Credit Suisse International

CREDIT SUISSE

Annual Report 2019

Credit Suisse International

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Board of Directors as at 25 March 2020

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

Company Secretary

Paul Hare

Company Registration Number	02500199

John Devine

British Citizen

Non-Executive

Board member since 2017

Professional history

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

Education

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

Other activities and functions

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

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

David Mathers

British Citizen

Board member since 2016

Chief Executive Officer

Professional history

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

Education

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

Other activities and functions

European CFO Network, member

Academic awards and grants at Robinson College, Cambridge, Sponsor

Alison Halsey

British Citizen

Non-Executive

Board member since 2015

Professional history

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

Education

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

Other activities and functions

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

Ambitious about Autism, Trustee, Member of Finance and Resources Committee, Member of Investment Committee

Andreas Gottschling

German Citizen

Non-Executive

Board member since 2018

Professional history

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

Education

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

Debra Davies

British Citizen

Non-Executive

Board member since 2019

Professional history

2019–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2019–present)
	Member of the Audit Committee (2019-present)
	Member of the Advisory Remuneration Committee (2019-present)
	Member of the Nomination Committee (2019–present)
2013-2018	Swisscard AECS GmbH
	Board Member
1989-2019	American Express Europe Ltd
	Senior Vice President
	Head of Partnerships, Licensed Countries and Joint Ventures
	Head of Product, International Markets
	Head of UK Consumer and Insurance

Education

1984	BA (Hons) Business Studies, Thames Valley University

Other activities and functions

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

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

Caroline Waddington

British Citizen

Board member since 2017

Chief Financial Officer

Professional history

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

Education

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

Other activities and functions

NameCo (No.357) Limited, Director

Brook House (Clapham Common) Management Company Limited, Director

Christopher Horne

British Citizen

Board member since 2015

Deputy Chief Executive Officer

Professional history

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

Education

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

Other activities and functions

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

Paul Ingram

British Citizen

Board member since 2015

Chief Risk Officer

Professional history

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

Education

1985	BA Honours Economics, University of Essex

Jonathan Moore

British Citizen

Board member since 2017

Professional history

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

Education

2000	BSc Mathematics, University of Nottingham

Other activities and functions

Association for Financial Markets in Europe, Director

Michael DiIorio

American and British Citizen

Board member since 2017

Professional history

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

Education

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

Nicola Kane

British Citizen

Board member since 2018

Professional history

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

Education

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

Other activities and functions

International Association of Securities Services, Board Member

Annual Report for the Year Ended 31 December 2019

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 has branch operations in Amsterdam, Madrid, Milan, Singapore and Sweden. The Bank also maintains representative offices in Geneva, Hong Kong and Zurich.

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

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

Financial statements

The CSi Annual Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Bank and in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The Directors present their Annual Strategic Report, Directors' Report and the Annual Financial Statements for the year ended 31 December 2019. The Annual Financial Statements were authorised for issue by the Directors on 25 March 2020.

Purpose

CSi has a purpose to support economies through its activities and to play 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 providing services and products to help them succeed. CSi recognises the importance of its relationship and engages with its stakeholders; shareholders, employees, clients, suppliers and with the wider community. 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 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 GM and IBCM clients in Europe, Middle East, and Africa ('EMEA') markets. 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 EMEA corporate clients.

In 2020 it is CSi management's strategy to transfer all core businesses out of Credit Suisse Securities (Europe) Limited ('CSS(E)L') to CSi. This will simplify the UK business model, improve resolvability and optimise capital requirement. The material reduction of business activities in CSS(E)L will result in a consolidation of business activities conducted across the core UK Investment Banking legal entities into CSi.

Clients

CSi aims to provide its corporate, institutional and IWM clients with a broad range of financial solutions. To meet clients' evolving needs, CSi serves its clients through an integrated franchise and international presence. CSi is a global market leader in over-the-counter ('OTC') derivative products and offers 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 CSi's corporate clients, CSi provides a wide spectrum of banking products such as traditional and structured lending and investment solutions. In addition, CSi applies its investment banking capabilities to provide customised services in the areas of mergers and acquisitions ('M&A'), equity and debt syndications and structured finance.

Growth driven by principal divisions

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

Global Markets

Business Profile

GM provides a broad range of financial products and services to client-driven businesses and also supports the CS group's IWM, IBCM and APAC businesses and their clients. The suite of products and services includes global securities sales, trading and execution and comprehensive investment research. Clients include financial institutions, corporations, and governments, institutional investors, such as pension funds and hedge funds, and private individuals around the world. GM integrated business model enables it to gain a deeper understanding of its clients and delivers creative, high-value, customised solutions based on expertise from across CS group.

Business Strategy

In 2019, GM significantly improved profitability and delivered positive operating leverage despite mixed market conditions by focusing on its core institutional, corporate and wealth management client base. GM diversified franchise delivered revenue growth across most products on lower costs and disciplined capital usage which drove significantly improved profitability and returns.

Looking ahead, GM continues to focus on further increasing cross-divisional collaboration to drive revenue growth with its core institutional, corporate and wealth management clients, increasing operating leverage with ongoing efficiencies, investing in technology and attracting top talent. In addition, GM remains focussed on defending its market positions across equities and fixed income products. With regard to costs, GM will continue to focus on productivity cost savings, including increasing efficiencies from consolidating redundant platforms and eliminating duplication across functions.

Investment Banking & Capital Markets

Business Profile

The IBCM division offers a broad range of investment banking products and services which include advisory services related to M&A, divestitures, takeover defence strategies, business restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions related to these activities are also offered. Clients include leading corporations, financial institutions, financial sponsors, Ultra High Net Worth Individuals ('UHNWI') and sovereign clients.

IBCM delivers its investment banking capabilities through regional and local teams based in both major developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CS group and helps clients to unlock capital and value in order to achieve their strategic goals.

