of lived experiences.

In 2021, Courageous Conversations were held across CSi and focused on a range of issues including the call to action sounded by George Floyd's murder, the global political battleground in the LGBTQ+ community, and other topics. Through Courageous Conversations, audiences are able to look through the lens of their colleagues and are challenged to explore their role as an ally for inclusion and a disruptor of bias.

## Culture

Credit Suisse established a revised culture framework in early 2021 and the implementation and embedding of this is an ongoing program of work.

The framework contains a purpose statement and a set of cultural values, and are important pillars in defining the identity of the company. They enable employees to have a common understanding as well as providing consistency about the expectations at Credit Suisse with regards to culture and conduct. As such, they are also key drivers on how to shape the future.

The purpose “We build lasting value by serving our clients with care and entrepreneurial spirit” is at the core of our approach. It underpins how we create value and has powered CS group progress for more than 165 years. It captures for employees, clients and other stakeholders, the essence of ‘why’ Credit Suisse exists.

When it comes to ‘how’ individuals act every day, the values serve as the guide. They inform decision-making in the moments that matter. The IMPACT values build on the Conduct & Ethics Standards which had been in place for the past four years. They express CSi's commitment to crucial principles like Inclusion, Meritocracy, Partnership, Accountability, Client Focus and Trust.

The values are embedded in the core HR processes, training, compliance policies and processes. The revised Code of Conduct was also published in early 2021.

The challenges encountered across the business in 2021 highlighted the need for CSi to assess where it stands in relation to the IMPACT values. As such, CS group engaged a third-party vendor to conduct an anonymous survey to engage all employees and measure performance in relation to the cultural values, with CSi specific results being provided. The results were discussed extensively by the CSi Board, the UK Culture committee and other governance forums and proactively shared with employees. Based on feedback from the survey, CSi identified key areas that require further attention. This has resulted in a coordinated program of work for 2022 and beyond.

## Wellbeing & Benefits

CSi has an established Wellbeing Programme framework focused on employee financial, physical and mental health wellbeing.

During 2021 there has been a continued focus on supporting employee wellbeing through the global pandemic, in addition to financial and physical health. The wide range of events made available to all staff include sleep, resilience, nutrition, cancer awareness, will & mortgage seminars, relationships and mental health. There is an active wellbeing and care network and over 100 people trained as mental health first aiders to give peer support.

In 2021, the employee benefits package introduced three new elements: Electric Car leasing, CS funded health assessments every two years and CS funded in-home adult care.

CSi also recognises that many of the workforce balance their career with caring responsibilities outside of the workplace and has a range of tools to help support this balance. These include enhanced emergency childcare, elder care and provisions to take time out of the office to perform caregiver duties. CSi also encourages discussions between employees and managers around potential flexible working arrangements.

CSi offers a range of flexible benefits including medical, critical illness, life assurance and also income protection benefits for employees who, whether temporarily or permanently, are unable to work due to disability.

## Career Development

CSi provides a wide range of opportunities for individuals who are starting careers post-graduation. Employees hired into one of the bespoke graduate programmes receive specific training, mentoring and career advice, with the aim of aiding their transition to a long-term career with CSi. An example of such a programme is the award winning Steps to Success program launched in 2012, which offers university scholarship funding for UK students from underprivileged and underrepresented backgrounds. In 2021, the inaugural school leaver Apprenticeship program was launched across a range of businesses in the UK, and is also available for existing staff to upskill within their current role.

## Communication

CSi is committed to keeping employees informed of changes within the organisation, including but not limited to, financial and economic factors affecting the performance of CSi. This is achieved through a number of different channels, including regular town hall meetings and Q&A sessions with senior leaders, divisional and functional line management meetings, webcasts, intranet updates, email bulletins focused on specific issues, and via the active employee networks.

In addition to formal consultation processes (where required), employee feedback is frequently sought and is actively encouraged. 2021 examples:

- An IMPACT survey (as detailed in the Culture section) was performed to give employees the opportunity to candidly speak their mind and offer perspectives on the Bank's culture;
- CSi employees were asked to provide feedback on their IT set up to provide input into future solutions as employees adapt to a more hybrid working environment;
- CSi employees were asked to provide feedback on their return to office experiences and their thoughts on the removal of some health and safety measures in line with government guidance.

Employees are encouraged to be invested in the company's performance as at certain levels in the organisation, select personnel receive a portion of their annual compensation in the form of deferred compensation linked to the overall performance of Credit Suisse.

## Hybrid Working

The pandemic has proven that flexible working can work well with benefits to both productivity and work-life balance, but offices also provide a better environment for collaboration, teamwork, mentoring, training and development. Each division and function provided guidance as to their individual approach to Hybrid Working, which offer, where possible, some flexibility to work remotely, while ensuring employees remain connected and spend an appropriate amount of time in the office.

The flexible working policy was updated to reflect this approach, and CSi published a revised flexible working procedure in 2021.

CSi continues to ensure there is no disruption to the risk and controls frameworks and that productivity is maintained.

## Respect for Human Rights

CS group, including CSi, recognises its responsibilities in accordance with the International Bill of Human Rights, the corresponding principles on human and labour rights set out in the UN Global Compact, as well as the eight fundamental conventions of the International Labour Organisation. We take account of these principles in CS group own policies and business activities. The "Statement on Human Rights" describes the foundations of the CS group's responsibility to respect human rights and the

approaches, processes and tools used to implement it. Equally, CS group expects its business partners to recognise and uphold human rights.

In its role as an employer, and as a user and provider of services, CS group including CSi, is committed to human rights and respects them as a key element of responsible business conduct. CS group voluntarily commits to uphold certain international agreements relating to human rights, including: the Equator Principles, Principles for Responsible Investment and UN Global Compact.

CSi consider human rights issues in its risk management processes and are aware of its responsibilities as an employer. The Modern Slavery and Human Trafficking Transparency Statement sets out the steps that CS group, including CSi, is taking to prevent the occurrence of modern slavery and human trafficking in its business operations and within its supply chain. CSi has been a Living Wage Employer since 2017.

→ More details on the topic of human rights, including its Modern Slavery and Human Trafficking Transparency Statement, can be found at <https://www.credit-suisse.com/humanrights>

## Modern Slavery and Human Trafficking

A number of internal policies, commitments and controls which are already in place help to eradicate modern slavery and human trafficking in the supply chain and across the business. In addition, CS group Supplier Code of Conduct aims to ensure that the CS group's external business partners, including their employees, subsidiaries and subcontractors, respect human rights, labour rights, employment laws and environmental regulations. In 2016, CS group introduced a formal Third Party Risk Management ('TPRM') framework to scrutinise and monitor the operational, financial and reputational risk associated with third party relationships. The TPRM framework provides for structured due diligence assessments of all suppliers to identify where modern slavery and human trafficking risks may exist and also allows CS group to regularly monitor these relationships, to raise and track issues, and to therefore better understand the associated risks and, if necessary, demand actions for improvement from suppliers and service providers.

→ More details including the complete statement, made pursuant to section 54, Part 6 of the Modern Slavery Act 2015, is publicly available and can be found at [www.credit-suisse.com](http://www.credit-suisse.com).

## Anti-Bribery and Corruption Matters

CS group, including CSi, strives to prevent the improper use of products and service by third parties. As part of the efforts to fulfil its due diligence requirements, CS group uses strict internal control policies. The policies govern topics such as business relations with politically exposed persons, the prevention of money laundering and terrorist financing, and adherence to applicable economic and trade sanctions laws. CS group has a range of policies, procedures and internal controls, with requirements such as the screening of third parties who conduct business for or on behalf of CS group and dedicated controls related to gifts and entertainment, internships and other employment opportunities,

charitable contributions and sponsorship. Furthermore, the CS group is actively involved in the development and implementation of industry standards to combat money laundering and corruption.

Employees are required to periodically complete mandatory online training courses on topics ranging from the prevention of money laundering, terrorist financing and corruption to compliance with economic sanctions. Additionally, employees have a duty to report concerns of potential legal, regulatory or ethical misconduct to their line managers or to Financial Crime Compliance and Regulatory Affairs. Employees worldwide also have the option of calling a CS group Integrity Hotline, where they can report such issues anonymously, where permitted by local law.



# Corporate Governance Statement

## FRC Wates Governance Principles

CSi has adopted the FRC Wates Corporate Governance Principles relating to Purpose and Leadership, Board Composition, Board Responsibilities, Opportunity and Risk, Remuneration and Stakeholder Relationships and Engagement including environmental reporting requirements. CSi's adherence to these Principles is addressed in this Corporate Governance Statement, which includes the Section 172 Statement.

## Board of Directors

The CSi Board of Directors ('Board') is responsible for governance arrangements that ensure effective and prudent

management of CSi, including the segregation of duties and the prevention of conflicts of interest. The Board approves and oversees the implementation of strategic objectives, risk strategy and internal governance; ensures the integrity of the accounting and financial reporting systems; oversees disclosure and communications processes; provides effective oversight of senior management; and assesses the effectiveness of governance arrangements.

A number of Board composition changes have been effected since 1 January 2021, including the appointment of Clare Brady as Non-Executive Director, as well as the cessation of Andreas Gottschling, Alison Halsey and Clare Brady as Non-Executive Directors and Ralf Hafner as Executive Director and Chief Risk Officer.

### Members of the Board of Directors

	Board member since	Independence	Audit Committee	Risk Committee	Nomination Committee	Advisory Remuneration Committee	Conflicts Committee
John Devine, Chair	2017	Independent	Acting Chair	Member	Chair	Member	Chair
David Mathers, CEO	2016	-	-	-	-	-	-
Debra Davies	2019	Independent	Member	Member	Member	Chair	Member
Doris Honold	2020	Independent	Member	Chair	Member	Member	Member
Christopher Horne, Deputy CEO	2015	-	-	-	-	-	-
Caroline Waddington, CFO	2017	-	-	-	-	-	-
Jonathan Moore	2017	-	-	-	-	-	-
Nicola Kane	2018	-	-	-	-	-	-

## Internal Control and Financial Reporting

### Board Responsibilities

The directors are ultimately responsible for the effectiveness of internal control in the CSi group. Procedures have been designed for safeguarding assets, for maintaining proper accounting records; and for assuring the reliability of financial information used within the business, and provided to external users. Such procedures are designed to mitigate and manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that have been established are designed to provide effective internal control within the CSi group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the Bank have been in place throughout the year and up to 10 March 2022, the date of approval of the CSi Annual Report for 2021.

The Risk Appetite Statement is formally reviewed and assessed at least once a year by the Board. Key risks are also formally reviewed and assessed on a quarterly basis by the Board Risk Committee and the Board as required. In addition, key business risks are identified, evaluated and managed by operating

management on an ongoing basis by means of policies and processes such as credit and market risk limits and other operational metrics, including authorisation limits, and segregation of duties.

The Board receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are well-established business planning procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget, prior year and other performance data.

The Board's duties relate to Strategy and Management; Culture; Risk Management; and Financial Reporting and Internal Control as set out in the Board Terms of Reference. During 2021 the Board has taken decisions in line with its duties and the Board objectives, including the review and approval of the Strategy and Financial Plan; the Risk Appetite Statements and Limits; the Country Risk Limit Framework; the ILAAP; the Contingency Funding Plan; the Board and Committee Objectives; the ICAAP; the Compliance Risk Assessment and Plan; the Financial Crime Compliance Risk Assessment; Authorised Signatories; the Financial Statements and Pillar 3 Disclosures; the Modern Slavery Statement; the Registration Document; Board Director Resignations and Appointment; the CSi Italian Branch Closure; the CSi SEC Security-Based Swap Dealer Registration; and Major Projects. The Board has delegated execution of certain duties to the

Board Committees and escalated significant issues to CSG as required.

## Board Evaluation and Composition

Each year, the Board undertakes a formal Board Evaluation against the responsibilities listed in its Terms of Reference and the Board's annual objectives to assess Board effectiveness and to decide on future objectives and focus topics in light of the CS group strategy, and to identify internal briefings / training required by individual Directors. The Evaluation assists the Board Nomination Committee to assess the composition and performance of the Board, and the knowledge, skills, experience and diversity of Board members and the Board succession plan. From time to time, the Board will mandate an external advisor to facilitate the evaluation; usually the evaluation is internal for two years and external for every third year (last performed for the 2020 assessment). At the beginning of 2022, the Board performed a self-evaluation of its own performance in 2021. The 2021 self-assessment concluded that the Board and Board Committees are operating effectively. The Board has approved updated Board and Board Committees' objectives for 2022.

## Board Training

In addition to an initial Board Director Induction, Board Directors undertake internal briefings and training, which are tailored to CSi's business strategy, Board objectives and decisions to be taken by the Board. Individual directors undertake other external courses as necessary for professional development.

## Board Diversity Policy

CSi recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse Board. The Board

Diversity Policy sets out the approach to diversity on the Board of Directors. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Nomination Committee will consider these attributes in determining the optimum composition of the Board and when possible balancing the Board appropriately. The Board maintains its initial target of at least 25% female Board representation in 2021 and will continue to monitor the composition in 2022 through periodic reviews of structure, size and performance of the Board.

The aforementioned Board responsibilities and Board committees comply with the requirements defined in the PRA Rulebook for 'General Organisational Requirements', chapter 5 (Management Body).

## Board Meetings

23 Board meetings were held in 2021 including scheduled Board meetings, ad hoc Board and Board Sub-Committee meetings. Board members also attend extensive briefing sessions to prepare for technical Board discussions. All members of the Board are expected to spend the necessary time outside of these meetings to discharge their responsibilities. The Chair convenes the meetings with sufficient notice and prepares an agenda. The Chair has the discretion to invite management to attend the meetings. The Board also holds separate private sessions without management present. Minutes are kept of the Board meetings. The members of the Board are encouraged to attend all Board and committee meetings on which they serve; ad hoc Board and Board Sub-Committee meetings are usually held with minimum quorum attendance.

## Meeting attendance – Board and Board committees

	Board of Directors <sup>1</sup>	Audit Committee <sup>2</sup>	Risk Committee <sup>3</sup>	Nomination Committee <sup>4</sup>	Advisory Remuneration Committee <sup>5</sup>	Conflicts Committee <sup>6</sup>
in 2021						
Total number of meetings held	23	8	5	2	8	2
of which extraordinary meetings	16	3	1	–	–	–
Number of members who missed no meetings	8	3	3	3	2	3
Number of members who missed one meeting	2	–	–	–	1	1
Number of members who missed two or more meetings	2	1	1	–	3	–
Meeting attendance, in %	96%	92%	91%	100%	94%	88%

<sup>1</sup> The Board consisted of eleven members at the beginning and eight members at the end of the year, with four members resigning and one being appointed.

<sup>2</sup> The Audit Committee consisted of three members at the beginning and three members at the end of the year with one member resigning and one being appointed.

<sup>3</sup> The Risk Committee consisted of four members at the beginning of the year and three members at the end of the year with three members resigning and two members being appointed.

<sup>4</sup> The Nomination Committee consisted of three members throughout the year.

<sup>5</sup> The Advisory Remuneration Committee consisted of three members at the beginning and three members at the end of the year with three members resigning and three members being appointed.

<sup>6</sup> The Conflicts Committee consisted of four members at the beginning of the year and three members at the end of the year with one member resigning.

## Board Committees

Certain powers are delegated by the Board to Board Committees, while retaining responsibility and accountability, which assists the Board in carrying out its functions and ensure that there is independent oversight. Apart from the Disclosure Committee, each Board Committee is comprised solely of independent Non-Executive Directors appointed to provide robust and effective challenge of the matters within its remit. The Chair of each Board Committee reports to the Board.

### Audit Committee

The Audit Committee assists the Board in fulfilling the Board's oversight responsibilities defined by law, articles of association and internal regulations by monitoring (i) financial reporting and accounting; (ii) internal controls; (iii) legal and regulatory compliance; (iv) internal audit; and (v) external auditors. During 2021 the Audit Committee has taken decisions in line with its duties and objectives, including the review and approval of the Internal Audit Strategy and Plan, Non-Audit Services, and the annual RCSA, and has recommended for Board approval the Audit Committee Objectives, the Annual and Interim Financial Statements and Pillar 3 Disclosures.

### Risk Committee

The Risk Committee assists the Board in fulfilling the Board's risk management responsibilities as defined by law, articles of association and internal regulations, by reviewing and assessing (i) the risk appetite and strategy implementation; (ii) the strategies and policies for risk management and mitigation; (iii) the risk management function; (iv) the compliance function; (v) the ICAAP and adequate CSi capital; and (vi) risk limits and reports. During 2021 the Risk Committee has taken decisions in line with its duties and objectives, including the review and recommendation for Board approval of the Risk Committee Objectives, the Risk Appetite Statement and Limits, the ILAAP, the Country Risk Limit Framework, the Compliance Risk Assessment and Plan, the Financial Crime Compliance Risk Assessment and the ICAAP. Management reported to the Risk Committee on, inter alia, Climate Change Risk and the inclusion of climate-related items in the CSi Risk Appetite Statement. Management also reported to the Committee on the PRA PSM Attestation Letter, the Risk Enhancement Plan and on the Archegos US hedge fund incidents status.

### Nomination Committee

The Nomination Committee assists the Board in (i) the identification and recruitment of Board and Committee members; (ii) the preparation of and compliance with gender target policy; (iii) the assessment of the skill set, composition and performance of the Board; and (iv) the review of the policy for selection and appointment of senior management and the strategy for leadership development.

### Advisory Remuneration Committee

The Board has delegated responsibility for remuneration matters to the CSi Advisory Remuneration Committee ('RemCo') while retaining responsibility and accountability. The RemCo, in line with

its objectives, monitors and reviews (i) Regulatory Developments, (ii) Variable Compensation Pool, (iii) Gender and Equal Pay, (iv) Individual Compensation Awards, (v) Senior Manager Scorecards; and (vi) Regulatory Compensation Reporting. The RemCo advises the CSG Compensation Committee in respect of matters relating to remuneration for CSi employees, in particular members of the CSi Executive Committee and CSi Material Risk Takers. Remuneration for CSi employees, directors and Senior Managers is aligned with performance, behaviours, and the achievement of regulatory, company priorities and strategy. The CSG Compensation policy (the 'Policy') applies to CSi. The Policy can be found in the following link <https://www.credit-suisse.com/about-us/en/our-company/our-governance/compensation.html>.

The policy outlines the CS group's remuneration structures and practices and is aligned with the company's purpose, values and culture. The Policy includes consideration of the reputational and behavioural risks to the company that can result from an insufficient scrutiny of compensation and emphasises Credit Suisse's commitment to non-discrimination in terms of gender and/or other individual characteristics in relation to employee compensation.

### Conflicts Committee

The Conflicts Committee assists the Board in fulfilling its responsibilities to consider and avoid conflicts of interest and, where they arise, declare and manage conflicts consistent with the Board of Directors Terms of Reference and the Conflict Management Framework. The Conflicts Committee duties include (i) review of the Conflict Management Framework; (ii) review of training on the Framework; (iii) review of declared conflicts, resolution and lessons learned; and (iv) conduct an annual assessment on conflicts governance and effectiveness of the Conflicts Management Framework.

### CSi Disclosure Committee

In connection with the EU listed structured products, the Committee is delegated by the Board to set out the governance framework and ensure that CSi complies with the disclosure requirements set out in the EU Prospectus Regulation and EU Transparency Directives. The Committee develops procedure of evaluating, reviewing and approving CSi's disclosure set out in the relevant disclosure document and the ongoing update to such disclosure documents.

## Executive Management

The activities of CSi are managed on a day to day basis by the CSi senior management team. The primary oversight committee is the CSi Executive Committee ('ExCo'). It is chaired by the CEO and members include the Deputy CEO, CFO, CRO, business heads and other support head Senior Managers. The Deputy CEO deputises as Chair when necessary.

Given the breadth of business activities and multiple areas of focus, the ExCo has an established support structure and has delegated particular aspects of its mandate to subsidiary

committees with more focused mandates. These subsidiary committees are chaired by members of the ExCo and are all accountable to the ExCo. Dedicated committees so established, cover amongst other areas, risk, operational matters and asset and liability management.

## Section 172 Statement

The CSi Board complies with the Companies Act Section 172 general duty to act in the way it considers, in good faith, would be most likely to promote the success of CSi for the benefit of its shareholders as a whole and having regard to the consequences of decisions and the interests of employees and stakeholders.

The Strategic Report includes disclosures to illustrate how the Board has discharged its duty under Section 172 of the Companies Act 2006 and how it has engaged and addressed the interests of its stakeholders including shareholders clients, employees, suppliers and others and how this has informed the Board's decision making.

### Purpose and Leadership

As part of the CS group stated purpose of building lasting value by serving its clients with care and entrepreneurial spirit, CSi provides capital, helps clients to manage risk, participates in markets and facilitates progress for our clients and thus also the communities they operate in. These activities allow us to contribute to sustainable economic growth. CSi recognises the importance of its relationship with all stakeholders and seeks to regularly engage with clients, employees, regulators and shareholders in an open dialogue. The group purpose is complemented by a set of cultural values – IMPACT: Inclusion, Meritocracy, Partnership, Accountability, Client Focus and Trust. The values have been embedded throughout our people process in CSi and serve as a behavioural guide for all employees. CSi has implemented a strategy, which takes into account the impact of its long-term decisions on its stakeholders and, in doing so, aims to deliver consistent and sustainable profitability.

### Strategy

The CSi strategy is to build on its strengths as a global hub for Credit Suisse derivative products and as a registered swap dealer for Dodd-Frank clients, and to provide its clients with securities and non-securities sales, trading, risk management and settlement services. The strategy is also to provide solutions for other divisions, and businesses, including wealth management clients; and to provide M&A and underwriting and arrangement services, and bilateral or syndicated loans for its corporate clients. The Board held a Strategy and Financial Plan session and worked with management to develop a shared long-term perspective, to define and embed the CSi Purpose and Strategy, and to review

CSi strategic strengths and weaknesses compared with peers, with a focus on client strategy. The Board has also reviewed and approved the 2022 Financial Plan, which underpins the execution of the CSi strategy consistent with CS group strategy.

### Corporate Responsibility

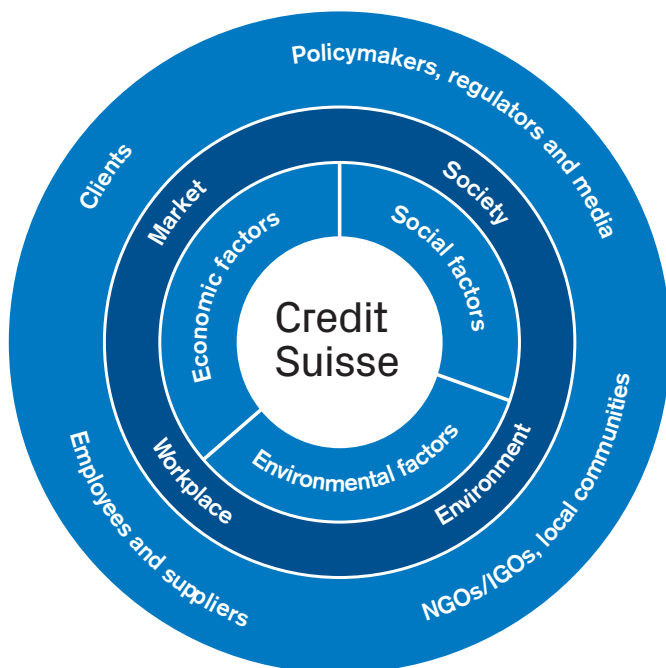
For CSi, corporate responsibility is about creating sustainable value for clients, shareholders, employees and other stakeholders. CSi strives to comply with the ethical values and professional standards set out in the CS group Code of Conduct in every aspect of its work, including in the relationship with stakeholders. CSi does so based on a broad understanding of its duties as a financial services provider and employer and as an integral part of the economy and society. This approach also reflects CSi's commitment to protecting the environment.

The CSi approach to corporate responsibility is broad and considers respective responsibilities toward clients, shareholders, employees, the environment and society as a whole, which CSi believes is essential for long-term success. Competence, client focus, compliance, diligence and responsible conduct from qualified and motivated employees are key to the success of its business. Through its role as a financial intermediary, CSi, as a material legal entity of CS group, supports entrepreneurship and economic growth and makes an economic contribution as an employer, taxpayer and contractual partner. CSi also supports various organisations, projects and events. CSi, as a material legal entity of CS group, supports environmental sustainability, for example, through the development of sustainable and impact investment products and services.

### Stakeholder Relationships and Engagement

CSi businesses work on the basis that long-term success depends to a significant extent on the ability to inspire confidence in CSi's stakeholders. In the current challenging regulatory environment and in view of the developments in the area of financial market policy, it is essential that CSi takes steps to safeguard and maintain trust in the company.

CSi, as a material legal entity of CS group, regularly engages directly in a dialogue with stakeholders including clients, and employees as well as with regulators, policymakers and Non-Governmental Organisations ('NGO'). This dialogue, combined with the insights gained through its involvement in initiatives, business associations, and forums, as well as through surveys, strengthens CSi's understanding of the different, and sometimes conflicting, perspectives of its stakeholders. This helps CSi to identify stakeholders' interests and expectations at an early stage, to offer CSi's own perspective and to contribute to the development of solutions in response to current challenges wherever possible. At the same time, this exchange allows CSi to further develop an understanding of its corporate responsibilities.



## Clients

Client concentration trends are monitored to ensure that there is a meaningful depth of client relationships to sustain the viability, profitability and growth of individual business lines. The IB division operates a Key Account Management programme covering the division's most important clients via dedicated senior relationship managers who provide a holistic approach to clients. Regular benchmarking of client performance and service takes place across the businesses and competitor / peer analysis is tracked to ensure a focus on the right client sectors. There is a pro-active effort to maintain high rates of client retention via monitoring of client trends and a continuous self-review. The CSi client strategy has been to focus on areas of strength and the product pillar approach is an extension of this with strategy aligned to products and clients with whom CSi can generate profitable growth and build market share.

**Equities:** The business provides coverage of strategic clients across the Equities pillar with an enhanced client framework. Investment continues to take place in the electronic/low-touch businesses and incorporating emerging technologies.

**Credit Products:** This business provides a globally coordinated client franchise focusing on origination, trading and financing across investment grade and leveraged finance product. Client coverage strategy is managed within Credit, whilst ensuring holistic coverage of large accounts in collaboration with Key Account Management and other IB businesses.

**GTS:** This business provides a consolidated global offering with improved distribution capabilities through collaboration across the IB, WM and SUB divisions. Cross Asset Investor Products business continues to differentiate by developing innovative structured solutions catering to client demand in key client sectors. The

Financing and Corporate Derivatives business is focused primarily on WM and SUB clients, Sovereigns, Corporates and Financial Institutions. The Macro and Emerging Markets business targets capital efficient client business. Key strengths also lie in offering clients liquidity and efficient trading solutions via the Agency and Cross Asset Execution businesses.

## Society

CSi, working with partner organisations, strives to contribute to economic and social development. CSi cultivates a dialogue with policymakers, legislators and regulators, as well as members of the business community and other stakeholder groups. CSi contributes its expertise to discussions about economic, political, environmental and social issues through the involvement in initiatives, associations and forums. This provides CSi with an opportunity to contribute its viewpoint as a global bank and to offer its expertise on a range of topics.

## Policymakers and legislators

CSi complies with financial laws and regulations and responds appropriately to regulatory developments, including new capital and liquidity requirements, rules governing transparency and combating financial market crime. The Public Affairs and Policy and Regulatory Affairs teams strive to act as reliable dialogue partners, and play an active role in associations and governing bodies.

CSi is strongly anchored within its industry and the regulatory environment. This results in an extensive network of organisations and trade bodies, with which CSi maintains an intensive exchange of ideas and information. Key affiliations of CSi include CityUK, UK Finance, City of London Corporation and International Regulatory Strategy Group, Association of Financial Markets Europe ('AFME'), International Swaps and Derivatives Association ('ISDA'), International Capital Markets Association ('ICMA'), and New Financial. Public Affairs and Policy provide updates to the CSi Board on strategic topics of relevance.

## Regulators

CSi works closely with regulators to ensure a constructive regulatory dialogue and provide transparency on the strategy the CS group is taking, particularly in the UK, to also provide updates on business performance and risk management in order to help reduce overall risk in the industry and provide a more sustainable banking landscape over the long term. CSi has open and regular engagement with regulators, ensuring clarity and transparency, and sharing views and expectations of CSi. The primary regulatory engagement for CSi is with the PRA and FCA supervisory teams and senior management.

## Workplace and Employees

The Board has supported management with their approach to managing employees in the best way during the COVID-19 pandemic throughout 2021, taking an active interest in employee sentiment and return to office strategies.

The Board understands the importance on continuing to make progress on the Group Culture program. The Board receives an update on the culture program twice a year and has participated in further ad-hoc working sessions with a view to familiarising themselves with the new global culture framework launched in January 2021. The Board had further insights into employee sentiment and perception of culture via presentations on the CSi specific 2021 global IMPACT survey results, which sought to measure current employee status against our six IMPACT values.

The Board has also worked with management to build an inclusive culture reflecting all aspects of diversity but with particular focus on gender parity and black talent.

CSi has engaged with employees during the year via forums and channels, listening to its employees to ensure the views needs of its people are taken into account. These channels include employee surveys, town halls, employee networks and via senior management engagement.

In addition to formal consultation processes where required, employee feedback is frequently sought and is encouraged. As in 2020, during 2021, all CSi employees were consulted on the relaxation of COVID-19 health and safety measures in the working environment for employees. As part of this, they were informed about how to provide feedback and raise issues on an ongoing basis.

CSi has a Board iNED responsible for Employee Engagement on behalf of the Board to assist the Board in complying with its Board 'People' objective. The iNED keeps the Board apprised on material employee matters including on key people and culture related insights and trends and is a standing attendee at the UK management culture board.

## Suppliers

CSi, as a material legal entity of CS group, strives to maintain a fair and professional working relationship with its suppliers. CSi considers factors like quality and shared values when forming such relationships and strives to work with those who conduct their businesses responsibly. In addition, CSi has developed a framework to monitor these relationships. It is important for business partners to know how CSi understanding of corporate responsibility affects them. The CS group Supplier Code of Conduct defines the standards relating to business integrity, labour and social aspects, environmental protection and general business principles that CSi expects suppliers to meet. To achieve further progress in the areas of social and environmental responsibility, the Supplier Code of Conduct may require suppliers to implement measures that go beyond local laws and regulations.

CSi, as a material legal entity of CS group, has introduced the Third Party Risk Management ('TPRM') Framework to manage financial, operational and reputational risks and to meet the increasing regulatory requirements governing business relationships with third parties. CSi assesses potential environmental, social and labour law-related risks, among others, in connection

with third party suppliers. This assessment informs the commercial assessment, negotiations and eventual contract award process. The TPRM Framework also allows CSi to continuously monitor these relationships, to raise and track issues, and to better understand the associated risks and if necessary demand actions for improvement from suppliers and service providers.

In addition, CSi management has established a Service Management Framework ('SMF') to ensure that CSi operates an effective risk and control environment across all types of service dependencies, which includes ensuring outsourcing arrangements operate within acceptable risk appetites and meet the FCA/PRA Outsourcing Rule book ('SYSC8'). In addition, CS Services AG, London Branch ('UK Service Co') is a London branch of CS Services AG, providing UK-based RRP critical services supporting CSi. The UK Service Co reports into the Board of the Zurich based parent.

The CSi Board has undertaken a specific review of Corporate Sourcing and Contract Management via its Audit Committee in 2021.

## Environment NGOs/IGOs

CSi, as a material legal entity of CS group, maintains a dialogue with NGOs, Intergovernmental Organisations ('IGO'), local organisations and other stakeholders to understand their concerns and to address social and environmental issues. CSi, as a material legal entity of CS group, contributes to the public debate on these topics through its publications, initiatives and events. CSi considers this dialogue important since it encourages each party to see key issues from a new perspective and it promotes mutual understanding. Working with partner organisations, CSi strives to contribute to economic and social development. CSi regularly engages with its stakeholders through participation in forums and round tables and joined industry, sector and specific topic debates. Examples include the Equator Principles Association, Organisation for Economic Co-operation and Development ('OECD') Responsible Business Conduct in the financial sector and the UN Principles on Responsible Banking. Discussions with NGOs centre on topics such as climate change, biodiversity and conservation as well as risks relating to the financing of projects and human rights-related issues.

→ For an overview of sustainability initiatives and memberships, please refer to: <https://www.credit-suisse.com/about-us/en/our-company/corporate-responsibility/banking/agreements-memberships.html>

Throughout 2021, Credit Suisse provided environmentally focussed volunteering opportunities with East London Business Alliance and Wildfowl and Wetlands Trust.

## Local communities

CSi cultivates constructive relationships with local organisations and institutions and supports charitable projects through financial contributions, employee volunteering, fundraising initiatives and expertise sharing. The Credit Suisse EMEA Foundation (the 'Foundation'), set up in 2008, is a key vehicle to deliver its

strategy to promote economic growth and social change across EMEA through multi-year partnerships involving both financial support and employee engagement. Under the Future Skills Initiative, the Foundation focuses on providing disadvantaged young people with the knowledge skills and attitudes needed for successful careers and adult life. The Foundation also supports young people to make informed decisions and take effective actions regarding their current and future use and management of money so they can fulfil their potential in their adult lives. The Foundation grants programme is guided by its Trustees, all of whom are senior leaders within the region. Two CSi Board Directors serve on the board of the Foundation. One of them additionally chairs the annual Credit Suisse UK Employees Philanthropy Awards and serves on the board of the Foundation grant partner St Giles Trust. The other Director serves on the board of Foundation grant partner Royal National Children's SpringBoard Foundation. Two other CSi Board Directors actively supported the Credit Suisse Grant Partner Plan International "Girls Take Over" campaign welcoming a young woman on the CSi CSS(E)L Board meeting to lead discussions on Credit Suisse Return to

Work strategy. Four CSi Directors actively supported a number of fundraising events benefitting the 2021 UK Charity of the Year, Cancer Research, UK including the second edition of our EMEA Charity Trading Day.

Cancer Research UK was the 2021 Charity of the Year.

The Strategic Report is approved by Order of the Board



Paul E Hare  
Company Secretary

One Cabot Square  
London E14 4QJ  
10 March 2022

# Directors' Report for the year ended 31 December 2021

## International Financial Reporting Standards

The CSi group and Bank 2021 audited Financial Statements have been prepared on a going concern basis and in accordance with UK-adopted international accounting standards ('UK-adopted IFRSs') in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU.

The Annual Report and financial statements were authorised for issue by the directors on 10 March 2022. As permitted by section 414C(11) of the Companies Act 2006, certain information is not shown in the Directors' Report because it is shown in the Strategic Report.

## Dividends

No dividends were paid or are proposed in the year ended 31 December 2021 (2020: USD Nil).

## Directors

The names of the Directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2020 and up to the date of this report are as follows:

### Appointments:

Clare Brady	19.08.21
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### The following ceased to be directors:

Andreas Gottschling	30.04.21
Ralf Hafner	28.07.21
Alison Halsey	25.08.21
Clare Brady	31.12.21

None of the Directors who held office at the end of the financial year were directly beneficially interested, at any time during the year, in the shares of the Bank. Directors of the Bank benefitted from qualifying third party indemnity provisions in force during the financial year and at the date of approval of the financial statements.

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the CSi group and Bank financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the directors have prepared the CSi group and Bank financial statements in

accordance with UK-adopted IFRSs. CSi group and Bank have also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU ('EU-adopted IFRSs').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSi group and Bank and of the profit or loss of the CSi group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted IFRSs and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the CSi group and Bank will not continue in business.

The directors are responsible for safeguarding the assets of the CSi group and Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group's and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the CSi group and Bank and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Bank's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

For the purposes of applying the ESEF Regulation, the official version of the accounts is the ESEF version identified as 'csinternational-20211231.zip'

## Directors' confirmations

Each of the directors, whose names and functions are listed in 'Members of the Board of Directors' within the Corporate Governance Statement confirm that, to the best of their knowledge;

- the CSi group and Bank financial statements, which have been prepared in accordance with UK-adopted IFRSs and



international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the CSi group, comprising the Bank and the undertakings included in the consolidation taken as a whole, and of the profit of the Bank; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of CSi group, comprising the Bank and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the director's report is approved;

- so far as the director is aware, there is no relevant audit information of which the CSi group's and Bank's auditors are aware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the CSi group's and Bank's auditors are aware of that information.

## Going concern

Going concern is detailed in Note 2 – Significant Accounting Policies.

## Risk and Capital

Risks are detailed in Note 41 – Financial Risk Management. The way in which these risks are managed are detailed in the Risk Management Section of the Strategic Report.

Details of capital are set out in Note 30 – Share Capital and Share Premium and Note 43 – Capital Adequacy.

Pillar 3 disclosures required under the Capital Requirements Regulation ('CRR') can be found separately at:

→ <https://www.credit-suisse.com/about-us/en/investor-relations/financial-regulatory-disclosures/regulatory-disclosures/pillar-3.html>

## Future Developments

Future developments impacting the Bank are detailed in the Operating Environment section of the Strategic Report.

## Employees

Information in relation to employees is detailed within the Employee Matters within the Strategic Report.

## Research and Development

In the ordinary course of business, the Bank develops new products and services in each of its business divisions.

## SECR

The SECR disclosures have been disclosed in the Strategic Report.

## Branches and Representative Offices

The details of the location of the Bank's branches and representative offices are detailed in the Business Model section of the Strategic Report.

## Donations

During the year the CSi group made USD 1,308,042 (2020: USD 6,643,754) of charitable donations. There were no political donations made by the CSi group during the year (2020: USD Nil).

## Auditor

The Audit Committee is responsible for the oversight of the external auditor. The external auditor reports directly to the Audit Committee and the Board with respect to its audit of the CSi's group and Bank financial statements and is ultimately accountable to the shareholders. The Audit Committee considers and, where appropriate pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services. For further details, refer to the Committees section of the Strategic Report.

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office as external auditor.

## Subsequent Events

### Russia's invasion of Ukraine

In late February 2022, the Russian government launched a military attack on Ukraine. In response to Russia's military attack, the US, EU, UK, Switzerland and other countries across the world imposed severe sanctions against Russia's financial system and on Russian government officials and Russian business leaders. The sanctions included limitations on the ability of Russian banks to access the SWIFT financial messaging service and restrictions on transactions with the Russian central bank. The Russian government has also imposed certain countermeasures, which include restrictions relating to foreign currency accounts and security transactions. These measures followed earlier sanctions that had already been imposed by the US, EU and UK in 2021 in response to alleged Russian activities related to Syria, cyber security, electoral interference and other matters.

CSi is assessing the impact of the sanctions already imposed, and potential future escalations, on its exposures and client relationships. As of 31 December 2021, CSi had a net credit exposure to Russia of approximately USD 61 million. CSi is currently monitoring settlement risk on certain open transactions with Russian counterparties, and market closures, the imposition of exchange controls, sanctions or other actions may limit our ability to settle existing transactions or realise on collateral, which could result in unexpected increases in exposures. CSi notes that these recent developments may affect its financial performance, including credit loss estimates, albeit given the early stage of these

developments, it is not yet possible to estimate the size of any reasonably possible losses.

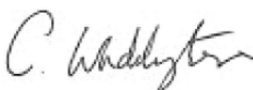
### Corporation Tax Surcharge

In the UK budget announcement of 27 October 2021, the UK government advised that the corporate bank surcharge will be reduced from 8% to 3% to apply from 1 April 2023. This was substantively enacted on 2 February 2022. The reduction in the corporation bank surcharge will decrease in the company's net deferred tax asset as at 31 December 2021 by USD 43 million.

### Litigation

In March 2022, CSi reached a settlement related to a legacy litigation brought by Stadtwerke München GmbH and the parties will shortly apply to the court to have all proceedings against Credit Suisse discontinued. As a result, CSi increased its 2021 litigation provision by USD 86 million in the Corporate Centre.

On behalf of the Board



Caroline Waddington  
Director

One Cabot Square  
London E14 4QJ  
10 March 2022

# Independent Auditors' Report to the Members of Credit Suisse International

## Independent auditors' report to the members of Credit Suisse International

### Report on the audit of the financial statements

#### Opinion

In our opinion, Credit Suisse International's group (the "CSi group") financial statements and company (the "Bank") financial statements (the "financial statements"):

- give a true and fair view of the state of the CSi group's and of the Bank's affairs as at 31 December 2021 and of the CSi group's profit and the CSi group's and Bank's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position and bank statement of financial position as at 31 December 2021; the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, bank statement of changes in equity, consolidated statement of cash flows and bank statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit committee.

#### Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 2 to the financial statements, the CSi group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the CSi group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("ISAs") and applicable law. Our responsibilities under ISAs (UK) and ISAs are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the CSi group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by either the FRC's Ethical Standard or Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Other than those disclosed in Note 12 - General, Administrative and Trading Expenses, we have provided no non-audit services to the CSi group or its controlled undertakings in the period under audit.

## **Our audit approach**

### **Overview**

#### **Audit scope**

- We perform a full scope audit of the CSi group as a whole, treating the Bank and its consolidated entities as a single component as explained in section 'How we tailored the audit scope'. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by the magnitude of financial statement line items, our risk assessment and other qualitative factors.

#### **Key audit matters**

- Valuation of complex and illiquid financial instruments measured using significant unobservable inputs (CSi group and Bank)
- Measurement of defined benefit pension obligation (CSi group and Bank)

#### **Materiality**

- Overall CSi group and Bank materiality: USD 150 million (2020: USD 100 million) based on 1% Tier 1 capital resources of USD 15,097 million (2020: USD 20,520 million, based on 0.5% Tier 1 capital resources).
- CSi group and Bank performance materiality: USD 90 million (2020: USD 75 million).

### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The '*effect of COVID-19 on the audit and the financial statements*' and '*effect of subsequent events on the financial statements*', which were key audit matters last year, are no longer included because of the resolution of significant uncertainty related to the pandemic and appropriate disclosure of these matters in the financial statements for 2021. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="384 488 858 562"><b>Valuation of complex and illiquid financial instruments measured using significant unobservable inputs (CSi group and Bank)</b></p> <p data-bbox="384 562 858 824">The fair value of certain financial instruments is determined using valuation methods that involve a varying degree of judgement. In exercising this judgement senior management determines the most appropriate assumptions and valuation methodologies. The valuation of complex financial instruments can have greater estimation uncertainty due to the lack of observable market prices for these instruments. When one or more valuation inputs are unobservable and significant, the financial instrument is classified as Level 3 in the valuation hierarchy.</p> <p data-bbox="384 824 858 947">As at 31 December 2021, CSi group and Bank had Level 3 financial assets measured at fair value of USD 2,889 million and USD 2,905 million, respectively; Level 3 financial liabilities were USD 1,767 million and USD 2,010 million, respectively.</p> <p data-bbox="384 947 858 1211">We performed a risk assessment of the financial instruments held by the CSi group using our industry experience and knowledge of the CSi group's business. We used this analysis to identify areas of greater judgement and focused our testing on these. We observed that the most significant judgements relate to the valuation of Level 3 structured notes and a portfolio of equity options with unobservable inputs. These products are non-standard and often require more judgemental valuation methodologies and market information that is not readily available.</p> <p data-bbox="384 1211 858 1335">Refer to Note 3 - <i>Critical Accounting Estimates and Judgements in Applying Accounting Policies</i> and Note 38 - <i>Financial Instruments</i> for further details of fair value measurement of financial instruments as a critical accounting estimate.</p>	<p data-bbox="880 562 1417 636">We understood and evaluated the design and tested the operating effectiveness of the key controls supporting the valuation of financial instruments, including the following:</p> <ul data-bbox="922 636 1417 808" style="list-style-type: none"> <li data-bbox="922 636 1417 710">• Inspected documentation of the independent price verification controls, tested the inputs used in those controls and assessed the pricing sources used;</li> <li data-bbox="922 710 1417 761">• Engaged our valuation specialists to test model validation controls; and</li> <li data-bbox="922 761 1417 808">• Inspected the monitoring and resolution of collateral disputes.</li> </ul> <p data-bbox="880 808 1318 837">Our substantive procedures included the following:</p> <ul data-bbox="922 837 1428 1346" style="list-style-type: none"> <li data-bbox="922 837 1428 1151">• Utilised our valuation specialists and experts to independently revalue a sample of instruments using our own models and to the extent available, independently sourced inputs, such as volatilities and correlation. For samples where we utilised management's inputs for certain inputs required to revalue the instruments, we assessed the reasonableness of the inputs used. Specifically in relation to the Level 3 structured notes and the portfolio of equity options, we increased the extent of our revaluation testing. Any differences were assessed to confirm the valuation was within a reasonable range;</li> <li data-bbox="922 1151 1417 1247">• We evaluated the methodology and underlying assumptions used to determine valuation adjustments, and recalculated a sample of valuation adjustments as at the period-end, and</li> <li data-bbox="922 1247 1417 1346">• Examined collateral disputes, significant gains or losses on disposals and other events which could provide evidence about the appropriateness of the valuations.</li> </ul> <p data-bbox="880 1346 1417 1420">We also assessed the disclosures in Note 38 - <i>Financial Instruments</i> regarding significant unobservable inputs and the fair value hierarchy and found them to be appropriate.</p> <p data-bbox="880 1420 1362 1473">The above procedures were completed without material exception.</p>
<p data-bbox="384 1473 858 1525"><b>Measurement of defined benefit pension obligation (CSi group and Bank)</b></p> <p data-bbox="384 1525 858 1599">The CSi group and Bank have a defined benefit obligation of USD 1,904 million and a net surplus of USD 1,024 million as of 31 December 2021.</p> <p data-bbox="384 1599 858 1839">The valuation of the defined benefit obligation for the CSi group and company is dependent on a number of actuarial assumptions. Management uses an actuarial expert to determine the valuation of the defined benefit obligation. The expert uses a valuation methodology that requires a number of market-based inputs and other financial and demographic assumptions. The significant assumptions that we focused our audit on were the discount rate, inflation rate and mortality assumptions.</p> <p data-bbox="384 1839 858 1892">Refer to Note 3 - <i>Critical Accounting Estimates and Judgements in Applying Accounting Policies</i> and Note</p>	<p data-bbox="880 1525 1417 1648">We tested the design and operating effectiveness of the key controls supporting the valuation of the defined benefit pension obligation and specifically assessed the appropriateness of management's review and challenge of significant assumptions.</p> <p data-bbox="880 1648 1318 1677">Our substantive procedures included the following:</p> <ul data-bbox="922 1677 1417 1892" style="list-style-type: none"> <li data-bbox="922 1677 1417 1751">• We evaluated the objectivity and competence of management's actuarial expert involved in the valuation of the defined benefit obligation;</li> <li data-bbox="922 1751 1417 1825">• We assessed the appropriateness of the methodology used to estimate the liability by reference to IAS 19 <i>Employee benefits</i>;</li> <li data-bbox="922 1825 1417 1892">• In respect of the significant assumptions, our actuarial experts assessed the judgements made by management and management's actuarial expert</li> </ul>

32 - *Retirement Benefit Obligations* for further details of retirement benefit obligations as a critical accounting estimate.

and compared these to our independently compiled expected ranges;

- Using information about the fund's membership profile and benefit structure, our actuarial experts independently recalculated the defined benefit obligation as at 31 December 2021 using their own models by rolling forward the results at 31 December 2020, and allowing for the changes in assumptions, relevant cashflows and other movements; and
- We evaluated and tested the disclosures made in Note 32 - *Retirement Benefit Obligations* in relation to defined benefit pension obligation.