Business Strategy

IBCM's strategy focuses on leveraging the Bank's structuring and execution expertise to develop innovative financing and advisory solutions for clients. The divisional strategy is designed to generate sustainable, profitable growth and deliver returns in excess of its cost of capital. IBCM's key strategic priorities include: optimising the client coverage model, growing the M&A advisory and equity underwriting businesses and using the CS group's global platform to meet clients' needs for cross-border expertise in developed and emerging markets.

A key element of division strategy is generating stronger results in M&A advisory and equity underwriting, while maintaining a leading leveraged finance franchise. IBCM expects that reinvigorating efforts in these products will contribute to a revenue mix that is more diversified and less volatile through the market cycle.

IBCM continues to optimise client strategy in order to deliver efficient and effective client coverage. IBCM's strategic objective is to align, and selectively invest in, coverage and capital resources with the largest growth opportunities and where the franchise is well-positioned. IBCM has made progress in the execution of its plans for investment in the technology and healthcare sectors, and also aim to leverage strong sponsors franchise to capture growth in the private equity sector.

IBCM will continue to leverage its global connectivity with other divisions and its platform to drive opportunities for the CS group.

Other divisions

APAC

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

Corporate Centre

Corporate Centre includes the Asset Resolution Unit ('ARU'), formerly the Strategic Resolution Unit ('SRU') and certain other expenses and revenues that have not been allocated to divisions. Beginning in 2019 the SRU ceased to exist as a separate division of the CS group and the residual portfolio is now managed in ARU and disclosed within the Corporate Centre. SRU was created in 2015 to allow the right-sizing of CS group divisions. Within CSi, the SRU predominantly comprised derivative portfolios across interest rate and credit products and its primary focus was on the wind-down of assets with high capital usage and costs in order to reduce the negative impact on legal entity performance. The ARU's core mandate has transitioned from accelerated risk reduction to active risk monitoring.

European Union ('EU') Exit Strategy

The United Kingdom has formally withdrawn its membership from the EU effective 31 January 2020 and entered a transition period until 31 December 2020.

CS group has prepared for a 'Hard Brexit', where the UK exit from the EU results in CSi, a UK based bank, losing access to certain EU clients and markets. CS group has executed a group-wide plan, building out trading capabilities and market access in existing CS group locations and entities, with a number of impacted markets and clients already transferred in anticipation of the UK withdrawal. In particular, CSi is progressing with the following business migrations:

- CSi is transferring EU client and EU venue facing broker-dealer business to a member of the CS group incorporated in Madrid, Spain, Credit Suisse Securities Sociedad de Valores S.A. ('CSSSV');
- CSi is transferring EU client lending business activities to Frankfurt, Germany, Credit Suisse (Deutschland) AG ('CSD'); and
- CSi currently has branches in Amsterdam, Stockholm, Madrid and Milan. The businesses in the Amsterdam, Stockholm and Milan branches were transferred to newly set up branches of CSSSV on 28th February 2020.

These changes qualified as Held for sale ('HFS') and associated profit and loss Discontinued Operations ('DO') based on the IFRS 5 criteria.

→ For further details, refer to Note 31 – Discontinued Operations and Asset Held for Sale.

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.

Political and Economic environment

2019

The Financial Times Stock Exchange 100 ('FTSE 100') index of top UK-listed shares closed at 7,542 points for 2019. That was a 12.1% gain for the year.

The UK Gross Domestic Product ('GDP') growth slowed last year, reflecting weaker global growth and elevated UK EU Exit uncertainties. Growth in regular pay has fallen back to around 3.5%, though unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term. The Consumer Price Index ('CPI') inflation fell to 1.3% in December and core CPI inflation declined to 1.4%. The unemployment rate has remained low and stable, and employment growth has picked up.

During November and December, a stabilisation of the global growth outlook and progress in trade negotiations between the United States and China had prompted an improvement in risk sentiment in financial markets.

The sterling exchange rate index had risen by 1.5% during last 2 months of the year. The general election result had reduced near-term uncertainty about both the range of potential options for UK EU Exit and other domestic policies. That had led to a sharp fall in short-term sterling-US dollar option-implied volatility, which was now closer to that of other currency pairs. The fall in implied volatility at longer maturities had been less pronounced, however volatility at all maturities remained higher relative to the euro-dollar currency pair.

Looking Forward

Prior to the outbreak of Coronavirus (COVID-19) global business confidence and other manufacturing indicators had generally picked up domestically, near-term uncertainties facing businesses and households had receded, surveys of business activity had picked up, quite markedly in some cases, and investment intentions appeared to have recovered. Housing market indicators had strengthened and consumer confidence had increased slightly.

The Bank of England's Monetary Policy Committee ('MPC') sets monetary policy with the aim of meeting the 2% inflation target, this helps to sustain growth and employment. At its meeting on 29 January 2020, the MPC voted by a majority of 7-2 to maintain Bank Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at GBP 10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at GBP 435 billion.

The rapid spread of COVID-19 inside China in February 2020 and across the world in March 2020 led to the introduction of tight government controls and travel bans, as well as the implementation of other measures which quickly closed down activity in numerous economies across the world including the UK. Markets globally were negatively impacted, with the energy, travel and tourism and the transportation sectors. COVID-19 is expected to have a significant impact on the global economy in at least the coming months. These impacts are likely to affect CSi business performance, including credit loss estimates in the first half of 2020 and going forward. CSi is closely monitoring the spread of COVID-19 and the potential effects on its operations and business.

Due to an emergency response to the COVID-19, central banks across the world cut interest rates. The Bank of England ('BOE'), the UK's central bank, cuts the base rate of interest to 0.1% and the U.S. Federal Reserve cut its benchmark interest rate to near zero.

FTSE 100 index so far has dropped by more than 30% for the first 2.5 months of 2020.