The above procedures were completed without material exception.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the CSi group and the Bank, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the CSi group and the Bank, the accounting processes and controls, and the industry in which they operate.

The CSi group and Bank provide a variety of financial services to clients worldwide. The CSi group consists of the Bank, its branches, subsidiaries and consolidated structured entities as set out in the Strategic Report and Note 37 - *Interests in other entities*. The Bank operates a number of branches and representative offices across Europe to provide financial services to clients in those regions. The group consolidates a number of subsidiaries and structured entities in connection with the provision of financial services to its clients and other members of the group headed by Credit Suisse Group AG ("CS group").

The Bank constitutes substantially all of the CSi group (comprising in excess of 99.9% of total assets and profit for the year). The transactions and balances in the entities consolidated within the CSi group are also generally managed within the same portfolios as those in the Bank. We therefore consider the Bank, its branches and subsidiaries to represent a single component for the purposes of our audit.

Traders employed by other members of the CS group and based in overseas locations enter into transactions on behalf of the CSi group. In these circumstances, certain internal controls relevant to financial reporting operate in those locations. In addition, there are a number of centralised functions operated by the ultimate parent company, Credit Suisse Group AG, in Switzerland or in CS group shared service centres in other locations that are relevant to the audit of the CSi group. We determined the scope of the work required in each of these locations and issued instructions to supporting auditors in the PwC network. We interacted regularly with the firms responsible for the work throughout the course of the audit. This included reviewing key working papers and discussing and challenging the results of work in higher risk areas of the audit. We concluded that the procedures performed on our behalf were sufficient for the purposes of issuing our opinion.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>Financial statements – CSi group and Bank</b>
<i>Overall materiality</i>	USD 150 million (2020: USD 100 million).
<i>How we determined it</i>	1% Tier 1 capital resources of USD 15,097 million (2020: 0.5% Tier 1 capital resources of USD 20,520 million)
<i>Rationale for benchmark applied</i>	We chose Tier 1 capital resources because, in our view, it is an appropriate metric against which the financial position and performance of the CSi group and Bank are measured by users of the financial statements. This measure is typically used for peer organisations. We increased the percentage to reflect the conclusion for comparable industry participants, our understanding of the expectations of the users of the financial statements and the percentage generally applied to entities for which a net asset-based measure is the appropriate benchmark.

We determined that there was only one material component in the scope of our CSi group audit, therefore we allocated the full materiality to this component.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 60% (2020: 75%) of overall materiality, amounting to USD 90 million (2020: USD 75 million) for the CSi group and Bank financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the audit committee that we would report to them misstatements identified during our audit above USD 7.5 million (CSi group and Bank audit) (2020: USD 5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the CSi group's and the Bank's ability to continue to adopt the going concern basis of accounting included:

- Performing a detailed risk assessment to identify factors that could impact the going concern basis of accounting, including the effect of the US hedge fund matter described in [the strategic report].
- Understanding and evaluating the CSi group and Bank's current and forecast performance and reviewing key assumptions made in the forecasting process.
- Gaining an understanding of, and reviewing, management's assessment of the CSi group's capital and liquidity position, taking into account the ability of the CS group to provide support given CSi group's longer-term reliance on funding from Credit Suisse AG.
- Reviewing management's going concern assessment as well as the outcomes of the internal liquidity adequacy assessment processes ("ILAAP"), capital planning forecasts and stress testing.
- We performed substantive procedures to obtain evidence of management's conclusions. These included review of regulatory correspondence, inspection of contracts and transaction terms related to intra-group funding facilities and back-testing of financial planning assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the CSi group's and the Bank's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the CSi group's and the Bank's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the CSi group and Bank and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the CSi group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the CSi group or the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) and



ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the CSi group and industry, we identified that the principal risks of non-compliance with laws and regulations related to securities markets, trading and other financial products and services, including prudential and conduct of business requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and corporate tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs; creating fictitious transactions to hide losses or to improve financial performance; misappropriation of assets through manipulation of payments made in the course of day to day business or through a transfer of assets from custodians, and management bias in accounting estimates. The CSi group engagement team shared this risk assessment with the supporting auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the CSi group engagement team and/or supporting auditors included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud, together with inspection of whistleblowing and complaints registers;
- Evaluating and testing of the operating effectiveness of management's controls designed to prevent and detect fraud in financial reporting;
- Reviewing key correspondence with regulatory authorities (including the FCA and the PRA);
- Reviewing Board meeting and other relevant Committee minutes to identify any significant or unusual transactions or other matters that could require further investigation;
- Identifying and testing journal entries, including those posted with particular descriptions, relating to particular dates or with other unusual characteristics;
- Testing of controls over cash and depot reconciliations, testing over material year-end breaks in these reconciliations, sending confirmations to banks and custodians and testing controls over segregation of duties;
- Challenging assumptions and judgements made by management in determining critical accounting estimates, in particular those related to the valuation of financial instruments and the measurement of the defined benefit pension scheme liability;
- Testing of information security controls relating to system access and change management;
- Testing of entity-level controls; and
- Incorporating unpredictability in the selection of the nature, timing and extent of audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSi group's and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CSi group's and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CSi group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the CSi group and Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the CSi group and Bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

It is also our responsibility to assess whether the consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Bank's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Report on other legal and regulatory requirements

We have checked the compliance of the consolidated financial statements of the CSi group as at 31 December 2021 with the relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements. That is, for the CSi group:

- The consolidated financial statements are prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements uses the core taxonomy and the common rules on markups specified in the ESEF regulation as described in the Directors' Report.

In our opinion, the consolidated financial statements of the CSi group as at 31 December 2021, identified as csinternational-20211231.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

### Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 25 March 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2020 to 31 December 2021.

## Other matter

In the event that the English version of this report and a translation of it into a language other than English differ, the English version shall prevail.



Duncan McNab (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
10 March 2022

# Financial Statements

## for the year ended 31 December 2021

### Consolidated Statement of Income for the Year ended 31 December 2021

	Reference to note	Year ended 31 December	
		2021	2020
<b>Consolidated Statement of Income (USD million)</b>			
Interest income	5	428	497
- of which Interest income from instruments at amortised cost		217	369
Interest expense	5	(491)	(487)
- of which Interest expense on instruments at amortised cost		(363)	(424)
Net interest (expense)/income		(63)	10
Commission and fee income	6	428	363
Allowance for credit losses	8	(4,530)	(17)
Net gains from financial assets/liabilities at fair value through profit or loss	9	1,761	1,715
Other revenues	10	253	241
<b>Net revenues</b>		<b>(2,151)</b>	<b>2,312</b>
Compensation and benefits	11	(729)	(841)
General, administrative and trading expenses	12	(2,489)	(1,272)
Restructuring expenses	13	(17)	(8)
<b>Total operating expenses</b>		<b>(3,235)</b>	<b>(2,121)</b>
<b>(Loss)/Profit before taxes from continuing operations</b>		<b>(5,386)</b>	<b>191</b>
Income tax benefit from continuing operations	14	43	12
<b>(Loss)/Profit after taxes from continuing operations</b>		<b>(5,343)</b>	<b>203</b>
<b>Discontinued Operations</b>			
<b>Profit before tax from discontinued operations</b>		-	10
Income tax expense from discontinued operations	28	-	(2)
<b>Profit after tax from discontinued operations</b>		-	8
<b>(Loss)/Profit for the year</b>		<b>(5,343)</b>	<b>211</b>

### Consolidated Statement of Comprehensive Income for the Year ended 31 December 2021

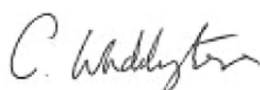
	Year ended 31 December	
	2021	2020
<b>Consolidated Statement of Comprehensive Income (USD million)</b>		
<b>(Loss)/Profit for the year</b>	<b>(5,343)</b>	<b>211</b>
Cash flow hedges – effective portion of changes in fair value	(45)	24
Related tax on cash flow hedges – effective portion of changes in fair value	9	(6)
<b>Items that are or may be reclassified subsequently to Statement of income</b>	<b>(36)</b>	<b>18</b>
Remeasurements of defined benefit asset	(29)	(24)
Related tax on remeasurements of defined benefit asset	20	10
Realised gains relating to credit risk on designated financial liabilities extinguished during the period reclassified to retained earnings	2	4
Unrealised gain/(losses) on designated financial liabilities relating to credit risk	10	(6)
Related tax on Unrealised loss on designated financial liabilities relating to credit risk	-	-
<b>Items that will not be reclassified to Statement of income</b>	<b>3</b>	<b>(16)</b>
<b>Other comprehensive (loss)/income for the period (Net of taxes)</b>	<b>(33)</b>	<b>2</b>
<b>Total comprehensive (loss)/income</b>	<b>(5,376)</b>	<b>213</b>
Attributable to Credit Suisse International shareholders	(5,376)	213

The notes on pages 58 to 164 form an integral part of the Financial Statements.

## Consolidated Statement of Financial Position as at 31 December 2021

	Reference to note	As at 31 December	
		2021	2020
<b>Assets (USD million)</b>			
Cash and due from banks		1,484	6,225
Interest-bearing deposits with banks		13,284	14,486
Securities purchased under resale agreements and securities borrowing transactions	16	8,902	4,559
Trading financial assets mandatorily at fair value through profit or loss	17	143,718	188,620
<i>of which positive market values from derivative instruments</i>	17	113,190	156,155
Non-trading financial assets mandatorily at fair value through profit or loss	18	38,226	25,516
Loans and advances	20	2,968	3,151
Investment property	21	14	15
Current tax assets		67	39
Deferred tax assets	15	284	199
Other assets	22	34,666	44,566
Property and equipment	24	407	451
Intangible assets	25	495	485
Assets held for sale	28	-	1,934
<b>Total assets</b>		<b>244,515</b>	<b>290,246</b>
<b>Liabilities (USD million)</b>			
Due to banks		218	433
Securities sold under repurchase agreements and securities lending transactions	16	3,371	4,783
Trading financial liabilities mandatorily at fair value through profit or loss	17	122,054	164,364
<i>of which negative market values from derivative instruments</i>	17	113,176	153,521
Financial liabilities designated at fair value through profit or loss	19	35,012	29,788
Borrowings		1,470	2,436
Current tax liabilities		13	4
Other liabilities	22	23,584	32,418
Provisions	26	313	4
Debt in issuance	27	40,224	31,597
Lease liabilities	23	627	705
Liabilities held for sale	28	-	707
<b>Total liabilities</b>		<b>226,886</b>	<b>267,239</b>
<b>Shareholders' equity (USD million)</b>			
Share capital	30	11,366	11,366
Capital contribution		887	887
Retained earnings		5,536	10,881
Accumulated other comprehensive income	29	(160)	(127)
<b>Total shareholders' equity</b>		<b>17,629</b>	<b>23,007</b>
<b>Total liabilities and shareholders' equity</b>		<b>244,515</b>	<b>290,246</b>

The financial statements on pages 50 to 164 were approved by the Board of Directors on 10 March 2022 and signed on its behalf by:



Caroline Waddington  
Director


The notes on pages 58 to 164 form an integral part of the Financial Statements.

## Bank Statement of Financial Position as at 31 December 2021

	Reference to note	As at 31 December	
		2021	2020
<b>Assets (USD million)</b>			
Cash and due from banks		1,466	6,194
Interest-bearing deposits with banks		13,284	14,486
Securities purchased under resale agreements and securities borrowing transactions	16	8,902	4,559
Trading financial assets mandatorily at fair value through profit or loss	17	143,925	188,460
<i>of which positive market values from derivative instruments</i>	17	113,192	156,156
Non-trading financial assets mandatorily at fair value through profit or loss	18	37,903	25,624
Loans and advances	20	2,968	3,151
Current tax assets		67	39
Deferred tax assets	15	284	199
Other assets	22	34,665	44,566
Property and equipment	24	407	451
Intangible assets	25	495	485
Assets held for sale	28	–	1,934
<b>Total assets</b>		<b>244,366</b>	<b>290,148</b>
<b>Liabilities (USD million)</b>			
Due to banks		218	433
Securities sold under repurchase agreements and securities lending transactions	16	3,371	4,783
Trading financial liabilities mandatorily at fair value through profit or loss	17	122,055	164,361
<i>of which negative market values from derivative instruments</i>	17	113,177	153,522
Financial liabilities designated at fair value through profit or loss	19	34,862	29,630
Borrowings		1,470	2,436
Current tax liabilities		13	4
Other liabilities	22	23,584	32,418
Provisions	26	313	4
Debt in issuance	27	40,224	31,661
Lease liabilities	23	627	704
Liabilities held for sale	28	–	707
<b>Total liabilities</b>		<b>226,737</b>	<b>267,141</b>
<b>Shareholders' equity (USD million)</b>			
Share capital	30	11,366	11,366
Capital contribution		887	887
Retained earnings		5,536	10,881
Accumulated other comprehensive income	29	(160)	(127)
<b>Total shareholders' equity</b>		<b>17,629</b>	<b>23,007</b>
<b>Total liabilities and shareholders' equity</b>		<b>244,366</b>	<b>290,148</b>

The Bank's loss was USD 5,343 million for the year ended 31 December 2021 (2020: Profit USD 211 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

The financial statements on pages 50 to 164 were approved by the Board of Directors on 10 March 2022 and signed on its behalf by:



Caroline Waddington  
Director

The notes on pages 58 to 164 form an integral part of the Financial Statements.

## Consolidated Statement of Changes in Equity for the Year ended 31 December 2021

	Share Capital	Share Premium	Capital contribution	Retained Earnings	AOCl <sup>1</sup>	Total
<b>Consolidated Statement of Changes in Equity (USD million)</b>						
<b>Balance at 1 January 2021</b>	<b>11,366</b>	<b>–</b>	<b>887</b>	<b>10,881</b>	<b>(127)</b>	<b>23,007</b>
Net loss for the year	–	–	–	(5,343)	–	(5,343)
Realised gain/(loss) relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	–	–	–	(2)	2	–
Related tax on Realised losses relating to credit risk on designated financial liabilities extinguished during year	–	–	–	–	–	–
Unrealised gain on designated financial liabilities relating to credit risk	–	–	–	–	10	10
Related tax on Unrealised loss on designated financial liabilities relating to credit risk	–	–	–	–	–	–
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	(45)	(45)
Related tax on Cash flow hedges – effective portion of changes in fair value	–	–	–	–	9	9
Gain on business transfer to other CS entities	–	–	–	–	–	–
Remeasurement of defined benefit pension assets	–	–	–	–	(29)	(29)
Related tax on remeasurement of defined benefit pension assets	–	–	–	–	20	20
Gain on loan sale to CSD	–	–	–	–	–	–
Related tax on gain on loan sale to CSD	–	–	–	–	–	–
Related taxes on initial application of IFRS16 due to tax rate changes	–	–	–	–	–	–
<b>Total comprehensive gain for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5,345)</b>	<b>(33)</b>	<b>(5,378)</b>
<b>Transactions with owners of the Company</b>						
Share premium reclassification to retained earnings	–	–	–	–	–	–
<b>Balance at 31 December 2021</b>	<b>11,366</b>	<b>–</b>	<b>887</b>	<b>5,536</b>	<b>(160)</b>	<b>17,629</b>
<b>Consolidated Statement of Changes in Equity (USD million)</b>						
<b>Balance at 1 January 2020</b>	<b>11,366</b>	<b>12,704</b>	<b>875</b>	<b>(2,030)</b>	<b>(129)</b>	<b>22,786</b>
Net profit for the period	–	–	–	211	–	211
Realised gain/(loss) relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	–	–	–	(4)	4	–
Related tax on Realised losses relating to credit risk on designated financial liabilities extinguished during year	–	–	–	1	–	1
Unrealised loss on designated financial liabilities relating to credit risk	–	–	–	–	(6)	(6)
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	24	24
Related tax on Cash flow hedges – effective portion of changes in fair value	–	–	–	–	(6)	(6)
Gain on business transfer to other CS entities	–	–	9	–	–	9
Remeasurement of defined benefit pension assets	–	–	–	–	(24)	(24)
Related tax on remeasurement of defined benefit pension assets	–	–	–	–	10	10
Gain on loan sale to CSD	–	–	4	–	–	4
Related tax on gain on loan sale to CSD	–	–	(1)	–	–	(1)
Related taxes on initial application of IFRS16 due to tax rate changes	–	–	–	(1)	–	(1)
<b>Total comprehensive gain for the period</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>207</b>	<b>2</b>	<b>221</b>
<b>Transactions with owners of the Company</b>						
Share premium reclassification to retained earnings	–	(12,704)	–	12,704	–	–
<b>Balance at 31 December 2020</b>	<b>11,366</b>	<b>–</b>	<b>887</b>	<b>10,881</b>	<b>(127)</b>	<b>23,007</b>

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

There were no dividends paid during 2021 and 2020.

The notes on pages 58 to 164 form an integral part of the Financial Statements.

## Bank Statement of Changes in Equity for the Year ended 31 December 2021

	Share Capital	Share Premium	Capital contribution	Retained Earnings	AOCI <sup>1</sup>	Total
<b>Bank Statement of Changes in Equity (USD million)</b>						
<b>Balance at 1 January 2021</b>	<b>11,366</b>	<b>–</b>	<b>887</b>	<b>10,881</b>	<b>(127)</b>	<b>23,007</b>
Net loss for the year	–	–	–	(5,343)	–	(5,343)
Realised gain / (loss) relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	–	–	–	(2)	2	–
Related tax on Realised losses relating to credit risk on designated financial liabilities extinguished during year	–	–	–	–	–	–
Unrealised gain on designated financial liabilities relating to credit risk	–	–	–	–	10	10
Related tax on Unrealised loss on designated financial liabilities relating to credit risk	–	–	–	–	–	–
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	(45)	(45)
Related tax on Cash flow hedges – effective portion of changes in fair value	–	–	–	–	9	9
Gain on business transfers to other CS entities	–	–	–	–	–	–
Remeasurement of defined benefit pension assets	–	–	–	–	(29)	(29)
Related tax on defined benefit pension assets	–	–	–	–	20	20
Gain on loan sale to CSD	–	–	–	–	–	–
Related tax on Gain on loan sale to CSD	–	–	–	–	–	–
Related taxes on initial application of IFRS16 due to tax rate changes	–	–	–	–	–	–
<b>Total comprehensive gain for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5,345)</b>	<b>(33)</b>	<b>(5,378)</b>
<b>Transactions with owners of the Company</b>						
Share premium reclassification to retained earnings	–	–	–	–	–	–
<b>Balance at 31 December 2021</b>	<b>11,366</b>	<b>–</b>	<b>887</b>	<b>5,536</b>	<b>(160)</b>	<b>17,629</b>
<b>Bank Statement of Changes in Equity (USD million)</b>						
<b>Balance at 1 January 2020</b>	<b>11,366</b>	<b>12,704</b>	<b>875</b>	<b>(2,030)</b>	<b>(129)</b>	<b>22,786</b>
Net profit for the year	–	–	–	211	–	211
Realised gain / (loss) relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	–	–	–	(4)	4	–
Related tax on Realised losses relating to credit risk on designated financial liabilities extinguished during year	–	–	–	1	–	1
Unrealised loss on designated financial liabilities relating to credit risk	–	–	–	–	(6)	(6)
Related tax on Unrealised loss on designated financial liabilities relating to credit risk	–	–	–	–	–	–
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	24	24
Related tax on Cash flow hedges – effective portion of changes in fair value	–	–	–	–	(6)	(6)
Gain on business transfers to other CS entities	–	–	9	–	–	9
Remeasurement of defined benefit pension assets	–	–	–	–	(24)	(24)
Related tax on defined benefit pension assets	–	–	–	–	10	10
Gain on loan sale to CSD	–	–	4	–	–	4
Related tax on Gain on loan sale to CSD	–	–	(1)	–	–	(1)
Related taxes on initial application of IFRS16 due to tax rate changes	–	–	–	(1)	–	(1)
<b>Total comprehensive gain for the period</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>207</b>	<b>2</b>	<b>221</b>
<b>Transactions with owners of the Company</b>						
Share premium reclassification to retained earnings	–	(12,704)	–	12,704	–	–
<b>Balance at 31 December 2020</b>	<b>11,366</b>	<b>–</b>	<b>887</b>	<b>10,881</b>	<b>(127)</b>	<b>23,007</b>

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

There were no dividends paid during 2021 and 2020.

The notes on pages 58 to 164 form an integral part of the Financial Statements.



## Consolidated Statement of Cash Flows for the Year ended 31 December 2021

	Year ended 31 December		
	Reference to note	2021	2020 <sup>2</sup>
<b>Cash flows from operating activities (USD million)</b>			
(Loss)/Profit before tax for the period		(5,386)	201
<b>Adjustments to reconcile (loss)/profit before tax to net cash generated from/(used in) operating activities (USD million)</b>			
<b>Non-cash items included in profit before tax and other adjustments:</b>			
Depreciation, impairment and amortisation	12,24,25,28	239	220
Depreciation and impairment on investment property	21	1	1
Pension plan charge		33	25
Accrued interest on debt in issuance	5,27	96	168
Accrued interest on leases		22	21
Allowances for credit losses	8,28	4,530	20
Foreign exchange (gain)/loss		(1,420)	1,842
Provisions	26	332	(1)
<b>Total adjustments</b>		<b>3,833</b>	<b>2,296</b>
<b>Cash (used)/generated before changes in operating assets and liabilities</b>		<b>(1,553)</b>	<b>2,497</b>
<b>Net decrease/(increase) in operating assets:</b>			
Interest bearing deposit with banks		1,202	(2,281)
Securities purchased under resale agreements and securities borrowing transactions	16	(4,343)	1,586
Trading financial assets mandatorily at fair value through profit or loss	17,28	46,763	(47,214)
Non-trading financial assets mandatorily at fair value through profit or loss	18,28	(12,705)	(3,128)
Loans and advances	20	(4,347)	15
Other assets	22,28	9,894	(11,351)
<b>Net decrease/(increase) in operating assets</b>		<b>36,464</b>	<b>(62,373)</b>
<b>Net (decrease)/increase in operating liabilities:</b>			
Securities sold under repurchase agreements and securities lending transactions	16	(1,412)	1,628
Trading financial liabilities mandatorily at fair value through profit or loss	17,28	(42,829)	37,816
Financial liabilities designated at fair value through profit or loss	19	5,234	8,577
Borrowings		(966)	(11,680)
Share based compensation (Included in other liabilities & provisions)	33	(80)	50
Other liabilities and provisions	22,28	(9,173)	9,728
<b>Net (decrease)/increase in operating liabilities</b>		<b>(49,226)</b>	<b>46,119</b>
Income taxes refunded		10	1
Income taxes paid		(42)	(34)
Net group relief received		7	40
<b>Net cash used in operating activities</b>		<b>(14,340)</b>	<b>(13,750)</b>
<b>Cash flows from investing activities (USD million)</b>			
Proceeds from property, equipment and intangible assets	24,25,28	7	23
Capital expenditures for property, equipment and intangible assets	24,25	(187)	(160)
<b>Net cash used in investing activities</b>		<b>(180)</b>	<b>(137)</b>
<b>Cash flow from financing activities (USD million)</b>			
Issuances of debt in issuance	27	18,253	19,355
Repayments of debt in issuance	27	(8,161)	(3,812)
Repayments of lease liability		(49)	(50)
<b>Net cash flow generated from financing activities</b>		<b>10,043</b>	<b>15,493</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,477)</b>	<b>1,606</b>
Cash and cash equivalents at beginning of period <sup>1</sup>		5,792	4,003
Effect of exchange rate fluctuations on cash and cash equivalents		(49)	183
<b>Cash and cash equivalents at end of period (USD million)</b>		<b>1,266</b>	<b>5,792</b>
Cash and due from banks		1,484	6,225
Due to banks		(218)	(433)
<b>Cash and cash equivalents at end of period (USD million)<sup>1</sup></b>		<b>1,266</b>	<b>5,792</b>

Interest received was USD 375 million (2020: USD 580 million), interest paid was USD 475 million (2020: USD 582 million).

<sup>1</sup> At 2021, USD 46 million (2020: USD 46 million) was not available for use by CSI relating to mandatory deposits at central banks.

<sup>2</sup> During 2020, 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 28 – Discontinued Operations and Assets and Liabilities Held for Sale. There are no Assets/Liabilities classified as Held for Sale for the period ended 31 December 2021.

The notes on pages 58 to 164 form an integral part of the Financial Statements.

## Bank Statement of Cash Flows for the Year ended 31 December 2021

	Year ended 31 December		
	Reference to notes	2021	2020 <sup>2</sup>
<b>Cash flows from operating activities (USD million)</b>			
(Loss)/Profit before tax for the period		(5,386)	201
<b>Adjustments to reconcile (loss)/profit to net cash generated from/(used in) operating activities (USD million)</b>			
<b>Non-cash items included in profit before tax and other adjustments:</b>			
Depreciation, impairment and amortisation	12,24,25,28	239	220
Pension plan charge		33	25
Accrued interest on debt in issuance	5,27	96	168
Accrued interest on lease liability		22	21
Provision for credit losses	8,28	4,530	20
Foreign exchange (gain)/ loss		(1,420)	1,977
Provisions	26	332	(1)
<b>Total adjustments</b>		<b>3,832</b>	<b>2,430</b>
<b>Cash generated from /(used in) before changes in operating assets and liabilities</b>		<b>(1,554)</b>	<b>2,631</b>
<b>Net (increase)/decrease in operating assets:</b>			
Interest bearing deposits with banks		1,202	(2,281)
Securities purchased under resale agreements and securities borrowing transactions	16	(4,343)	1,586
Trading financial assets mandatorily at fair value through profit or loss	17,28	46,396	(47,448)
Non-trading financial assets mandatorily at fair value through profit or loss	18,28	(12,274)	(3,186)
Loans and advances	20	(4,347)	15
Other assets	22,28	9,895	(11,352)
<b>Net (increase)/decrease in operating assets</b>		<b>36,529</b>	<b>(62,666)</b>
<b>Net increase/(decrease) in operating liabilities:</b>			
Securities sold under repurchase agreements and securities lending transactions	16	(1,412)	1,628
Trading financial liabilities at fair value through profit or loss	17,28	(42,825)	38,011
Financial liabilities designated at fair value through profit or loss	19	5,242	8,541
Borrowings		(966)	(11,680)
Share Based Compensation (Included in other liabilities & provisions)	33	(80)	50
Other liabilities and provisions	22,28	(9,172)	9,727
<b>Net increase/(decrease) in operating liabilities</b>		<b>(49,213)</b>	<b>46,277</b>
Income taxes refunded		10	1
Income taxes paid		(42)	(34)
Net group relief received/(paid)		7	40
<b>Net cash (used in)/generated from operating activities</b>		<b>(14,263)</b>	<b>(13,751)</b>
<b>Cash flows from investing activities (USD million)</b>			
Proceeds from property, equipment and intangible assets	24,25,28	7	23
Capital expenditures for property, equipment and intangible assets	24,25	(187)	(160)
<b>Net cash used in investing activities</b>		<b>(180)</b>	<b>(137)</b>
<b>Cash flows from financing activities (USD million)</b>			
Issuances of debt in issuance	27	18,253	19,543
Repayments of debt in issuance	27	(8,225)	(4,000)
Repayments of lease liability		(49)	(50)
<b>Net cash flow from/(used in) financing activities</b>		<b>9,979</b>	<b>15,493</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,464)</b>	<b>1,605</b>
Cash and cash equivalents at beginning of period <sup>1</sup>		5,761	3,973
Effect of exchange rate fluctuations on cash and cash equivalents		(49)	183
<b>Cash and cash equivalents at end of period (USD million)</b>		<b>1,248</b>	<b>5,761</b>
Cash and due from banks		1,466	6,194
Due to banks		(218)	(433)
<b>Cash and cash equivalents at end of period (USD million)<sup>1</sup></b>		<b>1,248</b>	<b>5,761</b>

Interest received was USD 375 million (2020: USD 580 million), interest paid was USD 475 million (2020: USD 582 million).

<sup>1</sup> At 2021, USD 46 million (2020: USD 46 million) was not available for use by CSI relating to mandatory deposits at central banks.

<sup>2</sup> During 2020, 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 28 – Discontinued Operations and Assets and Liabilities Held for Sale. There are no Assets/Liabilities classified as Held for Sale for the period ended 31 December 2021

The notes on pages 58 to 164 form an integral part of the Financial Statements.

## Notes to the consolidated financial statements

1	General	58
2	Significant Accounting Policies	58
3	Critical Accounting Estimates and Judgements in Applying Accounting Policies	70
4	Segmental Analysis	73
5	Net Interest (expense)/income	74
6	Commission and Fee Income	74
7	Revenue from Contracts with Customers	75
8	Allowance for Credit Losses	76
9	Net Gains from Financial Assets/Liabilities at Fair Value through Profit or Loss	76
10	Other Revenues	76
11	Compensation and Benefits	76
12	General, Administrative and Trading Expenses	77
13	Restructuring Expenses	77
14	Income Tax	78
15	Deferred Taxes	78
16	Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements	79
17	Trading Financial Assets and Liabilities Mandatorily at Fair Value through Profit or Loss	80
18	Non-Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss	80
19	Financial Liabilities Designated at Fair Value Through Profit or Loss	81
20	Loans and Advances	81
21	Investment Property	82
22	Other Assets and Other Liabilities	82
23	Lease Liabilities	83
24	Property and Equipment	83
25	Intangible Assets	84
26	Provisions	84
27	Debt In Issuance	85
28	Discontinued operations and Assets and Liabilities Held for Sale	86
29	Accumulated Other Comprehensive Income	87
30	Share Capital and Share Premium	87
31	Expected Credit Loss Measurement	87
32	Retirement Benefit Obligations	94
33	Employee Share-based Compensation and Other Compensation Benefits	97
34	Related Parties	99
35	Derivatives and Hedging Activities	102
36	Contingent Liabilities, Guarantees and Commitments	106
37	Interests in Other Entities	109
38	Financial Instruments	115
39	Assets Pledged or Assigned	141
40	Derecognition	142
41	Financial Risk Management	144
42	Offsetting of Financial Assets and Financial Liabilities	159
43	Capital Adequacy	163
44	Subsequent Events	164

# Notes to the Financial Statements for the year ended 31 December 2021

## 1 General

Credit Suisse International ('CSi' or the 'Bank') is a bank incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2021 comprise CSi and its subsidiaries (together referred to as the 'CSi group'). The Consolidated Financial Statements were authorised for issue by the Directors on 10 March 2022.

## 2 Significant Accounting Policies

### a) Statement of compliance

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. CSi group transitioned to UK-adopted International Accounting Standards in its company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The financial statements of CSi group have been prepared on a going concern basis and in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006 as applicable to companies using IFRS. The consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('EU-adopted IFRSs')

### b) Basis of preparation

The Consolidated Financial Statements are presented in United States Dollars ('USD') rounded to the nearest million. They are prepared on the historical cost basis except that 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 ('FVTPL'), 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 Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting policies.

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. Revisions to accounting estimates are recognised in the period of revision and future periods if the revision has a significant effect on both current and future periods. Accounting policies have been applied consistently by the CSi group entities. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### Going Concern

The Board has made an assessment of the ability of the CSi group to continue as a going concern for a period of at least 12 months from the date of this report. Based on this assessment, the Board is satisfied that the CSi group has adequate resources to continue in operation for this period, and it therefore continues to adopt the going concern basis in preparing the financial statements.

In considering going concern, the directors have reviewed the capital, liquidity and financial position of CSi including future capital, liquidity and financial plans.

The directors have also considered the impacts of the Credit Suisse Global Strategic Review ('GSR') announced in November 2021, the businesses transferred from CCS(E)L, regulatory changes for 2022 and market developments during the year caused by COVID-19.

CSi has capital and liquidity surpluses to all regulatory and internal limits and is forecast to maintain them for the foreseeable future.

Credit Suisse AG ('CS AG') has provided a letter of intent to ensure CSi can meet its debt obligations for the next 18 months and historically CS AG supported CSi by providing extra liquidity when required for example during the COVID-19 liquidity market stress in 2020 and during the Archegos counterparty default in 2021.

All these measures support the Board's assessment that CSi is a going concern.

### Standards effective in the current period

The CSi group has adopted the following significant amendments in the current period.

## **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and**

**IFRS 16: Interest Rate Benchmark Reform – Phase 2:** In August 2020, IASB Issued 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS16: Interest Rate Benchmark Reform-Phase 2' in order to address financial reporting issues arising from the replacement of interbank offered rates (IBORs). The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The CSi group adopted the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on 1 January 2021. The adoption had no material impact to the CSi group's financial position, results of operation or cash flows.

### **c) Basis of consolidation**

The consolidated financial statements include the results and positions of the CSi group and its subsidiaries (which includes consolidated structured entities). Subsidiaries are entities controlled by the CSi group. The CSi group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the CSi group has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The CSi group also determines whether another entity with decision-making rights is acting as an agent for the CSi group. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the factors below, in determining whether it is an agent:

- The scope of its decision making authority over the entity.
- The rights held by other parties.
- The remuneration to which it is entitled.
- The decision maker's exposure to variability of returns from other interests that it holds in the entity.

The CSi group makes significant judgements and assumptions when determining if it has control of another entity. The CSi group may control an entity even though it holds less than half of the voting rights of that entity, for example if the CSi group has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the CSi group may not control an entity even though it holds more than half of the voting rights of that entity, for example where the CSi group holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control commences until the date on which control ceases. The CSi group reassesses consolidation status on at least a quarterly basis.

The CSi group engages in various transactions that include entities which are considered structured entities. A structured entity

is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSi group may hold interests in the structured entities. If the CSi group controls the structured entity then that entity is consolidated within the CSi group's consolidated financial statements.

The effects of intra-group transactions and balances, and any unrealised income and expenses arising from such transactions have been eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the CSi group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The acquisition method of accounting is used to account for business combinations by the CSi group. The CSi group accounts for a combination of entities or businesses under common control at book value. If the consideration transferred in such a transaction is higher than the carrying amount of the net assets received and the CSi group is the acquirer in the transaction, the difference is recorded as a reduction in retained earnings. If the CSi group is the seller in the transaction, the difference is recorded as an increase in Capital contribution. If the consideration transferred in such a transaction is lower than the carrying amount of the net assets received and the CSi group is the acquirer in the transaction, the difference is recorded as an increase in Capital contribution. If the CSi group is the seller in the transaction, the difference is recorded as a reduction in retained earnings. No goodwill or gain or loss is recorded in such a transaction.

### **d) Equity method investments**

The CSi group's interest(s) in an associate(s) is/are accounted for using the equity method. Associates are entities in which the CSi group has significant influence, but not control (or joint control), over the operating and financial management policy decisions. This is generally demonstrated by the CSi group holding in excess of 20%, but no more than 50%, of the voting rights. The CSi group makes judgements and assumptions when determining if it has significant influence over another entity. The CSi group may have significant influence with regards to an entity even though it holds less than 20 per cent of the voting rights of that entity, for example, if the CSi group has the power to participate in the financial and operating decisions by sitting on the Board. Conversely, the CSi group may not have significant influence when it holds more than 20 per cent of the voting rights of that entity as it does not have the power to participate in the financial and operating decisions of an entity.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSi group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the equity method investment, until the date on which significant influence (or joint control) ceases.

### e) Foreign currency

The Bank's functional and presentation currency is United States Dollars ('USD') which is the currency of the primary economic environment in which the entity operates. Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the Consolidated Statement of Income. Nonmonetary assets and liabilities, unless revalued at fair value, denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

Assets and liabilities of the CSi group companies with functional currencies other than USD are translated to USD at foreign exchange rates ruling at the Statement of Financial Position date. The revenue and expenses of the CSi group companies are translated to USD at the average foreign exchange rates for the year. The resulting translation differences are recognised directly in a separate component of equity. On disposal, these translation differences are reclassified to the Consolidated Statement of Income as part of gain or loss on disposal.

### f) Financial assets and liabilities

The CSi group's financial assets are classified on the basis of two criteria: 1) the business model which refers to how the group manages a financial asset in order to generate cash flows and 2) the contractual cash flow characteristics of the financial asset.

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. The CSi group does not have any financial assets which are under the Hold to Collect and Sell business model.

The financial assets which are not classified under the 'Hold to Collect' business models are measured at fair value. These include financial assets that meet the trading criteria; those that are managed on a fair value basis or designated at fair value as well as equity instruments where an irrevocable election is made on initial recognition to present changes in fair value in other comprehensive income ('OCI'). Refer sections below for further details.

For the 'Hold to Collect' business model, the contractual cash flows of the financial assets are assessed to determine if they consist of 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.

These criteria determine how a financial asset is subsequently measured.

#### Amortised Cost

Financial assets which have contractual cash flows which consist solely of payments of principal and interest and are held in a 'Hold to Collect' business model are subsequently measured at amortised cost and are subject to impairment (Refer note j). Financial liabilities (other than derivatives) which are not held for trading or which have not been designated at FVTPL are subsequently measured at amortised cost.

#### Equity Instruments at Fair Value through Other Comprehensive Income ('FVOCI')

An equity instrument which is not held for trading irrevocably designated at FVOCI is subsequently measured at FVOCI, with dividend income recognised in profit and loss, and all other gains and losses recognised in Other Comprehensive Income ('OCI').

#### Trading financial assets and liabilities mandatorily at Fair Value through Profit or Loss

Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments and loans. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

#### **Non-trading financial assets mandatorily at Fair Value through Profit or Loss**

Financial assets which are held in hold to sell business model are classified as 'Non- trading financial assets mandatorily at fair value through profit or loss' and measured at fair value through profit or loss. Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

A financial asset is considered to be managed in a hold to sell business model if at least two of these three conditions are fulfilled:

- the performance of these assets is evaluated and reported to the management by using the fair value of the financial assets
- the managers of the business are compensated on the fair value of the assets (for example their variable compensations are linked to how well the assets they are managing perform).
- the risks that affect the performance of the financial assets are managed on a fair value basis. Primary focus is on fair value information and using that information to assess the performance of the assets and to make decisions about that asset.

#### **Financial liabilities designated as held at Fair Value through Profit or Loss**

Financial liabilities are designated as held at fair value through profit or loss if the instruments contain one or more embedded derivatives, or when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency, also referred to as accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSi group is provided internally on that basis to the entity's key management personnel.

For all instruments designated at fair value through profit or loss, the business maintains a documented strategy explaining why the election was made. In the case of criteria (ii) the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis and that management relies upon the fair value of these instruments in evaluating the performance of the business.

Financial liabilities designated at fair value through profit and loss must present all changes in the fair value in the 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss' except for which changes in the own credit risk of the

liability is recorded in OCI. Upon extinguishment of financial liability any amount of own credit remaining in OCI relating to the extinguished debt remains in equity but is reclassified to retained earnings.

The CSi group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gains or losses is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data.

The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. Refer to Note 38 Financial Instruments.

#### **g) Derivative financial instruments and hedging**

All freestanding derivative contracts are carried at fair value in the Consolidated Statement of Financial Position regardless of whether these instruments are held for trading or risk management purposes. Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities'.

#### **Embedded derivatives**

When derivative features embedded in certain liability contracts meet the definition of a derivative and are not considered closely related to the host liability instrument, either the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income, or the instrument, including the embedded feature, is accounted for at fair value either under the fair value option or due to classification as held for trading. In the latter case the entire instrument is recorded at fair value with changes in fair value recorded in the Consolidated Statement of Income. If separated for measurement purposes, the derivative is recorded in the same line in the Consolidated Statement of Financial Position as the host instrument.

#### **Cash flow hedge accounting**

As permitted by the transition provision in IFRS 9 Financial Instruments, the CSi group applies IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting. For hedges of the variability of cash flows from forecasted transactions, the effective portion of the change in the fair value of a designated derivative is recorded in Accumulated Other Comprehensive Income ('AOCI') as part of shareholders' equity. These amounts are reclassified into the Consolidated Statement of Income when the forecasted transaction impacts earnings. Hedge

ineffectiveness is recorded in "Net gains/(losses) from financial assets/liabilities at fair value through profit or loss".

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the Consolidated Statement of Income in the same period or periods during which the formerly hedged transaction is reported in the Consolidated Statement of Income.

When the CSi group discontinues hedge accounting because a forecasted transaction is no longer expected to occur, the derivative will continue to be carried on the Consolidated Statement of Financial Position at its fair value, and gains and losses that were previously recorded in equity will be recognised immediately in the Consolidated Statement of Income. When the CSi group discontinues hedge accounting but the forecasted transaction is still expected to occur, the derivative will continue to be recorded at its fair value with all subsequent changes in value recorded directly in the Consolidated Statement of Income. Any gains or losses recorded in equity prior to the date hedge accounting is no longer applied will be reclassified to net income when the forecasted transaction takes place.

## **h) Recognition and derecognition**

### **Recognition**

The CSi group recognises financial instruments on its Consolidated Statement of Financial Position when the CSi group becomes a party to the contractual provisions of the instrument.

### **Regular-way securities transactions**

A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The CSi group recognises regular-way purchases or sales of trading financial assets at the settlement date unless the instrument is a derivative. After trade date, changes in fair value relating to regular-way purchases are recognised in the 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

### **Derecognition**

The CSi group enters into transactions where it transfers assets including securitisation assets, recognised on its Consolidated Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Consolidated Statement of Financial Position. Transactions where substantially all risk and rewards are retained include securities purchased or sold under repurchase agreements, securities borrowing and lending transactions, and sales of financial assets with concurrent return swaps on the transferred assets. Transactions where substantially all risks and rewards are transferred are derecognised from the Consolidated Statement of Financial Position.

In transactions where the CSi group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the CSi group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The CSi group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSi group has a financial liability and a financial instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Consolidated Statement of Income.

### **Securitisation**

The CSi group securitises assets, which generally results in the sale of these assets to structured entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

Interests in securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as 'retained interests'). Provided the CSi group's retained interests do not result in consolidation of the structured entity, nor in continued recognition of the transferred assets, these retained tranches are typically recorded in 'Trading financial assets at fair value through profit or loss'. Gains or losses on securitisation are recognised in the Consolidated Statement of Income. The line item in the Consolidated Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

### **i) Netting**

The CSi group only offsets financial assets and liabilities and presents the net amount on the Consolidated Statement of Financial Position where it:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the CSi group's net position on multiple bilateral OTC derivative transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements normally ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures.



However, because such contracts are not currently enforceable in the normal course of business and the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible to offset transactions falling under Master Netting Agreements. For certain derivative transactions cleared with a central clearing counterparty ('CCP'), the offsetting criteria are met because the CSi group has the current legally enforceable right to set off (based on the offsetting provisions in the CCP rulebook) and the intention to settle net or simultaneously (considering the daily payment process with the CCP). For securities purchased or sold under resale agreements or repurchase agreements, such legally enforceable agreements qualify for offsetting, if the gross settlement mechanism for these transactions has features that eliminate or result in insignificant credit and liquidity risk and that will process receivables and payables in a single settlement process or cycle and will therefore meet the net settlement criterion as an equivalent.

#### **j) Impairment of financial assets, loan commitments and financial guarantees**

CSi group assesses on a forward-looking basis the expected credit losses associated with its instruments carried at amortised cost, certain loan commitments and financial guarantee contracts including: Cash, interest-bearing deposits, loans and advances, reverse repurchase agreements, brokerage receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial instruments that include both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component, the ECL on the loan commitment is recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses is recognised as a provision.

All financial assets attract a 12 month ECL on origination (Stage 1) except for loans 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. If the financial assets are credit-impaired they are then moved to Stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having

granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

#### **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.
- 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 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.

#### **Definition of default**

The definition of default is aligned with the 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.

## 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 than 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. Scenario weights are reviewed and updated (if required) on a quarterly basis.

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

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. There is an exemption from this limit for certain revolving credit facilities. For these financial instruments expected credit losses are measured over the period that the entity is exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

## 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 of loans

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 differences result 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.

### k) Loans and advances

Loans are measured at amortised cost or mandatorily at fair value through profit or loss depending on the business model and the sole payment of principal and interest application (refer note f). When calculating the effective interest on non-credit impaired loans measured at amortised cost, the CSi group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not expected credit losses. However, for purchased or originated credit impaired loans, the initial lifetime expected credit losses are included in the estimated cash flows when computing the effective interest method.

→ For detailed impairment guidance, refer note j.

### l) Cash and due from banks

For the purpose of preparation and presentation of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management. Overdrawn bank accounts are reported as 'Due to Banks' and are initially recognised at fair value. Subsequently they are recognised at amortised cost, which represents the nominal values of due to banks less any unearned discounts or nominal value plus any unamortised premiums.

Where cash is received or deposited as collateral, the obligation to repay or the right to receive that collateral is recorded in 'Other assets' or 'Other liabilities'.

The CSi group does not recognise on its Consolidated Statement of Financial Position client cash balances subject to the following contractual arrangements:

- The CSi group will pass through to the client all interest paid by the CCP, Broker or Deposit Bank on cash deposits;
- The CSi group is not permitted to transform cash balances into other assets; and
- The CSi group does not guarantee and is not liable to the client for the performance of the CCP, Broker or Deposit Bank.

Examples of unrecognised transactions would include CCP initial margin balances that the CSi group brokers for its clients in an

agency capacity and client cash balances designated as 'client money' under the Client Assets ('CASS') client money rules of the UK's Financial Conduct Authority ('FCA').

Cash and cash equivalents which are measured at amortised cost are subject to impairment (refer note j).

### m) Interest income and expense

Interest income and expense includes interest income and expense on the CSi group's loans, deposits, borrowings, debt issuances, 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 which are included in 'Net gains from financial assets/liabilities at fair value through profit or loss'. Interest income and expense on instruments measured at amortised cost 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).