The MPC could respond in either direction to changes in the economic outlook in order to ensure a sustainable return of inflation to the 2% target. The Committee will, among other global risks including COVID-19, continue to monitor closely the responses of companies and households to UK EU Exit developments as well as the prospects for a recovery in global growth. If global growth fails to stabilise or if UK EU Exit uncertainties remain entrenched, monetary policy may need to reinforce the expected recovery in UK GDP growth and inflation.

Accounting environment

The CSi group has adopted IFRS 16 Leases on 1 January 2019.

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

Regulatory environment

Replacement of interbank offered rates

A major structural change in global financial markets is now in progress. Global regulators are asking the market to replace all Interbank Offered Rate Benchmarks ('IBOR') with Alternative Reference Rates ('ARR') by the end of 2021.

Industry groups comprising public and private sector representatives across jurisdictions have identified recommended replacement benchmarks, established milestones for the transition and created forums for industry participants to provide feedback and discuss best practices.

CSi has identified a significant number of liabilities and assets linked to IBOR indices across businesses that require transition to ARRs. CS group has mobilised a group wide IBOR Transition Program to manage a smooth and orderly transition.

Recovery and Resolution Planning

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

CSi is currently enhancing its existing recovery plan and developing resolution capabilities in line with regulatory expectations and industry good practice. CSi will continue to enhance its capabilities to ensure it is sufficiently robust to maintain critical functions provided to the UK economy through any stabilisation, resolution or restructuring events.

Operational Resilience and EBA Outsourcing

In 2019 the European Banking Authority ('EBA') introduced detailed outsourcing guidelines for credit institutions and investment firms. Furthermore, in their respective 2019/20 Business Plans, the PRA and the FCA set out their program to enhance the operational resilience of firms in the industry, described as the ability of firms and the financial sector as a whole to prevent, adapt, respond to, recover and learn from operational disruptions, such as disruption from technology outages and cyber-attacks, increasing use of third-party service providers and complexity of changes to systems and processes.

CSi has programs in place to respond to these initiatives and continues to monitor regulatory developments around operational resilience in response to the regulators' policy proposals on outsourcing and third party risk management and impact tolerances for operational disruptions of important business services.

EU Benchmark Regulation

The EU Benchmark Regulation entered into force on 2 January 2018, imposing requirements on administrators and users of benchmark as well as contributors to benchmarks in the EU. Administrators and users of non-EU and critical benchmarks benefit from an extension to the transition period until 31 December 2021. However, as of 1 January 2020, EU administrators of non-critical benchmarks must be authorised by their National Competent Authority and on the European Securities and Markets Authority ('ESMA') register and EU supervised entities must ensure that they only use benchmarks of administrators that have been registered and where the registration covers the said benchmark. CSi has submitted its application for authorisation as a Benchmark Administrator and is monitoring the impact of this new regulation on market behaviour.

Performance

Key Performance Indicators ('KPI's')

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

	2019	2018	2017	2016	2015
Earnings					
Net profit/(loss) before tax (USD million):					
Continuing operations	137	57	(142)	(227)	(237)
Discontinued operations	53	17	–	29	185
Total	**190**	74	(142)	(198)	(52)

	2019	2018	2017	2016	2015
Consolidated Statement of Financial Position (USD million):					
Total Assets	233,678	231,753	249,579	332,381	400,989
Total Asset growth/(reduction)	0.83%	(7.14)%	(24.91)%	(17.11)%	(26.85)%
Return on Total Assets	0.08%	0.03%	(0.06)%	(0.06)%	(0.01)%

	2019	2018	2017	2016	2015
Capital (USD million):					
Risk Weighted Assets	77,108	103,983	104,871	126,723	163,722
Tier 1 capital	20,359	21,270	21,080	21,023	21,236
Return on Tier 1 capital	0.93%	0.35%	0.67%	(0.94)%	(0.24)%

	2019	2018	2017	2016	2015
Liquidity (USD million):					
Liquidity Buffer	16,255	15,685	17,892	20,240	30,604

Capital

In line with its strategy, CSi continues to maintain a strong capital position and as a result was able to repay USD 2.1 billion of capital in the form of share capital of USD 1 billion and subordinated debt of USD 1.1 billion during the year. RWA has reduced due to the adoption of the Internal Model Methodology ('IMM') exposure calculation for interest rate and FX derivatives, which led to decrease in credit risk, large exposures charge and CVA charge.

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 and includes reviewing potential opportunities to repay capital to shareholders.

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.

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

→ Changes in senior and subordinated debt are set out in Note 30 – Debt in Issuance.
→ Changes in capital are set out in Note 33 – Share Capital and Share Premium.

Liquidity

CSi maintains a strong liquidity position and also has a letter of intent from Credit Suisse AG ensuring support for meeting CSi's debt obligations and maintaining a sound financial position over the foreseeable future. The Bank maintains compliance with all liquidity ratios and limits and did not breach any liquidity regulatory limits during the year.

The liquidity buffer remained stable USD 16 billion (2018: USD 16 billion).

Consolidated Statement of Income

	2019	2018 [1]	2017	2016	2015
Consolidated Statement of Income (USD million)					
Net revenues	1,919	1,875	1,401	1,494	1,745
Total operating expenses	(1,782)	(1,818)	(1,543)	(1,721)	(1,982)
Profit/(Loss) before tax from continuing operations	**137**	**57**	**(142)**	**(227)**	**(237)**
Profit/(Loss) before tax from discontinuing operations	**53**	**17**	**–**	**29**	**185**
Profit/(Loss) before tax	**190**	**74**	**(142)**	**(198)**	**(52)**
Income tax benefit/(expense) from continuing operations	158	(7)	(82)	2	(66)
Income tax expenses from discontinuing operations	(12)	(8)	–	–	–
Profit/(Loss) after tax	**336**	**59**	**(224)**	**(196)**	**(118)**

[1] 2018 numbers have been re-stated to conform to current period's presentation

The CSi group has maintained its profitability reporting a net gain attributable to shareholders of USD 336 million (2018: USD 59 million). Profit before tax for the CSi group was USD 190 million (2018: USD 74 million).

Net Revenues

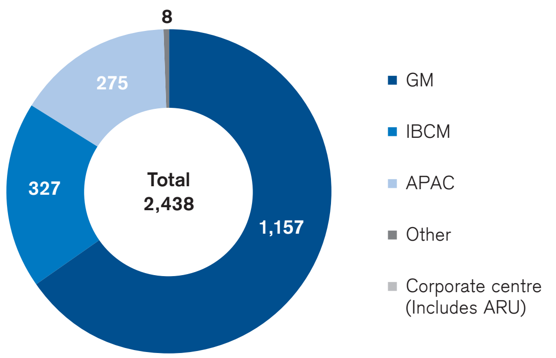
	2019	2018 [2]	Variance	% Variance
Reconciliation of reportable segment revenues (USD million)				
Total Revenues				
- GM	1,157	960	197	21%
- IBCM	327	448	(121)	(27)%
- APAC	275	365	(90)	(25)%
- Other	8	11	(3)	(27)%
- Corporate centre (Includes ARU) [1]	(37)	(39)	2	5%
Revenue sharing agreements	161	198	(37)	(19)%
Cross divisional revenue share	47	50	(3)	(6)%
Treasury funding	500	336	164	49%
Shared services	(17)	36	(53)	(147)%
Provision for credit losses	(5)	(8)	3	38%
CSi group to primary reporting reconciliations	22	(160)	182	114%
Net revenues as per Consolidated Statement of income	**2,438**	**2,197**	**241**	**11%**
Of which net revenues – discontinued operations	**519**	**322**	**197**	**61%**
Of which net revenues – continued operations	**1,919**	**1,875**	**44**	**2%**

[1] Beginning in 2019, the SRU has ceased to exist as a separate division of the CSi group. The residual portfolio remaining as of 31 December 2018 is now managed in the ARU and is separately disclosed within the Corporate Centre.

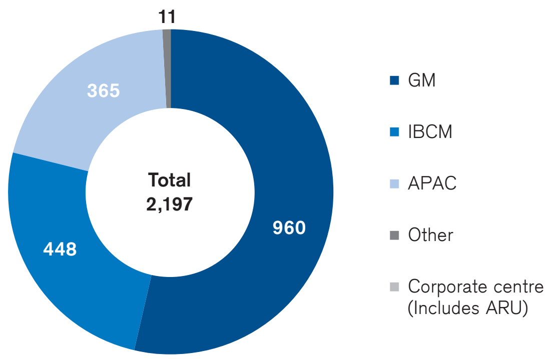
[2] 2018 numbers have been re-stated to conform to current period's presentation

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

2019 (USD million)



2018 (USD million)



In 2019, GM revenues (including continued and discontinued) increased by 21% primarily from Equity Derivatives, Fixed Income and GM Credit products. Favourable market conditions, increased client activity and better positioning throughout the year led to higher the revenues.

IBCM revenues (including continued and discontinued) decreased by 27% primarily due to unfavourable market conditions during the year generating lower fees in the advisory and capital markets businesses.

APAC revenues (including continued and discontinued) decreased by 25%, primarily due to a Single Global Currency ('SGC') restatement for 2018.

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

- Decrease of USD 37 million in revenue sharing agreements primarily due to lower transfer pricing sharing from IBCM. The business operates a profit share arrangement and the business had a challenging year due to the unfavourable market environment for M&A activity and primary issuances;
- Increase in treasury income USD 164 million is mainly due to share based compensation hedges of USD 81 million, improvement in liquidity costs of USD 37 million, and Collateral revenue of USD 21 million;
- Decrease of USD 53 million in shared services is primarily due to credit spread movements in derivative products as CSi manages the risk relating to counterparty credit, own credit, funding risk and collateral risks inherent in OTC derivative transactions;
- Increase of USD 182 million in "CSi group to primary reporting reconciliations" is primarily due to accounting adjustments for deferral of day 1 gains on transactions under IFRS which are not deferred under US GAAP and OCA that under IFRS for own credit risk on the long non issuer positions is reported in the profit and loss whereas it is reported as Other Comprehensive Income ('OCI') in US GAAP.

Expenses

	2019	2018 [1]	Variance	% Variance
Operating expenses (USD million)				
Compensation and benefits	(1,000)	(604)	(396)	66%
General, administrative and trading expenses	(1,248)	(1,423)	175	-12%
Restructuring expenses	–	(96)	96	-100%
Total operating expenses	**(2,248)**	**(2,123)**	**(125)**	**6%**
Of which operating expenses – discontinued operations	**(466)**	**(305)**	**(161)**	**53%**
Of which operating expenses – continued operations	**(1,782)**	**(1,818)**	**36**	**(2)%**

[1] 2018 numbers have been re-stated to conform to current period's presentation

The CSi group's operating expenses increased by USD 125 million to USD 2,248 million (2018: USD 2,123 million).

The increase of USD 396 million in Compensation and benefits is mainly attributed to USD 323 million increase in salaries and deferred compensation awards, higher national insurance costs by USD 50 million and pension costs by USD 9 million due to increased headcount for the full 2019 year as staff moved into CSi from CSS(E)L in the latter part of 2018. This is offset in General, administrative and trading expenses.