### n) Commissions and fees

Fee and commission revenue is recognised from a diverse range of services provided by CSi group to its customers. CSi group provides advisory services related to mergers and acquisitions (M&A), divestitures, takeover defence strategies, business restructurings and spin-offs as well as debt and equity underwriting of public offerings and private placements. For the advisory services, the performance obligation is the provision of advisory for and until the completion of the agreed upon transaction. For the debt and equity underwriting, the performance obligation is the provision of underwriting services for and until the completion of the underwriting, i.e. the placing of the securities. CSi group recognises revenue when it satisfies a contractual performance obligation. CSi group satisfies a performance obligation when control over the underlying services related to the performance obligation is transferred to the customer. Control is the ability to direct the use of, and obtain substantially all of the remaining benefits from, the service. CSi group must determine whether control of a service is transferred over time. If so, the related revenue is recognised over time as the service is transferred to the customer. If not, control of the service is transferred at a point in time. The performance obligations are typically satisfied as the services in the contract are rendered. For the advisory services and underwriting, revenue is recognised at a point in time which is generally at the completion of the transaction, i.e. at close date. Revenue is measured based on the consideration specified in the contract with a customer, and excludes any amounts collected by third parties. The transaction price can be a fixed amount or can vary because of performance bonuses or other similar items. 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. CSi group does not consider the highly probable criteria to be met where the contingency on which the income is dependent is beyond the control of CSi group. In such circumstances, CSi group only recognises revenue when the contingency has been resolved. For example, M&A advisory fees that are dependent on a successful client transaction are not recognised until the transaction on which the fees are dependent has been executed. Generally no significant judgement is required with respect to recording variable consideration.

When another party is involved in providing goods or services to a customer, CSi group must determine whether the nature of its promise is a performance obligation to provide the specified services itself (that is, CSi group is a principal) or to arrange for those goods or services to be provided by the other party (that is, CSi group is an agent). CSi group determines whether it is a principal or an agent for each specified service provided to the customer. Gross presentation (revenue on the revenue line and expense on the expense line) is appropriate when CSi group acts as principal in a transaction. Conversely, net presentation (revenue and expenses reported net) is appropriate when CSi group acts as an agent in the transaction.

Transaction-related expenses are expensed as incurred. Underwriting expenses are deferred and recognised along with the underwriting revenue. Where each member of the syndicate group, including the lead and participating underwriters, is acting as principal for their proportionate share of the syndication, the individual underwriters will reflect their proportionate share of underwriting revenue and underwriting costs on a gross basis.

### **o) Securities purchased or sold under resale agreements or repurchase agreements**

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase agreements ('repurchase agreements') do not meet the criteria for derecognition and are therefore treated as collateralised financing transactions.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The CSi group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

In reverse repurchase agreements, the cash advanced, is recognised on the Consolidated Statement of Financial Position as an asset and is measured at either amortised cost or mandatorily at fair value through profit or loss. (Refer note f). The reverse repurchase agreements that are measured at amortised cost are subject to impairment (Refer note j). In repurchase agreements, the cash received, is recognised on the Consolidated Statement

of Financial Position as a liability and is measured at either amortised cost or designated at fair value through profit or loss.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense.

### **p) Securities borrowing and lending transactions**

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the Consolidated Statement of Financial Position unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent). The sale of securities received in a security borrowing transaction results in the recognition of a trading liability (short sale).

Securities borrowing and lending transactions generally do not result in the de-recognition of the transferred assets because the CSi group retains risks & rewards of owning the transferred security. If securities pledged to collateralise a securities borrowing trade endow the securities lender with the right to re-hypothecate those collateral assets, the CSi group will present the collateral assets as encumbered on the Consolidated Statement of Financial Position.

The CSi group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Securities borrowing transactions are measured at either amortised cost or mandatorily at fair value through profit or loss and are recognised on the Consolidated Statement of Financial Position as an asset (refer note f).

Securities lending transactions are measured at either amortised cost or designated at fair value through profit or loss and are recognised on the Consolidated Statement of Financial Position as a liability.

Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense in the Consolidated Statement of Income.

### **q) Income tax**

Income tax recognised in the Consolidated Statement of Income and the Statement of Other Comprehensive Income for the year comprises current and deferred taxes. Income tax is recognised in the Consolidated Statement of Income unless it relates to items recognised in the Statement of Other Comprehensive Income or directly in equity, in which case the income tax is recognised in the Statement of Other Comprehensive Income or directly in equity

respectively. For items initially recognised in equity and subsequently recognised in the Consolidated Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Consolidated Statement of Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date. Withholding taxes are treated as income taxes.

For UK corporation tax purposes CSi group may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the value of the tax losses surrendered to the claimant company. The surrendering entity will show a benefit received for the losses surrendered which will be recorded as a reduction to current tax expense and taxes payable whereas the claimant entity will have an increase in current tax expense and taxes payable respectively.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities on the Consolidated Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the Consolidated Statement of Financial Position date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Additional income taxes that may arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in the Consolidated Statement of Income for the periods presented is included in Note 14 – Income Tax.

### Tax contingencies

A judgement is required in determining the effective tax rate and in evaluating uncertain tax positions. The CSi group may accrue for tax contingencies on a weighted average or single best estimate basis depending on the best prediction that could resolve the uncertainty. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

### r) Investment property

Investment property is initially measured at cost, and subsequent to initial recognition is measured using the cost model. Investment property held under the cost model is subsequently measured at cost less depreciation and any provision for impairment unless held for sale.

The CSi Group assesses regularly / on an annual basis, whether there are indications that assets may be impaired. Impairment is calculated using recognised valuation techniques in determining the fair value. Consideration is given to the specific nature of the properties to reflect their highest and best use including any appropriate business plan.

### s) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CSi group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Consolidated Statement of Income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their maximum useful lives, as follows:

Long leasehold buildings	67 years
Leasehold improvements	lower of lease term or useful life, generally not exceeding 10 years
Computer equipment	3–7 years
Office equipment	5 years

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication

of impairment. An impairment charge is recorded in the Consolidated Statement of Income to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. The carrying amount of an asset for which an impairment loss has been recognised in prior years shall be increased to its recoverable amount only in the event of a change of estimate in the asset's recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the 'General, Administrative and Trading expenses' in the Consolidated Statement of Income.

## **t) Intangible assets**

Intangible assets consist primarily of internally developed software. Expenditure on internally developed software are recognised as an asset when the CSi group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software.

Internally developed software that is capitalised is depreciated on a straight-line basis over a maximum useful life of seven years. The amortisation of the intangible assets is included in the 'General, Administrative and Trading expenses' in the Consolidated Statement of Income.

The carrying amounts of the CSi group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Income.

## **u) Provisions**

Provisions are recognised for present obligations as a result of past events which can be reliably measured, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the Consolidated Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when

provisions are established is recorded in 'General, Administrative and Trading expenses' on the Consolidated Statement of Income.

A provision for onerous contracts is measured at the present value of the lowest net cost of exiting from the contract, which is the lower of the expected cost of terminating the contract and the expected cost of fulfilling it. Before a provision is established, the CSi group recognises any impairment loss on the assets associated with that contract.

## **v) Debt in issuance**

Debt in issuances are initially recognised on the date on which the cash is received and are measured at amortised cost or designated at fair value through profit or loss. Direct costs incurred upon the issuance of debt instruments designated at fair value through profit or loss is recognised as incurred in the respective non-interest expense classification relating to the expense incurred, e.g. legal expenses, printing, accounting fees, etc.

Debt instruments designated at fair value through profit or loss are disclosed as a separate line item on the face of the balance sheet. Debt instruments issued by the entity which are not carried at fair value are recorded at par (nominal value) net of any premiums or discounts. Direct costs incurred with the issuance of the debt (debt issuance costs) are deferred and recorded as a direct deduction from the carrying amount of the related liability. Premiums and discounts and debt issue costs are amortised using the effective interest method.

The CSi group issues structured products with embedded derivatives. A structured product that contains an embedded derivative is designated at fair value through profit or loss. If it is determined that the embedded derivative is not reliably measurable because it is settled in an unquoted equity instrument, the entire combined contract is treated as a financial instrument held at fair value.

## **w) Disposal groups and discontinued operations**

A disposal group comprising assets and liabilities is classified as held for sale if it is highly probable that it will be recovered primarily through sale rather than through continuing use.

A disposal group is generally measured at the lower of its carrying amount and fair value less costs to sell. However, certain assets, such as deferred tax assets, assets arising from employee benefits, financial assets and the related liabilities are exempt from this measurement requirement. Rather, those assets and liabilities are measured in accordance with other applicable IFRSs. The disposal groups presented in the CSi group's Statement of Financial Position consist exclusively of assets and liabilities that are measured in accordance with other applicable IFRSs.

A discontinued operation is a component of the CSi group that either has been disposed of or is classified as held for sale and:  
(a) represents a separate major line of business or geographical area of operations;

- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Income is re-presented as if the operation had been discontinued from the start of the comparative year.

## **x) Retirement benefit costs**

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plan, the UK Defined Benefit Plan ('UK DB Plan') is a CSG scheme, in which the Company is the sponsoring entity.

The Bank's Defined Benefit Obligations ('DBO') are calculated using the projected unit credit method. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred. Remeasurements of the net defined benefit liability are recognised immediately in OCI.

The Bank uses the spot rate approach for the valuation of the UK DB plan, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service cost and interest costs. The Bank determined the interest income on plan assets for the period by applying the single equivalent discount rate determined for the interest cost to the plan asset value. The service costs, net interest income and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Consolidated Statement of Income. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. An enhanced transfer value (ETV) exercise is accounted for as a settlement if the offer made under the ETV is an irrevocable action taken by the trustees of the plan at the time the participants take the offer. In this case the CSi group is relieved of the responsibility for the pension obligation. The Bank has no contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

## **y) Share-based payments**

The Bank grants shares in its ultimate parent, Credit Suisse Group ('CSG') to certain employees. The Bank pays for CSG shares at market value at the time of settlement to employees.

The share-based awards are classified as a cash-settled share-based payment plan. A liability equal to the portion of the services

received is recognised at the current market value determined at each balance sheet date. The expense for share-based payments is determined by treating each tranche as a separate grant of share awards and is accrued over the vesting period for each tranche, unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

Share awards are made to employees in one of the following ways:

- i) Phantom share Awards;
- ii) Special Awards, which are typically awarded upon hiring of certain senior employees or in relation to business acquisitions. The terms (including amount, vesting, settlement, etc.) of special awards vary significantly from award to award;
- iii) Performance Share Awards;

Phantom shares and Performance share awards are accrued over the vesting period, which generally range between 3 to 7 years. Certain awards vest at grant date and are therefore accrued fully at grant date. Special awards are accrued over the vesting period as per award terms.

Changes in foreign exchange and market value of the above share plan obligations between grant date and settlement date are expensed within operating expenses. Total value of awards accrued and outstanding at end of the accounting period is classified as a liability.

The majority of share awards granted include the right to receive dividend equivalents on vested shares.

## **z) Other compensation plans**

The CSi group has other deferred compensation plans which can be in the form of fixed or variable deferred cash compensation. A liability equal to the portion of the services received is recognised at each balance sheet date. The expense for these awards is recognised over the service period, which is the period the employee is obligated to work in order to become entitled to the cash compensation. Fixed deferred cash compensation is generally awarded in the form of sign-on bonuses and employee forgivable loans. Variable deferred cash compensations are awards where the final cash payout is determined by the performance of certain assets, a division or the CS group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final payout.

## **aa) Financial guarantee contracts**

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantee contracts are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other payables.

Financial guarantee contracts are initially recognised in the Consolidated Financial Statements at fair value on the date the guarantee was given, which is generally the fee received or receivable.

Financial guarantees not measured at fair value through profit or loss are in scope of ECL impairment. The maximum contractual period over which the reporting entity has a present contractual obligation to extend credit is considered as estimation period for measuring ECL, and not the period over which the entity expects to extend credit. This takes into consideration if a guarantee was contingent or cancellable.

The ECL is based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs under the guaranteed financial asset less any amounts that the entity expects to receive from the holder, the debtor or any other party. In Stage 1, the time horizon of a credit loss incurring is 12 months. In Stage 2 and 3, the time horizon is the lifetime of the guarantee contract.

If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Financial guarantees are subsequently measured at the higher of the amount of the provision for ECL and the amount recorded at the initial recognition, less the cumulative amount of income subsequently recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

Any increase in the liability based on the subsequent measurement related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

## ab) Leases

The CSi group recognises lease liabilities and right-of-use ('ROU') assets, which are reported as property and equipment. Lease liabilities are recognised at the lease commencement date based on the present value of lease payments over the lease term. ROU assets are initially measured based on the lease liability, adjusted for any initial direct costs, any lease payments made prior to lease commencement and for any lease incentives.

For certain leases, there are options that permit the CSi group to extend or terminate these leases. Such options are only included in the measurement of ROU assets and lease liabilities when it is reasonably certain that the Group would exercise the extension option or would not exercise the termination option.

Lease payments which depend on an index or a referenced rate are considered to be unavoidable and are included in the lease liability. Subsequent changes in the index or reference rate result in a remeasurement of the lease liability. Other variable lease payments not depending on an index or rate are excluded from the lease liabilities.

The CSi group's incremental borrowing rate, which is used in determining the present value of lease payments, is derived from

information available at the lease commencement date. Lease ROU assets are depreciated on straight-line basis over the lease term. Depreciation expense on ROU assets are recognised in general, administrative and trading expenses. Interest expense on lease liabilities is recognised in interest expense. ROU assets are subject to the same impairment guidance as property and equipment.

If the CSi group is the lessor in an operating lease it continues to present the related ROU asset from the headlease in its financial statements and recognises lease income on a straight-line basis over the period of the lease.

The CSi group enters into operating and finance subleases. For finance subleases, the group de-recognises the related ROU asset from the headlease and recognises a net investment in the lease with the related interest income being included in interest income. For operating subleases, the CSi group continues to present the asset subject to the lease in its financial statements and recognises lease income on a straight-line basis over the period of the lease.

## ac) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation, cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but rather is disclosed, except for those acquired under business combinations, which are recognised at fair value.

## ad) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when declared.

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## 3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements, management is required to make critical judgements. Management also makes certain accounting estimates to ascertain the value of assets and liabilities and determine the impact to the income statement. Judgements and estimates are based upon the information available at the time, and actual results may differ materially. The following critical judgements and estimates are sources of uncertainty and as a result have the risk of having a material effect on the amounts recognised in the financial statements. Additionally, the spread of COVID-19 has resulted in significant uncertainty. In light of this uncertainty, the CSi group applies appropriate judgement in complying with the IFRS 13



requirements for measuring fair value, specifically when the volume or level of activity for an asset or a liability has significantly decreased and when identifying transactions that are not orderly.

In the course of preparing the financial statements, judgements have been made in the process of applying the accounting policies, in regards to taxes and structured entities. A number of estimates have been made that have had a significant effect on the amounts recognised in the financial statements.

## Taxes

### Deferred tax valuation

Deferred tax assets ('DTA') and deferred tax liabilities ('DTL') are recognised for the estimated future tax effects of operating losses carried forward and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Statement of Financial Position date.

### Key Judgements

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. On a quarterly basis management makes the key judgement to determine 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 making the key judgement to determine 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. These key judgements have been made in relation to employee benefits, decelerated tax depreciation, unpaid interest and other provisions.

→ Please see Note 15 – Deferred Taxes for more information.

### Key Estimates

The future taxable income can never be predicted with certainty, but management also evaluates the factors contributing to the losses carried forward and considers whether or not they are temporary or indicate an expected permanent decline in earnings. The critical accounting estimate 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 the CSi group's 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.

→ Please see Note 15 – Deferred Taxes for more information.

## Fair Value

A significant portion of the CSi group's financial instruments (trading financial assets and liabilities, derivative instruments and financial assets and liabilities designated at fair value) are carried at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income. 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, certain commercial papers ('CP'), most investment grade corporate debt, certain high grade debt securities, exchange traded and certain over the counter ('OTC') derivative instruments and most listed equity securities.

### Key Estimates

The CSi group holds some financial instruments for which no prices are publicly available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgement on key estimates to be made depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, the valuation of financial instruments involves a significant degree of judgement, in particular where valuation models make use of unobservable inputs.

Instruments that use valuation models that make use of unobservable inputs include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligations ('CDO's'), securities, private equity investments, certain loans and credit products, (including leveraged finance, certain syndicated loans and certain high yield bonds).

→ For more details regarding the valuation models used for each of these instruments please refer to Note 38– Financial Instruments.

The critical accounting estimate of 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. These factors are a key source of uncertainty as their volatility has the potential to have a material impact to the valuation of the fair value of financial assets and liabilities. 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. Conversely the CSi group's own credit spreads are considered when measuring the FV of its liabilities.

→ For more details regarding the valuation models and techniques used for each of these instruments please refer to Note 19 Financial Liabilities Designated at Fair Value Through Profit or Loss and Note 38– Financial Instruments.

Control processes are applied to ensure that the fair value of the financial instruments reported in the Bank and the CSi group Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

→ For further information to the CSi group's control and governance processes on the fair value of financial instruments, refer to Note 38 – Financial Instruments.

## Retirement Benefit Costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes. The CSi group is the sponsor of the UK Defined Benefit Plan (UK DB Plan). The following relates to the assumptions the CSi group, as sponsor of the UK DB Plan, has made in arriving at the valuations of the various components of the plan.

### Key Estimates

The calculation of the expense and liability associated with the defined benefit pension plans requires judgement of key estimates, which include the discount rate and rate of future compensation increases as determined by the CSi group. Management determines these judgements of key estimates based upon currently available market and industry data and the historical performance of the plans and their assets. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the group may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The discount rate used in determining the benefit obligation is a critical accounting estimate that is based upon either high quality corporate bond rates or government bonds. In estimating the discount rate, the group takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows on its benefit payments.

→ Please see Note 32 – Retirement Benefit Obligations for more information.

## Litigation contingencies

The CSi group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

### Key Estimates

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. A provision is recognised if, and only if a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event).

In presenting the Consolidated Financial Statements, management makes critical accounting estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reliably estimated. Charges are not established for matters when losses cannot be reliably estimated.

Estimates, by their nature, are based on key judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSi group's defences and its experience in similar cases or proceedings, as well as the CSi group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

→ Please see Note 26 – Provisions for more information.

## Structured Entities

As part of normal business, the CSi group engages in various transactions that include entities which are considered structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSi group may hold interests in the structured entities. If the CSi group controls the structured entity then that entity is included in the CSi group's consolidated financial statements.

### Key Judgements

The CSi group exercises judgement in assessing whether an entity is a structured entity. The assessment performed considers whether the CSi group is the sponsor with a variable return, is the sponsor with no variable return but with additional involvement, or is not a sponsor but has a variable return. Additionally, the CSi group exercises judgements in assessing whether the CSi group has (joint) control of, or significant influence over, another entity including structured entities. The assessment considers whether the CSi group has power over the entity, exposure or rights to variable returns from its involvement with the entity, and whether the CSi group has the ability to use its power over the entity to affect the amount of returns. Significant judgement is applied in determining whether the CSi group has power over the entity, and is based on the current ability of the CSi group to direct the relevant activities. Significant judgement is also applied when considering the substance of voting and similar rights. Entities are consolidated when the CSi group obtains control. The CSi group provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity.

→ Please see Note 37 – Interests in Other Entities for more information.

## 4 Segmental Analysis

The CSi group has 3 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. For the period ended 31 December 2020, CSi group had 4 reportable segments, wherein Global Markets and Investment Banking & Capital Markets are merged into Total Investment Bank for the current reporting period.

The segments are based on products and services offered by the CSi group and are explained in the Strategic 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, and therefore profit items are also not directly allocated to the business segments at a CSi group level. These items include certain transfer pricing, 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.

In determining geographical concentration for segmental reporting, CSi group considers the country of incorporation or residence as well as the relevant tax jurisdiction. Substantially all revenues are generated in the UK region and substantially all non-current assets are located in the UK region.

The following table shows the revenue of each operating segment during the year:

	2021	2020 <sup>1</sup>
<b>Revenues (USD million)</b>		
<b>Investment Bank</b>	<b>1,965</b>	<b>2,185</b>
- Cash Equities & Prime	(255)	106
- Credit	209	434
- Global Trading Solutions	1,564	1,506
- Capital Markets	213	221
- Advisory	176	60
- IB Corporate Bank	10	21
- GTS Management	33	(185)
- IB Management	15	22
APAC	2	57
Other	19	15
Corporate centre (includes ARU)	115	93
<b>Total</b>	<b>2,101</b>	<b>2,350</b>

<sup>1</sup> The disclosure has been restated to give effect to the reorganisation of businesses.

The following table shows the Income/ (loss) before taxes of each operating segment during the year:

	2021	2020 <sup>1</sup>
<b>Consolidated Income before taxes (USD million)</b>		
<b>Investment Bank</b>	<b>(4,902)</b>	<b>405</b>
- Cash Equities & Prime	(5,169)	3
- Credit	(43)	254
- Global Trading Solutions	448	535
- Capital Markets	(45)	(163)
- Advisory	2	30
- IB Corporate Bank	11	5
- GTS Management	36	(187)
- IB Management	(142)	(72)
APAC	(51)	5
Other	(14)	(6)
Corporate centre (includes ARU)	(352)	(82)
<b>Total</b>	<b>(5,319)</b>	<b>322</b>

<sup>1</sup> The disclosure has been restated to give effect to the reorganisation of businesses.

### CSi group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totalling USD 916 million (2020: USD 951 million).

### Reconciliation of reportable segment revenues

	2021	2020 <sup>4</sup>
<b>Reconciliation of reportable segment revenues (USD million)</b>		
Total revenues for reportable segments	2,101	2,350
Transfer pricing agreements and cross divisional revenue share agreements	224	231
Treasury funding	(160)	15
Shared services	14	23
Allowance for Credit Losses <sup>1</sup>	(4,530)	(17)
CSi group to primary reporting reconciliations <sup>2</sup>	200	45
<b>Net revenues as per Consolidated Statement of Income (2,151)</b>	<b>2,647</b>	
<b>Of which net revenues – discontinued operations</b>	<b>–</b>	<b>335<sup>3</sup></b>
<b>Of which net revenues – continued operations</b>	<b>(2,151)</b>	<b>2,312</b>

<sup>1</sup> In 2021, Provision of USD 4,530 million includes provision of USD 4,540 million associated with Archegos under Cash Equities and Prime Segment.

<sup>2</sup> This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group financials prepared in accordance with IFRS.

<sup>3</sup> Details are included in Note 28 – Discontinued Operations and Assets and Liabilities Held for Sale.

<sup>4</sup> 2020 numbers have been restated to give effect to the reorganisation of functions as announced by the board.

	2021	2020 <sup>3</sup>
<b>Reconciliation of reportable segment income before taxes (USD million)</b>		
Income before taxes for reportable segments	(5,319)	322
Shared services	(103)	(110)
CSi group to primary reporting reconciliations <sup>1</sup>	36	(11)
<b>(Loss)/Profit before taxes as per Consolidated Statement of Income</b>	<b>(5,386)</b>	<b>201</b>
<b>Of which profit before taxes – discontinued operations<sup>2</sup></b>	<b>–</b>	<b>10</b>
<b>Of which profit before taxes – continued operations</b>	<b>(5,386)</b>	<b>191</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 financials prepared in accordance with IFRS.

<sup>2</sup> Details are included in Note 28 – Discontinued Operations and Assets and Liabilities Held for Sale.

<sup>3</sup> 2020 numbers have been restated to conform to the current period's presentation.

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

## 5 Net Interest (expense)/income

	2021	2020
<b>Net interest (expense)/income (USD million)</b>		
Loans and advances	105	101
Securities purchased under resale agreements and securities borrowing transactions	199	108
Cash collateral paid on OTC derivatives transactions	69	153
Interest income on cash and cash equivalents	55	135
<b>Interest income</b>	<b>428</b>	<b>497</b>
Due to banks	(13)	(2)
Borrowings	(13)	(56)
Securities sold under repurchase agreements and securities lending transactions	(265)	(107)
Debt in issuance	(96)	(149)
Lease liabilities	(22)	(21)
Cash collateral received on OTC derivatives transactions	(82)	(152)
<b>Interest expense</b>	<b>(491)</b>	<b>(487)</b>
<b>Net interest (expense)/income</b>	<b>(63)</b>	<b>10</b>
<b>of which</b>		
Interest income on Financial assets measured at fair value through profit or loss	211	128
Interest income on Financial assets measured at amortised cost	217	369
Interest expenses on Financial liabilities measured at fair value through profit or loss	(128)	(63)
Interest expenses on Financial liabilities measured at amortised cost	(363)	(424)

## 6 Commission and Fee Income

	2021	2020
<b>Commission and fee income (USD million)</b>		
Lending business	68	102
Brokerage	46	56
Underwriting	96	100
Other client services	218	105
<b>Total commission and fee income</b>	<b>428</b>	<b>363</b>

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

	2021	2020
<b>Fee income from financial instruments (USD million)</b>		
Origination fees and other services	11	26
Commitment fees	26	22
<b>Total fee income</b>	<b>37</b>	<b>48</b>

The table above represents fees generated from financial assets and financial liabilities measured at amortised cost. Such fees are generated within the lending business or other client services.

## 7 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 line item 'Transfer pricing arrangement and other services' includes revenues from services provided by CSi to other group companies. Nature of Services provided by CSi to other group companies are similar to that of the services provided to third parties'

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 Other Services in the following table which explains disaggregation of the revenue from service contracts with customers into different categories:

	2021 <sup>2</sup>	2020 <sup>2</sup>
<b>Type of Services (USD million)</b>		
Lending business <sup>1</sup>	29	54
Other securities business	6	4
Brokerage	44	56
Underwriting	96	100
Transfer pricing arrangement and other services	376	248
<b>Total</b>	<b>551</b>	<b>462</b>

<sup>1</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).

<sup>2</sup> The table above differs from note 6 – Commission and Fee income as it includes only those contracts with customers that are in scope of IFRS 15 – Revenue from contracts with customers.

<b>Contract balances (USD million)</b>	2021	2020
Contract receivables	22	28
Contract liabilities	–	1
Revenue recognised in the reporting period included in the contract liabilities balance at the beginning of period	–	1

The CSi group did not recognise any revenues in the reporting period from performance obligations satisfied in previous periods.

The CSi group recognised a net impairment loss on contract receivables of USD Nil (2020: USD Nil).

### Remaining performance obligations

The practical expedient allows the CSi group to exclude from its remaining performance obligations disclosure of any performance obligations which are part of a contract with an original expected duration of one year or less. Additionally any variable consideration, for which it is probable that a significant reversal in the amount of cumulative revenue recognised will occur when the uncertainty associated with the variable consideration is subsequently resolved, is not subject to the remaining performance obligations disclosure because

such variable consideration is not included in the transaction price (e.g. investment management fees). Upon review, the CSi group determined that no material remaining performance obligations are in scope of the remaining performance obligations disclosure.

## 8 Allowance for Credit Losses

	2021	2020
<b>(Additional)/Release of allowance for credit losses (USD million)</b>		
Allowances for credit losses	(4,741)	(18)
Allowances for off-balance sheet exposure	–	(3)
<b>(Additional) allowance for credit losses</b>	<b>(4,741)</b>	<b>(21)</b>
Release of allowance for credit losses	208	3
Release of allowance for off-balance sheet exposures	3	1
<b>Release of allowance for credit losses</b>	<b>211</b>	<b>4</b>
<b>(Additional) allowance for credit losses</b>	<b>(4,530)</b>	<b>(17)</b>

Further information about Allowance for Credit Losses are presented in Note 31 – Expected Credit Loss Measurement.

## 9 Net Gains from Financial Assets/Liabilities at Fair Value through Profit or Loss

	2021	2020
<b>Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)</b>		
Net gains from financial assets/liabilities mandatorily measured at fair value through profit or loss	1,541	2,204
Net gains/(losses) from financial liabilities designated at fair value through profit or loss	220	(489)
<b>Total net gains from financial assets/liabilities at fair value through profit or loss</b>	<b>1,761</b>	<b>1,715</b>

	2021	2020
<b>Total net gains from trading financial assets/liabilities mandatorily measured at fair value through profit or loss (USD million)</b>	<b>1,517</b>	<b>2,137</b>

	2021	2020
<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	4	86
Loans and advances	(30)	(47)
Other financial assets	50	28
<b>Total net gains/(losses) from non-trading financial assets mandatorily measured at fair value through profit or loss</b>	<b>24</b>	<b>67</b>

<b>Total net gains from financial assets/liabilities mandatorily measured at fair value through profit or loss</b>	<b>1,541</b>	<b>2,204</b>
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	2021		2020	
	Profit or Loss	OCI	Profit or Loss	OCI
<b>Net gains/(losses) from financial liabilities designated at fair value through profit or loss (USD million)</b>				
Securities sold under repurchase agreements and securities lending transactions	(7)	–	(8)	–
Borrowings	259	–	(237)	–
Debt in issuance	(57)	12	(206)	(6)
Other financial liabilities designated at fair value through profit or loss	25	–	(38)	–
<b>Total net gains/(losses) from financial liabilities designated at fair value through profit or loss</b>	<b>220</b>	<b>12</b>	<b>(489)</b>	<b>(6)</b>

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

## 10 Other Revenues

	2021	2020
<b>Other revenues (USD million)</b>		
Transfer pricing arrangements	162	147
Other	91	94
<b>Total other revenues</b>	<b>253</b>	<b>241</b>

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

## 11 Compensation and Benefits

	2021	2020
<b>Compensation and benefits (USD million)</b>		
Salaries and variable compensation	(581)	(665)
Social security costs	(94)	(105)
Pension costs	(75)	(60)
Other	21	(11)
<b>Total compensation and benefits</b>	<b>(729)</b>	<b>(841)</b>

Included in the above table are amounts relating to Directors' remuneration, details of which are disclosed in Note 34 – Related Parties.

The monthly average number of persons employed by CSi group during the year was 2,425 employees (2020: 2,496 employees). The CSi group receives a range of services from related companies, in particular from Credit Suisse Services AG, London Branch. The headcount related to these services is not included in the above numbers.

## 12 General, Administrative and Trading Expenses

	2021	2020
<b>General, administrative and trading expenses (USD million)</b>		
Brokerage charges and clearing house fees	(572)	(338)
Insurance charges	(10)	(6)
<b>Trading expenses</b>	<b>(582)</b>	<b>(344)</b>
Depreciation and amortisation expenses <sup>1</sup>	(190)	(157)
Depreciation and impairment of investment property	(1)	(1)
Litigation	(330)	1
Auditor's remuneration	(6)	(3)
Professional services	(752)	(409)
Impairment of intangible assets and ROU assets	(42)	(39)
Net Overheads allocated to other CS group entities	367	449
Transfer pricing arrangements	(661)	(496)
UK Bank Levy	(16)	(37)
Other	(276)	(236) <sup>2</sup>
<b>General and administrative expenses</b>	<b>(1,907)</b>	<b>(928)</b>
<b>Total general, administrative and trading expenses</b>	<b>(2,489)</b>	<b>(1,272)</b>

<sup>1</sup> Depreciation and amortisation expense includes amortisation on right-of-use assets of USD 18 million in 2021 (2020: USD 18 million).

<sup>2</sup> 2020 numbers have been represented to conform to the current period's presentation.

The CSi group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through Net overheads allocated to other CS group entities. The recharges comprise compensation and benefit expenses and general administrative expenses. For further information about litigation expenses, refer to Note 26 – Provisions.

### Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 3 million (2020: USD 2 million). The following fees were payable by the CSi group to the auditor, PricewaterhouseCoopers LLP.

	2021	2020
CSi Auditor's remuneration (USD '000)		
Fees payable to the Bank's auditor for the audit of the Bank's annual accounts	(3,390)	(2,058)
Fees payable to the CSi group's auditor and its associates for other services	(648)	–
Audit-related assurance services	(1,668)	(924)
Other assurance services	(50)	(54)
<b>Total fees</b>	<b>(5,756)</b>	<b>(3,036)</b>

## 13 Restructuring Expenses

In connection with the key strategic growth initiatives announced in July 2020, restructuring expenses excluding General and administration expenses of USD 5 million were recognised in the year ended 31 December 2021 (2020: USD 8 million). Restructuring expenses may include redundancy costs and expenses in connection with the acceleration of certain deferred compensation awards. General administrative expense include amortisation on internally developed software and other professional expenses.

	2021	2020
<b>Restructuring expenses by type (USD million)</b>		
Compensation and benefits-related expenses	(5)	(8)
of which severance	(5)	(4)
of which accelerated deferred compensation	–	(4)
General and administrative-related expenses	(12)	–
<b>Total Restructuring expenses</b>	<b>(17)</b>	<b>(8)</b>

	2021			2020		
	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>	3	–	3	–	–	–
Net additional charges	5	–	5	4	–	4
Utilisation and foreign exchange fluctuations	(2)	–	(2)	(1)	–	(1)
Reclassification (to)/from other liabilities	(2)	–	(2)	–	–	–
<b>Balance at end of the period/year</b>	<b>4</b>	<b>–</b>	<b>4</b>	<b>3</b>	<b>–</b>	<b>3</b>

Liability relating to accelerated deferred compensation, not included in the above table, is included in Share-based compensation liability. For details, refer Note 22 – Other Assets and Other Liabilities.

Amortisation relating to internally developed software, not included in the above table, is included in accumulated depreciation for intangible assets. For details, refer Note 25 – Intangible assets.

## 14 Income Tax

Group and Bank	2021	2020
<b>Current and deferred taxes (USD million)</b>		
<b>Current tax</b>		
Current tax benefit/(expense) for the period <sup>1</sup>	35	(29)
Adjustments in respect of previous periods	(48)	37
<b>Current income tax (expense)/benefit</b>	<b>(13)</b>	<b>8</b>
<b>Deferred tax</b>		
Deferred tax benefit/(expense) for the period	(32)	(12)
Adjustments in respect of previous periods	46	4
Effect of changes in tax rate	42	10
<b>Deferred income tax benefit</b>	<b>56</b>	<b>2</b>
<b>Income tax benefit</b>	<b>43</b>	<b>10</b>

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

Income tax of USD 29 million was credited (2020: USD 4 million) directly to equity.

During 2021, the UK government enacted legislation to increase the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. In the UK budget announcement of 27 October 2021, the UK government advised that the corporate tax bank surcharge will be reduced from 8% to 3% to apply from 1 April 2023. Legislation to effect this change was substantively enacted on 2 February 2022 (please refer to the Note 44 – Subsequent events for further details). Further information in respect of deferred taxes is presented in Note 15 – Deferred Taxes. The income tax expense for the year can be reconciled to the loss per the statement of income as follows:

### Reconciliation of taxes computed at the UK statutory rate

Group and Bank	2021	2020
<b>Reconciliation of taxes computed at the UK statutory rate (USD million)</b>		
(Loss)/Profit before tax	(5,386)	201
Income tax benefit/(expense) computed at the statutory rate of 19%	1,023	(38)
<b>(Increase)/decrease in income taxes resulting from:</b>		
Other permanent differences	2	(6)
Adjustment for losses attributable to non-UK operations	(469)	–
Impact of UK bank corporation tax surcharge	9	(19)
Non-recoverable foreign taxes including withholding taxes <sup>1</sup>	(26)	(6)
Movement in unrecognised deferred tax assets	(533)	28
Adjustments to current tax in respect of previous periods	(48)	37
Adjustments to deferred tax in respect of previous periods	46	4
Effect on deferred tax resulting from changes to tax rates	42	10
Differential in movement in deferred taxes to the statutory tax rate	(3)	–
<b>Income tax benefit</b>	<b>43</b>	<b>10</b>

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

## 15 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33% (2020: 27%), which includes the impact of the UK banking surcharge. Deferred taxes are calculated on carry forward tax losses using effective tax rates of 25% or 33% (2020: 19% or 27%).

Group and Bank	2021	2020
<b>Deferred tax (USD million)</b>		
Deferred tax assets	622	500
Deferred tax liabilities	(338)	(301)
<b>Net position</b>	<b>284</b>	<b>199</b>
<b>Balance at 1 January</b>		
	<b>199</b>	<b>196</b>
Debit to statement of income for the period	(32)	(12)
Adjustments in respect of previous periods	46	4
Tax impact of remeasurement of defined benefit pension plan assets	20	10
Tax Impact on adjustment on initial application of IFRS16	–	(1)
Tax Impact on gain on cashflow hedges	9	(6)
Effect of change in tax rate credited to income statement	42	10
Other	–	(2)
<b>At end of the period</b>	<b>284</b>	<b>199</b>

Deferred tax assets and liabilities are attributable to the following items:

Group and Bank	2021	2020
<b>Components of net deferred tax assets (USD million)</b>		
Derivative financial instruments	5	–
Employee benefits	78	43
Decelerated tax depreciation	158	125
Other provisions	24	25
Unpaid interest	79	83
Tax losses	276	222
Leases	2	2
Deferred tax assets netted against deferred tax liabilities	(338)	(301)
<b>At end of the year</b>	<b>284</b>	<b>199</b>

Group and Bank	2021	2020
<b>Components of net deferred tax liabilities (USD million)</b>		
Pensions and other post-retirement benefits	(338)	(296)
Derivative financial instrument	–	(5)
Deferred tax liabilities netted against deferred tax assets	338	301
<b>At end of the year</b>	<b>–</b>	<b>–</b>



**Details of the deferred tax (expense)/benefit in the statement of income:**

Group and Bank	2021	2020
<b>Tax effect of temporary differences (USD million)</b>		
Employee benefits	35	(33)
Defined benefit pension assets	(61)	(11)
Decelerated tax depreciation	33	18
Other provisions	(1)	3
Unpaid interest	(4)	6
Leases	-	2
Tax losses	54	17
<b>Total deferred tax benefit in the Statement of Income</b>	<b>56</b>	<b>2</b>

Group and Bank	2021	2020
<b>Income Tax benefit/(expense) recognised in Equity (USD million)</b>		
Adjustment on initial application of IFRS 16	-	(1)
Realised gain/(loss) relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	-	1
Re-measurement of defined benefit pension assets	20	10
Gain on loan sale to CSD	-	(1)
Gain on cash flow hedges	9	(6)
<b>Total Income Tax benefit recognised in Equity</b>	<b>29</b>	<b>3</b>

Following management's evaluation of the deferred tax asset recoverability as at the balance sheet date, deferred tax assets of USD 1,998 million (2020: USD 793 million) have not been recognised. If strategies and business plans will 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 deferred tax asset balance is no longer probable.

The use of tax losses carried forward by UK banks is restricted to a maximum of 50% of taxable profits (25% for losses incurred prior to 1 April 2015).

## 16 Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

Group and Bank	2021	2020
<b>Securities purchased under resale agreements and securities borrowing transactions (USD million)</b>		
Securities purchased under resale agreements	7,152	2,927
Deposits paid for securities borrowed	1,750	1,632
<b>Total Securities purchased under resale agreements and securities borrowing transactions</b>	<b>8,902</b>	<b>4,559</b>

The following table summarises the securities lent under agreements to repurchase and securities lending transactions, at their respective carrying values:

Group and Bank	2021	2020
<b>Securities sold under repurchase agreements and securities lending transactions (USD million)</b>		
Securities sold under repurchase agreements	74	512
Deposits received for securities lent	3,297	4,271
<b>Total Securities sold under repurchase agreements and securities lending transactions</b>	<b>3,371</b>	<b>4,783</b>

Securities borrowed, lent and subject to resale and repurchase agreements are mainly due within one year.

Repurchase and resale agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of maturity. The CSi group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the CSi group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the CSi group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSi group monitors the market value of securities borrowed and securities lent on a daily basis and additional collateral is obtained as necessary.

For information and details on the balances with related parties, refer Note 34 – Related Parties.

## 17 Trading Financial Assets and Liabilities Mandatorily at Fair Value through Profit or Loss

	Group		Bank	
	2021	2020	2021	2020
<b>Trading financial assets at fair value through profit or loss (USD million)</b>				
Debt securities	13,725	17,609	13,966	17,483
Equity securities	16,432	13,948	16,396	13,913
Derivative instruments	113,190	156,155	113,192	156,156
Other	371	908	371	908
<b>Trading financial assets at fair value through profit or loss</b>	<b>143,718</b>	<b>188,620</b>	<b>143,925</b>	<b>188,460</b>
<b>Trading financial liabilities at fair value through profit or loss (USD million)</b>				
Short positions	8,876	10,843	8,876	10,839
Derivative instruments	113,176	153,521	113,177	153,522
Other	2	–	2	–
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>122,054</b>	<b>164,364</b>	<b>122,055</b>	<b>164,361</b>

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 13,551 million (2020: USD 15,334 million) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, repurchase agreements or other collateralised borrowings. Refer Note 38 – Financial Instruments and Note 39 – Assets Pledged or assigned for more details. For information and details on the balances with related parties, refer Note 34 – Related Parties.

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

	Group		Bank	
	2021	2020	2021	2020
<b>Non-trading financial assets mandatorily at fair value through profit or loss (USD million)</b>				
Loans and advances	1,058	1,379	736	1,487
Securities purchased under resale agreements and securities borrowing transactions	35,725	20,882	35,725	20,882
Other non-trading financial assets mandatorily at fair value through profit or loss	1,443	3,255	1,442	3,255
<b>Total non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>38,226</b>	<b>25,516</b>	<b>37,903</b>	<b>25,624</b>

For loans mandatorily at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2021 was USD 1,058 million (2020: USD 1,379 million). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 170 million (2020: USD 273 million) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2021, this fair value movement was a decrease of USD 9 million (2020: USD 57 million increase). The cumulative effect at the year-end was a decrease of USD 64 million (2020: USD 47 million increase). The corresponding increase in fair value of the swaps and securities in place to mitigate this risk was USD 6 million (2020: USD 20 million increase). The cumulative effect at the year-end was an increase of USD 17 million (2020: USD 47 million increase).

For securities purchased under resale agreements, the Bank's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the Bank does not enter into hedges to mitigate credit exposure to its counterparties. Also, given that the credit exposure is almost eliminated, the fair value changes attributable to credit risk are insignificant.

For information and details on the balances with related parties, refer Note 34 – Related Parties.

## 19 Financial Liabilities Designated at Fair Value Through Profit or Loss

	Group		Bank	
	2021	2020	2021	2020
<b>Financial Liabilities designated at fair value through profit or loss (USD million)</b>				
Subordinated Debt	–	20	–	20
Structured notes and other hybrid instruments	13,724	13,175	13,574	13,017
Securities sold under repurchase agreement and securities lending transactions	19,289	14,926	19,290	14,926
Other	1,999	1,667	1,998	1,667
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>35,012</b>	<b>29,788</b>	<b>34,862</b>	<b>29,630</b>

Of the financial liabilities designated at fair value through profit or loss, subordinated debt and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes were mainly elected because they are managed on a fair value basis.

The fair value of a financial liability incorporates the credit risk of that financial liability. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the CSi group would issue similar instruments as of the reporting date.

The fair value of subordinated debt and structured notes is calculated using a yield curve which reflects the CSi group's credit rating in the market. This is achieved by adjusting the relevant yield curve by the CSi group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

The carrying amount is USD 4,824 million (2020: USD 4,990 million) lower than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity. For information and details on the balances with related parties, refer Note 34 – Related Parties.

	2021	2020
<b>Changes in fair value of financial liabilities designated at fair value through profit or loss due to credit risk (USD million)</b>		
<b>Financial liabilities designated at fair value through profit or loss that present the effects of changes in that liability's credit risk in OCI</b>		
Cumulative change in the fair value		
Debt in issuance		
of which structured notes over two years	10	(2)
<b>Total Cumulative Change</b>	<b>10</b>	<b>(2)</b>
YTD change in the fair value		
Debt in issuance		
of which structured notes over two years	12	(6)
<b>Total YTD Change</b>	<b>12</b>	<b>(6)</b>

## 20 Loans and Advances

The following table sets forth details of the domestic (United Kingdom) and foreign portfolios:

Group and Bank	2021	2020
<b>Loans and advances (USD million)</b>		
Loans and advances other than leases	2,710	2,867
Net investment in leases	258	284
<b>Loans and advances</b>	<b>2,968</b>	<b>3,151</b>

Group and Bank	2021	2020
<b>Loans and advances other than leases (USD million)</b>		
Real estate	57	64
Commercial and industrial loans	2,667	2,829
Financial institutions	1	1
<b>Gross loans and advances</b>	<b>2,725</b>	<b>2,894</b>
of which domestic	2,562	2,591
of which foreign	163	303
Net unearned income	(3)	(5)
Allowance for credit losses	(12)	(22)
<b>Loans and advances</b>	<b>2,710</b>	<b>2,867</b>
<b>Gross impaired loans</b>	<b>14</b>	<b>11</b>
of which loans with an individual allowance	14	11

Group and Bank	2021	2020
<b>Loans and advances by geography (USD million)</b>		
<b>Gross loans and advances</b>	<b>2,725</b>	<b>2,894</b>
of which domestic	2,562	2,591
of which foreign	163	303
-Netherlands	42	107
-Luxembourg	57	78
-Others	64	118

Group and Bank (USD million)	2021	2020
<b>Net investment in leases</b>		
Receivable within 1 year	30	30
Receivable between 1 and 2 years	30	31
Receivable between 2 and 3 years	31	31
Receivable between 3 and 4 years	31	31
Receivable between 4 and 5 years	31	31
Receivable after 5 years	156	190
<b>Total lease payments receivable</b>	<b>309</b>	<b>344</b>
<b>Unearned finance income</b>	<b>(51)</b>	<b>(60)</b>
<b>Net investment in leases</b>	<b>258</b>	<b>284</b>

Net investment in leases represents sublease of certain buildings in UK. Loans and advances due within one year for the CSi group and Bank, amount to USD 2,503 million (2020: USD 2,504 million). For information and details on the balances with related parties, refer Note 34 – Related Parties.

#### Reconciliation of the allowance for loan losses by class

The following table sets forth the movements in the allowances for impairment losses on Loans and advances:

	Banks	Customers	Total
<b>Group and Bank Allowance for credit losses (USD million)</b>			
Balance at 1 January 2021	–	(22)	(22)
Additional allowances for credit losses	–	(4)	(4)
Reversal of allowances for credit losses	–	11	11
Movement recognised in Consolidated Statement of Income	–	7	7
Write off of loan losses	–	3	3
<b>Balance at 31 December 2021</b>	<b>–</b>	<b>(12)</b>	<b>(12)</b>
Balance at 1 January 2020	(1)	(12)	(13)
Additional allowances for impairment losses	–	(18)	(18)
Reversal of allowances for impairment losses	1	2	3
Movement recognised in Consolidated Statement of Income	1	(16)	(15)
Write off of loan losses	–	6	6
<b>Balance at 31 December 2020</b>	<b>–</b>	<b>(22)</b>	<b>(22)</b>

→ Refer Note 31- Expected Credit Loss Measurement for details on ECL.

## 21 Investment Property

The CSi group consolidates a number of structured entities which hold property. Investment properties are currently held at cost less

depreciation and provision for impairment. Impairment charge of USD 1 million (2020: USD 1 million) was taken to the Consolidated Statement of Income for the year. The fair value and carrying value amount were the same as at 31 December 2021.

Group	2021	2020
<b>Investment property (USD million)</b>		
Balance at the beginning of the year	15	17
Impairment charge for the year	(1)	(1)
Foreign Currency Translation	–	(1)
<b>Balance at the end of year</b>	<b>14</b>	<b>15</b>

The recoverable amount of investment property is estimated based on its value-in-use. Based on the assessment in 2021, the carrying amount of the unit was determined to be equal to its recoverable amount of USD 14 million (2020: USD 15 million) for the year ended 31 December 2021. The value-in-use is based on an externally obtained appraisal which calculates the Net Present Value using the 'Business Plan Assessment' approach (which assumes a sell off of each property over the next 3 years). The value-in use is approximately equal to the fair value.

## 22 Other Assets and Other Liabilities

Group	2021	2020
<b>Other Assets (USD million)</b>		
Brokerage receivables		
Due from customers	1,419	987
Due from banks, brokers and dealers	2,061	1,918
Interest and fees receivable <sup>1</sup>	509	377
Cash collateral on derivative instruments		
Banks	12,089	18,708
Customers	16,961	19,596
Cash collateral on non-derivative instruments	184	1,440
Net defined benefit asset <sup>2</sup>	1,024	1,093
Other	419	447
<b>Total other assets</b>	<b>34,666</b>	<b>44,566</b>

<sup>1</sup> Interest and fees receivable for Bank is USD 508 million in 2021 and USD 377 million in 2020.

<sup>2</sup> For more information on net defined benefit asset, refer Note 32 – Retirement Benefit Obligations

Other assets are primarily due within one year with the exception of pension assets.

Group and Bank	2021	2020
<b>Other Liabilities (USD million)</b>		
Brokerage payables		
Due to customers	692	409
Due to banks, brokers and dealers	1,254	905
Interest and fees payable	1,091	975
Cash collateral on derivative instruments		
Banks	12,270	19,727
Customers	6,842	9,124
Cash collateral on non-derivative instruments	436	179
Share-based compensation liability	206	286
Other	793	813
<b>Total other liabilities</b>	<b>23,584</b>	<b>32,418</b>

Other liabilities are mainly due within one year. Other liabilities include liability towards restructuring cost of USD 4 million during the current year (2020: USD 3 million). Refer Note 13 – Restructuring Expenses.

During the current reporting period there were no defaults or breaches in respect of third party brokerage payables.

Included within Brokerage payables are liabilities identified in respect of client money received from clients, but only where it has been determined that the cash received represents an asset of the CSi group. The CSi group and Bank held USD 3,360 million of client money as at 31 December 2021 (2020: USD 5,336 million), USD 3,359 million as of 31 December 2021 (2020: USD 5,176 million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSi group. This cash, when recognised on the balance sheet, is recorded under 'Cash and due from banks', 'Other assets' and 'Other liabilities'.

## 23 Lease Liabilities

### Lease Liabilities

The following table sets forth details of the maturity analysis of contractual lease liabilities:

Group and Bank (USD million)	2021	2020
<b>Maturity of contractual lease liabilities</b>		
Due within 1 year	69	76
Due between 1 and 2 years	68	77
Due between 2 and 3 years	68	76
Due between 3 and 4 years	68	75
Due between 4 and 5 years	67	68
Thereafter	407	473
<b>Total</b>	<b>747</b>	<b>845</b>
Future interest payable	(120)	(140)
<b>Lease liabilities</b>	<b>627</b>	<b>705</b>

Lease liabilities for CSi Bank were USD 627 million (2020: USD 704 million).

The CSi group enters into leases for property (land and building).

Future cash outflows that the lessee may be exposed to that are not reflected in the lease liabilities from Variable Lease Payments. Variable lease payments that depend on an index or rate are included in the lease payments at lease commencement, as such payments are considered unavoidable. Other variable lease payments are excluded from the lease payments. CSi has entered into 8 lease agreements with variable lease agreements as they provide for greater flexibility for CSi. The amount of exposure to variable lease payments not reflected in the lease liabilities is USD 213 million (2020: USD 228 million) as compared to USD 747 million (2020: USD 845 million) of fixed payments.

Future cash outflows that the lessee may be exposed to that are not reflected in the lease liabilities from extension options and termination options. For some leases where the CSi group is the lessee, there is an option that permits the CSi group to extend or renew the lease (this includes the scenario of not exercising a termination option). Such options are only included in the measurement of lease liabilities and lease assets when it is reasonably certain that the CSi group would exercise the option. Cash flows of the extensions options, if exercised would be USD 895 million (2020: USD 1,016 million); these are not reflected in the discounted amount of lease liability amount of USD 627 million (2020: USD 705 million) and USD 627 million (2020: USD 704 million) for CSi group and Bank respectively.

## 24 Property and Equipment

Group and Bank	2021	2020
<b>Property and equipment (USD million)</b>		
Leasehold improvements	260	272
Equipment	13	16
Right of use assets	134	163
<b>Property and equipment</b>	<b>407</b>	<b>451</b>

Leasehold improvements relate to improvements to land and buildings occupied by the Bank and its fellow subsidiaries for their own activities. Right-of-use assets are long leasehold for property (land and building).

Group and Bank (USD million)	2021	2020
<b>Right-of-use assets (USD million)</b>		
<b>Balance as of 1 January</b>	163	229
Less:		
Impairment	(36)	(39)
Lease modification	25	(9)
Depreciation	(18)	(18)
<b>Balance as of December 31 December</b>	<b>134</b>	<b>163</b>

No interest has been capitalised from borrowings within property and equipment (2020: USD Nil).

Group and Bank Property and equipment (USD million)	2021			2020		
	Leasehold Improvements	Equipment	Total	Leasehold Improvements	Equipment	Total
<b>Cost:</b>						
<b>Cost as at 1 January</b>	<b>502</b>	<b>120</b>	<b>622</b>	<b>501</b>	<b>120</b>	<b>621</b>
Additions	19	2	21	5	7	12
Disposals	(76)	(3)	(79)	(4)	(7)	(11)
Transfer in/(out)	(4)	4	–	–	–	–
Impairment	(2)	–	(2)	–	–	–
<b>Cost as at 31 December</b>	<b>439</b>	<b>123</b>	<b>562</b>	<b>502</b>	<b>120</b>	<b>622</b>
<b>Accumulated depreciation:</b>						
<b>Accumulated depreciation as at 1 January</b>	<b>(230)</b>	<b>(104)</b>	<b>(334)</b>	<b>(217)</b>	<b>(98)</b>	<b>(315)</b>
Charge for the year	(23)	(7)	(30)	(17)	(6)	(23)
Disposals	74	1	75	4	–	4
<b>Accumulated depreciation as at 31 December</b>	<b>(179)</b>	<b>(110)</b>	<b>(289)</b>	<b>(230)</b>	<b>(104)</b>	<b>(334)</b>
<b>Net book value as at 1 January</b>	<b>272</b>	<b>16</b>	<b>288</b>	<b>284</b>	<b>22</b>	<b>306</b>
<b>Net book value as at 31 December</b>	<b>260</b>	<b>13</b>	<b>273</b>	<b>272</b>	<b>16</b>	<b>288</b>

## 25 Intangible Assets

Group and Bank	2021	2020
<b>Group and Bank Intangible Assets (USD million)</b>	<b>Total</b>	<b>Total</b>
<b>Cost:</b>		
<b>Cost as at 1 January</b>	<b>1,507</b>	<b>1,378</b>
Additions	166	148
Disposals	(3)	(14)
Impairment	(66)	(5)
<b>Cost as at 31 December</b>	<b>1,604</b>	<b>1,507</b>
<b>Accumulated amortisation:</b>		
<b>Accumulated amortisation as at 1 January</b>	<b>(1,022)</b>	<b>(889)</b>
Amortisation for the year	(149)	(138)
Impairment	62	4
Disposals	–	1
<b>Accumulated amortisation as at 31 December</b>	<b>(1,109)</b>	<b>(1,022)</b>
<b>Net book value as at 1 January</b>	<b>485</b>	<b>489</b>
<b>Net book value as at 31 December</b>	<b>495</b>	<b>485</b> <sup>1</sup>

<sup>1</sup> Intangible Assets includes Work-in-progress of USD 161 million (2020: USD 160 million) and not subject to amortisation.

<sup>2</sup> The nature of Intangible Assets is Internally Developed Software (IDS).

The recoverable amount of CSi's intangible assets is estimated based on their value-in-use. Semi-annual impairment assessment was performed in 2021, and the carrying amount of certain intangible assets was determined to be higher than their recoverable amount and consequently, impairment is recognised for the year ended 31 December 2021 USD 4 million (2020: USD 1 million). No impairment was recognised on work in progress. The value-in-use is calculated based on detailed reviews and specific information regarding the individual projects and their capitalisation.

## 26 Provisions

Group and Bank	Property	Litigation	Total
<b>2021 Provisions (USD million)</b>			
Balance at 1 January 2021	4	–	4
Charges/Additions during the year	2	336	338
Released during the year	–	(6)	(6)
Utilised during the year	(1)	(32)	(33)
Reclassified from other liabilities <sup>1</sup>	10	–	10
<b>Balance at 31 December 2021</b>	<b>15</b>	<b>298</b>	<b>313</b>
<b>2020 Provisions (USD million)</b>			
Balance at 1 January 2020	4	18	22
Charges/Additions during the year	–	55	55
Released during the year	–	(56)	(56)
Utilised during the year	–	(17)	(17)
Reclassified from other liabilities	–	–	–
<b>Balance at 31 December 2020</b>	<b>4</b>	<b>–</b>	<b>4</b>

### Property provision

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

Building	Provision	Utilisation period
5 Canada Square, London	USD 3 million	31 December 2027
Global Switch	USD 2 million	30 September 2025

<sup>1</sup> Reclassification includes \$10m provision relating to demolition of Link bridge for 17 Columbus Courtyard London.

### Litigation provision

The CSi group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are more likely than not and can be reliably estimated. The balance of litigation provision as at 31 December 2021 was USD 298 million (2020: USD Nil). General Counsel in

consultation with the business reviews CS group judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from a six to eighteen months period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant. The CSi group has established provisions in line with the above process for all cases but believes that disclosure of the specific facts of such cases would violate confidentiality obligations to which the CSi group is subject to or prejudice seriously CSi group's management of the matters. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2021. Other Legal cases are disclosed in the contingent liabilities and other commitments note.

→ Refer Note 36 – Contingent Liabilities, Guarantees and Commitments.

## 27 Debt In Issuance

	Group		Bank	
	2021	2020	2021	2020
<b>Debt in issuance (USD million)</b>				
Senior debt	39,801	31,179	39,801	31,243
Subordinated debt	423	418	423	418
<b>Total debt in issuance</b>	<b>40,224</b>	<b>31,597</b>	<b>40,224</b>	<b>31,661</b>

Increase in senior debt during the current period is mainly due to net issuances of USD, EUR and GBP denominated long-term debt of USD 8,622 million to CS AG, London Branch.

Total debt in issuance is principally comprised of debt issuances managed by Treasury which do not contain derivative features (vanilla debt), which are issued as part of the CSi group's structured activities. Further, these instruments are measured at amortised cost.

Group Category of instrument	Counterparty Name	Currency	2021 (In USD million)	2020 (In USD million)	Interest Rate Type
<b>Senior Debt <sup>1</sup></b>					
	CS AG, London Branch	EUR	19,897	14,848	Variable
	CS AG, London Branch	GBP	12,155	9,307	Variable
	CS AG, London Branch	USD	5,336	4,586	Variable
	CSS(E)L	USD	–	25	Variable
	DLJ Group	USD	2,405	2,405	Variable
	DLJ UK Holding	USD	8	8	Variable
<b>Total Senior debt</b>			<b>39,801</b>	<b>31,179</b>	
<b>Subordinated Bonds</b>					
	CS AG, Zurich	USD	140	–	Variable
	Credit Suisse First Boston Finance B.V.	USD	280	–	Variable
	Credit Suisse First Boston Finance B.V.	USD	3	282	Fixed
	Credit Suisse PSL GmbH	USD	–	136	Fixed
<b>Total Subordinated debt</b>			<b>423</b>	<b>418</b>	

<sup>1</sup> For CSi Bank, USD Nil (2020: USD 64 million) of additional balance relates to Senior debt (Non-recourse liabilities).

For information and details on the balances with related parties, refer Note 34 – Related Parties.

Below is the reconciliation of liabilities arising from financing activities.

Debt in issuance (USD million)	Balance as at 1 January	Issuances	Cash Flows	Non Cash Changes	Balance as at 31 December
			Repayments and other movements	Translation FX and Interest movements	
<b>2021</b>					
Group	31,597	18,253	(8,161)	(1,465)	40,224
Bank	31,661	18,253	(8,225)	(1,465)	40,224
<b>2020</b>					
Group	14,008	19,355	(3,812)	2,046	31,597
Bank	13,937	19,543	(4,000)	2,181	31,661

## 28 Discontinued operations and Assets and Liabilities Held for Sale

During 2020, the CSi group transferred certain loans and advances, derivative financial instruments, cash collateral and trading securities to Credit Suisse Bank (Europe) SA ('CSEB') (formerly Credit Suisse Securities Sociedad de Valores SA – ('CSSSV')) as part of the UK EU Exit, facilitated through a sale of positions at fair value. The transition is now complete and accordingly there are no Assets/Liabilities classified as Held for Sale for the period ended 31 December 2021.

	2021	2020
<b>Statement of Income for Discontinued Operations (USD million)</b>		
Interest income	–	77
Interest expense	–	(64)
<b>Net interest income</b>	<b>–</b>	<b>13</b>
<b>Commission and fee income</b>	<b>–</b>	<b>44</b>
Allowances for credit losses	–	(3)
Net gains from financial assets/liabilities at FV through profit or loss	–	236
Other revenues	–	45
<b>Net revenues</b>	<b>–</b>	<b>335</b>
Compensation and benefits	–	(116)
General, administrative and trading expenses	–	(209)
<b>Total operating expense</b>	<b>–</b>	<b>(325)</b>
<b>Profit before tax</b>	<b>–</b>	<b>10</b>
Income tax expense from discontinuing operations	–	(2)
<b>Profit after tax</b>	<b>–</b>	<b>8</b>

Total Discontinued Operations –  
Portfolio migration to CSEB

2021 2020

### Statement of Financial Position for Discontinued Operations (USD million)

Trading financial assets mandatorily at fair value through profit or loss	–	1,861
<i>of which positive market values from derivative instruments</i>	–	1,782
Non-trading financial assets mandatorily at fair value through profit or loss	–	5
Other assets	–	68
<b>Total assets held for sale</b>	<b>–</b>	<b>1,934</b>
Trading financial liabilities mandatorily at fair value through profit or loss	–	519
<i>of which negative market values from derivative instruments</i>	–	480
Other liabilities	–	188
<b>Total liabilities held for sale</b>	<b>–</b>	<b>707</b>



## 29 Accumulated Other Comprehensive Income

Group and Bank	Cash flow hedges	Gains/(losses) on designated financial liabilities relating to credit risk	Unrealised Gains/(losses) on Pension Fund	Accumulated other comprehensive income
<b>Accumulated other comprehensive income (USD million)</b>				
<b>Balance at 1 January 2021</b>	<b>27</b>	<b>(24)</b>	<b>(130)</b>	<b>(127)</b>
(Increase)/decrease:				
Realised gain relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	–	2	–	2
Unrealised gain on designated financial liabilities relating to credit risk	–	10	–	10
Cash flow hedges – effective portion of changes in fair value	(45)	–	–	(45)
Related tax on Cash flow hedges – effective portion of changes in fair value	9	–	–	9
Remeasurement of defined benefit pension assets	–	–	(29)	(29)
Related tax on remeasurement of defined benefit pension assets	–	–	20	20
<b>Balance at 31 December 2021</b>	<b>(9)</b>	<b>(12)</b>	<b>(139)</b>	<b>(160)</b>
<b>Balance at 1 January 2020</b>	<b>9</b>	<b>(22)</b>	<b>(116)</b>	<b>(129)</b>
(Increase)/decrease:				
Realised gain relating to credit risk on designated financial liabilities extinguished during year reclassified to retained earnings	–	4	–	4
Unrealised losses on designated financial liabilities relating to credit risk	–	(6)	–	(6)
Cash flow hedges – effective portion of changes in fair value	24	–	–	24
Related tax on Cash flow hedges – effective portion of changes in fair value	(6)	–	–	(6)
Remeasurement of defined benefit pension assets	–	–	(24)	(24)
Related tax on remeasurement of defined benefit pension assets	–	–	10	10
<b>Balance at 31 December 2020</b>	<b>27</b>	<b>(24)</b>	<b>(130)</b>	<b>(127)</b>

## 30 Share Capital and Share Premium

Group and Bank	2021	2020
<b>Share Capital</b>		
<b>Allotted called-up and fully paid (USD million)</b>		
131,158,070,611 Ordinary shares of USD 0.08666 each	11,366	11,366
<b>Share Premium (USD million)</b>		
<b>Opening Balance</b>	–	12,704
<b>22 December 2020:</b>		
Reclassification to Retained Earnings	–	(12,704)
<b>Share Premium as at 31 December</b>	<b>–</b>	<b>–</b>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. The Bank is a private unlimited company having share capital.

In December 2020, the members resolved to cancel the share premium account of USD 12,704 million and credit the balance to a distributable reserve, in accordance with the requirements of the Companies Act 2006 and the articles of association of the Bank. There has been no changes to share capital or share premium during 2021.

## 31 Expected Credit Loss Measurement

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

Group and Bank	Not credit impaired				Credit impaired		Total	Total
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL		
<b>2021</b>								
<b>Loans and advances (USD million)</b>								
Opening balance	2,832	11	51	–	11	10	2,894	21
Transfer to 12 Month ECL	17	–	(17)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(25)	–	25	–	–	–	–	–
Net remeasurement of loss allowance	–	(7)	–	–	–	(2)	–	(9)
New financial assets originated or purchased	48	–	–	–	–	–	48	–
Financial assets that have been derecognised (including write-offs)	(158)	–	–	–	–	–	(158)	–
Other changes	(19)	–	(29)	–	3	–	(45)	–
Foreign exchange	(13)	–	(1)	–	–	–	(14)	–
<b>Closing balance</b>	<b>2,682</b>	<b>4</b>	<b>29</b>	<b>–</b>	<b>14</b>	<b>8</b>	<b>2,725</b>	<b>12</b>

#### 2020

<b>Loans and advances (USD million)</b>								
Opening balance	2,818	3	–	–	20	7	2,838	10
Transfer to 12 Month ECL	–	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(68)	(1)	68	1	–	–	–	–
Net remeasurement of loss allowance	–	8	–	(1)	–	9	–	16
New financial assets originated or purchased	201	1	–	–	–	–	201	1
Financial assets that have been derecognised (including write-offs)	(134)	–	(1)	–	(13)	(6)	(148)	(6)
Other changes	23	–	(24)	–	2	–	1	–
Foreign exchange	(8)	–	8	–	2	–	2	–
<b>Closing balance</b>	<b>2,832</b>	<b>11</b>	<b>51</b>	<b>–</b>	<b>11</b>	<b>10</b>	<b>2,894</b>	<b>21</b>

Group and Bank	Not credit impaired				Credit impaired		Total	Total
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3			
	Gross commitment amount	Allowance for ECL	Gross commitment amount	Allowance for ECL	Gross commitment amount	Allowance for ECL		
<b>2021</b>								
<b>Loan commitments (USD million)</b>								
Opening balance	1,292	5	42	1	7	–	1,341	6
Transfer to 12 Month ECL	24	–	(24)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(136)	–	136	–	–	–	–	–
Transfer to Lifetime ECL Credit Impaired Financial Assets	–	–	–	–	–	–	–	–
Net remeasurement of Loss Allowance	–	(2)	–	(1)	–	2	–	(1)
New financial assets originated or purchased	521	–	–	–	–	–	521	–
Financial assets that have been derecognised (including write-offs)	(576)	–	(18)	–	–	–	(594)	–
Other changes	101	–	(19)	–	(3)	–	79	–
Foreign exchange	(34)	–	(1)	–	–	–	(35)	–
<b>Closing balance</b>	<b>1,192</b>	<b>3</b>	<b>116</b>	<b>–</b>	<b>4</b>	<b>2</b>	<b>1,312</b>	<b>5</b>

#### 2020

<b>Loan commitments (USD million)</b>								
Opening balance	2,370	1	91	–	1	–	2,462	1
Transfer to 12 Month ECL	24	–	(24)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(26)	–	26	–	–	–	–	–
Transfer to Lifetime ECL Credit Impaired Financial Assets	–	–	–	–	–	–	–	–
Net remeasurement of Loss Allowance	–	3	–	1	–	–	–	4
New financial assets originated or purchased	609	1	–	–	7	–	616	1
Financial assets that have been derecognised (including write-offs)	(1,611)	–	(66)	–	(1)	–	(1,678)	–
Other changes	(163)	–	12	–	–	–	(151)	–
Foreign exchange	89	–	3	–	–	–	92	–
<b>Closing balance</b>	<b>1,292</b>	<b>5</b>	<b>42</b>	<b>1</b>	<b>7</b>	<b>–</b>	<b>1,341</b>	<b>6</b>

Other changes mainly constitute movements in existing commitments.

Group and Bank	Not credit impaired		Total Gross guarantee amount	Total Allowance for ECL
	12 Month ECL Stage 1			
	Gross guarantee amount	Allowance for ECL		
<b>2021</b>				
<b>Financial guarantees (USD million)</b>				
Opening balance	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
Financial assets that have been derecognised (including write-offs)	-	-	-	-
Other changes	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2020</b>				
<b>Financial guarantees (USD million)</b>				
Opening balance	205	3	205	3
Net remeasurement of loss allowance	-	(1)	-	(1)
Financial assets that have been derecognised (including write-offs)	(203)	(2)	(203)	(2)
Other changes	(2)	-	(2)	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2021	2020
<b>Other assets- Stage 1 (USD million)</b>		
<b>Opening balance</b>	<b>1</b>	<b>2</b>
Net remeasurement of loss allowance	(1)	(1)
<b>Closing balance</b>	<b>-</b>	<b>1</b>

Group and Bank	2021	2020
<b>Other assets- Stage 3 (USD million)</b>		
<b>Opening balance</b>	<b>-</b>	<b>-</b>
Net remeasurement of loss allowance	4,540	-
Foreign exchange	-	-
<b>Closing balance</b>	<b>4,540</b>	<b>-</b>

No material ECL have been recognised on Cash and cash equivalents & interest bearing deposits with banks.

The changes in the in ECL estimation techniques and assumptions made during the reporting period did not have a significant impact to the ECL estimate.

The key inputs into the measurement of ECLs (Stage 1 and Stage 2) are the term structures of the following variables:

- Probability of Default ('PD');
- Loss given default ('LGD'); and
- Exposure at default ('EAD').

These parameters derive from internally developed statistical models and historical data that leverage regulatory models. They

are adjusted to reflect forward-looking information as described below to derive point-in-time, forward-looking term structures.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this leads to a change in the estimate of the associated PD. Lifelong PDs are estimated considering the contractual maturities of exposures and estimates prepayment rates.

LGD is the magnitude of the expected loss if there is a default. The CSi group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, geography, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The CSi group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations. For some financial assets, the CSi group determines EAD by modelling the range of

possible exposure outcomes at various points in time using scenario and statistical techniques.

Where a relationship to macroeconomic indicators is statistically sound and in line with economic expectations, the parameters are modelled accordingly and, thus, incorporate the CSi group's forward looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the CSi group measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the CSi group considers a longer period. The maximum contractual period extends to the date at which the CSi group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

#### **Macroeconomic scenarios**

The estimation and application of forward-looking information requires quantitative analysis and significant expert judgement. The CSi group's estimation of expected credit losses is based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios: a baseline scenario, an upside scenario and a downside scenario. The baseline scenario represents the most likely outcome. The two other scenarios represent more optimistic and more pessimistic outcomes with the downside scenario being more severe than the upside scenario. The scenarios are probability-weighted according to the CSi group's best estimate of their relative likelihood based on historical frequency, an assessment of the current business and credit cycles as well as the macroeconomic factor ('MEF') trends such as interest rates, gross domestic product and unemployment rates. Weightings are reviewed and challenged on a quarterly

basis by a scenario design governance forum (monthly since 2Q 2020), which is comprised of members of the Enterprise Risk Management, Credit Suisse Economic Research, Quantitative Analysis & Technology and Credit Risk functions. The forum subsequently recommends the weightings for approval by a senior management committee.

The scenario design team within the CSi group's Enterprise Risk Management ('ERM') function determines the MEFs and market projections that are relevant for the CSi group's three scenarios across the global credit portfolio. The scenario design team formulates the baseline scenario projections used for the IFRS 9 ECL calculation from the CSi group's global chief investment office in-house economic research forecasts and, where deemed appropriate, from external sources such as the Bloomberg consensus of economist forecasts (covering the views of other investment banks and external economic consultancies), forecasts from nonpartisan think tanks, major central banks and multilateral institutions, such as the International Monetary Fund ('IMF'), the Organisation for Economic Co-operation and Development ('OECD') and the World Bank. For factors where no in-house or credible external forecasts are available, an internal model is used to calibrate the baseline scenario projections. The downside and upside scenarios are derived from these baseline scenario projections. These three scenario projections are subject to a review and challenge process and any feedback from this process is incorporated into the scenario projections by the ERM scenario design team. The ECL scenario design-working group is the governance forum. The working group performs an additional review and challenge and subsequently recommends approval of the MEFs and related market projections as well as the occurrence probability weights that are allocated to the baseline, downside and upside scenarios. MEFs and related market projections as well as the scenario occurrence probability weights used for the calculation of IFRS 9 ECL are approved by the Senior Management Approval Committee.

The following tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios of the geographical segments for the ECL calculations.

For periods beyond the reasonable and supportable forecast period of the next five years, CSi immediately reverts to average economic environment variables as model input factors.

As at 31 December 2021 EMEA Macroeconomic Factors (MEF)	Function- Corporates/ Financial Institutions	ECL Scenario	Assigned Probabili- ties	End Period Projections						Impact on ECL from an increase in MEF
				Latest data <sup>1</sup> December 21 %	2022 %	2023 %	2024 %	2025 %	2026 %	
<b>Eurozone Real GDP Growth Rate (%YoY)</b>										↓
	Both	Downside	40	3.6	-1.4	1.5	1.7	1.8	1.8	
	Both	Baseline	50	4.6	2.9	1.8	1.8	1.8	1.8	
	Both	Upside	10	4.7	3.4	2.2	2.0	1.8	1.8	
<b>G10 Real GDP Growth Rate (%YoY)</b>										↓
	Corporates	Downside	40	2.7	1.8	1.3	1.6	1.6	1.6	
	Corporates	Baseline	50	5.0	3.8	2.1	1.7	1.7	1.6	
	Corporates	Upside	10	5.4	4.6	2.4	1.9	1.7	1.6	
<b>Eurostoxx 50 Market Volatility Index (V2X Qmax, levels)</b>										↑
	Financial Institutions	Downside	40	50.0	36.0	31.4	29.0	29.5	30.0	
	Financial Institutions	Baseline	50	32.3	28.0	28.5	29.0	29.5	30.0	
	Financial Institutions	Upside	10	25.0	22.3	25.4	29.0	29.5	30.0	
<b>Eurozone Real GDP Growth Rate (%YoY)</b>										↓
	Both	Downside	40	-10.4	4.3	1.3	1.9	1.8	1.8	
	Both	Baseline	50	-8.0	6.9	1.6	1.9	1.8	1.8	
	Both	Upside	10	-5.9	8.8	1.8	2.1	1.8	1.8	
<b>G10 Real GDP Growth Rate (%YoY)</b>										↓
	Corporates	Downside	40	-6.7	1.1	2.0	2.9	2.2	1.6	
	Corporates	Baseline	50	-5.4	4.1	3.5	2.9	2.2	1.6	
	Corporates	Upside	10	-4.7	5.7	4.3	2.9	2.2	1.6	
<b>Eurostoxx 50 Market Volatility Index (V2X Qmax, levels)</b>										↑
	Financial Institutions	Downside	40	72.0	37.0	31.8	30.5	33.8	37.0	
	Financial Institutions	Baseline	50	38.3	24.0	27.3	30.5	33.8	37.0	
	Financial Institutions	Upside	10	38.3	20.3	23.8	30.5	33.8	37.0	

<sup>1</sup> Latest estimates have been used for the MEFs used for 4Q21 ECL valuation

As at 31 December 2020  
EMEA  
Macroeconomic  
Factors (MEF)

As at 31 December 2021 NORTH AMERICA Macroeconomic Factors (MEF)	Function- Corporates/ Financial Institutions	ECL Scenario	Assigned Probabili- ties	Latest data		End Period Projections					Impact on ECL from an increase in MEF
				December 21	2022	2023	2024	2025	2026		
				%	%	%	%	%	%		
<b>US Unemployment Rate (%)</b>											↑
	Financial Institutions	Downside	40	6.0	4.6	3.9	4.0	4.1	4.1		
	Financial Institutions	Baseline	50	4.5	3.8	3.5	3.7	3.9	4.0		
	Financial Institutions	Upside	10	4.3	3.6	3.4	3.7	3.9	4.0		
<b>US Real GDP Growth Rate (%YoY)</b>											↓
	Corporates	Downside	40	3.3	0.5	0.9	2.7	1.2	2.5		
	Corporates	Baseline	50	4.5	3.7	1.1	2.8	1.3	2.5		
	Corporates	Upside	10	4.6	4.6	1.3	3.0	1.3	2.5		
<b>World Industrial Production (%YoY)</b>											↓
	Corporates	Downside	40	0.8	0.6	2.0	2.4	2.6	2.6		
	Corporates	Baseline	50	3.4	3.9	2.6	2.6	2.6	2.6		
	Corporates	Upside	10	4.0	4.9	3.2	2.8	2.6	2.6		
<b>Dow Jones Total Stock Market Index (levels)</b>											↓
	Financial Institutions	Downside	40	42,819	32,167	43,001	53,998	55,314	56,631		
	Financial Institutions	Baseline	50	47,479	51,370	52,684	53,998	55,314	56,631		
	Financial Institutions	Upside	10	48,059	53,267	53,882	53,998	55,314	56,631		
<b>US Market Volatility Index (VIX Qmax, levels)</b>											↑
	Financial Institutions	Downside	40	50.0	36.0	30.7	27.5	28.3	29.0		
	Financial Institutions	Baseline	50	31.1	26.0	26.8	27.5	28.3	29.0		
	Financial Institutions	Upside	10	24.0	21.3	24.2	27.5	28.3	29.0		
As at 31 December 2020 NORTH AMERICA Macroeconomic Factors (MEF)											
<b>US Unemployment Rate (%)</b>											↑
	Financial Institutions	Downside	40	7.9	7.0	6.4	5.8	4.9	4.2		
	Financial Institutions	Baseline	50	7.0	6.2	5.6	5.1	4.5	4.1		
	Financial Institutions	Upside	10	6.4	5.5	5.1	4.9	4.5	4.1		
<b>US Real GDP Growth Rate (%YoY)</b>											↓
	Corporates	Downside	40	-4.2	1.5	1.3	3.0	1.5	1.8		
	Corporates	Baseline	50	-3.2	4.1	3.4	3.5	1.6	1.8		
	Corporates	Upside	10	-1.8	5.1	4.2	3.9	1.6	1.8		
<b>World Industrial Production (%YoY)</b>											↓
	Corporates	Downside	40	-5.2	2.2	3.1	2.3	2.5	2.5		
	Corporates	Baseline	50	-0.7	3.9	4.3	2.6	2.5	2.5		
	Corporates	Upside	10	-0.7	6.2	5.9	3.1	2.5	2.5		
<b>Dow Jones Total Stock Market Index (levels)</b>											↓
	Financial Institutions	Downside	40	30,607	23,563	31,069	42,686	44,520	46,358		
	Financial Institutions	Baseline	50	36,944	39,030	40,856	42,686	44,520	46,358		
	Financial Institutions	Upside	10	37,736	42,147	42,549	42,686	44,520	46,358		
<b>US Market Volatility Index (VIX Qmax, levels)</b>											↑
	Financial Institutions	Downside	40	70.0	35.0	30.7	30.0	32.5	35.0		
	Financial Institutions	Baseline	50	40.3	25.0	27.5	30.0	32.5	35.0		
	Financial Institutions	Upside	10	40.3	20.3	23.7	30.0	32.5	35.0		

### Current-period estimate of expected credit losses

The key MEFs used in each of the macroeconomic scenarios for the calculation of the expected credit losses include, but are not limited to, GDP and unemployment rates. These MEFs have been selected based on the portfolios that are most material to the estimation of IFRS 9 ECL from a longer-term perspective.

As of 31 December 2021, the forecast macroeconomic scenarios were weighted 50% for the baseline, 40% for the downside and 10% for the upside scenario unchanged compared to 50% for the baseline, 40% for the downside and 10% for the upside scenario as of 30 December 2020.

The forecast range for the increase in Eurozone real GDP was -0.7% to 4.2% for 2022 and 1.4% to 2.7% for 2023, which compares to an estimated real GDP growth of 5.3% in 2021. The forecast in the baseline scenario for the timing of the recovery of the quarterly series for Eurozone real GDP to return to pre-pandemic levels (i.e., the fourth quarter of 2019) was the first quarter of 2022.

The forecast range for the increase in UK real GDP was -0.9% to 7.8% for 2022 and 1.0% to 3.9% for 2023, which compares to an estimated real GDP growth of 7.0% in 2021. The forecast in the baseline scenario for the timing of the recovery of the quarterly series for UK real GDP to return to pre-pandemic levels was the third quarter of 2022.

The forecast range for the increase in US real GDP was 0.1% to 4.5% for 2022 and 1.4% to 2.4% for 2023, which compares to an estimated real GDP growth of 5.5% in 2021. The quarterly series for US real GDP returned to pre-pandemic levels in the second quarter of 2021.

The forecast range for the increase in G10 real GDP was 1.8% to 4.6% for 2022 and 1.3% to 2.4% for 2023, which compares to an estimated real GDP growth of 5.0% in 2021. The forecast range for the increase in world industrial production was 0.0% to 4.4% for 2022 and 2.0% to 3.7% for 2023, which compares to an estimated growth of 8.4% in 2021.

The macroeconomic and market variable projections incorporate adjustments to reflect the impact of the withdrawal of COVID-19 pandemic related economic support programs provided by national governments and by central banks. While GDP and industrial production are significant inputs to the forecast models, a range of other inputs are also incorporated for all three scenarios to provide projections for future economic and market conditions. Given the complex nature of the forecasting process, no single economic variable is viewed in isolation or independently of other inputs.

For extreme and statistically rare events that cannot be adequately reflected in IFRS 9 ECL models, such as the effects of the COVID-19 pandemic on the global economy, the event

becomes the baseline scenario. In the current environment, model overlays are applied to address circumstances where, in management's judgment, the IFRS 9 ECL model outputs are overly sensitive to the effect of economic inputs that lie significantly outside of their historical range. Such overlays are based on expert judgement and are applied in response to these exceptional circumstances to consider historical stressed losses and industry and counterparty credit level reviews. Overlays are also used to capture judgement on the economic uncertainty from global or regional developments or governmental actions with severe impacts on economies, such as the lockdowns and other actions directed towards managing the pandemic. As a result of such overlays, provisions for credit losses may not be primarily derived from MEF projections.

To measure a significant increase in credit risk, depending on the type of financial instruments, the CSi group uses both quantitative and qualitative criteria. For quantitative triggers, the CSi group makes a comparison based on the PD for the remaining lifetime of the financial instrument. For each reporting date within the lifetime of the financial instrument, the PD for the remaining lifetime is calculated twice, once at initial recognition of the exposure and once at the reporting date itself. At the initial recognition, a time series of PDs is calculated that reflects the lifetime PD between each future reporting date and the maturity of the loan. At each reporting date, the corresponding value in this time series is used for comparison. The second lifetime PD that is used for the comparison is calculated at the reporting date itself, based on potentially updated information such as rerating and changed macro-economic forecasts. If the lifetime PD calculated at the reporting date is higher than what was expected at initial recognition of the loan, then the credit risk increased. This increase is considered significant if the ratio between lifetime PD calculated at reporting and expected lifetime PD calculated at initial recognition exceeds the defined thresholds. For qualitative triggers, the CSi group uses a number of factors, including watch list movements.

For financial instruments originated prior to the effective date of IFRS 9 or prior implementation of the PD model that is used at reporting, 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.

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 internal threshold, there is a significant increase in credit risk.

## 32 Retirement Benefit Obligations

The Bank operates a defined benefit pension plan in the UK. The defined benefit plan ('UK DB Plan') is a funded, final salary defined benefit pension plan. The UK DB Plan is closed to future defined benefit accrual however past service benefits for active members are still linked to pensionable salary.

The assets of the UK DB Plan are held independently of the Bank's assets in separate trustee administered funds. Responsibility for governance and running of the UK DB Plan, including investment decisions (after consultation with the Bank) and contribution schedules (which requires the agreement of the Bank) lies with the board of trustees.

Approximately 3% of the UK DB Plan's obligations are attributable to current employees, 69% to former employees yet to retire and 28% to current pensioners and dependents of former members currently in receipt of benefits. The weighted average duration of the UK DB Plan is 21 years.

The Bank does not contribute to any other pension or post-retirement defined benefit plans.

### Accounting for Defined Benefit Plans

The Bank is the legal sponsor of the UK DB Plan and has no contractual agreement or stated policy for charging the net defined benefit cost to the other participating entities. Therefore as the legal sponsor, the Bank accounts for the entire plan using defined benefit accounting based on a full actuarial valuation completed by independent actuaries once a year using the projected unit credit method and updated for each Consolidated Statement of Financial Position date.

The following disclosures contain the entire balances for UK DB Plan sponsored by the Bank.

### Defined Benefit Costs

All expenses arising from retirement benefit obligations are recorded in the Bank's Consolidated Statement of Income under 'Compensation and benefits'. The following tables show the

defined benefit (credits)/costs for the UK DB Plan for 2021 and 2020.

Group and Bank	UK DB Plan	
	2021	2020
<b>Defined benefit pension plans (USD million)</b>		
<b>Operating Cost</b>		
Current service costs on benefit obligation	2	2
Past service costs (including curtailments)	-	2
Administrative expense	1	1
Settlement Costs	45	41
<b>Financing Cost</b>		
Net Interest credits	(15)	(21)
<b>Defined benefit costs/(credits)</b>	<b>33</b>	<b>25</b>

### Defined Benefit Obligation and Fair Value of Plan Assets

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2021 and 2020:

Group and Bank	UK DB Plan	
	2021	2020
<b>Defined benefit pension plans (USD million)</b>		
<b>Defined benefit obligation – 1 January</b>	<b>2,171</b>	<b>1,903</b>
Current service cost	2	2
Interest cost	28	36
Actuarial losses/(gains) on assumptions	(56)	400
arising out of changes in demographic assumptions	29	5
arising out of changes in financial assumptions	(85)	395
Actuarial (gains)/losses – experience	(27)	(23)
Benefit payments	(37)	(68)
Past service costs (including curtailments)	-	2
Settlement payments	(152)	(157)
Exchange rate losses/(gains)	(25)	76
<b>Defined benefit obligation – 31 December</b>	<b>1,904</b>	<b>2,171</b>
<b>Fair value of plan assets – 1 January</b>	<b>3,264</b>	<b>3,004</b>
Interest on plan assets	43	57
Actuarial gains/(losses) on plan assets	(112)	353
<b>Actual return on plan assets</b>	<b>(69)</b>	<b>410</b>
Administrative expense	(1)	(1)
Benefit payments	(37)	(68)
Settlement payments	(197)	(198)
Exchange rate gains/(losses)	(32)	117
<b>Fair value of plan assets – 31 December</b>	<b>2,928</b>	<b>3,264</b>
<b>Total funded status – 31 December</b>		
Plan assets	2,928	3,264
Defined benefit obligation related to funded plans	(1,904)	(2,171)
<b>Funded status for funded plans</b>	<b>1,024</b>	<b>1,093</b>
<b>Funded status recognised – 31 December</b>	<b>1,024</b>	<b>1,093</b>

As of 31 December 2021, the Bank recognised net pension asset of USD 1,024 million (2020: USD 1,093 million) in its Consolidated Statement of Financial Position for the UK DB Plan.



The trustees of the UK DB plan do not have the unilateral right to commence wind-up of the scheme. Thus, the Bank assumes that the scheme continues in existence until the last benefit payments are made to members, at which point any residual assets are returned to the employer in line with the rules of the scheme. On this basis, the Bank recognises the net surplus in the UK DB plan in the Bank's financial statements.

For the year ending 31 December 2021, a remeasurement loss of USD 29 million was recognised by the Bank in OCI for the UK DB Plan mainly due to USD 112 million losses on the asset portfolio which were partially offset by USD 83 million gains on benefit obligation due to changes in financial and demographic assumptions, primarily the discount rate and inflation. For the year ending 31 December 2020, a remeasurement loss of USD 24 million was recognised by the Bank in OCI for the UK DB Plan mainly due to USD 377 million losses on the benefit obligation due to changes in financial and demographic assumptions, primarily the discount rate and inflation which were partially offset by USD 353 million gains on the asset portfolio.

In 2020, the Bank and the trustees of the UK DB Plan have entered into an Enhanced Transfer Value ('ETV') exercise for members of the UK DB Plan to settle vested benefits. Under the ETV exercise, the UK DB Plan has offered its members the opportunity to transfer out of the Plan with a transfer value that has been enhanced. For the year ending 31 December 2021, the ETV exercise resulted in USD 197 million (2020: USD 198 million) lump sum payments and a reduction in defined benefit obligation of USD 152 million (2020: USD 157 million). The amount recognised in the operating cost is a settlement cost of USD 45 million (2020: USD 41 million).

Benefit payments include USD 11 million (2020: USD 48 million) of transfers where deferred members have initiated on an individual basis to transfer their pension to another pension scheme.

### Funding requirements

UK legislation requires that pension schemes are funded prudently. The latest funding valuation of the UK DB Plan was carried out by a qualified actuary as at 31 December 2017 and showed a surplus of USD 445 million. The next funding valuation will be measured as at 31 December 2020, and is expected to be finalised in March 2022.

For additional Pension Fund security, the Bank has pledged securities to an Escrow account in circumstances where a deficit exists on the solvency basis. As at 31 December 2021, the Escrow value was nil, since a solvency surplus was calculated to be USD 401 million as at 31 December 2021.

### Assumptions

The assumptions used in the measurement of the benefit obligation and defined benefit cost for the UK DB Plan as at 31 December 2021 and 2020 were as follows:

Group and Bank	2021	2020
<b>Benefit obligation (%)</b>		
Discount rate	1.82%	1.26%
Retail Price Inflation	3.28%	2.80%
Consumer Price Inflation	2.56%	2.00%
Pension increases <sup>1</sup>	3.13%	2.74%
Salary increases	3.81%	3.25%
<b>Defined benefit cost (%)</b>		
Discount rate – Service cost	1.26%	2.06%
Discount rate – Interest cost	1.14%	1.94%
Salary increases	3.25%	3.09%

<sup>1</sup> Pensions earned pre 6 April 1997 which are subject to pension increases on a discretionary basis are considered to be Nil.

A full yield curve valuation was carried out to determine the DBO. The above assumptions are the equivalent flat-rate assumptions that would result in the same DBO being calculated.

For discounting expected future cash flows, Credit Suisse uses the "spot rate approach" for the valuation of the UK DB Plan, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service costs and interest costs.

### Mortality Assumptions

The assumptions for life expectancy for the 2021 UK DB benefit obligation pursuant to IAS 19 are based on the "SAPS 3 light" base table with improvements in mortality in line with the 2020 CMI model with S=7.0, A=0.5 and a scaling factor of 102%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.25% p.a.

On this basis the post-retirement mortality assumptions are as follows:

	2021	2020
<b>Life expectancy at age 60 for current pensioners aged 60 (years)</b>		
Males	28.3	28.2
Females	30.0	29.3
<b>Life expectancy at age 60 for future pensioners currently aged 40 (years)</b>		
Males	29.7	29.9
Females	31.4	31.2

## Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation would have had the following effects:

Defined Benefit obligation	Defined Benefit Obligation (USD million)	Increase %	Defined Benefit Obligation (USD million)	Decrease %
<b>2021</b>				
<b>One-percentage point change</b>				
- 1% / +1% Discount rate	2,361	24	1,560	(18)
+1% / -1% Inflation rate	2,147	13	1,689	(11)
+1% / -1% Salary increases rate	1,907	–	1,901	–
+1 / -1 year to life expectancy at 60	1,973	4	1,834	(4)
<b>2020</b>				
<b>One-percentage point change</b>				
- 1% / +1% Discount rate	2,714	25	1,766	(19)
+1% / -1% Inflation rate	2,489	15	1,908	(12)
+1% / -1% Salary increases rate	2,176	–	2,167	–
+1 / -1 year to life expectancy at 60	2,262	4	2,081	(4)

The sensitivity analysis has been derived using a number of additional full valuation runs that have been carried out using the data used for calculating the 31 December 2021 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being partially matched to the obligations.

The methodology used to calculate the sensitivities is consistent with previous years.

## Plan Assets and Investment Strategy

The trustees in administration of the UK DB Plan aim to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funding status and financial market condition.

The UK DB Plan has a hedging target of slightly higher than 100% of interest rate and inflation risk arising from the Technical Provisions measure of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the Technical Provisions measure of the liabilities is calculated.

Other assets such as corporate bonds are used to enhance long term returns while improving portfolio diversification.

Investment risk is monitored and measured on an ongoing basis with quarterly investment and funding reports together with periodic asset/liability analysis and reviews of the inflation and interest rate hedge.