General, administrative and trading expenses have decreased by USD 175 million due to:

- Decrease of USD 480 million in net overheads allocated to CSS(E)L due to the transfer of employees and offset with Compensations and benefits;
- Increase of USD 109 million in professional services is due to increased reallocations from Credit Suisse Services AG, London Branch driven by India Business Delivery Charges ('BDC') and higher IT end user platform service charges. This is partially offset in net overheads allocated to CSS(E)L;
- Increase occupancy expense of USD 79 million due to provision created for the potential costs due to adoption of lease accounting in 2019 and higher building services costs. This is partially offset in net overheads allocated to CSS(E)L;
- Increase in amortisation expenses of USD 50 million due to higher depreciation on Internally Developed Software ('IDS') and adoption of lease accounting in 2019. This is partially offset in net overheads allocated to CSS(E)L; and
- Increase trading expenses of USD 38 million due to higher distribution fees paid to Credit Suisse AG for Structured Notes.

There were no restructuring expense during the year. This is due to the completion in 2018, of the three year restructuring program.

The effective tax rate for the period to December 2019 is lower than the UK Statutory tax rate. The material items impacting the effective tax rate are the reversal of impairment of deferred tax assets, permanent differences, non-recoverable foreign taxes and prior year adjustments. The effective tax rate for the period to December 2018 was in line with the UK statutory tax rate.

The CSi group has incurred substantial taxes in the UK during 2019, including Bank Levy of USD 14 million (2018: USD 16 million), employer's national insurance of USD 102 million (2018: USD 73 million) due to staff moved into CSi from CSS(E)L and irrecoverable UK value added tax ('VAT') of USD 25 million (2018: USD 33 million). As disclosed in Note 48 – Country-by-Country Reporting, Corporation taxes paid in United Kingdom ('UK') for CSi are USD 9 million (2018: Nil). The CSi group has paid Nil (2018: Nil) in taxes in branches located outside the UK.

Consolidated Statement of Financial Position (USD million)	**2019**	2018	Variance	% Variance
Assets (USD million)				
Cash and due from banks	4,438	2,229	2,209	99%
Interest-bearing deposits with banks	12,205	17,859	(5,654)	(32)%
Securities purchased under resale agreements and securities borrowing transactions	6,145	10,487	(4,342)	(41)%
Non-trading financial assets mandatorily at fair value through profit or loss	22,294	17,659	4,635	26%
Other assets	35,231	30,254	4,977	16%
Other (merged remaining balance sheet assets lines)	153,365	153,265	100	0%
Total assets	**233,678**	**231,753**	**1,925**	**1%**
Liabilities (USD million)				
Trading financial liabilities mandatorily at fair value through profit or loss	133,536	126,414	7,122	6%
Financial liabilities designated at fair value through profit or loss	21,115	24,164	(3,049)	(13)%
Borrowings	14,116	19,555	(5,439)	(28)%
Debt in issuance	14,724	12,146	2,578	21%
Other (merged remaining balance sheet liabilities lines)	27,401	26,814	587	2%
Total liabilities	**210,892**	**209,093**	**1,799**	**1%**

Consolidated Statement of Financial Position

As at 31 December 2019 the CSi group had total assets of USD 234 billion (31 December 2018: USD 232 billion) as shown in the Consolidated Statement of Financial Position on page 16.

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

- Non-Trading Financial Assets Mandatorily at Fair Value Through Profit and Loss have increased by USD 5 billion due to the change in sourcing of securities for High Quality Liquid Assets ('HQLA') from borrowing transactions;
- Other Assets have increased by USD 5 billion primarily due to an increase in cash collateral provided to external counterparties in line with the increase in derivative exposures;
- Trading Financial Liabilities Mandatorily at Fair Value Through Profit or Loss have increased by USD 7 billion primarily due to Interest Rate products under Macro and Emerging Market Trading; and
- Financial liabilities designated at fair value through profit or loss have decreased by USD 3 billion primarily driven by the change in borrowing transactions of USD 6 billion and offset by USD 3 billion new note issuances in APAC Structured Derivatives.

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:

- Cash and due from banks increasing by USD 2 billion primarily due to EUR currency for overnight cash placed with CS AG, London Branch for metric management due to higher cash generation;
- A reduction of USD 6 billion in interest-bearing deposits with banks due to a change in funding requirements to maintain overall liquidity and regulatory ratios;
- A reduction of USD 4 billion in securities purchased under resale agreements and securities borrowing transactions driven by the change in sourcing of HQLA from other CS group entities to being sourced from business assets;
- A reduction in borrowings of USD 5 billion from CS group entities primarily due to surplus USD generated by the business which was used to repay borrowing; and
- An increase of USD 3 billion in debt in issuance mainly driven by a change in funding requirements with CS AG, London Branch.

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 4.6 billion (31 December 2018: USD 5.4 billion) and Level 3 liabilities increased to USD 5.4 billion as at 31 December 2019 (31 December 2018: USD 4.8 billion). The movement in both assets and liabilities mainly driven by equity derivatives due to market moves. Level 3 assets were equivalent to 2.0% of total assets (2018: 2.3%) and Level 3 liabilities equivalent to 2.6% of total liabilities (2018: 2.3%).

→ Fair Value disclosures are presented in Note 42 – Financial Instruments.

Principal risks and uncertainties

Significant Risks

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

Other significant Risks

UK exit from the EU

Uncertainty over the outcome of the negotiations surrounding the withdrawal of the UK from the EU persisted throughout 2019 and that uncertainty will likely continue to some extent in 2020. The UK formally left the EU at the end of January 2020 but it will be challenging to agree the details of new trading arrangements before the current transition period finishes on December 31, 2020. That uncertainty may continue to have a negative economic impact in the UK. CSi is continuing to closely monitor this situation and its potential impact.

CSi's preparations have focussed on Hard UK EU Exit and ensuring operational readiness in its EU entities for 31st March 2019. The transition of impacted operations and client migration activities commenced during 2018. CSi is focused on completing the remaining in scope migrations throughout 2020 before the end of the transition period.

Litigation

The main litigation matters are set out in Note 39 – Guarantees and Commitments. 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.

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.

Risk Exposures

Credit Risk

CSi has a global portfolio with exposures driven by a number of businesses across diverse industries, 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 now discussed further.