## Plan assets measured at fair value

	Quoted	Un-quoted	Total	% of total fair value of scheme assets
<b>Plan assets measured at fair value (USD million)</b>				
<b>2021</b>				
Cash and cash equivalents	–	79	79	2.7%
Debt Securities	2,878	–	2,878	98.3%
of which governments	2,546	–	2,546	87.0%
of which corporates	332	–	332	11.3%
Derivatives	–	(29)	(29)	(1.0)%
<b>Total plan assets UK Plans</b>	<b>2,878</b>	<b>50</b>	<b>2,928</b>	<b>100.0%</b>
<b>2020</b>				
Cash and cash equivalents	–	6	6	0.2%
Debt Securities	3,243	68	3,311	101.4%
of which governments	2,464	–	2,464	75.5%
of which corporates	779	68	847	25.9%
Derivatives	–	(53)	(53)	(1.6)%
<b>Total plan assets UK Plans</b>	<b>3,243</b>	<b>21</b>	<b>3,264</b>	<b>100.0%</b>

At 31 December 2021 and 2020, the pension fund plan assets held no material amounts of the CSG debt and equity securities.

## Risks Associated with UK DB Plan

The UK DB Plan exposes the Bank to a number of risks, the most significant of which are:

### Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus.

### Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the UK DB Plan's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the bond holdings. The plan hedges interest rate risk, so whilst it might be expected that the hedge increases in value if bond yields decrease, the plan is exposed due to the fact that the hedge does not mitigate decreases in credit spreads used to generate the discount rate for accounting purposes.

### Inflation Risk

A significant proportion of the UK DB Plan's benefit obligations are linked to inflation, and higher inflation will lead to higher

liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). An increase in inflation will also increase the deficit to the extent that the inflation hedges do not match the effect of inflation increases on the benefit obligations – the current hedging is designed to minimise this risk relative to the technical provisions basis.

### Life expectancy

The majority of the UK DB Plan's obligations are to provide benefits for the life of the member, therefore increases in life expectancy will result in an increase in the liabilities.

### Expected Contributions

No contributions are expected to be paid to the UK DB plan in 2022.

### Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the UK. The contributions in these plans during 2021 were USD 42 million (2020: USD 39 million).

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## 33 Employee Share-based Compensation and Other Compensation Benefits

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of the Compensation Committee and senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees for forfeited awards from previous employers upon joining the Bank. It is the Bank's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognised in accordance with the specific terms and conditions of each respective award and is primarily recognised over the future requisite service and vesting period which is determined by the plan, retirement eligibility of employees and certain other terms. All deferred compensation plans are subject to restricted covenants, which generally include non-compete and non-solicit provisions. Compensation expense for share-based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2021 and 2020 was USD 9 million and USD 107 million respectively. The total stock award liability recorded as at 31 December 2021 was USD 208 million (2020: USD 289 million). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2021 CHF 8.87 (2020: CHF 11.40). The average weighted fair value of awards granted in 2021 was CHF 11.90 (2020: CHF 10.31). The intrinsic value of vested share-based awards outstanding as at year end was USD 81 million (2020: USD 84 million).

The recognition of compensation expense for the deferred compensation awards granted in February 2022 began in 2022 and thus had no impact on the 2021 financial statements.

### Share Awards

Share awards granted in February 2022 are similar to those granted in February 2021. Each share award granted entitles the holder of the award to receive one CSG share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as Material Risk Takers (MRTs), Risk Manager MRTs or Senior Managers or equivalents under the EU or UK Capital Requirements Directive V related provisions. Share awards granted to MRTs vest over four years with one quarter of the award vesting on each of the four anniversaries of the grant date. Share awards granted to Risk Manager MRTs vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date. Share awards granted to Senior Managers vest over seven years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares, and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, and are generally subject to continued employment with the Bank, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a CSG share over the ten consecutive trading days which ended on 24 February 2022. The fair value of each share award was CHF 8.61, the CSG share price on the grant date.

The majority of share awards granted include the right to receive dividend equivalents on vested shares.

Movements in the number of share outstanding were as follows:

Group and Bank	2021	2020
<b>Number of units (millions)</b>		
As at 1 January	15.26	14.52
Granted	7.09	8.67
Shares transferred in/out	(0.11)	(0.67)
Delivered	(7.27)	(6.68)
Forfeited	(0.90)	(0.58)
<b>As at 31 December</b>	<b>14.07</b>	<b>15.26</b>

## Performance Share Awards ('PSA')

Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions.

Performance share awards are subject to a downward adjustment in the event of a divisional loss by the division in which the employees worked as at 31 December 2021, or a negative CSG ROE (Return-on-Equity), whichever results in a larger adjustment. For employees in Corporate Functions and the Asset Resolution Unit, the downward adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

The number of performance share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as performance share awards by the average price of a CSG share over the ten consecutive trading days which ended on 24 February 2022. The fair value of each performance share award was CHF 8.61, the CSG share price on the grant date.

The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

Movements in the number of PSA outstanding were as follows:

Group and Bank	2021	2020
<b>Number of units (millions)</b>		
As at 1 January	12.74	9.63
Granted	3.52	5.84
Shares transferred in/out	0.08	(0.53)
Delivered	(2.48)	(1.81)
Forfeited	(0.38)	(0.39)
<b>As at 31 December</b>	<b>13.48</b>	<b>12.74</b>

## Contingent Capital Awards

Contingent Capital Awards (CCA) were granted in February 2022, 2021 and 2020 to managing directors and directors as part of the 2021, 2020 and 2019 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by the Group in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted to individuals classified as Material Risk Takers (MRTs), Risk Manager MRTs or Senior Managers or equivalents under the EU or UK Capital Requirements Directive V related provisions. CCA granted to MRTs, Risk Manager MRTs and Senior Managers vest on the fourth, fifth and seventh anniversaries of the grant date, respectively. CCA awards will be expensed over the vesting period. CCA generally provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination. CCA granted in 2022, 2021 and 2020 that vest four, five or seven years from the date of grant are not eligible for semi-annual cash payments of interest equivalents. CCA granted to certain regulated employees that vest over three years are not eligible for semi-annual cash payments of interest equivalents.

Below are description for interest equivalents on both, USD and CHF denominated CCAs, however not all entities are granted with both type of awards:

- CCA granted in 2022, 2021 and 2020 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 4.18%, 3.60% and 4.08% respectively, per annum plus the daily compounded (spread exclusive) US dollar Secured Overnight Financing Rate ("SOFR");
- CCA granted in 2022, 2021 and 2020 that are denominated in Swiss francs and vest three years from the date of grant receive interest equivalents at a rate of 3.44%, 3.06% and 3.36% respectively, per annum plus the daily compounded (spread exclusive) Swiss franc Swiss Average Rate Overnight ("SARON"); and
- The semi-annual interest equivalent cash payment calculation cycle up to February 2021, was based on the six-month US dollar London Interbank Offered Rate ("LIBOR") for CCA denominated in US dollars and the six-month Swiss franc "LIBOR" for CCA denominated in Swiss francs.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that CSG has issued. For CCA granted in February 2022, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

As CCA qualify as going concern loss-absorbing capital of CSG, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by CSG. In

the case of a cash settlement, the CCA award will be converted into the local currency of each respective employee.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero and forfeited if any of the following trigger events were to occur:

- CSG's reported common equity tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that CSG requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

Total compensation expense recognised for CCAs during the year ended 31 December 2021 was USD 23 million (2020: USD 32 million).

## Upfront Cash Awards

In February 2021 and 2020, certain employees were granted upfront cash awards as part of the cash component of their 2020 and 2019 variable compensation. These awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or in connection with other specified events or conditions within three years of the award grant. The amount subject to repayment is reduced in equal monthly instalments during the three-year period following the grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

Total compensation expense recognized during the year ended 31 December 2021 was USD 2 million (2020: USD 7 million).

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## 34 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 CS AG, which is incorporated in Switzerland. The registered address of CSG and CS 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 due to banks, reverse repurchase or repurchase agreements. In addition, the ordinary shares are issued to CSG

and subsidiaries of CSG. 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.

CS AG, CSi group's immediate parent, is the smallest group of undertakings to prepare consolidated financial statements.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

## a) Related party assets and liabilities

Group	31 December 2021			31 December 2020		
	Parent <sup>1</sup>	Fellow group companies	Total	Parent <sup>1</sup>	Fellow group companies	Total
<b>Assets (USD million)</b>						
Cash and due from banks	111	79	190	4,757	15	4,772
Interest-bearing deposits with banks	13,284	–	13,284	14,486	–	14,486
Securities purchased under resale agreements and securities borrowing transactions	7,881	431	8,312	2,998	1,338	4,336
Trading financial assets mandatorily at fair value through profit or loss	18,144	6,064	24,208	26,126	12,380	38,506
Non-trading financial assets mandatorily at fair value through profit or loss	20,965	5,477	26,442	15,345	5,442	20,787
Loans and advances	187	2,504	2,691	200	2,504	2,704
Other assets	2,391	2,243	4,634	2,456	6,609	9,065
<b>Total assets</b>	<b>62,963</b>	<b>16,798</b>	<b>79,761</b>	<b>66,368</b>	<b>28,288</b>	<b>94,656</b>
<b>Liabilities and Equity (USD million)</b>						
Due to banks	23	2	25	174	–	174
Securities sold under repurchase agreements and securities lending transactions	2,609	573	3,182	894	3,889	4,783
Trading financial liabilities mandatorily at fair value through profit or loss	16,020	5,619	21,639	24,024	8,245	32,269
Financial liabilities designated at fair value through profit or loss	12,332	6,180	18,512	11,488	5,882	17,370
Borrowings	1,470	–	1,470	2,436	–	2,436
Debt in issuance	37,527	2,697	40,224	28,741	2,856	31,597
Other liabilities	2,032	1,804	3,836	2,714	5,636	8,350
Share capital	11,366	–	11,366	8,764	2,602	11,366
<b>Total liabilities and equity</b>	<b>83,379</b>	<b>16,875</b>	<b>100,254</b>	<b>79,235</b>	<b>29,110</b>	<b>108,345</b>

<sup>1</sup> The term parent refers to the immediate parent, CS AG and also the ultimate parent CSG. Above table includes other liabilities balances with CSG of USD 133 million (2020: USD 131 million)

Bank	31 December 2021				31 December 2020			
	Parent <sup>1</sup>	Fellow group companies	Subsidiaries	Total	Parent <sup>1</sup>	Fellow group companies	Subsidiaries	Total
<b>Assets (USD million)</b>								
Cash and due from banks	111	79	–	190	4,757	15	–	4,772
Interest-bearing deposits with banks	13,284	–	–	13,284	14,486	–	–	14,486
Securities purchased under resale agreements and securities borrowing transactions	7,881	431	–	8,312	2,998	1,338	–	4,336
Trading financial assets mandatorily at fair value through profit or loss	18,144	6,064	2	24,210	26,126	12,380	4	38,510
Non-trading financial assets mandatorily at fair value through profit or loss	20,619	5,477	21	26,117	15,345	5,442	109	20,896
Loans and advances	187	2,504	–	2,691	200	2,504	–	2,704
Other assets	2,390	2,244	–	4,634	2,456	6,609	–	9,065
<b>Total assets</b>	<b>62,616</b>	<b>16,799</b>	<b>23</b>	<b>79,438</b>	<b>66,368</b>	<b>28,288</b>	<b>113</b>	<b>94,769</b>
<b>Liabilities and Equity (USD million)</b>								
Due to banks	23	2	–	25	174	–	–	174
Securities sold under repurchase agreements and securities lending transactions	2,609	573	–	3,182	894	3,889	–	4,783
Trading financial liabilities at fair value through profit or loss	16,020	5,619	1	21,640	24,024	8,245	2	32,271
Financial liabilities designated at fair value through profit or loss	12,332	6,180	1	18,513	11,488	5,882	–	17,370
Borrowings	1,470	–	–	1,470	2,436	–	–	2,436
Debt in issuance	37,527	2,697	–	40,224	28,741	2,856	64	31,661
Other liabilities	2,032	1,804	–	3,836	2,714	5,636	–	8,350
Share capital	11,366	–	–	11,366	8,764	2,602	–	11,366
Share premium	–	–	–	–	–	–	–	–
<b>Total liabilities and equity</b>	<b>83,379</b>	<b>16,875</b>	<b>2</b>	<b>100,256</b>	<b>79,235</b>	<b>29,110</b>	<b>66</b>	<b>108,411</b>

<sup>1</sup> The term parent refers to the immediate parent, CS AG and also the ultimate parent CSG. Above table includes other liabilities balances with CSG of USD 133 million (2020: USD 131 million)

## Related party off-balance sheet transactions

Group and Bank (USD million)	31 December 2021			31 December 2020		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
<b>Guarantees and Commitments</b>						
Other credit guarantees	-	-	-	-	-	-
Other indemnifications	-	-	-	-	10	10
Irrevocable loan commitments	-	325	325	-	173	173
<b>Gross Irrevocable Loan commitments</b>	<b>-</b>	<b>325</b>	<b>325</b>	<b>-</b>	<b>183</b>	<b>183</b>
Irrevocable Loan commitments – sub-participation	-	(13)	(13)	-	(35)	(35)
<b>Net Irrevocable Loan commitments</b>	<b>-</b>	<b>312</b>	<b>312</b>	<b>-</b>	<b>148</b>	<b>148</b>

## b) Related party revenues and expenses

Group (USD million)	31 December 2021			31 December 2020		
	Parent <sup>2</sup>	Fellow group companies	Total	Parent <sup>2</sup>	Fellow group companies	Total
Interest income	130	46	176	183	80	263
Interest expense	(184)	(64)	(248)	(232)	(86)	(318)
<b>Net interest expense</b>	<b>(54)</b>	<b>(18)</b>	<b>(72)</b>	<b>(49)</b>	<b>(6)</b>	<b>(55)</b>
Commissions and fees	6	(52)	(46)	33	48	81
Transfer pricing arrangements	23	139	162	29	118	147
Other revenue	82	-	82	86	-	86
<b>Total non-interest revenues</b>	<b>111</b>	<b>87</b>	<b>198</b>	<b>148</b>	<b>166</b>	<b>314</b>
<b>Net operating income</b>	<b>57</b>	<b>69</b>	<b>126</b>	<b>99</b>	<b>160</b>	<b>259</b>
<b>Total operating expenses<sup>1</sup></b>	<b>(876)</b>	<b>(714)</b>	<b>(1,590)</b>	<b>(427)</b>	<b>(511)</b>	<b>(938)</b>

<sup>1</sup> Net overheads allocated to other CS group entities of USD 367 million (2020: USD 449 million) are not included in the Total operating expenses.

<sup>2</sup> Above table includes commission and fees with CSG of USD 7million (2020: USD Nil) and operating expenses balances with CSG of USD 2.6 million (2020: USD 3.4million).

## c) Remuneration

### Remuneration of Directors

(USD '000)	2021	2020
Emoluments	5,700	5,199
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	141	131
Amounts Delivered under Share Based Awards	1,111	967
<b>Total</b>	<b>6,952</b>	<b>6,297</b>
Compensation for loss of office	-	89
Bank's contributions to defined contribution	6	31
<b>Total</b>	<b>6,958</b>	<b>6,417</b>

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards and are only given to Executive Directors. The Non-Executive Directors only receive a fixed fee. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

Where directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that director.

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 2,077,000 (2020: USD 1,878,000). There were no contributions made for defined contribution pension plan in 2021 (2020: USD Nil). There were also no contributions made for defined benefit lump sum (2020: USD Nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 19 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Bank's accounts for directors in accordance with IFRS requirements for 2021 was USD 5,358,000 (2020: USD 9,674,000).

#### d) Number of Directors and Benefits

(Number of Directors)	2021	2020
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	2	5
No scheme	10	8
Directors in respect of whom services were received or receivable under long term incentive scheme	5	7

#### e) Remuneration of Key Management Personnel

(USD' 000)	2021	2020
<b>Remuneration of Key Management Personnel</b>		
Emoluments	17,961	11,718
Long term incentive schemes	4,654	10,433
<b>Total</b>	<b>22,615</b>	<b>22,151</b>
Compensation for loss of office	30	89
Bank's contributions to defined contribution plan	110	105
<b>Total</b>	<b>22,755</b>	<b>22,345</b>

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts accrued in the financial statements for all emoluments and long term incentive schemes.

Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration payable to each key management person has been apportioned to the respective entities based on a time spent per company allocation for that key management person.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSi group, directly or indirectly, including any director of the CSi group.

Key management personnel include Directors and the members of the CSi Executive Committee.

#### CSG Shares awarded to Key Management Personnel

	2021	2020
Number of shares	2,186,587	1,385,833

The shares included in the table are the shares accrued in the period under the requirements of IFRS 2. These numbers differ

from the share awards included in the Companies Act disclosures above, which are disclosed in the period in which they vest and are delivered.

#### f) Loans and Advances to Directors and Key Management Personnel

Loans outstanding to or due from Directors or key management personnel of the CSi group as at 31 December 2021 were USD Nil (2020: USD 3,000), of which loans to Directors were USD Nil (2020: USD 3,000).

## 35 Derivatives and Hedging Activities

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

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

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

- a trading activity;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability or a forecasted transaction.



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

Group	31 December 2021						31 December 2020	
	Trading		Hedging		Trading <sup>1</sup>		Hedging <sup>1</sup>	
	Gross Derivative Assets	Gross Derivative Liabilities	Gross Derivative Assets	Gross Derivative Liabilities	Gross Derivative Assets	Gross Derivative Liabilities	Gross Derivative Assets	Gross Derivative Liabilities
<b>Trading and hedging derivatives instruments (USD million)</b>								
Interest rate products	63,419	58,797	–	–	107,878	100,829	–	–
Foreign exchange products	18,164	19,803	1	13	19,580	22,478	33	–
Equity/indexed-related products	39,141	40,319	–	–	45,377	42,053	–	–
Credit products	7,354	7,860	–	–	8,066	8,424	–	–
Other products	244	385	–	–	455	534	–	–
<b>Total derivative instruments</b>	<b>128,322</b>	<b>127,164</b>	<b>1</b>	<b>13</b>	<b>181,356</b>	<b>174,318</b>	<b>33</b>	<b>–</b>

<sup>1</sup> Gross Derivative Assets and Liabilities indicate Fair Value. 2020 numbers include both continuing and discontinued operations. Details are included in Note 28 – Discontinued Operations and Assets Held for Sale.

Group	2021		2020 <sup>1</sup>	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
<b>Derivative Assets and Liabilities (USD million)</b>				
Derivative Assets and Liabilities (trading and hedging) before netting	128,323	127,177	181,389	174,318
Derivative Assets and Liabilities (trading and hedging) after netting	113,191	113,189	157,970	154,001

<sup>1</sup> Gross Derivative Assets and Liabilities indicate Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note 28 – Discontinued Operations and Assets and Liabilities held for sale.

The above tables remain the same for Bank with an exception on the following lines:

For Interest rate product, gross derivative asset is USD 63,421 million (2020: USD 107,879 million) and gross derivative liability is USD 58,730 million (2020: USD 100,829 million).

For Credit products, gross derivative assets is USD 7,354 million (2020: USD 8,066 million) and gross derivative liability is USD 7,928 million in (2020: USD 8,426 million).

For information and details on the balances with related parties, refer Note 34 – Related Parties.

## Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market making and customer based trading. The majority of the Bank's derivatives held as at 31 December 2021 were used for trading activities.

## Economic Hedges

Economic hedges arise when the CSi group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under IFRS. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios; and
- economic hedges are accounted for and presented in the same way as trading derivatives, since hedge accounting is not applied.

## Cash Flow Hedges

The CSi group designates cash flow hedges as part of its strategy to mitigate its risk to variability of foreign currency denominated professional services and salaries and payroll taxes by using foreign exchange forwards. The strategy is to enter into a strip of foreign exchange forward trades to hedge the risk associated with these expenses to recognise the gain or loss on these hedges in the profit and loss line of the hedged item. The strip of

foreign exchange forward trades mature on the last business day of the respective month.

The objective of the strategy is to lock in the USD equivalent of certain GBP professional services and salaries and payroll taxes at the rates prevailing at the time of executing the hedge trade(s). By investing in foreign exchange forward contracts, the CSi group has secured the GBP/USD exchange rate, at which rate the expenses will be recorded at in the financial statements.

The nature of the risk being hedged is the impact of forward foreign exchange rate movements on the moment of GBP expense recognition in the financial statements. Hence, the forward points

within the foreign exchange forward trades are included in the hedge relationship. The GBP expenses are remeasured into USD at the time when recognised in the financial statements.

The GBP denominated payments are referred to as the hedged item. The remeasurement of GBP expenses into USD is performed using the foreign exchange rate set on the last business day of that month. Hence, there is no timing mismatch between the hedging instrument and the hedged item, as the maturity date of a foreign exchange forward trade is always a last business day of a month.

The following table sets forth details of cash flow hedging instruments:

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is recorded	Changes in fair value used for calculating hedge ineffectiveness during the period
		Assets	Liabilities		
Group and Bank As at 31 December 2021 (USD million)					
<b>Cash flow hedges (USD million)</b>					
<b>Foreign exchange risk</b>					
Forward contracts	580	1	(13)	Non-trading financial assets mandatorily at fair value through profit or loss/Financial liabilities designated at fair value through profit or loss	(37)

Group and Bank  
As at 31 December 2020 (USD million)

**Cash flow hedges (USD million)**

**Foreign exchange risk**

Forward contracts	519	33	–	Other assets	18
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The following table sets forth the timing of future cash flows of hedging instruments:

Group and Bank As at 31 December 2021 (USD million)	< 6 months	< 1 year
<b>Cash Flow Hedges</b>		
<b>Foreign exchange price risk</b>		
Forward contracts	294	286
Average exchange rate – GBP/USD	1.40	1.36

Group and Bank  
As at 31 December 2020 (USD million)

**Cash Flow Hedges**

**Foreign exchange price risk**

Forward contracts	250	269
Average exchange rate – GBP/USD	1.27	1.32

The following table sets forth the details of hedged item:

Group and Bank Cash flow hedges as at 31 December 2021 (USD million)	Change in value of the hedged item	Cash flow hedge reserve
<b>Foreign exchange price risk</b>		
Professional services, salaries and payroll taxes	–	(10)

Group and Bank Cash flow hedges as at 31 December 2020 (USD million)	Change in value of the hedged item	Cash flow hedge reserve
<b>Foreign exchange price risk</b>		
Professional services, salaries and payroll taxes	–	27

## Hedge effectiveness assessment

The CSi group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis and requires the CSi group to justify its expectation that the relationship will be highly effective over future periods. The

retrospective assessment is also performed on an ongoing basis and requires the CSi group to determine whether or not the hedging relationship has actually been effective. If the CSi group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognised in earnings.

	2021	2020
Cash flow hedges (USD million)		
	Foreign exchange price risk	Foreign exchange price risk
	Forward contract	Forward contract
Hedging (loss)/gain recognised in OCI	–	16
Amount reclassified to profit or loss because hedged item has affected profit or loss	37	(2)
Line item that includes the reclassification adjustments and trading expenses	Total Operating expenses: a. General, administrative and trading expenses b. Compensation and benefits	Total Operating expenses: a. General, administrative b. Compensation and benefits

	2021	2020
Cash flow hedge reserve (USD million)		
	Cash flow hedging reserve	Cash flow hedging reserve
<b>Opening balance at 1 January</b>	<b>27</b>	<b>9</b>
<b>Cash flow hedges</b>		
Effective portion of changes in fair value:		
Foreign Exchange Currency risk	–	16
Net amount reclassified to profit or loss:		
Foreign Exchange Currency risk	(37)	2
<b>Closing balance at 31 December</b>	<b>(10)</b>	<b>27</b>

## Disclosures relating to contingent credit risk

Certain of the Bank's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either CSG or the counterparty, at the existing mark to market replacement value of the derivative contract.

On a daily basis, the level of incremental collateral that would be required by derivative counterparties in the event of a CSG ratings downgrade is monitored. Collateral triggers are maintained by the Collateral Management department and vary by counterparty.

The impact of downgrades in the CSG's debt in issuance ratings are considered in the stress assumptions used to determine the liquidity and funding profile of the Bank. The Bank holds a liquidity pool made up of 'high quality liquid assets' ('HQLA') to meet any additional collateral calls as a result of a downgrade. The assessment takes into consideration a two-notch downgrade in credit rating of CSG.

## 36 Contingent Liabilities, Guarantees and Commitments

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

Group and Bank	Maturity				Total gross amount	Secured by collateral	Net of collateral
	<1 year	1-3 years	3-5 years	>5 years			
<b>31 December 2021</b>							
<b>Guarantees (USD million)</b>							
Credit guarantees and similar instruments	496	78	–	–	574	–	574
Performance guarantees and similar instruments	–	–	–	–	–	–	–
Other guarantees	509	–	–	–	509	509	–
<b>Total guarantees</b>	<b>1,005</b>	<b>78</b>	<b>–</b>	<b>–</b>	<b>1,083</b>	<b>509</b>	<b>574</b>

### Other commitments (USD million)

Irrevocable commitments under documentary credit	50	–	–	–	50	–	50
Loan commitments	600	616	1,115	158	2,489	904	1,585
Other commitments – commitments to purchase cash securities <1 year	6,599	–	–	–	6,599	–	6,599
<b>Total other commitments</b>	<b>7,249</b>	<b>616</b>	<b>1,115</b>	<b>158</b>	<b>9,138</b>	<b>904</b>	<b>8,234</b>

### 31 December 2020

#### Guarantees (USD million)

Credit guarantees and similar instruments	248	160	58	–	466	4	462
Performance guarantees and similar instruments	–	2	–	–	2	–	2
Other guarantees	10	–	–	–	10	–	10
<b>Total guarantees</b>	<b>258</b>	<b>162</b>	<b>58</b>	<b>–</b>	<b>478</b>	<b>4</b>	<b>474</b>

#### Other commitments (USD million)

Irrevocable commitments under documentary credit	–	–	–	–	–	–	–
Loan commitments	649	929	435	756	2,769	1,755	1,014
Other commitments – commitments to purchase cash securities <1 year	5,193	–	–	–	5,193	–	5,193
<b>Total other commitments</b>	<b>5,842</b>	<b>929</b>	<b>435</b>	<b>756</b>	<b>7,962</b>	<b>1,755</b>	<b>6,207</b>

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

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

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

Commitments to purchase cash securities represents the value of debt and equity cash security contracts which requires CSi group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

### Contingent Liabilities and Other Commitments

CSi is the subject of a number of litigation matters. Provision for loss are made where the IFRS requirements for recognition of a provision are satisfied i.e. i) loss is probable (>50% likelihood of loss); and ii) losses can be reliably estimated. Furthermore, under IFRS, legal expenses are only accrued where CSi group have accrued for loss, otherwise they are recognised when invoiced.

CSi has a litigation provision of USD 298 million as at year end 31 December 2021 (2020: Nil). Below are the potentially more significant litigation matters.

CSi is the defendant in a lawsuit brought by the German public utility company Stadtwerke München GmbH ('SWM') in a German court, in connection with a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the trades at inception. On 22 March 2019, the trial court (the Regional Court of Frankfurt am Main) dismissed in their entirety claims against CSi. On 29 April 2019, plaintiff filed a notice of appeal and an application for a supplementary judgement. On 29 November 2019, the court ruled on the supplementary judgement application, finding that SWM was entitled to a refund of negative interest from CSi. In March 2022, the parties reached a settlement, for which CSi is fully reserved, and will shortly apply to the court to have all proceedings discontinued against Credit Suisse.

Credit Suisse has been subject to investigations by regulatory and enforcement authorities, as well as civil litigation, regarding certain Credit Suisse entities' 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 certain Credit Suisse entities' subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. On 3 January 2019, the United States Attorney for the Eastern District of New York unsealed an indictment against several individuals in connection with the matter, including three former Credit Suisse employees. On 20 May 2019, 19 July 2019 and 6 September 2019, the three former employees pleaded guilty to accepting improper personal benefits in connection with financing transactions carried out with two Mozambique state enterprises.

On 19 October 2021, Credit Suisse reached settlements with the Department of Justice ('DOJ'), the US Securities Exchange Commission ('SEC'), the UK Financial Conduct Authority ('FCA') and FINMA to resolve inquiries by these agencies. CSG entered into a three-year Deferred Prosecution Agreement ('DPA') with the DOJ in connection with the criminal information charging CSG with conspiracy to commit wire fraud and consented to the entry of a Cease and Desist Order by the SEC. Under the terms of the DPA, CSG will continue its compliance enhancement and remediation efforts, report to the DOJ on those efforts for three years and undertake additional measures as outlined in the DPA. Credit Suisse also agreed to pay a net penalty to the DOJ of approximately USD 175.5 million. If CSG adheres to the DPA's conditions, the charges will be dismissed at the end of the DPA's three-year term. In addition, Credit Suisse Securities (Europe) Limited ('CSS(E)L') has pleaded guilty to one count of conspiracy to violate the US federal wire fraud statute. CSS(E)L will be bound by the same compliance, remediation and reporting

obligations as Credit Suisse Group AG under the DPA. Under the terms of the SEC Cease and Desist Order, Credit Suisse will pay a civil penalty of USD 65 million and approximately USD 34 million in disgorgement and pre-judgement interest in connection with violations of the US Securities Exchange Act of 1934 (Exchange Act) and the US Securities Act of 1933 (Securities Act) anti-fraud provisions (Exchange Act Section 10(b) and Rule 10b-5 thereunder and Securities Act Sections 17(a) (1), (2) and (3)) as well as the Exchange Act internal accounting controls and books and records provisions (Sections 13(b)(2)(A) and 13(b)(2)(B)). The total monetary sanctions to be paid to the DOJ and SEC, taking into account various credits and offsets, are approximately USD 275 million. Under the terms of the resolution with the DOJ, Credit Suisse will also be required to pay restitution to any eligible investors in the 2016 Eurobonds issued by the Republic of Mozambique. Investor eligibility and restitution amounts will be determined by the US District Court for the Eastern District of New York at a date currently expected to be in May 2022.

In the resolution with the FCA, CSS(E)L, CSi and Credit Suisse AG, London Branch agreed that, in respect of these transactions with Mozambique, its UK operations had failed to conduct business with due skill, care and diligence and to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. Credit Suisse has paid a penalty of approximately USD 200 million and has also agreed with the FCA to forgive USD 200 million of debt owed to Credit Suisse by Mozambique.

FINMA also entered a decree announcing the conclusion of its enforcement proceeding and finding that Credit Suisse AG and Credit Suisse (Schweiz) AG violated the duty to file a suspicious activity report in Switzerland, and Credit Suisse Group AG did not adequately manage and address the risks arising from specific sovereign lending and related securities transactions. It has ordered the bank to remediate all deficiencies identified by 30 June 2022 and had appointed an independent third party to review the implementation and effectiveness of these measures. FINMA will also arrange for certain existing transactions to be reviewed by an independent third party on the basis of specific risk criteria, and will require enhanced disclosure of certain sovereign transactions until all remedial measures have been satisfactorily implemented.

On 27 February 2019, certain Credit Suisse entities, the same three former employees, and several other unrelated entities were sued in the English High Court by the Republic of Mozambique. On 21 January 2020, the Credit Suisse entities filed their defense. On 26 June 2020, the Credit Suisse entities filed third party claims against the project contractor and several Mozambique officials. The Republic of Mozambique filed an updated Particulars of Claim on 27 October 2020, and the Credit Suisse entities filed their amended defense and counterclaim on 15 January 2021. Following the announcement of the global regulatory resolution on 19 October 2021, Credit Suisse filed a re-amended defense on 24 December 2021. The Republic

of Mozambique seeks a declaration that the sovereign guarantee issued in connection with the ProIndicus loan syndication arranged and funded, in part, by a Credit Suisse subsidiary is void and also seeks unspecified damages alleged to have arisen in connection with the transactions involving ProIndicus and EMATUM, and a transaction in which Credit Suisse had no involvement with Mozambique Asset Management S.A. Also on 15 January 2021, the project contractor filed a cross claim against the Credit Suisse entities (as well as the three former Credit Suisse employees and various Mozambican officials) seeking an indemnity and/or contribution in the event that the contractor is found liable to the Republic of Mozambique. The English High Court has scheduled trial to begin in October 2023.

On 27 April 2020, Banco Internacional de Moçambique (BIM), a member of the ProIndicus syndicate, brought a claim against certain Credit Suisse entities seeking, contingent on the Republic of Mozambique's claim, a declaration that Credit Suisse is liable to compensate it for alleged losses suffered as a result of any invalidity of the sovereign guarantee. The Credit Suisse entities filed their defense to this claim on 28 August 2020, to which BIM replied on 16 October 2020. Credit Suisse filed an amended defense on 15 December 2021 and BIM filed its amended reply on 5 January 2022.

On 17 December 2020, two members of the ProIndicus syndicate, Beauregarde Holdings LLP and Orobica Holdings LLC, filed a claim against certain Credit Suisse entities in respect of their interests in the ProIndicus loan, seeking unspecified damages stemming from the alleged loss suffered due to their reliance on representations made by Credit Suisse to the syndicate lenders. The Credit Suisse entities filed their defense to this claim on 24 February 2021. On 4 February 2022, B&O filed an

amended claim, and the Credit Suisse entities filed an amended defense on 18 February 2022.

On 3 June 2021, United Bank for Africa PLC ('UBA'), a member of the ProIndicus syndicate, brought a claim against certain Credit Suisse entities seeking, contingent on the Republic of Mozambique's claim, a declaration that Credit Suisse is liable to compensate it for alleged losses suffered as a result of any invalidity of the sovereign guarantee. The Credit Suisse entities filed their defense to this claim on 1 July 2021 and filed an amended defense on 15 December 2021, and UBA filed its amended reply on 5 January 2022.

Credit Suisse has received requests for documents and information in connection with inquiries, investigations and/or actions relating to the supply chain finance fund ('SCFF') and/or Archegos matters from a number of authorities including FINMA, the DOJ, the SEC, the US Federal Reserve, the Commodity Futures Trading Commission ('CFTC'), the US Senate Banking Committee, the FCA, the PRA and other regulatory and governmental agencies. Credit Suisse is cooperating with the authorities on these matters. In connection with FINMA's enforcement actions, third parties appointed by it are conducting investigations into these matters. The Luxembourg Commission de Surveillance du Secteur Financier is also reviewing the SCFF matter through a third party.

In relation to the SCFF matter, certain civil actions have been filed by fund investors against Credit Suisse.

As these matters develop, Credit Suisse, including CSi, may become subject to additional litigation and regulatory inquiries, investigations and actions.

## 37 Interests in Other Entities

CSi has interests in a number of entities where it has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of these entities are included in the

consolidated financial statements from the date on which control commences until the date on which control ceases.

The following table sets forth the full list of related undertakings in subsidiaries of the CSi group owns, directly or indirectly.

### Composition of the CSi group

Entity Name	Domicile	Currency	Percentage of ownership held 2021	Percentage of ownership held 2020
<b>31 December 2021</b>				
AI3 (USD) Segregated Portfolio	Cayman Islands	USD	100	100
Andrea Cell 1000 EUR	Jersey	EUR	100	100
Andrea Cell 1000 USD	Jersey	USD	100	100
Andrea Investments (Jersey) PCC (MASTER VEHICLE)	Jersey	GBP	100	100
Andrea Investments (Jersey) PCC: 1000	Jersey	USD	100	100
Argentum Capital S.A. Series 2014-9	Luxembourg	USD	–	100
Argentum Capital Series 2016-06,2016-25,2016-43,2017-81,2016-49,2015-79	Luxembourg	USD	–	100
Argentum Capital Series 2016-20,2017-69,2015-53,2015-32	Luxembourg	USD	100	–
Argentum Capital Series 2017-59	Luxembourg	USD	100	100
Ascent Finance Limited 2021-1800	Cayman Islands	USD	100	–
Ascent Finance Limited 2021-1801	Cayman Islands	USD	100	–
Boats Investments (Jersey) Ltd Series 621,634,643,645,646,649,654,657	Jersey	USD	–	100
Boats Investments (Jersey) Ltd Series 628,639,630,633,631,627,656,641,642,647,648,655	Jersey	USD	100	100
Boats Investments (Jersey) Ltd Series 659,658,661,662,663	Jersey	USD	100	–
Clarus Securities Cayman SPC Limited	Cayman Islands	USD	100	100
Clearwater Seller Limited	United Kingdom	USD	100	100
Credit Suisse First Boston Trustees Limited	United Kingdom	USD	100	100
Custom Markets QIAIF plc	Ireland, Republic of	USD	100	100
Global Bond Fund	Ireland, Republic of	USD	100	100
HOLT Emerging Markets Equity Fund	Ireland, Republic of	USD	100	100
Interleuvenlaan 15 Real Estate Ltd	Gibraltar	EUR	100	100
IRIS SP 3 AUXO – BFO MULTI	Cayman Islands	USD	100	–
IRIS SP 4 – TITAN CTA	Cayman Islands	USD	100	–
M&M Iris SPC	Cayman Islands	USD	100	100
Mistral (SPC) (MASTER VEHICLE)	Cayman Islands	USD	100	100
Mistral (SPC) Long/Short Equity	Cayman Islands	USD	100	100
Morstan Investments B.V.	Netherlands	USD	100	100
New Jersey S.A.	Luxembourg	EUR	100	100
Platinum Securities Cayman SPC Limited	Cayman Islands	USD	100	–
Platinum Securities Cayman SPC Limited 2021-01	Cayman Islands	USD	100	–
Platinum Securities Netherlands B.V.	Netherlands	EUR	100	100
SAPIC Separate Account EV (Ecureuil Vie) Segregated Portfolio	Cayman Islands	USD	–	100
Silver Hake Limited	Gibraltar	EUR	100	100
VAULT Investments plc – Series 060	Ireland, Republic of	EUR	100	–
Westwood S.A	Portugal	USD	100	100
YI Active Spezial ESPA Fund.	Austria	EUR	100	100
Zephyros Limited	Cayman Islands	USD	100	100

	Security	Immediate Parent	Ultimate Parent	Country	Registered Office
<b>31 December 2021</b>					
<b>Subsidiaries</b>					
A13 Segregated Portfolio	USD 100 Participating shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	Walkers SPV Limited Walker House, Mary Street PO Box 908GT George Town, Grand Cayman, Cayman Islands
Andrea Investments (Jersey) PCC – Cell Series 1000 EUR	EUR Preference shares	Andrea Investments (Jersey) PCC	Borowska Trust	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX, Jersey
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	USD Preference shares	Andrea Investments (Jersey) PCC	Borowska Trust	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX, Jersey
Credit Suisse First Boston Trustees Limited	Ordinary Shares	Credit Suisse International	Credit Suisse Group AG	United Kingdom	One Cabot Square London E14 4QJ – United Kingdom
Global Bond Fund	Investment Fund Share	Credit Suisse International	Credit Suisse Group AG	Republic of Ireland	2nd Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Republic of Ireland
IRIS SP 3 AUXO – BFO MULTI <sup>1</sup>	No voting shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	Queensgate House South Church Street George Town Grand Cayman KY1-1102 – Cayman Islands
LHI Mid Market Buy-Out Europe LP	EUR shares	Credit Suisse International	Credit Suisse Group AG	Guernsey	1 Royal Plaza Royal Avenue, St Peter Port, GY1 2HL, Guernsey
Xanthos Holding – Segregated Portfolio <sup>1</sup>	Non-Participating USD 1 shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	Walkers SPV Limited Walker House, Mary Street PO Box 908GT George Town, Grand Cayman, Cayman Islands
YI Active Spezial ESPA Fund.	Non-voting shares	Credit Suisse International	Credit Suisse Group AG	Austria	Am Belvedere 1, Vienna 1100, Austria
Andrea Investments (Jersey) PCC	No shares	Borowska Trust	Borowska Trust	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX, Jersey
Andrea Investments (Jersey) PCC – Cell Series 1000 FC	No shares	Andrea Investments (Jersey) PCC	Borowska Trust	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX, Jersey
Argentum Capital Series 2016-20, 2017-69, 2015-53, 2015-32, 2017-59	No shares	Argentum Capital S.A.	Argentum Capital S.A.	Luxembourg	51, avenue John F. Kennedy, Luxembourg L-1855, Luxembourg
Ascent Finance Limited 2021-1800	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	One Nexus Way, Camana Bay, Grand Cayman – Cayman Islands
Ascent Finance Limited 2021-1801	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	One Nexus Way, Camana Bay, Grand Cayman – Cayman Islands
Boats Investments (Jersey) Ltd Series 628,639,630,633,631,627,656,641,642,647,648,655,659,658,661,662,663	No shares	Boats Investments (Jersey) Limited (Master Vehicle)	Boats Investments (Jersey) Limited (Master Vehicle)	Jersey	22 Grenville Street, St Helier JE2 4UF, Jersey
Clarus Securities Cayman SPC Limited	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	P.O. Box 309 Ugland House, George Town, Grand Cayman KY1-1104, Cayman Island
Clearwater Seller Limited	No shares	Credit Suisse International	Credit Suisse Group AG	United Kingdom	35 Great St. Helen's, London EC3A 6AP, United Kingdom
Custom Markets OIF PLC	No shares	Credit Suisse International	Credit Suisse Group AG	Republic of Ireland	MFD Secretaries Limited, 2nd Floor Beaux Lane House, Dublin 2, Republic of Ireland
HOLT Emerging Markets Equity Fund	No shares	Credit Suisse International	Credit Suisse Group AG	Republic of Ireland	2nd Floor, Beaux lane House Mercer Street, Lower Dublin, Republic of Ireland
Interleuvenlaan 15 Real Estate Ltd	No shares	Credit Suisse International	Credit Suisse Group AG	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
IRIS SP 4 – TITAN CTA	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	Queensgate House South Church Street George Town Grand Cayman KY1-1102 – Cayman Islands
Mistral SPC	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	PO Box 309, GT Ugland House, South Church, Street George Town, Grand Cayman, Cayman Islands
Mistral SPC – Long/Short Equity	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	PO Box 309, GT Ugland House, South Church, Street George Town, Grand Cayman, Cayman Islands
Morstan Investment B.V.	No shares	Credit Suisse International	Credit Suisse Group AG	Netherlands	Prins Hendriklaan 26, Amsterdam 1075 BD, Netherlands
M & M Irs SPC	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	Queensgate House, South Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands
New Jersey S.A.	No shares	Credit Suisse International	Credit Suisse Group AG	Luxembourg	51, avenue John F. Kennedy, Luxembourg L-1855, Luxembourg
Platinum Securities Cayman SPC Limited	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, George Town, Grand Cayman KY1-1104 – Cayman Islands
Platinum Securities Cayman SPC Limited 2021-01	No shares	Credit Suisse International	Credit Suisse Group AG	Cayman Islands	c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, George Town, Grand Cayman KY1-1104 – Cayman Islands
Platinum Securities Netherlands B.V.	No shares	Stichting Platinum Securities Netherlands B.V.	Stichting Platinum Securities Netherlands B.V.	Netherlands	Basisweg 10, Amsterdam 1043 AP, Netherlands
Silver Hake Limited	No shares	Credit Suisse International	Credit Suisse Group AG	Gibraltar	Suite 7b & 8b, Finsbury Trust, 50 Town Range, PO Box 472, Gibraltar
VAULT Investments plc – Series 060	No shares	Credit Suisse International	Credit Suisse Group AG	Republic of Ireland	1st Grant Road, Lower Mount Street, Dublin, Republic of Ireland
Westwood S.A	No shares	Credit Suisse International	Credit Suisse Group AG	Portugal	Edificio Atrium Saldanha Praça Duque de Saldanha, Lisbon 1050 094, Portugal
Zephyros Limited	No shares	Credit Suisse Group AG	Credit Suisse Group AG	Cayman Islands	PO Box 1093, GT Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands

<sup>1</sup> All subsidiaries in above table are consolidated except Xanthos Holding – Segregated Portfolio and LHI Mid Market Buy-Out Europe LP.



In accordance with Section 409 of the Companies Act 2006 a list of CSi's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2021 is disclosed above.

#### Changes in ownership that did result in loss of control

(USD million)	2021	2020
Cash Consideration	6	60
Carrying value of net assets	6	60
<b>Gain/(Loss) on disposal of interests recorded</b>	<b>-</b>	<b>2</b>

There are no material differences between the date of the end of the reporting period of the financial statements of the CSi group and those of any of its subsidiaries (including any consolidated structured entities).

#### Restrictions

The CSi group and its subsidiaries have certain restrictions which may restrict the ability of the CSi group to access or use the assets and settle the liabilities of the CSi group. These restrictions may be statutory, contractual or regulatory in nature.

The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements set out in the EU Capital Requirements Regulation ('CRR') and additionally as laid down by the PRA. The Bank has put into place processes and controls to monitor and manage its capital adequacy. For more information regarding the Bank's capital adequacy and how the capital resources are managed and monitored please refer to Note 43 – Capital Adequacy.

The Bank is required to maintain minimum levels of capital in the form of equity shares and reserves to meet PRA requirements.

Restricted assets also include those assets protected under client segregation rules. Please refer to Note 22 – Other Assets and Other Liabilities for further information.

The CSi group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning the counterparty has the right to resell or repledge the pledged asset. Please refer to Note 17 – Trading Financial Assets and Liabilities Mandatorily at Fair Value Through Profit or Loss for more information on encumbered assets.

Other restrictions include those that prevent some subsidiaries from making any distributions to the parent such as restrictions on redemption or the payments of dividends.

#### Unconsolidated structured entities

The CSi group has interests in structured entities which are not consolidated. An interest is either a contractual or non-contractual involvement that exposes the CSi group to variability in returns from the performance of another entity. An interest in another entity can be evidenced by, but is not limited to, the holding of

equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity, credit enhancement and guarantees.

The CSi group does not have an interest in another entity solely because of a typical customer supplier relationship such as fees other than management and performance fees that are passively earned and are typically one-off in nature.

#### Type of structured entity

##### Collateralised Debt Obligations

The CSi group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The CSi group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the CSi group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitisation. The loans and other debt obligations are sold to structured entities, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSi group.

##### Financial Intermediation

The CSi group has significant involvement with structured entities in its role as a financial intermediary on behalf of clients. Financial intermediation consists of securitisations, funds, loans and other vehicles.

##### Securitisations

Securitisations are primarily CMBS, RMBS and Asset Backed Securities ('ABS') vehicles. The CSi group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to structured entities related to certain securitisation transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable returns if any, plus the exposure arising from any credit enhancements the CSi group provided. The CSi group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the structured entities.

##### Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products, where the investors' interest is typically in the form of debt rather than equity, thereby making them structured entities. The CSi group may have various relationships with such structured entities in the form of structurer, investment advisor, investment manager, administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of structured entities in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients

with investment opportunities in alternative investments. In such transactions, a structured entity holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSi group. The investors typically retain the risk of loss on such transactions, but for certain fund types, the CSi group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The CSi group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the structured entities.

### **Loans**

Loans are single-financing vehicles where the CSi group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending

arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the CSi group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, strict loan-to-value ratios are set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the CSi group's exposure. The CSi group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the CSi group's risk mitigation efforts which includes over-collateralisation and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the CSi group's Consolidated Statement of Financial Position, the maximum exposure to loss and the total assets of the unconsolidated structured entities.

## Interests in unconsolidated structured entities

Line item in consolidated statement of financial position (USD million)	Type of structured entity					Total
	CDO	Securiti- sations	Funds	Loans	Other	
<b>31 December 2021</b>						
<b>Trading financial assets mandatorily at fair value through profit or loss</b>						
Debt securities	–	130	–	–	–	130
Equity securities	–	–	42	–	3	45
Derivative instruments	23	179	9	–	1,785	1,996
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>						
Loans	–	57	–	2	–	59
Securities purchased under repurchase agreements and securities borrowing transactions	28	–	–	–	–	28
Other assets	–	–	–	–	–	–
<b>Total assets</b>	<b>51</b>	<b>366</b>	<b>51</b>	<b>2</b>	<b>1,788</b>	<b>2,258</b>
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>						
Debt securities	–	–	–	–	–	–
Derivative instruments	–	28	3	–	–	31
<b>Financial liabilities designated at fair value through profit or loss</b>						
Debt in issuance	–	–	1	–	249	250
Securities sold under repurchase agreements and securities lending transactions	–	19	–	–	–	19
Long term borrowings	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–
<b>Total liabilities</b>	<b>–</b>	<b>47</b>	<b>4</b>	<b>–</b>	<b>249</b>	<b>300</b>
<b>Maximum exposure to loss</b>	<b>51</b>	<b>366</b>	<b>51</b>	<b>2</b>	<b>1,788</b>	<b>2,258</b>
<b>Unconsolidated structured entity assets</b>	<b>333</b>	<b>39,275</b>	<b>1,216,755</b>	<b>58</b>	<b>7,256</b>	<b>1,263,677</b>
<b>31 December 2020</b>						
<b>Trading financial assets mandatorily at fair value through profit or loss</b>						
Debt securities	–	152	–	–	–	152
Equity securities	–	–	186	–	2	188
Derivative instruments	59	120	2,185	–	4,156	6,520
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>						
Loans	–	–	–	2	–	2
Securities purchased under repurchase agreements and securities borrowing transactions	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
<b>Total assets</b>	<b>59</b>	<b>272</b>	<b>2,371</b>	<b>2</b>	<b>4,158</b>	<b>6,862</b>
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>						
Debt securities	–	–	–	–	–	–
Derivative instruments	1	25	23	–	–	49
<b>Financial liabilities designated at fair value through profit or loss</b>						
Debt in issuance	–	–	–	–	277	277
Securities sold under repurchase agreements and securities lending transactions	–	32	–	–	–	32
Long term borrowings	–	–	–	–	–	–
Other liabilities	–	–	–	–	–	–
<b>Total liabilities</b>	<b>1</b>	<b>57</b>	<b>23</b>	<b>–</b>	<b>277</b>	<b>358</b>
<b>Maximum exposure to loss</b>	<b>59</b>	<b>272</b>	<b>2,371</b>	<b>2</b>	<b>4,158</b>	<b>6,862</b>
<b>Unconsolidated structured entity assets</b>	<b>338</b>	<b>38,379</b>	<b>1,523,816</b>	<b>34</b>	<b>15,297</b>	<b>1,577,864</b>

The unconsolidated structured entity assets relate to where the CSi group has an interest in the unconsolidated structured entity. These amounts represent the assets of the entities themselves

and are typically unrelated to the exposures the CSi group has with the entity and thus are not amounts that are considered for risk management purposes.

### Income and losses from unconsolidated structured entities

Structured entity type (USD million)	Income/(Losses)						Total
	Derivative Gain/(Loss)	Other Fair Value Gain/(Loss)	Gain/(Loss) on Sale of Assets	Interest Income/(Expense)	Other Income/(Other Losses)	Commission and Fees/(Other Expenses)	
<b>31 December 2021</b>							
Securitisations	(7)	–	(13)	2	–	2	(16)
Funds	6	(28)	19	–	–	–	(3)
Loans	(21)	8	–	–	–	–	(13)
Other	(1,165)	–	(3)	3	105	–	(1,060)
<b>Total</b>	<b>(1,187)</b>	<b>(20)</b>	<b>3</b>	<b>5</b>	<b>105</b>	<b>2</b>	<b>(1,092)</b>
<b>31 December 2020</b>							
Securitisations	27	3	(5)	2	1	1	29
Funds	9	167	(52)	–	–	–	124
Loans	19	(22)	–	18	–	–	15
Other	465	(1)	–	1	75	1	541
<b>Total</b>	<b>520</b>	<b>147</b>	<b>(57)</b>	<b>21</b>	<b>76</b>	<b>2</b>	<b>709</b>

The previous table shows the income earned from unconsolidated structured entities during the reporting period. Income from an unconsolidated structured entity includes, but is not limited to recurring and non-recurring fees, interest and commission received, gains or losses from the transfer of assets and liabilities and changes in the fair value of instruments, including derivatives.

The CSi group considers itself the sponsor of a structured entity when either its name appears in the name of the structured entity

or in products issued by it or there is a general expectation from the market that the CSi group is associated with the structured entity or the CSi group was involved in the design or set up of the structured entity and has a form of involvement with the structured entity.

The following table shows information about the unconsolidated structured entities sponsored by the CSi group where no interest is held by the CSi group.

## Sponsored unconsolidated structured entities

Structured entity type (USD million)						Income/(Losses)	
	Derivative Gain/(Loss)	Gain/(Loss) on Sale of Assets	Other Income/(Other Losses)	Commission and Fees/(Other Expenses)	Other Fair Value Gain/(Loss)	Total	Carrying Value of Assets transferred
<b>31 December 2021</b>							
Securitisations	198	(178)	(4)	–	–	16	2,367
Funds	(23)	–	–	–	–	(23)	–
CDO	–	–	–	–	–	–	–
Conduits	–	–	–	–	–	–	–
Loans	–	–	–	–	–	–	–
Other	(27)	2	(55)	–	–	(80)	768
<b>Total</b>	<b>148</b>	<b>(176)</b>	<b>(59)</b>	<b>–</b>	<b>–</b>	<b>(87)</b>	<b>3,135</b>
<b>31 December 2020</b>							
Securitisations	171	(120)	(5)	–	(49)	(3)	2,300
Funds	(3)	–	–	–	–	(3)	–
CDO	–	–	–	–	–	–	–
Conduits	–	(5)	–	6	–	1	–
Loans	–	1	2	–	–	3	50
Other	11	13	(1)	–	–	23	1,465
<b>Total</b>	<b>179</b>	<b>(111)</b>	<b>(4)</b>	<b>6</b>	<b>(49)</b>	<b>21</b>	<b>3,815</b>

The previous table shows the income earned from sponsored unconsolidated structured entities during the reporting period and the carrying amount of any assets transferred to those structured entities during the reporting period. Income from an unconsolidated structured entity includes, but is not limited to gains or

losses from the transfer of assets and liabilities and changes in the fair value of derivative instruments.

For some funds, the CSi group is contractually obliged to fund certain minimal operating expenses.

## 38 Financial Instruments

The following disclosure of the CSi group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement;
- Fair value of financial instruments not carried at fair value.

### 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 31 December 2021

Group	Total carrying value	Carrying value			Total fair value
		Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	
<b>Financial assets (USD million)</b>					
Cash and due from banks	1,484	–	–	1,484	1,484
Interest-bearing deposits with banks	13,284	–	–	13,284	13,284
Securities purchased under resale agreements and securities borrowing transactions	8,902	–	–	8,902	8,902
Trading financial assets mandatorily at fair value through profit or loss	143,718	143,718	–	–	143,718
Non-trading financial assets mandatorily at fair value through profit or loss	38,226	38,226	–	–	38,226
Loans and advances	2,710	–	–	2,710	2,713
Other assets	33,643	–	–	33,643	33,643
Assets held for sale	–	–	–	–	–
<b>Total financial assets</b>	<b>241,967</b>	<b>181,944</b>	<b>–</b>	<b>60,023</b>	<b>241,970</b>
<b>Financial liabilities (USD million)</b>					
Due to banks	218	–	–	218	218
Securities sold under repurchase agreements and securities lending transactions	3,371	–	–	3,371	3,371
Trading financial liabilities mandatorily at fair value through profit or loss	122,054	122,054	–	–	122,054
Financial liabilities designated at fair value through profit or loss	35,012	–	35,012	–	35,012
Borrowings	1,470	–	–	1,470	1,470
Other liabilities	22,859	–	–	22,859	22,859
Debt in issuance	40,224	–	–	40,224	40,401
Liabilities held for sale	–	–	–	–	–
<b>Total financial liabilities</b>	<b>225,208</b>	<b>122,054</b>	<b>35,012</b>	<b>68,142</b>	<b>225,385</b>

## Financial assets and liabilities by categories

As at 31 December 2021

Bank	Total carrying value	Carrying value			Total fair value
		Mandatorily at FVTPL	Designated at fair value	Amortised cost	
<b>Financial assets (USD million)</b>					
Cash and due from banks	1,466	–	–	1,466	1,466
Interest-bearing deposits with banks	13,284	–	–	13,284	13,284
Securities purchased under resale agreements and securities borrowing transactions	8,902	–	–	8,902	8,902
Trading financial assets mandatorily at fair value through profit or loss	143,925	143,925	–	–	143,925
Non-trading financial assets mandatorily at fair value through profit or loss	37,903	37,903	–	–	37,903
Loans and advances	2,710	–	–	2,710	2,713
Other assets	33,642	–	–	33,642	33,642
Assets held for Sale	–	–	–	–	–
<b>Total financial assets</b>	<b>241,832</b>	<b>181,828</b>	<b>–</b>	<b>60,004</b>	<b>241,835</b>
<b>Financial liabilities (USD million)</b>					
Due to banks	218	–	–	218	218
Securities sold under repurchase agreements and securities lending transactions	3,371	–	–	3,371	3,371
Trading financial liabilities mandatorily at fair value through profit or loss	122,055	122,055	–	–	122,055
Financial liabilities designated at fair value through profit or loss	34,862	–	34,862	–	34,862
Borrowings	1,470	–	–	1,470	1,470
Other liabilities	22,859	–	–	22,859	22,859
Debt in issuance	40,224	–	–	40,224	40,401
Liabilities held for sale	–	–	–	–	–
<b>Total financial liabilities</b>	<b>225,059</b>	<b>122,055</b>	<b>34,862</b>	<b>68,142</b>	<b>225,236</b>

## Financial assets and liabilities by categories

As at 31 December 2020

Group	Total carrying value	Carrying value			Total fair value
		Mandatorily at FVTPL	Designated at fair value	Amortised cost	
<b>Financial assets (USD million)</b>					
Cash and due from banks	6,225	–	–	6,225	6,225
Interest-bearing deposits with banks	14,486	–	–	14,486	14,486
Securities purchased under resale agreements and securities borrowing transactions	4,559	–	–	4,559	4,559
Trading financial assets mandatorily at fair value through profit or loss	188,620	188,620	–	–	188,620
Non-trading financial assets mandatorily at fair value through profit or loss	25,516	25,516	–	–	25,516
Loans and advances	2,867	–	–	2,867	2,861
Other assets	44,566	33	–	44,533	44,566
Assets held for sale	1,934	1,866	–	68	1,934
<b>Total financial assets</b>	<b>288,773</b>	<b>216,035</b>	<b>–</b>	<b>72,738</b>	<b>288,767</b>
<b>Financial liabilities (USD million)</b>					
Due to banks	433	–	–	433	433
Securities sold under repurchase agreements and securities lending transactions	4,783	–	–	4,783	4,783
Trading financial liabilities mandatorily at fair value through profit or loss	164,364	164,364	–	–	164,364
Financial liabilities designated at fair value through profit or loss	29,788	–	29,788	–	29,788
Borrowings	2,436	–	–	2,436	2,436
Other liabilities	32,418	–	–	32,418	32,418
Debt in issuance	31,597	–	–	31,597	31,689
Liabilities held for sale	707	519	–	188	707
<b>Total financial liabilities</b>	<b>266,526</b>	<b>164,883</b>	<b>29,788</b>	<b>71,855</b>	<b>266,618</b>

## Financial assets and liabilities by categories

As at 31 December 2020

Bank	Total carrying value	Carrying value			Total fair value
		Mandatorily at FVTPL	Designated at fair value	Amortised cost	
<b>Financial assets (USD million)</b>					
Cash and due from banks	6,194	–	–	6,194	6,194
Interest-bearing deposits with banks	14,486	–	–	14,486	14,486
Securities purchased under resale agreements and securities borrowing transactions	4,559	–	–	4,559	4,559
Trading financial assets mandatorily at fair value through profit or loss	188,460	188,460	–	–	188,460
Non-trading financial assets mandatorily at fair value through profit or loss	25,624	25,624	–	–	25,624
Loans and advances	2,867	–	–	2,867	2,861
Other assets	44,566	33	–	44,533	44,566
Assets held for Sale	1,934	1,866	–	68	1,934
<b>Total financial assets</b>	<b>288,690</b>	<b>215,983</b>	<b>–</b>	<b>72,707</b>	<b>288,684</b>
<b>Financial liabilities (USD million)</b>					
Due to banks	433	–	–	433	433
Securities sold under repurchase agreements and securities lending transactions	4,783	–	–	4,783	4,783
Trading financial liabilities mandatorily at fair value through profit or loss	164,361	164,361	–	–	164,361
Financial liabilities designated at fair value through profit or loss	29,630	–	29,630	–	29,630
Borrowings	2,436	–	–	2,436	2,436
Other liabilities	32,418	–	–	32,418	32,418
Debt in issuance	31,661	–	–	31,661	31,753
Liabilities held for sale	707	519	–	188	707
<b>Total financial liabilities</b>	<b>266,429</b>	<b>164,880</b>	<b>29,630</b>	<b>71,919</b>	<b>266,521</b>

## 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, certain CP, 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 securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds. The fair value measurement disclosures exclude derivative 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 CDS prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to 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.

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 to valuation models/techniques, 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 to valuation models/techniques, 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 assessment of significance is based upon



the fair value of the instrument as a whole, taking into account quantitative and qualitative factors at the product, risk factor and instrument level.

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 31 December 2021(Group)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Assets (USD million)</b>					
Debt securities	5,722	6,820	1,183	–	13,725
Equity securities	14,496	1,323	613	–	16,432
Derivatives	5,665	121,663	994	(15,132)	113,190
of which interest rate products	12	63,340	67	(4,737)	58,682
of which foreign exchange products	26	18,009	129	–	18,164
of which equity/index-related products	5,620	33,045	476	(10,298)	28,843
of which credit derivatives	–	7,032	322	–	7,354
of which other derivative products	7	237	–	(97)	147
Other	–	301	70	–	371
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>25,883</b>	<b>130,107</b>	<b>2,860</b>	<b>(15,132)</b>	<b>143,718</b>
Securities purchased under resale agreements and securities borrowing transactions	–	42,012	–	(6,287)	35,725
Loans	–	1,149	8	(99)	1,058
Other non-trading financial assets mandatorily at fair value through profit or loss	189	1,244	10	–	1,443
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>189</b>	<b>44,405</b>	<b>18</b>	<b>(6,386)</b>	<b>38,226</b>
<b>Total assets at fair value</b>	<b>26,072</b>	<b>174,512</b>	<b>2,878</b>	<b>(21,518)</b>	<b>181,944</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 2021(Group)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Liabilities (USD million)</b>					
Debt securities	720	2,181	5	–	2,906
Equity securities	5,941	1,014	–	(985)	5,970
<b>Derivatives</b>	<b>7,155</b>	<b>118,108</b>	<b>1,901</b>	<b>(13,988)</b>	<b>113,176</b>
of which interest rate products	57	58,716	24	(3,624)	55,173
of which foreign exchange products	28	19,711	64	–	19,803
of which equity/index-related products	7,063	31,787	1,469	(10,267)	30,052
of which credit derivatives	–	7,516	344	–	7,860
of which other derivative products	7	378	–	(97)	288
Other	–	2	–	–	2
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>13,816</b>	<b>121,305</b>	<b>1,906</b>	<b>(14,973)</b>	<b>122,054</b>
Securities sold under resale agreements and securities borrowing transactions	–	25,576	–	(6,287)	19,289
Borrowings	–	1,828	433	–	2,261
Debt in issuance	–	9,108	2,355	–	11,463
Other financial liabilities designated at fair value through profit or loss	370	1,607	22	–	1,999
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>370</b>	<b>38,119</b>	<b>2,810</b>	<b>(6,287)</b>	<b>35,012</b>
<b>Total liabilities at fair value</b>	<b>14,186</b>	<b>159,424</b>	<b>4,716</b>	<b>(21,260)</b>	<b>157,066</b>
<b>Net assets/(liabilities) at fair value</b>	<b>11,886</b>	<b>15,088</b>	<b>(1,838)</b>	<b>(258)</b>	<b>24,878</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 2021 (Bank)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Assets (USD million)</b>					
Debt securities	5,722	7,061	1,183	–	13,966
Equity securities	14,475	1,323	598	–	16,396
Derivatives	5,665	121,665	994	(15,132)	113,192
of which interest rate products	12	63,342	67	(4,737)	58,684
of which foreign exchange products	26	18,009	129	–	18,164
of which equity/index-related products	5,620	33,045	476	(10,298)	28,843
of which credit derivatives	–	7,032	322	–	7,354
of which other derivative products	7	237	–	(97)	147
Other	–	301	70	–	371
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>25,862</b>	<b>130,350</b>	<b>2,845</b>	<b>(15,132)</b>	<b>143,925</b>
Securities purchased under resale agreements and securities borrowing transactions	–	42,012	–	(6,287)	35,725
Loans	–	806	29	(99)	736
Other non-trading financial assets mandatorily at fair value through profit or loss	189	1,243	10	–	1,442
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>189</b>	<b>44,061</b>	<b>39</b>	<b>(6,386)</b>	<b>37,903</b>
<b>Total assets at fair value</b>	<b>26,051</b>	<b>174,411</b>	<b>2,884</b>	<b>(21,518)</b>	<b>181,828</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 2021 (Bank)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Liabilities (USD million)</b>					
Debt securities	720	2,181	5	–	2,906
Equity securities	5,941	1,014	–	(985)	5,970
Derivatives	7,155	118,109	1,901	(13,988)	113,177
of which interest rate products	57	58,649	24	(3,624)	55,106
of which foreign exchange products	28	19,711	64	–	19,803
of which equity/index-related products	7,063	31,787	1,469	(10,267)	30,052
of which credit derivatives	–	7,584	344	–	7,928
of which other derivative products	7	378	–	(97)	288
Other	–	2	–	–	2
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>13,816</b>	<b>121,306</b>	<b>1,906</b>	<b>(14,973)</b>	<b>122,055</b>
Securities sold under resale agreements and securities borrowing transactions	–	25,577	–	(6,287)	19,290
Borrowings	–	1,828	433	–	2,261
Debt in issuance	–	8,963	2,350	–	11,313
Other financial liabilities designated at fair value through profit or loss	370	1,606	22	–	1,998
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>370</b>	<b>37,974</b>	<b>2,805</b>	<b>(6,287)</b>	<b>34,862</b>
<b>Total liabilities at fair value</b>	<b>14,186</b>	<b>159,280</b>	<b>4,711</b>	<b>(21,260)</b>	<b>156,917</b>
<b>Net assets/liabilities at fair value</b>	<b>11,865</b>	<b>15,131</b>	<b>(1,827)</b>	<b>(258)</b>	<b>24,911</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 2020 (Group)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Assets (USD million)</b>					
Debt securities	9,425	7,408	776	–	17,609
Equity securities	11,471	2,078	399	–	13,948
Derivatives	7,495	170,445	1,634	(23,419)	156,155
of which interest rate products	511	106,289	258	(12,609)	94,449
of which foreign exchange products	44	19,036	200	–	19,280
of which equity/index-related products	6,859	37,308	551	(10,799)	33,919
of which credit derivatives	–	7,438	625	–	8,063
of which other derivative products	81	374	–	(11)	444
Other	–	712	196	–	908
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>28,391</b>	<b>180,643</b>	<b>3,005</b>	<b>(23,419)</b>	<b>188,620</b>
Securities purchased under resale agreements and securities borrowing transactions	–	20,955	–	(73)	20,882
Loans	–	1,142	237	–	1,379
Other non-trading financial assets mandatorily at fair value through profit or loss	697	2,515	43	–	3,255
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>697</b>	<b>24,612</b>	<b>280</b>	<b>(73)</b>	<b>25,516</b>
Debt securities	–	32	–	–	32
Equity securities	47	–	–	–	47
Derivatives	–	1,747	35	–	1,782
of which interest rate products	–	787	33	–	820
of which foreign exchange products	–	300	–	–	300
of which equity/index-related products	–	658	1	–	659
of which credit derivatives	–	2	1	–	3
<b>Trading financial assets at fair value through profit or loss</b>	<b>47</b>	<b>1,779</b>	<b>35</b>	<b>–</b>	<b>1,861</b>
Loans	–	5	–	–	5
Other financial assets designated at fair value through profit or loss	–	–	–	–	–
<b>Assets held for sale</b>	<b>47</b>	<b>1,784</b>	<b>35</b>	<b>–</b>	<b>1,866</b>
<b>Total assets at fair value</b>	<b>29,135</b>	<b>207,039</b>	<b>3,320</b>	<b>(23,492)</b>	<b>216,002</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.

<sup>2</sup> Fair value of cash flow hedging derivatives of USD 33 million is included in 'Other assets'. These are level 2 instruments. The same is not included in the above table.

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

As at 31 December 2020 (Group)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Liabilities (USD million)</b>					
Debt securities	380	866	–	–	1,246
Equity securities	9,586	11	–	–	9,597
Derivatives	8,710	162,893	2,235	(20,317)	153,521
of which interest rate products	685	99,641	168	(9,263)	91,231
of which foreign exchange products	46	22,169	140	–	22,355
of which equity/index-related products	7,969	32,909	1,167	(11,045)	31,000
of which credit derivatives	–	7,650	760	–	8,410
of which other derivative products	10	524	–	(9)	525
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>18,676</b>	<b>163,770</b>	<b>2,235</b>	<b>(20,317)</b>	<b>164,364</b>
Securities sold under resale agreements and securities borrowing transactions	–	14,999	–	(73)	14,926
Borrowings	–	2,613	439	–	3,052
Debt in issuance	–	8,408	1,735	–	10,143
Other financial liabilities designated at fair value through profit or loss	61	1,400	206	–	1,667
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>61</b>	<b>27,420</b>	<b>2,380</b>	<b>(73)</b>	<b>29,788</b>
Debt securities	–	–	–	–	–
Equity securities	39	–	–	–	39
Other securities	–	–	–	–	–
Derivatives	–	474	6	–	480
of which interest rate products	–	335	–	–	335
of which foreign exchange products	–	123	–	–	123
of which equity/index-related products	–	2	6	–	8
of which credit derivatives	–	14	–	–	14
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>39</b>	<b>474</b>	<b>6</b>	<b>–</b>	<b>519</b>
Debt in issuance	–	–	–	–	–
Other financial liabilities designated at fair value through profit or loss	–	–	–	–	–
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Liabilities held for sale</b>	<b>39</b>	<b>474</b>	<b>6</b>	<b>–</b>	<b>519</b>
<b>Total liabilities at fair value</b>	<b>18,776</b>	<b>191,664</b>	<b>4,621</b>	<b>(20,390)</b>	<b>194,671</b>
<b>Net assets/liabilities at fair value</b>	<b>10,359</b>	<b>15,375</b>	<b>(1,301)</b>	<b>(3,102)</b>	<b>21,331</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 2020 (Bank)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Assets (USD million)</b>					
Debt securities	9,425	7,282	776	–	17,483
of which commercial mortgage backed securities	–	–	–	–	–
Equity securities	11,470	2,044	399	–	13,913
Derivatives	7,494	170,447	1,634	(23,419)	156,156
of which interest rate products	510	106,291	258	(12,610)	94,449
of which foreign exchange products	44	19,036	200	–	19,280
of which equity/index-related products	6,859	37,308	551	(10,798)	33,920
of which credit derivatives	–	7,438	625	–	8,063
of which other derivative products	81	374	–	(11)	444
Other	–	712	196	–	908
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>28,389</b>	<b>180,485</b>	<b>3,005</b>	<b>(23,419)</b>	<b>188,460</b>
Securities purchased under resale agreements and securities borrowing transactions	–	20,955	–	(73)	20,882
Loans	–	1,142	345	–	1,487
Other non-trading financial assets mandatorily at fair value through profit or loss	697	2,515	43	–	3,255
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>697</b>	<b>24,612</b>	<b>388</b>	<b>(73)</b>	<b>25,624</b>
					–
Equity securities	47	–	–	–	47
Derivatives	–	1,747	35	–	1,782
of which interest rate products	–	787	33	–	820
of which foreign exchange products	–	300	–	–	300
of which equity/index-related products	–	658	1	–	659
of which credit derivatives	–	2	1	–	3
<b>Trading financial assets at fair value through profit or loss</b>	<b>47</b>	<b>1,779</b>	<b>35</b>	<b>–</b>	<b>1,861</b>
Securities purchased under resale agreements and securities borrowing transactions	–	–	–	–	–
Loans	–	5	–	–	5
Other financial assets designated at fair value through profit or loss	–	–	–	–	–
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>5</b>
<b>Assets held for sale</b>	<b>47</b>	<b>1,784</b>	<b>35</b>	<b>–</b>	<b>1,866</b>
<b>Total assets at fair value</b>	<b>29,133</b>	<b>206,881</b>	<b>3,428</b>	<b>(23,492)</b>	<b>215,950</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.

<sup>2</sup> Fair value of cash flow hedging derivatives of USD 33 million is included in 'Other assets'. These are level 2 instruments. The same is not included in the above table.

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

As at 31 December 2020 (Bank)	Level 1	Level 2	Level 3	Impact of netting <sup>1</sup>	Total at fair value
<b>Liabilities (USD million)</b>					
Debt securities	380	862	–	–	1,242
Equity securities	9,586	11	–	–	9,597
Derivatives	8,710	162,894	2,235	(20,317)	153,522
of which interest rate products	685	99,641	168	(9,263)	91,231
of which foreign exchange products	46	22,169	140	–	22,355
of which equity/index-related products	7,969	32,908	1,167	(11,045)	30,999
of which credit derivatives	–	7,652	760	–	8,412
of which other derivative products	10	524	–	(9)	525
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>18,676</b>	<b>163,767</b>	<b>2,235</b>	<b>(20,317)</b>	<b>164,361</b>
Securities sold under resale agreements and securities borrowing transactions	–	14,999	–	(73)	14,926
Borrowings	–	2,613	439	–	3,052
Debt in issuance	–	8,250	1,735	–	9,985
Other financial liabilities designated at fair value through profit or loss	61	1,400	206	–	1,667
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>61</b>	<b>27,262</b>	<b>2,380</b>	<b>(73)</b>	<b>29,630</b>
Equity securities	39	–	–	–	39
Derivatives	–	474	6	–	480
of which interest rate products	–	335	–	–	335
of which foreign exchange products	–	123	–	–	123
of which equity/index-related products	–	2	6	–	8
of which credit derivatives	–	14	–	–	14
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>39</b>	<b>474</b>	<b>6</b>	<b>–</b>	<b>519</b>
<b>Liabilities held for sale</b>	<b>39</b>	<b>474</b>	<b>6</b>	<b>–</b>	<b>519</b>
<b>Total liabilities at fair value</b>	<b>18,776</b>	<b>191,503</b>	<b>4,621</b>	<b>(20,390)</b>	<b>194,510</b>
<b>Net assets/liabilities at fair value</b>	<b>10,357</b>	<b>15,378</b>	<b>(1,193)</b>	<b>(3,102)</b>	<b>21,440</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

USD million	2021		2020	
	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	1,728	9,340	47	4,915
<b>Total transfers in assets at fair value</b>	<b>1,728</b>	<b>9,340</b>	<b>47</b>	<b>4,915</b>
<b>Liabilities</b>				
Trading financial liabilities mandatorily at fair value through profit or loss	261	6,939	–	4,153
<b>Total transfers in liabilities at fair value</b>	<b>261</b>	<b>6,939</b>	<b>–</b>	<b>4,153</b>

The transfers from Level 1 to Level 2 are mainly driven by debt and equity 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 the instrument becomes observable. All transfers were reported at the end of the reporting period.

## Movements of Level 3 instruments

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

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

Group	Balance as at 1 January 2021	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2021
								On transfers in/out <sup>1</sup>	On all other	
<b>Assets at fair value (USD million)</b>										
Debt securities	776	251	(259)	3,187	(2,884)	–	–	(13)	125	1,183
Equity securities	399	207	(1)	104	(84)	–	–	–	(12)	613
Derivatives	1,634	479	(1,332)	–	–	1,195	(1,109)	190	(63)	994
of which interest rate products	258	40	(147)	–	–	175	(101)	(11)	(147)	67
of which foreign exchange products	200	5	(139)	–	–	177	(212)	(17)	115	129
of which equity/index-related products	551	130	(596)	–	–	700	(605)	234	62	476
of which credit derivatives	625	300	(450)	–	–	141	(189)	(13)	(92)	322
of which other derivative products	–	4	–	–	–	2	(2)	(3)	(1)	–
Other	196	9	(6)	120	(251)	71	(80)	–	11	70
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>3,005</b>	<b>946</b>	<b>(1,598)</b>	<b>3,411</b>	<b>(3,219)</b>	<b>1,266</b>	<b>(1,189)</b>	<b>177</b>	<b>61</b>	<b>2,860</b>
Loans	237	–	(65)	–	(19)	13	(153)	–	(5)	8
Other non-trading financial assets mandatorily at fair value through profit or loss	43	–	(3)	5	(20)	2	–	–	(17)	10
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>280</b>	<b>–</b>	<b>(68)</b>	<b>5</b>	<b>(39)</b>	<b>15</b>	<b>(153)</b>	<b>–</b>	<b>(22)</b>	<b>18</b>
Derivatives	35	–	(35)	–	–	–	–	–	–	–
of which interest rate products	33	–	(33)	–	–	–	–	–	–	–
of which equity/index-related products	1	–	(1)	–	–	–	–	–	–	–
of which credit derivatives	1	–	(1)	–	–	–	–	–	–	–
<b>Trading financial assets at fair value through profit or loss</b>	<b>35</b>	<b>–</b>	<b>(35)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Assets held for sale</b>	<b>35</b>	<b>–</b>	<b>(35)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total assets at fair value</b>	<b>3,320</b>	<b>946</b>	<b>(1,701)</b>	<b>3,416</b>	<b>(3,258)</b>	<b>1,281</b>	<b>(1,342)</b>	<b>177</b>	<b>39</b>	<b>2,878</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, all 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 2021	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2021
								On transfers in/out <sup>1</sup>	On all other	
<b>Liabilities at fair value (USD million)</b>										
Debt securities	–	–	–	14	(5)	–	–	–	(4)	5
Equity securities	–	2	–	1	(2)	–	–	–	(1)	–
Derivatives	2,235	917	(1,988)	–	–	810	(852)	310	469	1,901
of which interest rate products	168	4	(138)	–	–	88	(81)	(11)	(6)	24
of which foreign exchange products	140	10	(30)	–	–	1	(10)	(5)	(42)	64
of which equity/index-related products	1,167	607	(1,345)	–	–	581	(433)	344	548	1,469
of which credit derivatives	760	296	(473)	–	–	139	(328)	(19)	(31)	344
of which other derivative products	–	–	(2)	–	–	1	–	1	–	–
Other	–	2	(2)	–	–	–	–	–	–	–
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>2,235</b>	<b>921</b>	<b>(1,990)</b>	<b>15</b>	<b>(7)</b>	<b>810</b>	<b>(852)</b>	<b>310</b>	<b>464</b>	<b>1,906</b>
Borrowings	439	101	(206)	–	–	742	(707)	(22)	86	433
Debt in issuance	1,735	426	(747)	–	–	3,676	(2,712)	(34)	11	2,355
Other financial liabilities designated at fair value through profit or loss	206	10	(107)	5	(84)	10	–	4	(22)	22
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>2,380</b>	<b>537</b>	<b>(1,060)</b>	<b>5</b>	<b>(84)</b>	<b>4,428</b>	<b>(3,419)</b>	<b>(52)</b>	<b>75</b>	<b>2,810</b>
<b>Derivatives</b>	<b>6</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
of which equity/index-related products	6	–	(6)	–	–	–	–	–	–	–
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>6</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Liabilities held for sale</b>	<b>6</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities at fair value</b>	<b>4,621</b>	<b>1,458</b>	<b>(3,056)</b>	<b>20</b>	<b>(91)</b>	<b>5,238</b>	<b>(4,271)</b>	<b>258</b>	<b>539</b>	<b>4,716</b>
<b>Net assets/liabilities at fair value</b>	<b>(1,301)</b>	<b>(512)</b>	<b>1,355</b>	<b>3,396</b>	<b>(3,167)</b>	<b>(3,957)</b>	<b>2,929</b>	<b>(81)</b>	<b>(500)</b>	<b>(1,838)</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, all 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

Bank	Balance as at 1 January 2021	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2021
								On transfers in/out <sup>1</sup>	On all other	
<b>Assets at fair value (USD million)</b>										
Debt securities	776	251	(259)	3,187	(2,884)	–	–	(13)	125	1,183
Equity securities	399	207	(1)	104	(96)	–	–	–	(15)	598
Derivatives	1,634	479	(1,331)	–	–	1,195	(1,109)	190	(64)	994
of which interest rate products	258	40	(147)	–	–	175	(101)	(11)	(147)	67
of which foreign exchange products	200	5	(139)	–	–	177	(212)	(17)	115	129
of which equity/index-related products	551	130	(595)	–	–	700	(605)	234	61	476
of which credit derivatives	625	300	(450)	–	–	141	(189)	(13)	(92)	322
of which other derivative products	–	4	–	–	–	2	(2)	(3)	(1)	–
Other	196	9	(6)	120	(251)	71	(80)	–	11	70
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>3,005</b>	<b>946</b>	<b>(1,597)</b>	<b>3,411</b>	<b>(3,231)</b>	<b>1,266</b>	<b>(1,189)</b>	<b>177</b>	<b>57</b>	<b>2,845</b>
Loans	345	–	(65)	–	(19)	13	(240)	–	(5)	29
Other non-trading financial assets mandatorily at fair value through profit or loss	43	–	(3)	5	(20)	2	–	–	(17)	10
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>388</b>	<b>–</b>	<b>(68)</b>	<b>5</b>	<b>(39)</b>	<b>15</b>	<b>(240)</b>	<b>–</b>	<b>(22)</b>	<b>39</b>
Derivatives	35	–	(35)	–	–	–	–	–	–	–
of which interest rate products	33	–	(33)	–	–	–	–	–	–	–
of which equity/index-related products	1	–	(1)	–	–	–	–	–	–	–
of which credit derivatives	1	–	(1)	–	–	–	–	–	–	–
<b>Trading financial assets at fair value through profit or loss</b>	<b>35</b>	<b>–</b>	<b>(35)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Assets held for sale</b>	<b>35</b>	<b>–</b>	<b>(35)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total assets at fair value</b>	<b>3,428</b>	<b>946</b>	<b>(1,700)</b>	<b>3,416</b>	<b>(3,270)</b>	<b>1,281</b>	<b>(1,429)</b>	<b>177</b>	<b>35</b>	<b>2,884</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

Bank	Balance as at 1 January 2021	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2021
								On transfers in/out <sup>1</sup>	On all other	
<b>Liabilities at fair value (USD million)</b>										
Debt securities	–	–	–	14	(5)	–	–	–	(4)	5
Equity securities	–	2	–	1	(2)	–	–	–	(1)	–
Derivatives	2,235	917	(1,989)	–	–	810	(852)	310	470	1,901
of which interest rate products	168	4	(138)	–	–	88	(81)	(11)	(6)	24
of which foreign exchange products	140	10	(30)	–	–	1	(10)	(5)	(42)	64
of which equity/index-related products	1,167	607	(1,345)	–	–	581	(433)	344	548	1,469
of which credit derivatives	760	296	(473)	–	–	139	(328)	(19)	(31)	344
of which other derivative products	–	–	(3)	–	–	1	–	1	1	–
Other	–	2	(2)	–	–	–	–	–	–	–
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>2,235</b>	<b>921</b>	<b>(1,991)</b>	<b>15</b>	<b>(7)</b>	<b>810</b>	<b>(852)</b>	<b>310</b>	<b>465</b>	<b>1,906</b>
Borrowings	439	101	(206)	–	–	742	(707)	(22)	86	433
Debt in issuance	1,735	426	(747)	–	–	3,671	(2,712)	(34)	11	2,350
Other financial liabilities designated at fair value through profit or loss	206	10	(107)	5	(84)	10	–	4	(22)	22
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>2,380</b>	<b>537</b>	<b>(1,060)</b>	<b>5</b>	<b>(84)</b>	<b>4,423</b>	<b>(3,419)</b>	<b>(52)</b>	<b>75</b>	<b>2,805</b>
Derivatives	6	–	(6)	–	–	–	–	–	–	–
of which equity/index-related products	6	–	(6)	–	–	–	–	–	–	–
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>6</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Liabilities held for sale</b>	<b>6</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities at fair value</b>	<b>4,621</b>	<b>1,458</b>	<b>(3,057)</b>	<b>20</b>	<b>(91)</b>	<b>5,233</b>	<b>(4,271)</b>	<b>258</b>	<b>540</b>	<b>4,711</b>
<b>Net assets/liabilities at fair value</b>	<b>(1,193)</b>	<b>(512)</b>	<b>1,357</b>	<b>3,396</b>	<b>(3,179)</b>	<b>(3,952)</b>	<b>2,842</b>	<b>(81)</b>	<b>(505)</b>	<b>(1,827)</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

Group	Balance as at 1 January 2020	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2020
								On transfers in/out <sup>1</sup>	On all other	
<b>Assets at fair value (USD million)</b>										
Debt securities	1,202	158	(858)	1,818	(1,760)	–	–	25	191	<b>776</b>
Equity securities	596	1	–	19	(220)	–	–	–	3	<b>399</b>
Derivatives	1,922	1,121	(1,999)	–	(22)	2,236	(2,567)	(168)	1,111	<b>1,634</b>
of which interest rate products	186	21	(66)	–	(22)	142	(61)	(16)	74	258
of which foreign exchange products	181	18	(105)	–	–	71	(31)	24	42	200
of which equity/index-related products	1,003	332	(1,245)	–	–	1,312	(1,347)	(265)	761	551
of which credit derivatives	552	750	(583)	–	–	711	(1,128)	89	234	625
Other	254	92	(198)	204	(331)	221	(82)	71	(35)	<b>196</b>
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>3,974</b>	<b>1,372</b>	<b>(3,055)</b>	<b>2,041</b>	<b>(2,333)</b>	<b>2,457</b>	<b>(2,649)</b>	<b>(72)</b>	<b>1,270</b>	<b>3,005</b>
Loans	561	223	(148)	–	(224)	217	(265)	(10)	(117)	<b>237</b>
Other non-trading financial assets mandatorily at fair value through profit or loss	26	2	(4)	4	(25)	1	–	1	38	<b>43</b>
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>587</b>	<b>225</b>	<b>(152)</b>	<b>4</b>	<b>(249)</b>	<b>218</b>	<b>(265)</b>	<b>(9)</b>	<b>(79)</b>	<b>280</b>
Loans	22	–	–	–	(22)	–	–	–	–	–
<b>Assets held for sale</b>	<b>47</b>	<b>5</b>	<b>(1)</b>	<b>–</b>	<b>(22)</b>	<b>–</b>	<b>(3)</b>	<b>(1)</b>	<b>10</b>	<b>35</b>
<b>Total assets at fair value</b>	<b>4,608</b>	<b>1,602</b>	<b>(3,208)</b>	<b>2,045</b>	<b>(2,604)</b>	<b>2,675</b>	<b>(2,917)</b>	<b>(82)</b>	<b>1,201</b>	<b>3,320</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, all 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 2020	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2020
								On transfers in/out <sup>1</sup>	On all other	
<b>Liabilities at fair value (USD million)</b>										
Debt securities	–	–	–	–	–	–	–	–	–	–
Derivatives	2,743	870	(1,682)	–	(28)	1,343	(2,059)	476	572	<b>2,235</b>
of which interest rate products	154	4	(16)	–	(28)	27	(35)	(4)	66	168
of which foreign exchange products	110	4	(46)	–	–	11	(43)	16	88	140
of which equity/index-related products	1,819	192	(1,029)	–	–	502	(905)	358	230	1,167
of which credit derivatives	660	670	(591)	–	–	803	(1,076)	106	188	760
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>2,743</b>	<b>870</b>	<b>(1,682)</b>	<b>–</b>	<b>(28)</b>	<b>1,343</b>	<b>(2,059)</b>	<b>476</b>	<b>572</b>	<b>2,235</b>
Borrowings	617	1	(98)	–	–	655	(721)	2	(17)	<b>439</b>
Debt in issuance	1,926	138	(509)	–	–	875	(593)	30	(132)	<b>1,735</b>
Other financial liabilities designated at fair value through profit or loss	166	73	(144)	–	124	15	(29)	(11)	12	<b>206</b>
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>2,709</b>	<b>212</b>	<b>(751)</b>	<b>–</b>	<b>124</b>	<b>1,545</b>	<b>(1,343)</b>	<b>21</b>	<b>(137)</b>	<b>2,380</b>
Debt in issuance	25	–	–	–	–	–	(25)	–	–	–
<b>Liabilities held for sale</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(25)</b>	<b>–</b>	<b>(4)</b>	<b>6</b>
<b>Total liabilities at fair value</b>	<b>5,487</b>	<b>1,082</b>	<b>(2,433)</b>	<b>–</b>	<b>96</b>	<b>2,888</b>	<b>(3,427)</b>	<b>497</b>	<b>431</b>	<b>4,621</b>
<b>Net assets/liabilities at fair value</b>	<b>(879)</b>	<b>520</b>	<b>(775)</b>	<b>2,045</b>	<b>(2,700)</b>	<b>(213)</b>	<b>510</b>	<b>(579)</b>	<b>770</b>	<b>(1,301)</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, all 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

Bank	Balance as at 1 January 2020	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2020
								On transfers in/out <sup>1</sup>	On all other	
<b>Assets at fair value (USD million)</b>										
Debt securities	1,201	158	(858)	1,818	(1,759)	–	–	25	191	<b>776</b>
Equity securities	582	1	–	19	(206)	–	–	–	3	<b>399</b>
Derivatives	1,922	1,121	(1,999)	–	(22)	2,236	(2,567)	(168)	1,111	<b>1,634</b>
of which interest rate products	186	21	(66)	–	(22)	142	(61)	(16)	74	258
of which foreign exchange products	181	18	(105)	–	–	71	(31)	24	42	200
of which equity/index-related products	1,003	332	(1,245)	–	–	1,312	(1,347)	(265)	761	551
of which credit derivatives	552	750	(583)	–	–	711	(1,128)	89	234	625
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Other	254	92	(198)	203	(330)	221	(82)	70	(34)	<b>196</b>
<b>Trading financial assets mandatorily at fair value through profit or loss</b>	<b>3,959</b>	<b>1,372</b>	<b>(3,055)</b>	<b>2,040</b>	<b>(2,317)</b>	<b>2,457</b>	<b>(2,649)</b>	<b>(73)</b>	<b>1,271</b>	<b>3,005</b>
Loans	611	222	(148)	–	(224)	217	(208)	(10)	(115)	<b>345<sup>2</sup></b>
Other non-trading financial assets mandatorily at fair value through profit or loss	26	2	(4)	4	(24)	1	–	30	8	<b>43</b>
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>637</b>	<b>224</b>	<b>(152)</b>	<b>4</b>	<b>(248)</b>	<b>218</b>	<b>(208)</b>	<b>20</b>	<b>(107)</b>	<b>388</b>
Loans	22	–	–	–	(22)	–	–	–	–	–
<b>Assets held for sale</b>	<b>47</b>	<b>5</b>	<b>(1)</b>	<b>–</b>	<b>(22)</b>	<b>–</b>	<b>(3)</b>	<b>(1)</b>	<b>10</b>	<b>35</b>
<b>Total assets at fair value</b>	<b>4,643</b>	<b>1,601</b>	<b>(3,208)</b>	<b>2,044</b>	<b>(2,587)</b>	<b>2,675</b>	<b>(2,860)</b>	<b>(54)</b>	<b>1,174</b>	<b>3,428</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, all 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

Bank	Balance as at 1 January 2020	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2020
								On transfers in/out <sup>1</sup>	On all other	
<b>Liabilities at fair value (USD million)</b>										
Derivatives	2,743	870	(1,682)	–	(28)	1,343	(2,059)	476	572	<b>2,235</b>
of which interest rate products	154	4	(16)	–	(28)	27	(35)	(4)	66	168
of which foreign exchange products	110	4	(46)	–	–	11	(43)	16	88	140
of which equity/index-related products	1,819	192	(1,029)	–	–	502	(905)	358	230	1,167
of which credit derivatives	660	670	(591)	–	–	803	(1,076)	106	188	760
<b>Trading financial liabilities mandatorily at fair value through profit or loss</b>	<b>2,743</b>	<b>870</b>	<b>(1,682)</b>	<b>–</b>	<b>(28)</b>	<b>1,343</b>	<b>(2,059)</b>	<b>476</b>	<b>572</b>	<b>2,235</b>
Borrowings	617	1	(98)	–	–	655	(721)	2	(17)	<b>439</b>
Debt in issuance	1,909	138	(509)	–	–	875	(576)	30	(132)	<b>1,735</b>
Other financial liabilities designated at fair value through profit or loss	166	73	(144)	–	124	15	(29)	(11)	12	<b>206</b>
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>2,692</b>	<b>212</b>	<b>(751)</b>	<b>–</b>	<b>124</b>	<b>1,545</b>	<b>(1,326)</b>	<b>21</b>	<b>(137)</b>	<b>2,380</b>
<b>Derivatives</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>	<b>6</b>
of which equity/index-related products	10	–	–	–	–	–	–	–	(4)	6
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4)</b>	<b>6</b>
Debt in issuance	25	–	–	–	–	–	(25)	–	–	–
<b>Liabilities held for sale</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(25)</b>	<b>–</b>	<b>(4)</b>	<b>6</b>
<b>Total liabilities at fair value</b>	<b>5,470</b>	<b>1,082</b>	<b>(2,433)</b>	<b>–</b>	<b>96</b>	<b>2,888</b>	<b>(3,410)</b>	<b>497</b>	<b>431</b>	<b>4,621</b>
<b>Net assets/liabilities at fair value</b>	<b>(827)</b>	<b>519</b>	<b>(775)</b>	<b>2,044</b>	<b>(2,683)</b>	<b>(213)</b>	<b>550</b>	<b>(551)</b>	<b>743</b>	<b>(1,193)</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, all 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)

Group and Bank	2021	2020
<b>Trading revenues (USD million)</b>		
Net realised/unrealised gains/(losses) included in net revenues	(581) <sup>1</sup>	191 <sup>1</sup>
Whereof:		
Trading financial assets mandatorily at fair value through profit or loss	381	395
Non-trading financial assets mandatorily at fair value through profit or loss	–	(3)
Assets held for sale	–	3
Trading financial liabilities mandatorily at fair value through profit or loss	(713)	(626)
Financial liabilities designated at fair value through profit or loss	(72)	(56)
Liabilities held for sale	–	5
<b>Total changes in unrealised losses relating to assets and liabilities still held as of the reporting date</b>	<b>(404)</b>	<b>(282)</b>

<sup>1</sup> Bank loss of USD 587 million (2020: USD 192 million gain)

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the previous table may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSi group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the previous table do not reflect the related realised

or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

### Transfers in and out of Level 3

The transfers into Level 3 are mainly driven by Debt securities, Equity securities & Derivatives due to limited observability of pricing data and reduced pricing information from external providers. All transfers were reported at the end of the reporting period.