The main drivers of credit risk in CSi are trading in OTC derivatives and lending activity. Exposure in CSi decreased by USD 2.8 billion in 2019, on a potential exposure basis, the main driver being a 12% reduction in OTC derivative exposure across a number of counterparty portfolios.

EU exit is a significant risk for both the UK and EU, with uncertainty remaining around the future relationship between the UK and the EU. On an industry basis, CSi has exposure to counterparties in the UK and across the European Union, with material exposures to banks, central counterparties, and funds. CSi has exposure to a small number of corporate counterparties which have been identified as having particular vulnerabilities associated with cross-EU business models or highly integrated supply chains, but exposure to these counterparties is relatively low in aggregate. CSi continues to undertake new business with UK and EU counterparties, but remains cautious, with approval provided on a name-by-name basis.

Leveraged Finance

After a slow start in Q1 2019, EMEA Leverage Finance primary issuance volumes accelerated throughout the year and closed Financial Year 2019 at EUR 160 billion, slightly above the previous year. This was driven by continued global growth, supportive monetary policy and M&A activity. January 2020 recorded record issuance volumes, and full-year issuance is expected slightly above the 2019 level, driven by M&A activity and Leveraged Buyout ('LBO') in particular. As at year-end 2019, gross European non-investment grade exposure was c.4% of total credit exposure in CSi on a Potential Exposure basis.

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, United Kingdom and European Union accounting for 83% 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, presented on a risk based view, include loans and loan commitments, investments (such as cash securities and other investments) and all exposures of derivatives after consideration of legally enforceable netting agreements. Gross exposures are calculated after offsetting 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.

	Sovereign		Financial Institutions		Corporate		**Total**		AnnualΔ		
31 December 2019 (USD millions)	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	**Gross Exposure**	**Net Exposure**	Gross Exposure	Net Exposure	Net Exposure as % of All Country Exposures
United States	368	368	5,555	2,515	2,614	2,037	**8,537**	**4,920**	(1,490)	(1,040)	24%
United Kingdom	92	72	6,685	2,854	1,434	1,008	**8,211**	**3,934**	972	594	19%
European Union	2,092	1,118	11,949	3,306	4,876	4,013	**18,917**	**8,437**	1,287	648	41%
- of which France	552	485	3,642	812	982	757	**5,177**	**2,055**	220	(497)	10%
- of which Germany	534	30	2,282	723	1,186	758	**4,002**	**1,511**	805	494	7%
- of which Netherlands	-	-	1,290	742	1,251	1,227	**2,541**	**1,968**	625	644	10%
- of which Luxembourg	97	-	1,139	555	256	243	**1,491**	**797**	202	236	4%
- of which Spain	3	3	867	107	694	614	**1,564**	**724**	32	(291)	3%
- of which Italy	672	506	439	94	234	150	**1,345**	**750**	(742)	24	4%
Total	**2,552**	**1,558**	**24,189**	**8,675**	**8,924**	**7,058**	**35,665**	**17,291**	**769**	**202**	**83%**

	Sovereign		Financial Institutions		Corporate		**Total**		AnnualΔ		
31 December 2018 (USD millions) [1]	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	**Gross Exposure**	**Net Exposure**	Gross Exposure	Net Exposure	Net Exposure as % of All Country Exposures
United States	343	343	6,329	3,152	3,355	2,465	**10,027**	**5,960**	273	423	28%
United Kingdom	69	46	5,714	2,189	1,456	1,105	**7,239**	**3,340**	(1,444)	74	16%
European Union	2,271	823	10,976	3,242	4,383	3,724	**17,630**	**7,789**	(3,133)	(994)	37%
- of which France	380	354	3,047	928	1,530	1,270	**4,957**	**2,552**	(143)	(49)	12%
- of which Germany	490	49	2,177	575	530	393	**3,197**	**1,017**	(147)	451	5%
- of which Italy	1,126	313	788	320	173	93	**2,087**	**726**	(1,074)	123	3%
- of which Netherlands	-	-	1,290	744	626	580	**1,916**	**1,324**	(215)	(340)	6%
- of which Spain	4	4	598	91	930	920	**1,532**	**1,015**	(118)	214	5%
- of which Luxembourg	77	-	975	355	237	206	**1,289**	**561**	(94)	(345)	3%
Total	**2,683**	**1,212**	**23,019**	**8,583**	**9,194**	**7,294**	**34,896**	**17,089**	**(4,304)**	**(497)**	**82%**

[1] Having been included in the 2018 Strategic Report, Russia and Turkey have been omitted from the table of selected country exposures due to materiality, with net exposures in both countries representing less than 1% of the total.

The following table shows largest exposures in CSi by industry.

	2019			2018		Annual Δ	
Industry Segments (USD millions)	Gross Exposure	Net Exposure	Net Exposure as % of All Industry Exposures	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Central Clearing Parties	4,217	4,109	20%	4,044	4,034	173	75
Other Financial Companies	3,878	1,625	8%	3,317	679	561	946
Sovereigns, Monetary Authorities, Central and Development Banks	3,555	2,278	11%	5,250	3,253	(1,695)	(975)
Insurance	2,694	916	5%	3,358	954	(664)	(38)
Securitisations	1,850	1,332	7%	1,402	888	448	444
Total	**16,194**	**10,260**	**51%**	**17,371**	**9,808**	**(1,177)**	**452**

The other risks are set out in Note 45 – Financial Risk Management.

Risk Management

Overview

The Bank's risk management framework is based on transparency, management accountability and independent oversight. 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, and managing concentrations of risks.

Risk Governance

The prudent 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 Bank's business activities and they are monitored and managed through its risk management framework. The Bank's 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 Bank's independent risk management function is headed by the CSi CRO, who reports jointly to the Bank's Chief Executive Office ('CEO') and the Credit Risk Officer ('CRO') of CS group. The CSi CRO is responsible for overseeing the Bank's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Bank has strengthened the risk management function to provide a more dedicated focus on the risks at the Bank level, in addition to the global risk management processes applied by CS group.