The transfers out of Level 3 are mainly driven by Debt securities, Derivatives and Loans due to improved observability of pricing data and increased availability of pricing information from external

providers. All transfers were reported at the end of the reporting period.

### **Qualitative disclosures of valuation techniques**

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

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

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

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

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed

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

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

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

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

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

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

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

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

### **Debt securities**

#### **Foreign governments and corporates**

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

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

### **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 value is derived from market observable inputs are categorised as level 2 instruments, while those where the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy. The assessment of significance of Level 3 is based upon the fair value of the instrument as a whole, taking into account quantitative and qualitative factors at the product, risk factor and instrument level.

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**

#### **Failed Purchases**

These assets represent securitisations that do not meet the criteria for purchase treatment under IFRS. Failed purchases are valued in a manner consistent with the related underlying financial instruments. These are treated as financing transactions, as opposed to bringing the purchased assets on the balance sheet.

#### **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.

### **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. These are treated as financing transactions, as opposed to removing the sold assets from the balance sheet.

### **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 previously, 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.

each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

### Quantitative information about level 3 assets and liabilities at fair value

The following tables provide the representative range of minimum and maximum values and the associated weighted average of

As at 31 December 2021 Group (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>1,183</b>					
of which	311	Option model	Correlation, in %	(50)	100	68
	5		Gap risk, in %	–	2	–
	854		Volatility, in %	–	163	14
of which	23	Discounted cash flow	Credit spread in bp	50	600	277
of which	26	Market comparable	Price in %	–	101	26
of which	–	Price	Price in %	93	100	100
<b>Equity securities</b>	<b>613</b>					
of which	3	Market comparable	Price, in actuals	–	88	86
of which	4	Price	Price, in actuals	–	230	3
	573		Fund NAV, in USD	3	54,565	2,247
<b>Derivatives</b>	<b>994</b>					
of which interest rate products	67					
of which	22	Option model	Correlation in %	–	100	46
	6		Mean reversion, in %	(20)	20	13
	9		Prepayment rate in %	–	21	17
	23		Volatility, in %	(3)	–	(1)
of which	3	Discounted Cash Flow	Discount Rate, in %	–	–	–
	2		Volatility, in %	93	100	97
of which foreign exchange products	129					
of which	1	Option model	Correlation, in %	–	55	18
	77		Mean reversion, in %	(55)	20	(18)
of which	1	Discounted Cash Flow	Contingent probability, in %	95	95	95
of which equity/index-related products	476					
of which	2	Option model	Buyback probability, in %	50	100	74
	185		Correlation, in %	(50)	100	68
	16		Fund Gap Risk, in %	–	2	–
	1		Gap risk, in %	–	3	1
	8		Fund NAV, in USD	3	54,565	2,247
	238		Volatility, in %	(1)	163	13
	7		Dividend Yield, in %	–	7	4
of which	20	Price	Price, in actuals	–	81	16
of which credit derivatives	322					
of which	222	Discounted cash flow	Credit spread, in bp	4	884	125
	63		Discount Rate, in %	5	20	15
	31		Recovery rate, in %	–	15	1
	3		Funding Spread, in bp	154	154	154
of which other derivative product	–					
of which	–	Option Model	Mean reversion, in %	(55)	20	(18)
<b>Other</b>	<b>70</b>					
of which trading	4	Discounted cash flow	Tax Swap rate (Percentage of VAT receivable PV)	30	30	30
	69	Market comparable	Price, in %	–	98	94
of which loans held-for-sale	2	Market Comparable	Price, in %	–	35	27
	7	Price	Funding Spread, in %	–	100	3
<b>Loans</b>	<b>8</b>					
of which	47	Discounted cash flow	Credit spread in bp	–	877	877



As at 31 December 2021(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>Equity securities</b>						
of which	–	Price	Price, in actuals	–	81	16
<b>Derivatives</b>	<b>1,901</b>					
of which interest rate products	24					
of which	10	Option model	Correlation, in %	–	91	62
	4		Mean reversion, in %	–	15	15
	3		Prepayment rate, in %	–	21	13
	2		Volatility, in %	(3)	14	9
of which	1	Discounted cash flow	Discount Rate, in %	–	–	–
	3		Volatility, in %	93	100	97
of which foreign exchange products <sup>64</sup>						
of which	18	Discounted cash flow	Contingent probability, in %	95	95	95
	7	Option model	Correlation, in %	55	55	18
	5		Mean reversion, in %	(55)	20	(18)
	–		Volatility, in %	–	20	19
of which equity/index-related products	1,469					
of which	4	Option model	Buyback probability, in %	50	100	74
	122		Correlation, in %	(50)	100	67
	–		Fund Gap Risk, in %	–	2	–
	–		Fund NAV, in USD	3	54,565	2,247
	1,214		Volatility, in %	(1)	163	14
	2		Dividend Yield, in %	–	7	4
of which	82	Price	Price, in actuals	–	230	3
of which credit derivatives	344					
of which	226	Discounted cash flow	Credit spread, in bp	4	777	126
	63		Discount Rate, in %	5	20	14
	28		Recovery rate, in %	–	15	–
	13		Funding Spread, in bp	123	154	145
of which	13	Option model	Credit spread, in bp	27	1,033	199
<b>Debt in issuance</b>	<b>2,355</b>					
of which structured notes over two years	1,932					
of which	1,499	Discounted cash flow	Credit spread, in bp	14	14	7
of which	209	Option model	Buyback probability, in %	50	100	74
	61		Correlation, in %	(50)	100	64
	16		Fund Gap Risk, in %	–	2	–
	48		Unadjusted NAV, in USD	3	54,565	2,247
	97		Volatility, in %	–	163	14
of which other debt instruments over two years	53					
of which	37	Option model	Buyback probability, in %	3	54,565	2,247
	16		Unadjusted NAV, in USD	50	100	74
of which structured notes between one and two years	306					
of which	17	Option model	Buyback probability, in %	50	100	74
	131		Correlation, in %	(50)	100	68
	110		Fund Gap Risk, in %	–	2	–
	28		Gap risk, in %	–	3	1
	17		Unadjusted NAV, in USD	3	54,565	2,247
	3		Volatility, in %	3	163	14
of which other debt instruments between one and two years	59					
of which	59	Option Model	Unadjusted NAV, in USD	3	54,565	2,247
of which non-recourse liabilities	4					
of which	4	Market Comparable	Price, in %	1	1	1
<b>Borrowings</b>	<b>433</b>					
of which	185	Option model	Buyback probability, in %	50	100	74
	131		Correlation, in %	(50)	100	68
	85		Fund Gap Risk, in %	–	2	–
	6		Gap risk, in %	–	3	1
	14		Unadjusted NAV, in USD	3	54,565	2,247
	12		Volatility, in %	3	163	14
<b>Other Financial liabilities designated at fair value</b>	<b>22</b>					
of which failed sales	2					
of which	–	Market Comparable	Price, in %	–	1	1
of which others	20					
of which	12	Market comparable	Price in %	–	88	79

As at 31 December 2020 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Restated Minimum value	Restated Maximum value	Restated Weighted average
<b>Assets at fair value</b>						
<b>Debt securities</b>	<b>776</b>					
of which corporates	768					
of which	212	Option model	Correlation, in %	(50)	100	56
	31		Credit spread in bp	(9)	80	67
	5		Gap risk, in %	–	2	–
	255		Volatility, in %	–	158	14
of which	54	Discounted cash flow	Credit spread in bp	135	1,509	294
	116	Market comparable	Price in %	–	101	94
<b>Equity securities</b>	<b>399</b>					
	396	Vendor price	Fund NAV, in USD million	1 <sup>1</sup>	54,565 <sup>1</sup>	639 <sup>1</sup>
<b>Derivatives</b>	<b>1,634</b>					
of which interest rate products	258					
of which	20	Option model	Correlation in %	5	100	53
	6		Mean reversion, in %	(10)	15	(7)
	107		Prepayment rate in %	1	26	8
	87		Volatility skew, in %	93	103	98
	46		FX Volatility, in %	(3)	1	(1)
of which foreign exchange products	200					
of which	117	Option model	Correlation in %	5	95	41
	22		Prepayment rate in %	22	26	24
	2		Volatility in %	7	7	7
of which equity/index-related products	551					
of which	2	Option model	Buyback probability, in %	50	100	66
	177		Correlation, in %	(50)	100	60
	263		Volatility, in %	(2)	158	13
of which credit derivatives	625					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	330		Credit spread, in bp	1	1,468	171
	–		Default rate, in %	1	7	3
	119		Discount rate, in %	6	19	15
	74		Funding spread, in bps	30	641	356
	–		Loss severity, in %	10	100	69
	51		Recovery rate, in %	–	45	23
of which	–	Option model	Prepayment rate, in %	3	9	7
of which	–	Market comparable	Price, in %	99	116	103
<b>Other</b>	<b>196</b>					
of which trading	20	Discounted cash flow	Credit spread in bp	30	30	30
	120	Market comparable	Price in %	–	106	85
of which loans held-for-sale	56	Market comparable	Price, in %	–	100	87
<b>Loans</b>	<b>237</b>					
of which commercial and industrial loans	190					
	33	Discounted cash flow	Credit spread in bp	549	549	549
	143	Market comparable	Price in %	100	100	100
of which loans to finance institutions	14					
	14	Discounted cash flow	Credit spread in bp	256	442	435
of which government and public institutions	33					
of which	33	Discounted cash flow	Credit spread in bp	88	88	88

<sup>1</sup> 2020 numbers have been amended to rectify inconsistency in rounding off values.

As at 31 December 2020 Group (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>2,235</b>					
of which interest rate products	168					
of which	15	Option model	Correlation, in %	5	100	31
	32		Mean reversion, in %	(10)	15	(1)
	97		Prepayment rate, in %	1	26	6
of which foreign exchange products	140					
of which	30	Discounted cash flow	Contingent probability, in %	95	95	95
	18	Option model	Correlation, in %	35	60	53
	40		Prepayment rate, in %	22	26	24
	8		Volatility, in %	(2)	–	(1)
of which equity/index-related products	1,167					
of which	35	Option model	Buyback probability, in %	50	100	66
	122		Correlation, in %	(50)	100	56
	806		Volatility, in %	3	158	15
of which credit derivatives	760					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	317		Credit spread, in bp	1	1,468	131
	–		Default rate, in %	–	7	3
	119		Discount rate, in %	6	19	14
	194		Funding spread, in bps	55	641	343
	–		Loss severity, in %	–	100	68
	51		Recovery rate, in %	–	81	31
	–		Volatility, in %	–	–	–
of which	34	Option model	Credit spread, in bp	9	12	11
	–		Prepayment rate, in %	–	9	7
of which	–	Market comparable	Price, in %	99	116	107
<b>Debt in issuance</b>	<b>1,735</b>					
of which structured notes over two years	1,322					
of which	900	Discounted cash flow	Credit spread, in bp	(9)	16	4
	–		Recovery rate, in %	40	40	40
of which	273	Option model	Buyback probability, in %	50	100	66
	91		Correlation, in %	(50)	100	56
	24		Gap risk, in %	–	2	–
	25		Volatility, in %	12	37	30
of which other debt over two years	130					
of which	127	Option model	Buyback probability, in %	50	100	66
	–		Correlation, in %	–	–	–
	3		Gap risk, in %	–	2	–
of which structured notes between one and two years	263					
of which	6	Option model	Buyback probability, in %	50	100	66
	115		Correlation, in %	(50)	100	56
	114		Gap risk, in %	–	4	1
<b>Borrowings</b>	<b>439</b>					
of which	129	Option model	Buyback probability, in %	50	100	66
	176		Correlation, in %	(50)	100	56
	46		Gap risk, in %	–	2	–
<b>Other Financial liabilities designated at fair value</b>	<b>206</b>					
	123	Market comparable	Price in %	–	100	100

### **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 tables above. 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 a significant unobservable input for structures that exhibit market risk to jumps in a reference asset, generally related to certain financing or principal protection trade features.

#### **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.

#### **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.

## Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated 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:

Group and Bank	As at 31 December 2021		As at 31 December 2020	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
<b>Impact on net income/(loss) (USD million)</b>				
Derivative assets and liabilities	312	(330)	300	(338)
Assets-backed securities, loans and derivatives	–	–	1	(1)
Debt and equity securities	26	(26)	49	(44)
Loans	15	(7)	25	(19)
Other	–	(1)	–	–
<b>Total</b>	<b>353</b>	<b>(364)</b>	<b>375</b>	<b>(402)</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 or loss implied from the valuation technique at the inception of the transaction is deferred over the period until the fair value becomes observable or over the life of the trade, whichever is shorter. At the inception of the transaction, a profit or loss is recognised if the fair value of the financial instrument is based on a valuation technique that uses significantly observable inputs or if the fair value is obtained from a quoted market price in an active market.

The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of year with a reconciliation of the changes of the balance during the year:

	2021	2020
<b>Deferred trade date profit (USD million)</b>		
Balance at the beginning of period	550	503
Increase due to new trades	272	253
Reduction due to passage of time	(126)	(77)
Reduction due to redemption, sales, transfers or improved observability	(177)	(129)
<b>Balance at the end of period</b>	<b>519</b>	<b>550</b>

#### Fair Value of financial instruments not recognised at fair value by level of fair value hierarchy

Certain short-term financial instruments are not carried at fair value on the balance sheet, but a fair value has been disclosed in the table "Carrying value and fair value of financial instruments not carried at fair value" below. These instruments include: cash and due from banks, 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.

As at 31 December 2021  
Group (USD million)

	Level 1	Level 2	Level 3	Fair value
<b>Financial assets</b>				
Cash and due from banks	1,427	57	–	1,484
Interest-bearing deposits with banks	–	13,284	–	13,284
Securities purchased under resale agreements and securities borrowing transactions	–	8,902	–	8,902
Loans and advances	–	186	2,527	2,713
Other assets	–	33,643	–	33,643
Assets held for sale	–	–	–	–
<b>Total fair value of financial assets</b>	<b>1,427</b>	<b>56,072</b>	<b>2,527</b>	<b>60,026</b>
<b>Financial liabilities</b>				
Due to banks	218	–	–	218
Securities sold under repurchase agreements and securities lending transactions	–	3,371	–	3,371
Borrowings	–	1,470	–	1,470
Debt in issuance	–	40,401	–	40,401
Other financial liabilities	–	22,859	–	22,859
Liabilities held for sale	–	–	–	–
<b>Total fair value of financial liabilities</b>	<b>218</b>	<b>68,101</b>	<b>–</b>	<b>68,319</b>

As at 31 December 2021  
Bank (USD million)

	Level 1	Level 2	Level 3	Fair value
<b>Financial assets</b>				
Cash and due from banks	1,409	57	–	1,466
Interest-bearing deposits with banks	–	13,284	–	13,284
Securities purchased under resale agreements and securities borrowing transactions	–	8,902	–	8,902
Loans and advances	–	186	2,527	2,713
Other assets	–	33,642	–	33,642
Assets held for sale	–	–	–	–
<b>Total fair value of financial assets</b>	<b>1,409</b>	<b>56,071</b>	<b>2,527</b>	<b>60,007</b>
<b>Financial liabilities</b>				
Due to banks	218	–	–	218
Securities sold under repurchase agreements and securities lending transactions	–	3,371	–	3,371
Borrowings	–	1,470	–	1,470
Debt in issuance	–	40,401	–	40,401
Other financial liabilities	–	22,859	–	22,859
Liabilities held for sale	–	–	–	–
<b>Total fair value of financial liabilities</b>	<b>218</b>	<b>68,101</b>	<b>–</b>	<b>68,319</b>

As at 31 December 2020  
Group (USD million)

	Level 1	Level 2	Level 3	Fair value
<b>Financial assets</b>				
Cash and due from banks	6,086	139	–	6,225
Interest-bearing deposits with banks	–	14,486	–	14,486
Securities purchased under resale agreements and securities borrowing transactions	–	4,559	–	4,559
Loans and advances	–	360	2,501	2,861
Other assets	–	44,533	–	44,533
Assets held for sale	–	68	–	68
<b>Total fair value of financial assets</b>	<b>6,086</b>	<b>64,145</b>	<b>2,501</b>	<b>72,732</b>
<b>Financial liabilities</b>				
Due to banks	–	433	–	433
Securities sold under repurchase agreements and securities lending transactions	–	4,783	–	4,783
Borrowings	–	2,436	–	2,436
Debt in issuance	–	31,689	–	31,689
Other financial liabilities	–	32,418	–	32,418
Liabilities held for sale	–	188	–	188
<b>Total fair value of financial liabilities</b>	<b>–</b>	<b>71,947</b>	<b>–</b>	<b>71,947</b>

As at 31 December 2020  
Bank (USD million)

	Level 1	Level 2	Level 3	Fair value
<b>Financial assets</b>				
Cash and due from banks	6,055	139	–	6,194
Interest-bearing deposits with banks	–	14,486	–	14,486
Securities purchased under resale agreements and securities borrowing transactions	–	4,559	–	4,559
Loans and advances	–	360	2,501	2,861
Other assets	–	44,533	–	44,533
Assets held for sale	–	68	–	68
<b>Total fair value of financial assets</b>	<b>6,055</b>	<b>64,145</b>	<b>2,501</b>	<b>72,701</b>
<b>Financial liabilities</b>				
Due to banks	–	433	–	433
Securities sold under repurchase agreements and securities lending transactions	–	4,783	–	4,783
Borrowings	–	2,436	–	2,436
Debt in issuance	–	31,753	–	31,753
Other financial liabilities	–	32,418	–	32,418
Liabilities held for sale	–	188	–	188
<b>Total fair value of financial liabilities</b>	<b>–</b>	<b>72,011</b>	<b>–</b>	<b>72,011</b>

## 39 Assets Pledged or Assigned

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

Group and Bank	2021	2020
<b>Assets pledged or assigned (USD million)</b>		
Trading financial assets at fair value through profit or loss <sup>1</sup>	14,973	15,208 <sup>4</sup>
<b>Collateral received (USD million)</b>		
Fair value of collateral received with the right to resell or repledge <sup>2</sup>	87,944	57,973 <sup>4</sup>
Of which sold or repledged <sup>3</sup>	59,395	41,515 <sup>4</sup>

<sup>1</sup> Includes USD 1,472 million (2020 restated: USD 1,444 million) assets recognised on the balance sheet but are encumbered due to failed sale financing transactions.

<sup>2</sup> Includes USD 1,599 million (2020 restated: USD 1,948 million) of collateral assets received from failed purchased financing transactions.

<sup>3</sup> Includes USD 321 million collateral assets not already recognised on the balance sheet relating to failed sale financing transactions.

<sup>4</sup> Prior period has been corrected primarily based on process enhancements to the disclosure. These include correction of grossing up of securities received and returned aggregating USD 31,843 million and other enhancements. Trading financial assets pledged or assigned has been increased by USD 1,365 million. Collateral received with the right to resell or repledge has been reduced by USD 33,384 million which has also reduced the amount of which sold or repledged by USD 23,011 million.

Assets pledged or assigned represents the balance sheet position of trading assets mandatorily at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivatives transactions. Refer to Note 17 – Trading Financial Assets and Liabilities Mandatorily at Fair Value through Profit or Loss for the amount of securities transferred which are encumbered. Certain assignments of assets that are recognised on the balance sheet, may represent legal form sales but CSi group maintains continuing involvement with the assigned assets through a related financial instrument.

As at 31 December 2021 and 2020 collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSi group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities

lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans. Certain securities received and subsequently resold by CSi group may represent legal form sales but CSi group maintains continuing involvement with the resold assets through a related financial instrument.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSi group, as the secured party, has the right to sell or repledge such collateral, subject to the CSi group returning equivalent securities upon completion of the transaction.

The CSi group enters into agreements with counterparties where collateral or security interests in positions, which the CSi group holds, has been provided. This includes situations where the CSi group has registered charges to certain counterparties over the CSi group's assets in connection with its normal operating activities.

## Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IFRS 9, the CSi group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by structured entities to which the asset has been transferred. In addition, the CSi group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSi group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. The CSi group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSi group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSi group retains any form of rights or obligations relating to the transferred asset.

The following table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSi group still has continuing involvement as at 31 December 2021, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

## 40 Derecognition

In the normal course of business, the CSi group enters into transactions where it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSi group's accounting policy regarding derecognition of such assets under IFRS 9 is described in Note 2 – Significant Accounting Policies.

### Information on transferred assets by type of continuing involvement

Type of continuing involvement Group and Bank (USD million)	Carrying amount of continuing involvement in statement of financial position		Fair value of continuing involvement		Maximum exposure to loss	Loss from transfer	Income / (Expense) from continuing involvement	
	Trading financial assets at fair value through profit or loss	Trading financial liabilities at fair value through profit or loss	Assets	Liabilities			For the year ended 31 December	Cumulative to 31 December
<b>2021</b>								
<b>Derivatives</b>								
Options	86	(17)	86	(17)	69	32	(21)	(12)
Swaps	38	(31)	38	(31)	56	3	6	–
Notes	130	–	130	–	130	–	–	–
<b>Total</b>	<b>254</b>	<b>(48)</b>	<b>254</b>	<b>(48)</b>	<b>255</b>	<b>35</b>	<b>(15)</b>	<b>(12)</b>
<b>2020</b>								
<b>Derivatives</b>								
Options	87	–	87	–	87	5	9	9
Swaps	49	(104)	49	(104)	70	3	7	(9)
Notes	152	–	152	–	152	–	–	–
<b>Total</b>	<b>288</b>	<b>(104)</b>	<b>288</b>	<b>(104)</b>	<b>309</b>	<b>8</b>	<b>16</b>	<b>–</b>

The majority of the CSi group's continuing involvement in derecognised transferred financial assets is in the form of

derivative transactions. To reduce its credit risk to derivatives, the CSi group enters into legally enforceable netting agreements with



its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

The following table shows a maturity analysis of undiscounted cash outflows that the CSi group may be required to pay to repurchase the asset or any other amounts payable (such as dividends and interest payable) to the counterparty and table includes

situations where the CSi group has an option to repurchase the asset. In such instances, where the timing of the cash flows is not specified, the total undiscounted amount has been included in the earliest maturity bucket. Cash outflows to the counterparty may be triggered by credit events.

### Maturity analysis of undiscounted cash flows to repurchase transferred assets by type of continuing involvement

Type of continuing involvement Group and Bank (USD million)	Total	On demand
<b>2021</b>		
<b>Derivatives</b>	–	–
Swaps	–	–
Notes	(35)	(35)
<b>2020</b>		
<b>Derivatives<sup>1</sup></b>		
Swaps	(145)	(145)
Notes	–	–

<sup>1</sup> The derivative provides CSi group the right but not the obligation to repurchase the transferred asset at the CSi group's option.

Instruments that are considered to be continuing involvement are included in Note 17 – Trading Financial Assets and Liabilities at Mandatorily Fair Value through Profit or Loss and Note 27 – Debt in Issuance.

### Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps, in which the CSi group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSi groups balance sheet with a corresponding liability established to represent an obligation to the counterparty. As part of the CSi group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

### Carrying amount of transferred assets not derecognised and associated liabilities

Group and Bank (USD million)	2021		2020	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
<b>Financial assets not derecognised due to the following transactions</b>				
Repurchase & Securities lending agreements	13,501	13,501	13,764 <sup>1</sup>	13,764 <sup>1</sup>
Total Return Swaps	941	908	1,108	1,076
Callable asset swap	590	589	496	477
Options	–	–	45	45
Other	131	132	7	7

<sup>1</sup> Prior period number has been restated. For details, refer Note 39 – Assets Pledged or Assigned.

The CSi group also participates in securities lending agreements where the counterparty provides securities as collateral or fees. The carrying amount of the assets not derecognised in such transactions is equal to USD 6,832 million (2020: USD 969 million).

Where the CSi group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement.

The counterparties to the associated liabilities have full recourse to CSi. Assets not derecognised are included in Note 17 – Trading Financial Assets and Liabilities at Mandatorily Fair Value through Profit or Loss and the corresponding liabilities are included in Note 16 – Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements and Note 18 – Non-trading Financial Assets Mandatorily at Fair Value Through Profit or Loss and Note 19 – Financial Liabilities Designated at Fair Value Through Profit or Loss.

Of the above, other financial assets not derecognised includes failed sale items including fair value elected items which are shown under Non-Trading Financial Assets Mandatorily at Fair Value Through Profit and Loss in the Consolidated Statement of Financial Position.

## 41 Financial Risk Management

### Risks Detail

#### i) Market Risk

##### Overview

Market risk is the risk of loss arising from fair-valued financial instruments in response to adverse changes in interest rates, credit spreads, foreign currency exchange rates, equity and commodity prices, and other relevant parameters, such as market volatilities and correlations. A typical transaction or position in financial instruments may be exposed to a number of different market risk factors.

The Bank 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 specific positions up to the overall risk positions at the Bank level. The Bank uses market risk measurement and management methods in line with regulatory and industry standards. These include general tools capable of calculating comparable risk metrics across the Bank's many activities and focused tools that can specifically model the unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal portfolio measurement tools are Value-at-Risk ('VaR'), scenario analysis and sensitivity analysis, which complement each other in measuring the market risk at the Bank. The Bank regularly reviews the risk management techniques and policies to ensure they remain appropriate.

##### Measurement of traded market risk using Value-at-Risk

VaR is a risk measure that quantifies the potential loss on a given portfolio of financial instruments over a certain holding period that is expected not to be exceeded at a certain confidence level. Positions are aggregated by risk factors rather than by product. For example, interest rate risk VaR captures potential losses driven by fluctuations of interest rates affecting a wide variety of interest rate products (such as interest rate swaps and swaptions) as well as other products (such as foreign exchange derivatives and equity derivatives) for which interest rate risk is not the primary market risk driver. The use of VaR allows the comparison of risk across different businesses. It also provides a means of aggregating and netting a variety of positions within a portfolio to reflect historical correlations between different assets, allowing for a portfolio diversification benefit. VaR is an important tool in risk management and is used for measuring quantifiable risks

from our activities exposed to market risk on a daily basis. In addition, VaR is one of the main risk measures for limit monitoring, financial reporting, calculation of regulatory capital and regulatory backtesting.

The Bank's VaR model is based on historic data moves that derive plausible future trading losses. VaR is calculated for all financial instruments. The model is responsive to changes in market conditions through the use of exponential weighting that applies a greater weight to more recent events. The model avoids any explicit assumptions on the correlation between risk factors leveraging the historical correlation observed.

For regulatory capital purposes, the Bank operates under the Basel III market risk framework which includes the following components for the calculation of regulatory capital: regulatory VaR, stressed VaR, IRC, Risk not in VaR ('RNIV'), stressed RNIV and a regulatory prescribed standardized approach for securitisations. The regulatory VaR for capital purposes uses a two-year historical dataset, a ten-day holding period and a 99% confidence level. This measure captures all risks in the trading book and foreign exchange and commodity risks in the banking book and excludes securitisation positions, as these are treated under the securitisation approach for regulatory purposes. Stressed VaR replicates the regulatory VaR calculation on the Bank's current portfolio over a continuous one-year observation period that reflects a period of significant financial stress for the Bank. The historical dataset starting in 2006 allows for the capturing of a longer history of potential loss events and helps reduce the pro-cyclicality of the minimum capital requirements for market risk. IRC is a regulatory capital charge for default and migration risk on positions in the trading books that may not be captured adequately under a ten-day holding period. RNIV captures a variety of risks, such as certain basis risks, higher order risks and cross risks between asset classes, not adequately captured by the VaR model for example due to lack of sufficient or accurate risk or historical market data. Additionally, Risk Management VaR is calculated for trading and banking book positions using a two-year historical dataset, a ten-day holding period and a 98% confidence level.

Backtesting VaR uses a two-year historical dataset, a one-day holding period and a 99% confidence level. This measure captures risks in the trading book and includes securitisation positions. Backtesting VaR is not a component used for the calculation of regulatory capital but may have an impact through the regulatory capital multiplier if the number of backtesting exceptions exceeds regulatory thresholds.

The VaR model uses assumptions and estimates that the Bank believes are reasonable, which are:

- VaR relies on historical data to estimate future changes in market conditions. Historical scenarios may not capture all potential future outcomes, particularly where there are significant changes in market conditions, such as increases in

volatilities and changes in the correlation of market prices across asset classes.

- VaR provides an estimate of losses at a specific confidence level, which means that it does not provide any information on the size of losses that could occur beyond that threshold.
- VaR for regulatory capital calculations is based on a ten-day holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence. It also assumes that risks will remain in existence over the entire holding period.

Where there is insufficient historical market data for a calculation within the Bank's VaR model, either market data proxies or conservative parameter moves for these risk types are used to replicate the risk of the underlying instrument as closely possible.

The VaR measures are also complemented by Risk not in VaR and pillar 2A risk assessments which provide further assessments for any missing risks identified.

### Scenario analysis

Stress testing complements other risk measures by quantifying the potential losses arising from moves across financial markets in response to plausible external events. The majority of scenario analysis calculations performed is specifically tailored towards the risk profile of particular businesses and limits may be established for some of them. In addition, to identify areas of risk concentration and potential vulnerability to stress events at the Bank's level, a set of scenarios is consistently applied across all businesses to assess the impact of significant, simultaneous movements across a broad range of markets and asset classes. Additionally, scenarios targeted at a specific market, product or risk type are used to better understand the risk profiles and concentrations, to monitor and control the exposure.

Scenarios can be defined with reference to historic events or based on forward-looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios used within the Bank are reviewed at the relevant risk committees as well as by a dedicated scenario design forum. The scenarios used within the Bank continuously evolve to reflect changes in market conditions and any change in business strategy.

### Sensitivity analysis

The sensitivity analysis for the trading activities includes a wide range of measures such as sensitivities, both net and gross, and sensitivity impacts under scenarios, amongst others. This family of measures allow to quantify the potential profit or loss resulting from specified, generally small, hypothetical shocks to market factors.

Similarly to stress testing, the majority of sensitivity analysis calculations performed is specifically tailored towards the risk profile of particular businesses and limits may be established for some of them. Sensitivity analysis may also be used to identify, monitor and control areas of risk concentration at the Bank's level across a broad range of markets, products and asset classes.

VaR, stress testing and sensitivity analysis are fundamental elements of the Bank's risk control framework. Their results are used in risk appetite discussions and strategic business planning, and support the Bank's internal capital adequacy assessment. VaR, scenario and sensitivity calculations are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and shared and discussed with the business lines.

### Trading portfolios

#### Risk measurement and management

Market risk arises in the Bank's trading portfolios primarily through its trading activities.

For the purposes of this disclosure, the aggregated market risks associated with the Bank's trading book portfolios along with foreign exchange and commodity risks in the banking book are measured using VaR. This classification of assets and liabilities as trading is based on the trading intent and for the purpose of analysing the Bank's market risk exposure, not for financial statement reporting purposes.

The Bank is active in the principal global trading markets, using a wide range of trading and hedging products, including derivatives and structured products (some of which are customised transactions often using combinations of financial instruments and executed to meet specific client or internal needs). As a result of the Bank's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

#### Development of trading portfolio risks

The following table shows the trading related market risk exposure along with foreign exchange and commodity risks in the banking book for the Bank, as measured by Regulatory VaR. This VaR model used by the Bank is based on historical simulation approach over a two-year historical dataset. VaR estimates are computed separately for each risk type and for the whole trading book portfolio using the historical simulation methodology. 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

End of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit	Total
<b>2021 (USD million)</b>						
Average	71	122	8	80	(211)	70
Minimum	29	84	3	58	- <sup>1</sup>	48
Maximum	139	172	17	116	- <sup>1</sup>	103
End of period	36	99	7	77	(152)	67
<b>2020 (USD million)</b>						
Average	83	40	4	41	(122)	46
Minimum	16	2	1	12	- <sup>1</sup>	15
Maximum	162	178	11	92	- <sup>1</sup>	147
End of period	57	172	6	86	(270)	51

<sup>1</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 31 December 2021 increased by 33% to USD 67 million, compared to 31 December 2020 (USD 51 million).

The increase in VaR is primarily driven by increased Equity risk from positional changes within the Investment Bank division. VaR increase is mainly from equity risk due to increased exposure across equity products within the Global Trading Solutions business. The standalone Foreign Exchange risk is diversified when combined with other asset classes, thereby resulting in Equity risk as the driver for the Total VaR increase.

### Banking portfolios

#### Risk measurement and management

The market risks associated with non-trading portfolios are measured, monitored and limited using several tools, including sensitivity analysis, scenario analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading portfolios are measured using sensitivity analysis. In addition, scenario analysis measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

#### Development of non-trading portfolio risks

Interest rate sensitivity analysis measures the impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions. As of the 31 December 2021 it was USD 0.02 million compared to USD (0.02) million as of 31 December 2020. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from significant but possible moves in yield curves applying a floor to negative rates as prescribed in PRA's Internal Capital Adequacy Assessment (ICAA) rules. As of 31 December 2021 the fair value impacts were:

- A fair value gain of USD 14 million (2020: gain of USD 14 million) for a +200bps move.
- A fair value gain of USD 3 million (2020: gain of USD 15 million) for a -200bps move.

Note: We have aligned the IRRBB Delta EVE calculation to the ICAAP: we have applied a floor to negative interest rates. Aggregated Delta EVE for each interest rate shock scenario is calculated by adding together any positive or negative Delta EVE in each currency and positive changes are weighted by a factor of 50%. This methodology is consistent with PRA guidelines. Reduction in interest rate risk is mainly driven by rebalancing of interest rate swaption hedges due to changes in counterparty exposures and moves in spreads.

### Macro-Economic Environment

CSi's performance is dependent on the market environment. This could be materially affected by certain events such as COVID-19. Due to COVID-19, CSi has invoked its business continuity plans following Government advice with staff safety paramount. CSi has developed specific macro-economic scenarios for material risks to continue to monitor and manage these risks.

#### Russia's invasion of Ukraine

CSi is assessing the impact of the sanctions imposed in Russia and potential future escalations as a consequence of the geopolitical actions occurring globally. We are actively monitoring potential market moves and risk assessing in conjunction with other risk functions.

#### ii) Liquidity Risk

Liquidity risk is the risk that a bank is unable to fund assets and meet obligations as they fall due in times of stress, whether caused by market events and/or firm-specific issues.

#### CS group-wide management of liquidity risk

The liquidity risk governance model at CS follows the three lines of defense ('3LoD') model, with CSG/CS BoD and Executive Board ('ExB') providing on-going oversight. The roles and responsibilities of the relevant functions involved in liquidity risk management are clearly outlined. Treasury, Liquidity Risk

Management ('LRM') and Liquidity Measurement and Reporting ('LMR') operate within a comprehensive global governance model that provides management at all levels with the necessary framework to measure, monitor and manage liquidity risk.

Treasury is responsible, as the first line of defense, in collaboration Global Liquidity Group ('GLG') and the business divisions, for managing CS group's overall liquidity risk through the Liquidity Risk Management Strategy. The mandate of Treasury is to provide funding, liquidity, and capital at favourable conditions to the group, and to manage CS group's liquidity portfolio. As part of their mandate, Treasury manage day-to-day liquidity, oversee all secured and unsecured funding activities, and manage the money market funding desks.

LRM, as part of the Chief Risk Officer ('CRO') organisation, is responsible for the oversight of Treasury and the business divisions in managing CS Group's liquidity risks as a second line of defense. As a reflection of its risk constraint mandate, LRM is responsible for ensuring that liquidity risk management is consistent with the overall risk appetite. As an independent oversight function, LRM oversees and challenges the activities of the first line of defense, i.e. Treasury, GLG, LMR as well as the business divisions for their responsibilities in the context of liquidity risk measurement, funding forecasting, Funds Transfer Pricing ('FTP'), risk mitigating actions, crisis management and reporting. It defines and ensures adherence to LRM risk processes, risk limits and risk appetite; monitors the risk constraints and their potential breaches including escalation if necessary; owns the LRM models and methodologies; and performs stress testing and scenario analysis. In addition, Funding concentration metrics are overseen by LRM. Treasury monitors funding concentration metrics to manage the funding risk. Funding concentration risk is the over-reliance on a type of instrument or product, tenor, currency, counterparty and/or financial market to raise funding and meet CS group obligations. It is CS group's funding strategy to ensure that it has access to a diversified range of funding sources by customer base, financial market and geography to cover short-term and medium to long term requirements, without any significant reliance on a particular funding source, counterparty, tenor or product. A Funding Concentration Report monitors funding concentrations around funding tenor (maturity concentration), funding counterparty (investor concentration), funding structure (product concentration) and industry (market segment concentration).

LMR produces both liquidity Management Information ('MI') and regulatory reporting, which supports Treasury in their decision making processes. The liquidity MI reports being produced by LMR, including commentary, are distributed on a regular basis to CS Treasury Functional and Regional Management, LRM, as well as to regulators where required.

Business Divisions are responsible for understanding their liquidity risk position, highlighting and communicating material instances of liquidity risk to Treasury and LR in the context of ongoing

business and prior to engaging in changed and accepting new business. All functions involved in the liquidity risk management governance and risk management framework have regional presence outside head offices to ensure liquidity risk management governance is established locally and satisfies local liquidity requirements, local rules and regulations.

#### **Legal entity management of liquidity risk**

The legal entity liquidity risk management framework is aligned with the group-wide approach but also incorporates local regulatory compliance requirements. CSi Board ('BoD') is responsible for approving the CSi entity-level liquidity risk appetite. The CSi Regional Head of Treasury & Liquidity Risk defines, reviews and proposes the liquidity risk appetite and recommends appropriate risk metrics, based on the respective business plans of CSi. The recommended risk appetite and calibration are presented initially to the CSi Risk Management Committee ('RMC') and subsequently submitted to the CSi BoD for approval. The strategic risk objectives, including the liquidity risk appetite metrics and limits, are reviewed at a minimum on an annual basis.

CSi LRM, as part of the TLRM CRO organisation, is responsible for the oversight of Treasury and the business divisions in managing CSi's liquidity risks as a second line of defense. As a reflection of its risk control mandate, CSi LRM defines related risk management frameworks and processes in line with requirements at entity level. The team works with UK Treasury, GLG and the business divisions to ensure comprehensive liquidity risk limit adherence and manage breaches thereof, should they occur. CSi LRM function executes its mandate across the following pillars: Risk Identification; Risk Appetite; Risk Measurement; Risk Analysis; and Risk Governance.

CSi adhere to the regulatory liquidity measures that must be applied by all regulated banking institutions to ensure that in a stress environment, banks maintain sufficient amount of stable liquidity in the short and long term. The key regulatory liquidity risk metrics are the Liquidity Coverage Ratio ('LCR'), PRA 110 and the Net Stable Funding Ratio ('NSFR').

CSi maintain a suite of internal metrics to complement the regulatory requirements. The Barometer is the internal liquidity stress testing tool that provides CSi with a robust liquidity stress testing framework. The model ensures compliance with regulatory and firm standards and promotes consistent liquidity risk management across jurisdictions and entities.

The CSi LRM function owns the production of the Individual Liquidity Adequacy Process ('ILAAP') document. The document sets out CSi's approach to managing liquidity and funding risks. The purpose of the document is to provide the CSi Board of Directors ('BoD') with an assessment of the liquidity risk in CSi under both our internal stress measure (Liquidity Barometer) and the regulatory defined stress measures.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

Group 31 December 2021	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
<b>Financial liabilities (USD million)</b>						
Due to banks	218	–	–	–	–	<b>218</b>
Securities sold under repurchase agreements and securities lending transactions	1,211	1	1,908	251	–	<b>3,371</b>
Trading financial liabilities at fair value through profit or loss	122,054	–	–	–	–	<b>122,054</b>
Financial liabilities designated at fair value through profit or loss	10,214	11,180	3,403	9,588	627	<b>35,012</b>
Borrowings	–	1,057	413	–	–	<b>1,470</b>
Debt in issuance	–	454	843	39,266	3	<b>40,566</b>
Other liabilities	22,859	–	–	–	–	<b>22,859</b>
<b>Total</b>	<b>156,556</b>	<b>12,692</b>	<b>6,567</b>	<b>49,105</b>	<b>630</b>	<b>225,550</b>

Group  
31 December 2020

Group 31 December 2020	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
<b>Financial liabilities (USD million)</b>						
Due to banks	433	–	–	–	–	<b>433</b>
Securities sold under repurchase agreements and securities lending transactions	248	466	3,585	484	–	<b>4,783</b>
Trading financial liabilities mandatorily at fair value through profit or loss	164,364	–	–	–	–	<b>164,364</b>
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	5,219	13,524	4,414	6,556	75	<b>29,788</b>
Borrowings	–	760	1,676	–	–	<b>2,436</b>
Debt in issuance	–	429	1,550	29,652	3	<b>31,634</b>
Other liabilities	32,418	–	–	–	–	<b>32,418</b>
Liabilities held for sale	707	–	–	–	–	<b>707</b>
<b>Total</b>	<b>203,389</b>	<b>15,179</b>	<b>11,225</b>	<b>36,692</b>	<b>78</b>	<b>266,563</b>

<sup>1</sup> Financial liabilities designated at fair value through profit or loss includes certain structured notes and some other financial instruments that are reported at their fair values, rather than their undiscounted amounts, since these best represent the expected future outflow for these balances. In addition, there are certain structured notes that have mandatory early redemption features based on stipulated movements in markets or the occurrence of a market event. With respect to these notes those that have an observable likelihood of redemption occurring within one year based on a modelling assessment are also included in current liabilities. Within the population this includes USD 270 million (2020: USD 450 million) of such notes with a contractual maturity of between 1 and 5 years.

Bank 31 December 2021	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
<b>Financial liabilities (USD million)</b>						
Due to banks	218	–	–	–	–	<b>218</b>
Securities sold under repurchase agreements and securities lending transactions	1,211	1	1,908	251	–	<b>3,371</b>
Trading financial liabilities at fair value through profit or loss	122,055	–	–	–	–	<b>122,055</b>
Financial liabilities designated at fair value through profit or loss	10,214	11,180	3,402	9,439	627	<b>34,862</b>
Borrowings	–	1,057	413	–	–	<b>1,470</b>
Debt in issuance	–	454	843	39,266	3	<b>40,566</b>
Other liabilities	22,859	–	–	–	–	<b>22,859</b>
<b>Total</b>	<b>156,557</b>	<b>12,692</b>	<b>6,566</b>	<b>48,956</b>	<b>630</b>	<b>225,401</b>

Bank  
31 December 2020

Bank 31 December 2020	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
<b>Financial liabilities (USD million)</b>						
Due to banks	433	–	–	–	–	<b>433</b>
Securities sold under repurchase agreements and securities lending transactions	248	466	3,585	484	–	<b>4,783</b>
Trading financial liabilities mandatorily at fair value through profit or loss	164,361	–	–	–	–	<b>164,361</b>
Financial liabilities designated at fair value through profit or loss <sup>1</sup>	5,218	13,477	4,413	6,447	75	<b>29,630</b>
Borrowings	–	760	1,676	–	–	<b>2,436</b>
Debt in Issuance	–	493	1,550	29,652	3	<b>31,698</b>
Other liabilities	32,417	–	–	–	–	<b>32,417</b>
Liabilities held for sale	707	–	–	–	–	<b>707</b>
<b>Total</b>	<b>203,384</b>	<b>15,196</b>	<b>11,224</b>	<b>36,583</b>	<b>78</b>	<b>266,465</b>

<sup>1</sup> Financial liabilities designated at fair value through profit or loss includes certain structured notes and some other other financial instruments that are reported at their fair values, rather than their undiscounted amounts, since these best represent the expected future outflow for these balances. In addition, there are certain structured notes that have mandatory early redemption features based on stipulated movements in markets or the occurrence of a market event. With respect to these notes those that have an observable likelihood of redemption occurring within one year based on a modelling assessment are also included in current liabilities. Within the population this includes USD 270 million (2020: USD 450 million) of such notes with a contractual maturity of between 1 and 5 years.

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. They have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (i.e. no maturity dates), the projected coupons have been excluded. Callable Due to Banks, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the bank to put or call the positions at short notice.

### iii) Currency Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Bank has approval to manage its own trading P&L related foreign exchange risk through a formal trading mandate and has defined risk limits using the Value at Risk ('VaR') methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate Foreign Exchange Policy. The VaR methodology is discussed in more detail in section i) Market Risk, of this note.

One of the components of CSi total expenses is operational expenses in GBP which are subject to currency risk when converted into USD, the functional currency of the entity. The exposure is reduced through hedging.

### iv) Credit Risk

Credit risk is the possibility of a loss being incurred as the 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. In the event of a customer default a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

Credit risk in CSi is managed by the CSi Credit Risk Management ('CSi CRM') function, which is headed by the CSi CCO, who in turn reports to the CSi CRO. CSi CRM is a part of the wider CS Group 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 areas' credit portfolios and allowances. The head of CRM reports to the CRO of the CS group. All credit limits in CSi are subject to approval by CSi CRM.

### **Credit risk management approach**

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

### **Counterparty and transaction rating**

The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to which it is exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally-developed rating models and processes, which are subject to governance and internally-independent validation procedures.

The CSi group's internal ratings may differ from counterparties' external ratings. Policy requires the review of internal ratings at least annually. For the calculation of internal risk estimates and Risk Weighted Assets ('RWAs'), a probability of default ('PD') is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward- looking approach, concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgement of credit

experts. The PD for each rating is calibrated based on historical default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

CS assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSi group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. CSi has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ('IRB') approach for the majority of credit exposures in CSi. Exposures which are not covered by AIRB treatment are subject to the standardised approach.

### **Credit Risk Overview**

All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

### **Maximum Exposure to credit risk**

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2021. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSi would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.



## Maximum exposure to credit risk:

2021 (USD million)	Group <sup>1</sup>			Bank <sup>1</sup>		
	Gross	Collateral and other credit enhancements	Net	Gross	Collateral and other credit enhancements	Net
<b>Maximum exposure to credit risk</b>						
<b>Trading financial assets mandatorily at fair value through profit or loss</b>						
Debt securities	13,725	–	13,725	13,966	–	13,966
Derivative trading positions	113,190	101,461	11,729	113,192	101,461	11,731
Other	371	–	371	371	–	371
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>						
Loans	1,058	176	882	735	176	559
Reverse repurchase agreements	35,725	35,682	43	35,725	35,682	43
Other	1,442	1,045	397	1,442	1,045	397
<b>Maximum exposure to credit risk – total assets</b>	<b>165,511</b>	<b>138,364</b>	<b>27,147</b>	<b>165,431</b>	<b>138,364</b>	<b>27,067</b>
<b>Off-balance sheet items</b>						
loan commitments and other credit related commitments	2,310	865	1,445	2,310	865	1,445
<b>Maximum exposure to credit risk – total off-balance sheet</b>	<b>2,310</b>	<b>865</b>	<b>1,445</b>	<b>2,310</b>	<b>865</b>	<b>1,445</b>
<b>Maximum exposure to credit risk</b>	<b>167,821</b>	<b>139,229</b>	<b>28,592</b>	<b>167,741</b>	<b>139,229</b>	<b>28,512</b>

2020 (USD million)

<b>Maximum exposure to credit risk</b>						
<b>Trading financial assets mandatorily at fair value through profit or loss</b>						
Debt securities	17,641	–	17,641	17,515	–	17,515
Derivative trading positions	157,937	145,219	12,718	157,938	145,219	12,719
Other	908	–	908	908	–	908
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>						
Loans	1,384	802	582	1,493	802	691
Reverse repurchase agreements	20,882	20,075	807	20,882	20,075	807
Other	3,255	3,203 <sup>2</sup>	52 <sup>2</sup>	3,255	3,203 <sup>2</sup>	52 <sup>2</sup>
<b>Maximum exposure to credit risk – total assets</b>	<b>202,007</b>	<b>169,299</b>	<b>32,708</b>	<b>201,991</b>	<b>169,299</b>	<b>32,692</b>
<b>Off-balance sheet items</b>						
loan commitments and other credit related commitments	1,489	979	510	1,489	979	510
<b>Maximum exposure to credit risk – total off-balance sheet</b>	<b>1,489</b>	<b>979</b>	<b>510</b>	<b>1,489</b>	<b>979</b>	<b>510</b>
<b>Maximum exposure to credit risk</b>	<b>203,496</b>	<b>170,278</b>	<b>33,218</b>	<b>203,480</b>	<b>170,278</b>	<b>33,202</b>

<sup>1</sup> For 2020, above table includes both continued and discontinued operations. For 2021 there are no discontinued operations.

<sup>2</sup> Prior period comparative has been restated to include collateral received on failed purchase financing transactions.

CSi is exposed to credit risk as a result of a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

CSi typically enters into master netting arrangements ('MNAs') with OTC derivative counterparties. The MNAs allow CSi to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and

credit enhancements are where a counterparty has an offsetting derivative exposure with CSi, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and advances and financial assets designated at fair value through profit and loss is collateral which CSi holds against loans in the form of guarantees, cash and marketable securities. CSi also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 19 – Financial Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully-collateralised instruments and in the event of default, the agreement provides CSi the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. CSi monitors the fair value of securities borrowed and lent on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 16 – Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements.

Included within Other (Non- trading financial assets mandatorily at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. CSi typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 36 –Contingent Liabilities, Guarantees and Commitments.

For further information on collateral held as security that CSi is permitted to sell or repledge refer to Note 39 – Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

#### Financial assets credit risk exposures by rating grades

As at December 31, 2021 Group In millions of USD	Cash and due from banks	Interest bearing deposits with banks	Securities purchases under resale agreements and securities borrowing transactions	Total
AA+ to AA-	387	–	–	439
A+ to A-	958	13,284	8,290	22,532
BBB+ to BBB-	101	–	545	646
BB+ to BB-	30	–	12	42
B+ and below	8	–	4	12
<b>Gross Carrying amount</b>	<b>1,484</b>	<b>13,284</b>	<b>8,903</b>	<b>23,671</b>
Loss allowance	–	–	–	–
<b>Net Carrying amount</b>	<b>1,484</b>	<b>13,284</b>	<b>8,903</b>	<b>23,671</b>

As at December 31, 2020 Group In millions of USD	Cash and due from banks	Interest bearing deposits with banks	Securities purchases under resale agreements and securities borrowing transactions	Total
AA+ to AA-	319	–	3	322
A+ to A-	5,767	14,486	4,272	24,525
BBB+ to BBB-	4	–	283	287
BB+ to BB-	97	–	1	98
B+ and below	38	–	–	38
<b>Gross Carrying amount</b>	<b>6,225</b>	<b>14,486</b>	<b>4,559</b>	<b>25,270</b>
Loss allowance	–	–	–	–
<b>Net Carrying amount</b>	<b>6,225</b>	<b>14,486</b>	<b>4,559</b>	<b>25,270</b>

The categories of financial assets included in the above tables have balances only in 12 month Stage ECL (Stage 1).

### Loan credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
<b>2021</b>					
BBB+ to BBB-	2,552	–	–	–	2,552
BB+ to BB-	90	15	–	–	105
B+ and below	40	14	14	–	68
<b>Gross Carrying amount</b>	<b>2,682</b>	<b>29</b>	<b>14</b>	<b>–</b>	<b>2,725</b>
Loss allowance	4	–	8	–	12
<b>Net Carrying amount</b>	<b>2,678</b>	<b>29</b>	<b>6</b>	<b>–</b>	<b>2,713</b>
<b>2020</b>					
BBB+ to BBB-	2,549	–	–	–	2,549
BB+ to BB-	70	44	–	–	114
B+ and below	213	7	11	–	231
<b>Gross Carrying amount</b>	<b>2,832</b>	<b>51</b>	<b>11</b>	<b>–</b>	<b>2,894</b>
Loss allowance	11	–	10	–	21
<b>Net Carrying amount</b>	<b>2,821</b>	<b>51</b>	<b>1</b>	<b>–</b>	<b>2,873</b>

### Loan commitment credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
<b>2021</b>					
AA+ to AA-	25	–	–	–	25
A+ to A-	–	–	–	–	–
BBB+ to BBB-	730	–	–	–	730
BB+ to BB-	45	48	–	–	93
B+ and below	392	68	4	–	464
<b>Gross Carrying amount</b>	<b>1,192</b>	<b>116</b>	<b>4</b>	<b>–</b>	<b>1,312</b>
Loss allowance	3	–	2	–	5
<b>Net Carrying amount</b>	<b>1,189</b>	<b>116</b>	<b>2</b>	<b>–</b>	<b>1,307</b>
<b>2020</b>					
AA+ to AA-	28	–	–	–	28
A+ to A-	40	–	–	–	40
BBB+ to BBB-	597	–	–	–	597
BB+ to BB-	163	–	–	–	163
B+ and below	464	42	7	–	513
<b>Gross Carrying amount</b>	<b>1,292</b>	<b>42</b>	<b>7</b>	<b>–</b>	<b>1,341</b>
Loss allowance	5	1	–	–	6
<b>Net Carrying amount</b>	<b>1,287</b>	<b>41</b>	<b>7</b>	<b>–</b>	<b>1,335</b>

## Other assets credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
<b>2021</b>					
AAA	1,471	–	–	–	1,471
AA+ to AA-	7,583	–	–	–	7,583
A+ to A-	16,076	–	–	–	16,076
BBB+ to BBB-	2,786	–	–	–	2,786
BB+ to BB-	1,568	–	–	–	1,568
B+ and below	4,159	–	4,540	–	8,699
<b>Gross Carrying amount</b>	<b>33,643</b>	<b>–</b>	<b>4,540</b>	<b>–</b>	<b>38,183</b>
Loss allowance	–	–	4,540	–	4,540
<b>Net Carrying amount</b>	<b>33,643</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>33,643</b>
<b>2020</b>					
AAA	–	–	–	–	–
AA+ to AA-	284	–	–	–	284
A+ to A-	536	–	–	–	536
BBB+ to BBB-	37	–	–	–	37
BB+ to BB-	14	–	–	–	14
B+ and below	8	–	–	–	8
<b>Gross Carrying amount</b>	<b>879</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>879</b>
Loss allowance	1	–	–	–	1
<b>Net Carrying amount</b>	<b>878</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>878</b>

### Risk Mitigation

CSi actively manages its credit exposure utilising credit hedges and monetisable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties generally through the use of credit default swaps. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut. Collateral securing loan transactions includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities); and
- Physical collateral (real estate property for mortgages, mainly retail residential, but also multi-family buildings, offices and commercial properties); and
- Other types of lending collateral such as accounts receivable, inventory and plant and equipment

### Credit approval and reviews

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves the consideration of the motivation of the client and the directional nature of the trading in which the client is engaged. The sizing of credit limits is based on a combination of credit rating, the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

### Settlement Risk

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

In those instances where market convention and/or products preclude a value-for-value exchange, CSi manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, CSi leverages clearing houses, central counterparties and central settlement services, and will also net gross cash flows with a given counterparty where possible. CSi group proactively seeks to manage the timing of settlement instructions to agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

### v) Country Risk

Country risk is the possibility of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. CSi CRM has incorporated country limits into its Credit Risk Appetite Framework in order to manage this risk in CSi.

For CSi, country limits are set for developed and emerging markets, based on both a potential future exposure view and on a scenario view. Upon CSi CRM recommendation, maximum

appetite and country limits are calibrated and approved by the CSi RMC on an annual basis or, if warranted by a fundamental change in strategy or market conditions, more frequently. The measurement of exposures against country limits is reported to CSi CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provide independent oversight to ensure that businesses operate within their limits.

#### **vi) Legal (including Regulatory) Risk**

The CS group is subject to legal risks in its businesses. Legal risks include, among other things, the risk of litigation (for example, as a result of misselling claims), disputes (for example, over the terms of legacy trades); the inadequacy of transaction documentation (for example, ambiguous terms); unenforceability (for example, of security arrangements); uncertainty with respect to applicable laws and regulations (including change in laws or regulations); and employee disputes. Some of these risks result in claims against the firm which the firm defends, settles or results in actual litigation, in each case, that the CS group may incur legal expenses to defend.

The CS group assesses its legal risk and manages it through a combination of controls, including the adoption of policies, the implementation of processes and the use of systems, continuing to refine controls as business activities evolve and the laws that the CS group is subject to change. One of the key controls is the involvement of the General Counsel function and engagement of outside legal counsel. In addition, the CS group is an active participant in a number of key industry and other professional market forums including International Swaps and Derivatives Association ('ISDA') and the Association for Financial Markets in Europe ('AFME').

As a participant in the financial services industry, the CS group is subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organisations around the world. Such regulation is increasingly more extensive and complex in its application, in particular, as laws increasingly purport to be extra-territorial and additional obligations may arise where clients are subject to differing regulatory obligations, in practice, requiring the group to be compliant with such obligations also. These regulations may increase the costs of doing existing business for both the firm and its clients, including the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which the CS group may operate. Such requirements can have a negative effect on the CS group's business and ability to implement strategic initiatives.

The financial services industry continues to be affected by significant complexity of ongoing regulatory reforms, alongside more recently, the significant impact of the firm's planning for a Hard Brexit. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the CS group.

#### **vii) Non-financial risk**

##### **Definition and sources of non-financial risk**

Non-financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance and regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Examples include the risk of damage to physical assets, business disruption, failures relating to third-party processes, data integrity and trade processing, cyber attacks, internal or external fraudulent or unauthorised transactions, inappropriate cross-border activities, money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients.

Non-financial risk can arise from a wide variety of internal and external forces, including human error, inappropriate conduct, failures in systems, processes and controls, deliberate attack or natural and man-made disasters. Outsourcing and external third parties may also create risks around maintaining business processes, system stability, data loss, data management, reputation and regulatory compliance. The main categories and sources of non-financial risk are described below.

##### **Operational risk**

Operational risk is the risk of an adverse impact arising from inadequate or failed internal processes, people or systems, or from external events. Operational risk does not include business and reputational risks; however, some operational risks can lead to reputational issues and as such these risks may be closely linked.

##### **Technology risk**

Technology risk deserves particular attention given the complex technological landscape that covers our business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to our operations. Technology risk is the risk that system-related failures, such as service outages or information security incidents, may disrupt business. Technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. We seek to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. We require our critical IT systems to be identified, secure, resilient and available to support our ongoing operations, decision-making, communications and reporting. Our systems must also have the capabilities, capacity, scalability and adaptability to meet current and future business objectives, the needs of our customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share. Technology risks are managed through our technology

risk management program, business continuity management plan and business contingency and resiliency plans. Technology risks are included as part of our overall non-financial risk assessments based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood.

### **Cyber risk**

Cyber risk, which is part of technology risk, is the risk that the Group will be compromised as a result of cyber attacks, security breaches, unauthorised access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security or resilience impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. CS group could also be required to expend significant additional resources to investigate and remediate vulnerabilities or other exposures.

CS group recognises that cyber risk represents a rapidly evolving external risk landscape. The financial industry continues to face cyber threats from a variety of actors who are driven by monetary, political and other motivations. CS group actively monitors external incidents and threats and assess and respond accordingly, including modifying our protective measures, to any potential vulnerabilities that this may reveal. CS group is also an active participant in industry forums and information exchange initiatives and engage in regulatory consultation on this subject.

CS group has an enterprise-wide cybersecurity strategy to provide strategic guidance as part of our efforts to achieve an optimised end-to-end security and risk competence that enables a secure and innovative business environment, aligned with the CS groups's risk appetite. A technology security team leverages a wide array of leading technology solutions and industry best practices to support our ability to maintain a secure perimeter and detect and respond to threats in real time.

CS group regularly assesses the effectiveness of key controls and conduct ongoing employee training and awareness activities, including for key management personnel, in order to embed a strong cyber risk culture. As part of the non-financial risk framework ('NFRF'), the Executive Board as CS group as divisional and legal entity risk management committees are given updates on the broader technology risk exposure. Significant incidents are escalated to the Risk Committee together with key findings and mitigating actions. Related business continuity and response plans are tested and simulations are conducted up to the Executive Board and Board level.

### **Legal risk**

Legal risk is the risk of loss or imposition of damages, fines, penalties or other liability or any other material adverse impact arising from circumstances including the failure to comply with legal obligations, whether contractual, statutory or otherwise, changes in enforcement practices, the making of a legal challenge or claim against us, our inability to enforce legal rights or the failure to take measures to protect our rights.

### **Compliance risk**

Compliance risk is the risk of legal or regulatory sanctions or financial loss that may result from the failure to comply with applicable laws, regulations, rules or market standards.

### **Regulatory risk**

Regulatory risk is the risk that changes in laws, regulations, rules or market standards may limit our activities and have a negative effect on our business or our ability to implement strategic initiatives, or can result in an increase in operating costs for the business or make our products and services more expensive for clients.

### **Conduct risk**

The CS group considers conduct risk to be the risk that improper behaviour or judgement by our employees may result in a negative financial, non-financial or reputational impact to our clients, employees or the CS group, or negatively impact the integrity of the financial markets, including competition. Conduct risk may arise from a wide variety of activities and types of behaviours. A Group-wide definition of conduct risk supports the efforts of our employees to have a common understanding of and consistently manage and mitigate our conduct risk. Further, it promotes standards of responsible conduct and ethics in our employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the CS group and at other firms in the financial services sector.

The ongoing focus and investment in a strong risk culture is fundamental to the management of conduct risk. The CS group's Code of Conduct provides a clear statement on the behavioural expectations, supported by our cultural values.

Refer to "Culture" in Risk management oversight and to "Corporate governance framework" in IV – Corporate Governance – Overview for further information on our Code of Conduct.

### **Replacement of Interbank Offered Rates ('IBOR')**

A major milestone of the ('(L)IBOR') transition passed at the end of 2021. From 1 January 2022 most non-USD, Swiss franc ('CHF'), Euro ('EUR'), GBP and Japanese Yen ('JPY') and select USD LIBOR (1week and 2month) settings have ceased publication. These rates have been in use for decades and the cessation impacted millions of transactions and thousands of market participants. Certain GBP and JPY LIBOR settings (1, 3 and 6 month) remain published on a synthetic, temporary and non-representative basis, primarily to facilitate the transition of any residual legacy contract that the parties were unable to address in time. However, synthetic LIBORs are not available for reference in new trading activity and as publication is temporary, remediation efforts need to continue.

Successfully executing the CS group transition strategy, well over 99% of CSi's legacy non-USD LIBOR portfolio has been remediated, either by active transition to Alternative Reference

Rates ('ARRs'), or by adding robust fallback provisions that govern the transition to ARR upon the cessation of LIBORs. Legacy derivative contracts were de-risked largely by the widespread adherence to the International Swaps and Derivatives Association ('ISDA') 2020 IBOR Fallbacks Protocol, while for cash instruments the dominant strategy was more bilateral in nature. By the end of the year the CHF, JPY, GBP and EUR LIBOR derivatives and cash markets have successfully transitioned to SARON, TONAR, SONIA and ESTR and these rates now underpin the Bank's core product offerings worldwide. The Bank is fully prepared to operate fallback provisions during the first half of 2022, when most of CSi's legacy portfolio transitions upon the expiry of the last LIBOR resets from 2021. At the end of 2021, less than 0.1% of the portfolio remains to be remediated and for the time being utilises Synthetic LIBOR for the upcoming interest rate resets. Remediation efforts continue in order to remove these references as soon as possible.

The transition of the USD markets was given an 18-month extension, with the remaining USD LIBOR settings scheduled to be discontinued at the end of June 2023. SOFR, the alternative reference rate recommended by the ARRC has already gained a significant foothold in the markets and with the prohibition of new LIBOR trading other than for risk management purposes, is now becoming the dominant market rate even ahead of the official cessation date for USD LIBOR.

While CSi has a significant level of liabilities and assets linked to USD LIBOR, most of the legacy portfolio has reduced transition risk due to the presence of robust fallback provisions. Many of CSi's derivative counterparts (derivatives make up the majority of the CSi USD LIBOR portfolio) have already adhered to the ISDA Protocol, eliminating contractual uncertainty around the discontinuation of USD LIBOR.

Under the leadership of CSG Executive Board and our business and functional leaders across the entire CS group, the IBOR Transition Program remains fully engaged to facilitate the transition away from USD LIBOR by mid-2023. With respect to USD, work remains focused on the five key areas identified in 2019:

**Operational readiness and resiliency:** By the end of 2021, the Bank was operationally ready to support SOFR products in most markets in which it was active, but product development and facilitation work continues in select markets. Given the significant number of USD transactions that are expected to rely on fallbacks CSi is also starting to prepare for the operationalisation of USD transition in 2023.

**Legal contract assessment and repapering:** While most of the remaining legacy contracts have undergone an initial review

by the CSi legal team, work remains to capture, analyse and re-paper key LIBOR-terms in a significant amount of contracts, primarily related to cash products. Resources are in place to accommodate contract re-negotiations when our clients are ready to engage.

**Product development and industry engagement:**

Credit Suisse continues to participate in national working groups in all of its main markets and actively supports the initiatives developed in these forums. In industry and client interactions, Credit Suisse seeks to build consensus with its clients, peers and national regulators to strengthen the integrity and robustness of its core markets through the transition to alternative reference rates. Credit Suisse continues to pioneer innovative solutions in the SOFR markets as it builds on its established USD franchise.

**Risk management and mitigation:** To manage transition risk, CS group implemented a group-wide policy to limit new LIBOR-referencing business and control the wind-down of legacy exposures in advance of July 2023. Accordingly, divisional plans were developed to ensure timely compliance with the policy and limits therein. Certain milestones (eg operational readiness, communications, etc.) were put in place and are monitored to ensure the transition is progressed in a timely fashion. Modelling and risk management systems have been revised to accommodate the transition and were successfully tested in 2021. Pricing models have been reviewed and updated where needed. While most of the remaining legacy LIBOR portfolio has reduced transition risk, CS group continues its client outreach efforts to actively transition or de-risk the residual portfolio by adding robust fallback provisions.

**Strategic Transition Planning and Communication:** Aligned with regulatory guidance on the transition, Credit Suisse's businesses have developed and ratified their own transition plans. While certain product details and conventions remain to be agreed upon across the markets, these plans prepare Credit Suisse to optimally service its clients during the next 18-months and after the transition. Over forty thousand of CS group's employees have been trained to take clients on this journey and continue to inform clients about the progress of the transition.

The following table includes disclosures of both derivatives and non-derivative instruments in CSi that continue to reference significant interest rate benchmarks subject to interest rate benchmark reform as at 31 December 2021. The amounts provide an indication of the extent of CSi group's exposure to the IBOR benchmarks that are due to be replaced. Amounts are in respect of financial instruments that contractually reference an interest rate benchmark that is planned to transition to an alternative benchmark.

31 December 2021 (USD millions)	Financial instruments yet to transition to alternative benchmarks, by main benchmark <sup>1</sup>						Total
	USD LIBOR	GBP LIBOR	JPY LIBOR	CHF LIBOR	EUR LIBOR & EONIA	SGD SOR	
Notional value of non-derivative financial assets	6	-	-	-	-	-	6
Notional value of non-derivative financial liabilities	101	-	-	-	-	-	101
Derivative notional contract amount	448,124	759	3	-	-	4,151	453,037

<sup>1</sup> This table does not include financial instruments that reference a benchmark interest rate that is required to transition to an alternative benchmark rate, but which will mature prior to that transition date. The table also does not include financial instruments that reference a benchmark interest rate having effective fallback provisions.

Credit Suisse continues to focus on identifying the potential impact this transition may have on clients, and new risks that may arise to assist them through the whole of the transition period.

CS group adopted the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 on 1 January 2021. For further details, refer to Note 2 – Significant Accounting Policies.

#### Evaluation and management of non-financial risks

CS group aims to maintain the integrity of its business, operations and reputation as a core principle guiding the management and oversight of non-financial risks by ensuring that day-to-day operations are sustainable and resilient, do not expose CS group to significant losses and enable its employees to make decisions and conduct business in line with its values and desired reputation as a firm.

Each business area and function is responsible for its risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated second line of defense functions responsible for independent risk and compliance oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise. Businesses and relevant control functions meet regularly to discuss risk issues and identify required actions to mitigate risks.

The Non-Financial Risk function oversees the established NFRF, providing a consistent and unified approach to evaluating and monitoring the CS group's non-financial risks. Non-financial risk appetites are established and monitored under the group-wide risk appetite framework, aligned with the NFRF which sets common minimum standards across the group for non-financial risk and control processes and review and challenge activities. Risk and control assessments are in place across all divisions and functions, consisting of the risk and control self-assessments and compliance risk assessments. Key non-financial risks are identified annually and represent the most significant risks requiring senior management attention. Where appropriate, remediation plans are put in place with ownership by senior management and ongoing oversight by CS group or Legal Entity Risk Committees.

#### Non-financial risk capital management

CSi's activities to manage non-financial risk capital include scenario analysis and operational risk regulatory capital

measurement, as further described below. In addition, CSi transfers the risk of potential losses from certain non-financial risks to third-party insurance companies in certain instances.

#### Non-financial risk scenario analysis

Non-financial risk scenario analysis is forward-looking and is used to identify and measure exposure to a range of potential adverse events, such as unauthorised trading, transaction processing errors and compliance issues. These scenarios help businesses and functions assess the suitability of controls in light of existing risks and estimate hypothetical but plausible risk exposures. Scenarios are developed as qualitative estimation approaches to support stressed loss projections and capital calculations (both economic and regulatory capital) as part of regulatory requirements set by regulatory agencies in the jurisdictions in which CSi group operates.

#### Non-financial risk stress loss projections

Operational losses may increase in frequency and magnitude during periods of economic stress and/or market volatility. CS group estimates the potential operational loss that may be experienced under a variety of adverse economic conditions through stress testing by quantifying historically observed relationships between various types of operational losses and the economy, and through expert consideration of impacts on key non-financial risks.

#### Non-financial risk regulatory capital measurement

CS group uses a set of internally validated and approved models to calculate its regulatory capital requirements for non-financial risk (also referred to as "operational risk capital") across the CS group and for legal entities. For CS group regulatory capital requirements, it uses a model under the AMA. The model is based on a loss distribution approach that uses relevant historical internal and external loss data to estimate frequency and severity distributions for different types of potential non-financial risk losses, such as an unauthorised trading incident, execution delivery errors, fraud, litigation events or a material business disruption. Business experts and senior management review and challenge model parameters in light of changes of business environment and internal control factors to ensure that the capital projection is reasonable and forward-looking. Deductions are taken from the regulatory capital requirement for non-financial risk to account for the mitigating values of insurance policies held by the CS group. The regulatory capital requirement represents the



99.9th percentile of the estimated distribution of total operational losses for the CS group over a one-year time horizon. A risk-sensitive approach is applied to allocate capital to the businesses.

### **Governance of non-financial risks**

Effective governance processes establish clear roles and responsibilities for managing non-financial risks and define appropriate escalation processes for outcomes that are outside expected levels. CS group utilises a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities, including clearly defined roles for each of the three lines of defense to achieve appropriate segregation of duties.

Non-Financial Risk is responsible for setting minimum standards for managing non-financial risks at the CS group level. This includes ensuring the cohesiveness of policies and procedures, tools and practices throughout the CS group, particularly with regard to the identification, evaluation, mitigation, monitoring and reporting of these risks. Other second line of defense oversight functions are responsible for setting supplemental policies and procedures where applicable. Non-Financial Risk also oversees the global read-across framework, under which the CS group performs comprehensive reviews of risk events and/or emerging risks to identify underlying root causes, and considers their applicability across other divisions, significant legal entities or corporate functions with the goal of minimising re-occurrence in a sustainable manner through enhancements of processes and/or key controls to support reduction of relevant residual risks.

Non-financial risk exposures, metrics, issues and remediation efforts are discussed in various risk management committees across the organisation, including in the monthly ExB RMC, divisional operational risk and compliance management committees and relevant corporate function committees. Key, significant and trending non-financial risk themes are discussed in governance forums where appropriate, including risk themes that may emerge due to significant internal or external events and any corresponding tactical or strategic control enhancements that may be required in order to maintain adequate internal controls in response to such events.

For conduct risk, periodic monitoring of metrics is based on thresholds set by severity level, with material trends identified and escalated as appropriate to senior management.

### **viii) Reputational Risk**

CSi highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking, and responsible approach to business. This is achieved through use of dedicated processes, resources and policies focused on identifying, evaluating, managing and reporting potential reputational risks. This is also achieved through applying the highest standards of personal accountability and ethical conduct as set out in the CS group Code of Conduct, and the firm's approach to Conduct and Ethics.

CSi acknowledges that as a large global financial institution, with a wide range of businesses and stakeholders, it may be subject

to general criticism or negative perception from time to time which may negatively impact its reputation.

CSi also acknowledges that it will knowingly engage in specific activities where opinions may vary depending on the perspective and standpoint of each party, and which may lead to negative perception from some stakeholders.

In both these cases, CSi accepts reputational risk only where CS group can justify at the time decisions are taken that:

- The activity is in line with our stated Code of Conduct, and Conduct and Ethics Standards;
- Informed judgement is exercised in line with our internal sector policies and thematic guidelines, including region specific concerns or mitigation, where applicable.

CSi has no appetite for engaging in activity that exposes CS group to reputational risk where these conditions are not met.

CSi has adopted the Global Policy on Reputational Risk which states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.

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## **42 Offsetting of Financial Assets and Financial Liabilities**

The disclosures set out in the following tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other assets and liabilities that:

- are offset in the CSi group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement, irrespective of whether they are offset in the CSi group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as Loans and Due to Banks are not disclosed in the following tables. They are not offset in the Consolidated Statement of Financial Position.

### **Derivatives**

The CSi group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association ('ISDA') Master Agreements. These agreements provide for the net settlement of all transactions under the agreement

through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSi group or the counterparties or following other predetermined events. In addition CSi group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives and OTC-cleared derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset because the CSi group:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

To meet criterion (a), the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
  - (i) the normal course of business;
  - (ii) the event of default; and
  - (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

Criterion (b) may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g. derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange traded derivatives or OTC cleared derivatives that are fully margined and for which the daily margin payment constitute settlement of the outstanding exposure are not included in the offsetting disclosures because they are not subject to offsetting due to daily settlement. The daily margin payments which are unsettled until the next settlement cycle is conducted are presented in brokerage receivables or brokerage payables.

Under IFRS, the CSi group has elected to account for substantially all financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables.

## **Reverse repurchase and repurchase agreements and securities lending and borrowing transactions**

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Bilateral reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements permit such netting and offset because CSi group:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The net settlement criterion in (b) will also be met, if the CSi group can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

The amounts offset are measured on the same basis as the underlying transaction (i.e. on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Positions because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Positions apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to

a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides CSi group with the right to liquidate the collateral held. As is the case in CSi group's normal course of business, CSi actively manages collateral, and relevant collateral received that may be sold or repledged was sold or repledged as of 31 December 2021 and 31 December 2020. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g. in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

### Offsetting of Financial Assets and liabilities and amounts not offset in the Consolidated Statement of Financial Position

Group	Amounts subject to enforceable master netting agreements <sup>1</sup>			Amounts not offset in the Consolidated statement of Financial Position				Total
	Gross	Offsetting	Net	Financial instruments <sup>2</sup>	Cash collateral received/pledged <sup>2</sup>	Net exposure	Amounts not subject to enforceable master netting agreements <sup>1</sup>	
<b>Financial Assets</b>								
Derivative assets	125,856	(15,132)	110,724	(89,618)	(11,843)	9,263	2,467	<b>113,191</b>
<i>of which recorded in trading financial assets mandatorily at fair value through profit or loss</i>	125,855	(15,132)	110,723	(89,618)	(11,843)	9,262	2,467	<b>113,190</b>
<i>of which recorded in non-trading financial assets mandatorily at fair value through profit or loss</i>	1	–	1	–	–	1	–	<b>1</b>
Securities purchased under resale agreements	48,736	(7,142)	41,594	(41,272)	(321)	1	1,150	<b>42,744</b>
Securities borrowing transactions	1,832	–	1,832	(1,797)	–	35	53	<b>1,885</b>
Loans	1,157	(99)	1,058	–	–	1,058	–	<b>1,058</b>
Other Assets- cash collateral on derivative instruments	29,570	(1,143)	28,427	–	(18,421)	10,006	623	<b>29,050</b>
Funded Derivatives Assets	7	–	7	(6)	–	1	211	<b>218</b>
<b>Financial Liabilities</b>								
Derivative liabilities	126,069	(13,988)	112,081	(87,540)	(18,421)	6,120	1,108	<b>113,189</b>
<i>of which recorded in trading financial liabilities mandatorily at fair value through profit or loss</i>	126,056	(13,988)	112,068	(87,540)	(18,421)	6,107	1,108	<b>113,176</b>
<i>of which recorded in financial liabilities designated at fair value through profit or loss</i>	13	–	13	–	–	13	–	<b>13</b>
Securities sold under resale agreements	25,543	(6,287)	19,256	(19,117)	(139)	–	108	<b>19,364</b>
Securities lending transactions	3,297	–	3,297	(3,263)	–	34	–	<b>3,297</b>
Short Positions	9,861	(985)	8,876	–	–	8,876	–	<b>8,876</b>
Other Liabilities- cash collateral on derivative instruments	18,847	(30)	18,817	–	(11,843)	6,974	295	<b>19,112</b>
Funded Derivatives Liabilities	843	(280)	563	(15)	–	548	2,663	<b>3,226</b>

<sup>1</sup> Represents 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> The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use of CDS.

Group	Amounts subject to enforceable master netting agreements			Amounts not offset in the Consolidated statement of Financial Position				Total <sup>3</sup>
	Gross	Offsetting	Net	Financial instruments	Cash collateral received/pledged	Net exposure	Amounts not subject to enforceable master netting agreements	
2020 (USD million)								
<b>Financial Assets</b>								
Derivative assets	175,763	(23,419)	152,344	(123,333)	(21,924)	7,087	5,626	<b>157,970</b>
of which recorded in trading financial assets mandatorily at fair value through profit or loss	175,730	(23,419)	152,311	(123,333)	(21,924)	7,054	5,626 <sup>1</sup>	<b>157,937</b>
of which recorded in other assets	33	–	33	–	–	33	–	<b>33</b>
Securities purchased under resale agreements	23,003	(73)	22,930	(22,930)	–	–	879	<b>23,809</b>
Securities borrowing transactions	1,632	–	1,632	(1,632)	–	–	–	<b>1,632</b>
Other Assets- Cash collateral on derivative instruments	39,737	(3,173)	36,564	–	–	36,564	1,740	<b>38,304</b>
Funded Derivatives Assets	216	–	216	(181)	–	35	114	<b>330</b>
<b>Financial Liabilities</b>								
Derivative liabilities <sup>2</sup>	172,794	(20,317)	152,477	(120,947)	(27,060)	4,470	1,524 <sup>1</sup>	<b>154,001</b>
Securities sold under resale agreements	15,312	(73)	15,239	(15,229)	(9)	1	199	<b>15,438</b>
Securities lending transactions	4,271	–	4,271	(4,271)	–	–	–	<b>4,271</b>
Other Liabilities- Cash collateral on derivative instruments	28,440	(72)	28,368	–	–	28,368	483	<b>28,851</b>
Funded Derivatives Liabilities	1,310	(108)	1,202	(814)	–	388	1,378	<b>2,580</b>

<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> Derivative Liabilities are entirely recorded in trading financial liabilities mandatorily at fair value through profit or loss.

<sup>3</sup> Above table includes Assets and Liabilities held for sale. Details are included in Note – 28 Discontinued Operations and Assets and Liabilities held for sale.

The offsetting tables above apply to both, CSi group and Bank.  
The only exception to the Bank tables is in the Derivative assets and liabilities lines as shown below.

Bank	Amounts subject to enforceable master netting agreements			Amounts not offset in the Consolidated statement of Financial Position				Total
	Gross	Offsetting	Net	Financial instruments	Cash collateral received/pledged	Net exposure	Amounts not subject to enforceable master netting agreements	
2021 (USD million)								
<b>Financial Assets</b>								
Derivative assets	125,856	(15,132)	110,724	(89,618)	(11,843)	9,263	2,469	<b>113,193</b>
of which recorded in trading financial assets mandatorily at fair value through profit or loss	125,855	(15,132)	110,723	(89,618)	(11,843)	9,262	2,469	<b>113,192</b>
<b>Financial Liabilities</b>								
Derivative liabilities	126,069	(13,988)	112,081	(87,540)	(18,421)	6,120	1,109	<b>113,190</b>
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	126,056	(13,988)	112,068	(87,540)	(18,421)	6,107	1,109	<b>113,177</b>
2020 (USD million)								
<b>Financial Assets</b>								
Derivative assets	175,763	(23,419)	152,344	(123,333)	(21,924)	7,087	5,627	<b>157,971</b>
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	175,730	(23,419)	152,311	–	–	–	5,627	<b>157,938</b>
<b>Financial Liabilities</b>								
Derivative liabilities	172,794	(20,317)	152,477	(120,947)	(27,060)	4,470	1,525	<b>154,002</b>

## 43 Capital Adequacy

The Bank's capital adequacy is managed and monitored based on practices developed by the Basel Committee on Banking Supervision ('BCBS') and governed by Prudential Regulation Authority ('PRA'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD'), collectively referred to as CRDIV.

The CS group considers a strong and efficient capital position to be a priority. Consistent with this, the Bank closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework or to the Bank's business model. The CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Multi-year business forecasts and capital plans are prepared by CSi, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios, as part of the ICAAP. Within these stress tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for any SREP ('Supervisory Review and Evaluation Process') that the PRA conducts when assessing an institution's level of regulatory capital.

### Own Funds

Own funds comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity (Common Equity Tier 1 ('CET1')). This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital equals the sum of these with adjustments including regulatory deductions and prudential filters.

The Bank's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its businesses. The capital management framework is designed to ensure that own funds are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

No repatriations took place during 2021 and 2020.

Overall movements in capital resources were as follows:

	2021	2020
<b>Regulatory capital less deductions (USD million)</b>		
<b>Total regulatory capital less deductions at 1 January</b>	<b>20,537</b>	<b>20,307</b>
Net movement on Tier 2 capital <sup>1</sup>	(12)	3
Net Movement in shareholder's equity <sup>2</sup>	(5,378)	221
Net movement in regulatory deductions and prudential filters	(120)	6
<b>Total regulatory capital less deductions at 31 December<sup>3</sup></b>	<b>15,027</b>	<b>20,537</b>

<sup>1</sup> Net movement on Tier 2 capital includes general provision.

<sup>2</sup> Net move in shareholders equity includes repatriation of capital, injection of share premium for the year, changes in retained earnings, other reserves and capital contribution reserve.

<sup>3</sup> Changes in Tier 1 instruments are already covered in point 2, and are of which disclosures. These need to be excluded for arriving at the final capital in above table.

<sup>3</sup> The decrease in regulatory capital is majorly due to default of US hedge fund Archegos Fund LP, which resulted in a loss of USD 4,540 million, an increase in prudential deductions -USD 131 million and sub-debt amortisation - USD 12 million.

Under the BCBS guidelines, an institution must have a ratio of own funds to aggregate RWA of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6%. The RWA reflect the credit, market, operational and other risks of the Bank calculated using methodologies set out in the CRR. Total Pillar 1 capital requirement is further scaled up using Pillar 2A and Pillar 2B buffers, which stood at 4.04% and 6.46% respectively at the end of 2021.

The Bank must at all times monitor and demonstrate compliance with the relevant own funds requirements of the CRR. The Bank has put in place processes and controls to monitor and manage its own funds and no breaches were reported to the PRA during the year.

The following table sets out details of CSi's own funds at 31 December 2021 and 2020.

	2021	2020
<b>Regulatory capital less deductions (USD millions)</b>		
Total shareholders' equity-Bank	17,629	23,007
<b>Shareholders' equity</b>	<b>17,629</b>	<b>23,007</b>
Other deductions:		
Regulatory deductions (Intangible assets)	(495)	(485)
Securitisation positions	(7)	(4)
DTA on non-temporary differences	(276)	(224)
Excess of expected loss amounts over credit risk adjustments	(68)	(129)
Defined benefit pension fund assets	(686)	(796)
Free Delivery	(22)	(29)
Prudential filters	(1,053)	(820)
<b>Total Tier 1 capital</b>	<b>15,022</b>	<b>20,520</b>
<b>Tier 2 capital</b>		
Subordinated debt	3	3
Standardised General Credit Risk Adjustments	2	14
<b>Total Tier 2 capital</b>	<b>5</b>	<b>17</b>
<b>Total Tier 1 plus Tier 2 capital less Deductions</b>	<b>15,027</b>	<b>20,537</b>

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## 44 Subsequent Events

### Sanctions risk in Russia

In late February 2022, the Russian government launched a military attack on Ukraine. In response to Russia's military attack, the US, EU, UK, Switzerland and other countries across the world imposed severe sanctions against Russia's financial system and on Russian government officials and Russian business leaders. The sanctions included limitations on the ability of Russian banks to access the SWIFT financial messaging service and restrictions on transactions with the Russian central bank. The Russian government has also imposed certain countermeasures, which include restrictions relating to foreign currency accounts and security transactions. These measures followed earlier sanctions that had already been imposed by the US, EU and UK in 2021 in response to alleged Russian activities related to Syria, cyber security, electoral interference and other matters. CSi is assessing the impact of the sanctions already imposed, and potential future escalations, on its exposures and client relationships. As of 31 December 2021, CSi had a net credit exposure to Russia of approximately USD 61 million. CSi is currently monitoring settlement risk on certain open transactions with Russian counterparties, and market closures, the imposition of exchange controls, sanctions or other actions may limit our ability to settle existing transactions or realise on collateral, which could result in unexpected increases in exposures. CSi notes that these recent developments may affect its financial performance, including credit loss estimates, albeit given the early stage of these developments, it is not yet possible to estimate the size of any reasonably possible losses.

### Corporation Tax Surcharge

In the UK budget announcement of 27 October 2021, the UK government advised that the corporate bank surcharge will be reduced from 8% to 3% to apply from 1 April 2023. This was substantively enacted on 2 February 2022. The reduction in the corporation bank surcharge will decrease in the company's net deferred tax asset as at 31 December 2021 by USD 43 million.

### Litigation

In March 2022, CSi reached a settlement related to a legacy litigation brought by Stadtwerke München GmbH and the parties will shortly apply to the court to have all proceedings against Credit Suisse discontinued. As a result, CSi increased its 2021 litigation provision by USD 86 million in the Corporate Centre.

# Country-by-country reporting

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## ***Independent auditors' report to the directors of Credit Suisse International***

### **Report on the audit of the country-by-country information**

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#### **Opinion**

In our opinion, Credit Suisse International's group country-by-country information for the year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2021 in the Annual Report 2021.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Emphasis of matter - Basis of preparation**

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the relevant section of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

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#### **Conclusions relating to going concern**

Our evaluation of the directors' assessment of the CSi group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a detailed risk assessment to identify factors that could impact the going concern basis of accounting, including the effect of the US hedge fund matter described in the strategic report;
- Understanding and evaluating the CSi group and company's current and forecast performance and reviewing key assumptions made in the forecasting process;
- Gaining an understanding of, and reviewing, management's assessment of the CSi group's capital and liquidity position, taking into account the ability of the CS group to provide support given CSi group's longer-term reliance on funding from Credit Suisse AG;
- Reviewing management's going concern assessment as well as the outcomes of the internal liquidity adequacy assessment processes ("ILAAP"), capital planning forecasts and stress testing; and,
- We performed substantive procedures to obtain evidence of management's conclusions. These included review of regulatory correspondence, inspection of contracts and transaction terms related to intra-group funding facilities and back-testing of financial planning assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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## **Reporting on other information**

The other information comprises all of the information in the Country-by-Country Report - description as defined in the second paragraph of the opinion section above other than the country-by-country information and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the country-by-country information does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the country-by-country information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the country-by-country information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the country-by-country information or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## **Responsibilities for the country-by-country information and the audit**

### *Responsibilities of the directors for the country-by-country information*

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the country-by-country information*

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Credit Suisse International group and industry, we identified that the principal risks of non-compliance with laws and regulations related to securities markets, trading and other financial products and services including conduct of business, principally those determined by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as the Companies Act 2006 and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to misstatement in disclosure. Audit procedures performed by the Credit Suisse International group engagement team and/or supporting auditors included:

- enquiring with management and, where appropriate, those charged with governance;
- obtaining an understanding of the relevant laws and regulations, including the relevant requirement of the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- obtaining client schedules and other information used to prepare country-by country disclosures and agree to audit work performed and audit evidence; and
- testing taxes paid.



There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Duncan McNab.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, handwritten-style font.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
10 March 2022

## Country-by-Country Reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, and their turnover, profit or loss before taxes, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2021.

### Basis of Preparation

- **Country:** The geographical location of CSi, its branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The applicable countries are listed in the following table.
- **Entity details:** The name of the entity, the entity type, and the nature of activity is defined in the following table. CSi including its branches, is a bank. CSi offers a range of interest rate, currency, equity and Credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.
- **Average Number of Employees:** Defined as the number of employees on a full time equivalent basis, compensated directly by the entity.
- **Turnover:** Defined as net revenues, and is consistent with CSi's financial statements. Net revenues include total income before impairment and operating expenses, but after net interest, net commissions/fees income and investment and trading income.
- **Profit/(Loss) before taxes:** Definition of profit/(loss) before tax is consistent with that within CSi's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSi in each country and does not include taxes refunded back to CSi on account of tax overpayments in prior years. Other taxes paid are detailed in the Strategic Report, and throughout the Annual Report.
- **Public Subsidies Received:** Interpreted as direct support by the government and there were no public subsidies received by CSi in 2021 (2020: Nil).

### Country by Country Reporting for the year ended 31 December 2021

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million) <sup>1</sup>	Profit/(Loss) before taxes (USD million) <sup>1</sup>	Corporation Taxes Paid (USD million)	Public Subsidies Received (USD million)
<b>United Kingdom</b>							
Credit Suisse International	Parent	Bank	2,425	(2,151)	(5,386)	16	–
<b>Spain</b>							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	–	–	–	–	–
<b>Italy</b>							
Credit Suisse International, Italian Branch	Branch	Bank Branch	–	–	–	–	–
<b>The Netherlands</b>							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	–	–	–	–	–
<b>Sweden</b>							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	–	–	–	–	–
<b>Credit Suisse International</b>	Consolidated <sup>1</sup>		2,425	(2,151)	(5,386)	16	–

<sup>1</sup> Variable Interest entities are included in the above reporting. For a full list of other consolidated entities please refer Note 37 – Interest in Other Entities.

CSi incurred Bank Levy of USD 16 million, employees social security of USD 94 million and irrecoverable UK value added tax of USD 65 million.

## Country by Country Reporting for the year ended 31 December 2020

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million) <sup>1</sup>	Profit/(Loss) before taxes (USD million) <sup>1</sup>	Corporation Taxes Paid (USD million)	Public Subsidies Received (USD million)
<b>United Kingdom</b>							
Credit Suisse International	Parent	Bank	2,493	2,642	199	18	–
Credit Suisse First Boston Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
<b>Spain</b>							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	–	–	–	–	–
<b>Italy</b>							
Credit Suisse International, Italian Branch	Branch	Bank Branch	2	3	1	1	–
<b>The Netherlands</b>							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	1	1	1	–	–
<b>Sweden</b>							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	–	1	–	–	–
<b>Credit Suisse International</b>	Consolidated		2,496	2,647	201	19	–

<sup>1</sup> Variable Interest entities are included in the above reporting. For a full list of other consolidated entities please refer Note 37 – Interest in Other Entities.

CSi incurred Bank Levy of USD 37 million, employees social security of USD 105 million and irrecoverable UK value added tax of USD 54 million.





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