The Risk Management department in 2019 comprised of:
- Market Risk Management ('MRM');
- Treasury & Liquidity Risk Management ('TLRM');
- Credit Risk Management ('CRM');
- Enterprise Risk Management ('ERM'); and
- Non-Financial Risk Management ('NFRM').

The 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 provides risk coverage for enterprise, model and CRO relevant regulatory risk management; and
- NFRM is responsible for the early identification, recording, assessment, monitoring, prevention and mitigation of non-financial risks, as well as timely and meaningful management reporting.

These areas form part of a matrix management structure with reporting lines into both the CSi CRO and the relevant Global Risk Head. Furthermore, these departments are supported by a global infrastructure and data process which is maintained by the central, Risk Data Management ('RDM') group as well as CRO and Regulatory change team which is responsible for the delivery of the strategic and regulatory change portfolio sponsored by the Risk division.

Risk Appetite

A sound 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, concentrations 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. These risk limits are generally set to ensure that any meaningful increase in risk exposures is promptly identified, analysed and, where necessary, escalated to more senior levels of management. 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 45 – Financial Risk Management.

Climate Change

Climate-related risks result from both transitional and physical effects of climate change. This may create a loss of financial, (including revenues, expenditures, assets and liabilities, capital and financing), operational reputational value to the organisation either on a direct or an indirect basis.

In April 2019, the UK PRA released a supervisory statement that aims to enhance the approach of banks and insurers to managing the financial risks of climate change.

CSi's approach to climate risk is closely aligned with the CS group approach. In 2018, a group-wide program was established to address the recommendations of the FSB's Taskforce on Climate-related Financial Disclosures ('TCFD'). In 2019, CS group introduced a Group-wide Climate Risk Strategy with a three-pronged approach, which also integrates the TCFD adoption program. Firstly, CSi will focus on its clients' transition risks and opportunities, and on further integrating climate change into its risk management models. Secondly, CSi will focus on delivering sustainable finance solutions; and thirdly, CSi will work on reducing the carbon footprint of its own operations.

Governance

In the UK, CSi's CRO became the Senior Manager for Climate Risk. The Board Risk Committee discussed climate-related risks and the PRA's requirements.

Risk Management

Climate-related risks are now included in the CS group-wide risk taxonomy. These risks – alongside other environmental and social risks – are considered within the CS group-wide, reputational risk review process. The ultimate aim is to leverage existing risk management processes and capabilities for the management of climate risk exposures, potentially including financial planning and strategy setting, by mapping the underlying climate risks to existing risk types. In 2019, CS group-wide sector policies were updated to exclude any form of financing specifically related to the development of new greenfield thermal coal mines, or to the development of new coal-fired power plants. In addition, CSi considered physical risks for its own operations.

Scenario analysis

At CS group level, it is testing approaches to scenario analysis, for example, by participating in a pilot project developed by the United Nations ('UN') Environment Programme Finance Initiative ('UNEP-FI').

Disclosure:

Credit Suisse also participated in the PRA's Climate Financial Risk Forum's working group on disclosure. CSi will continue to develop its approach to managing the climate-related risks.

→ More details can be found at: www.credit-suisse.com/climate

Corporate Responsibility

Overview

CSG publishes a comprehensive Corporate Responsibility Report which can be found on CS group's website at www.credit-suisse.com/crr. The Corporate Responsibility Report describes how CS group including CSi, assumes its various responsibilities towards society and the environment.

For CS group, corporate responsibility is about sustainable value for clients, shareholders, employees and other stakeholders. CS group strives to comply with the values and standards set out in its Code of Conduct in every aspect of work including its relationships with stakeholders. This is based on a broad understanding of duties as a financial services provider and employer and as an integral part of the economy and society. The CS group approach also reflects its commitment to protecting the environment. CS group's primary focus as a global bank is on running its business responsibly and successfully. CS group is aware of the high standards expected of it and endeavours to engage in an open dialogue with various stakeholders. This enables CS group to actively identify the needs and interests, to develop appropriate solutions and to take account of key challenges when evolving the CS group strategy.

Environmental Matters

CS group believes that it is in the interests of both the Bank and its clients to develop and support measures that contribute to a more environmentally sustainable economy. These commitments are based on the Code of Conduct, which lists "Sustainability" as one of the six professional standards. The "Statement on Sustainability" explains the aims relating to the balancing of economic, environmental and social issues when performing activities as a bank. The UN Global Compact and the Sustainable Development Goals adopted by the UN in 2015 are other important points of reference.

In CS group's banking businesses, environmental and social aspects are considered when managing transaction-related risks. By applying its Reputational Risk Review Process, CS group assesses whether projects or client activities could pose a major risk to the environment, the climate or biodiversity. In CSi, decisions regarding reputational risks are made by one of two Reputational Risk Approvers, or escalated to the CSi Reputational Risk committee. If necessary, decisions can be further escalated to the Global Reputational Risk and Sustainability Committee.

To open up sources of capital for the development of future markets, CS group also offers clients a broad range of investment products and services with a focus on environmental and social themes. To further facilitate projects and initiatives that make a positive economic and social impact, CS group established the Impact Advisory and Finance Department ('IAF') in 2017.

Further information:

- → Environmental and Social Risk Management: www.credit-suisse.com/riskmanagement
- → Climate Change; the "Statement on Climate Change": www.credit-suisse.com/climate
- → Biodiversity and Natural Capital: www.credit-suisse.com/conservationfinance
- → Environmental Management (including CS group key performance indicators): www.credit-suisse.com/environmentalmanagement

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. CS group including 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, CS group analyses, measures and monitors key credit risk exposures and charge appropriate interest rates on loans. CS group's capital policy is intended to ensure that it is capable of absorbing potential credit losses in a variety of stress scenarios. CS group 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 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 supports organisations that address barriers to education or employment and/or equip disadvantaged young people with the knowledge, skills and attitudes and values required to respond to the demands of evolving employment markets or create opportunities through their own entrepreneurial initiative. CS group also works 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 2019, the Credit Suisse EMEA Foundation supported 28 charities, including 16 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 Foundation also supports the Fair Education Alliance, an education coalition uniting over 150 organisations across the UK to work together to ensure that no child's educational success is determined by their socioeconomic background.

→ More details can be found at: www.credit-suisse.com/responsibility/society.

Employee Matters

The success of CSi has a significant dependency on the skills, experience and conducts of its employees. In order to offer clients best-in-class banking solutions and services, CSi needs to attract and retain highly talented professionals. CSi offers exciting and challenging career prospects, competitive terms and conditions of employment and wide-ranging training and development opportunities. CSi employees benefit from attractive long-term career prospects in an international working environment.

CSi also recognises many of its workforce balance their career with caring responsibilities outside of the workplace and has introduced a range of different options to help support this balance. This includes enhanced emergency childcare options 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 provides a wide range of opportunities for individuals who are starting careers post-graduation. Those hired into one of the bespoke graduate programmes receive specific training, mentoring and career advice, aiding their transition to a long term career with CS group. An example of such a programme is the award winning Steps to Success program, now in its fifth intake, which offers university scholarship funding for UK students from underprivileged and underrepresented backgrounds.

Corporate Employee Policy

The CSi group adopts the CS group's policies which are committed to providing equal opportunities for all employees, irrespective of factors such as race, gender, sexual orientation, gender reassignment, religion or belief, age, marital or family status, or disability or any other characteristic protected by applicable law.

CSi group is committed to delivering on the global Diversity and Inclusion strategy, ensuring a working environment free from discrimination. This commitment can be seen in the many programmes and networks in place, which are firmly embedded within the UK businesses and are an essential element of the CSi working culture.

CSi group has been focusing on gender diversity for a number of years, including assessing gender representation across the UK businesses to see what more CSi can be doing to increase the number of senior women in the organisation. This has led to an enhancement in CSi's existing gender strategy to concentrate on key elements across the employee lifecycle. As part of this programme, in June 2016, CSG was one of the first signatories to Her Majesty's Treasury Women in Finance Charter and will aim for a minimum of 35% female representation on its management committees by the end of 2020. This, combined with existing high profile initiatives such as 'Real Returns' (a programme designed to re-engage talented senior professionals and help facilitate their transition back into the workforce), will be at the heart of CSi's continued drive for tangible and positive change in gender diversity, making it truly reflective of the communities live in, partner with and serve.

In 2020 an area of strategic focus in the UK will be CSi group BAME (Black, Asian, and Minority Ethnic) employee population. As well as collecting and analysing the ethnic make-up of its population for the first time, CSi will also be looking to identify the 'lived experience' of its BAME employees in order to identify and then address any potential issues. Once CSi has the data sets required it will look to address any potential issues through enhanced education for its leaders and managers and by reviewing current processes relating to the recruitment, development and promotion of BAME talent.

Internal experts work closely with the businesses across all regions to ensure that the diversity and inclusion strategy is firmly embedded in CSi's corporate culture. Managers are advised on the planning and implementation of necessary internal structures and measures to ensure CSi can offer an inclusive working environment free from discrimination and can take the specific needs of all clients into account in CSi product and service offering. Senior leaders are responsible for ensuring that CSi systematically strives to achieve the targets defined and appropriate measures are implemented.

The CSi group is committed to ensuring it has an appropriate corporate culture, reflecting a focus on risk, ethics and values. The CSi group believes having the right culture will deliver a number of other benefits including the opportunity to create a competitive advantage. The UK Culture Program was set up to articulate the culture aspired to for CS group in the UK and also to create the right environment for those who work here, encouraging individuals to behave consistently in line with these aspirations.

In 2017, CS group launched a set of new Conduct and Ethics Standards, new governance was implemented in the UK to manage the delivery of a group-wide Culture Program and disciplinary process. As such, the UK Culture Steering Committee and the Disciplinary Review Committee became the UK Conduct and Ethics Board ('UK CEB').

The UK CEB has two related purposes:
- to establish a clearly articulated and strong corporate culture across the UK based on the global conduct and ethics standards; and
- to ensure disciplinary decisions for UK employees, and employees outside of the UK who are in the scope of the UK regulators, are fair, consistent and meet the expectations of the CS group CEB, UK CEB and the UK regulators.

With regards to disciplinary decisions the UK CEB:
- reviews the outcome of disciplinary cases on a quarterly retrospective basis (the "ex-post facto review") to assess fairness and consistency and meeting both internal and external expectations;
- considers the impact of a disciplinary sanction on compensation, rating and promotion eligibility;
- monitors the conduct and ethics trends in the UK;
- implements mitigating measures to ensure disciplinary infractions are not repeated in alignment with the Divisions/Corporate Functions and escalating concerns to the relevant CEB; and
- collaborates with Divisional/Corporate Functions and any other regional CEBs to ensure the way in which they address misconduct for employees in the scope of the UK Legal Entities meets with the expectations of the UK CEB and UK regulators.

The CS group supports internal employee networks worldwide that serve as a platform for the exchange of knowledge and experience, fostering mutual understanding and helping to strengthen corporate culture. The networks within the Bank, which are run by employees on a voluntary basis, and focus on gender, families, lesbian, gay, bisexual and transgender individuals, the older and younger generations, and employees from various ethnic backgrounds. The networks within the Bank also support veterans, employees with physical disabilities, mental health issues and employees who have responsibilities of care.

CS group is committed to its policies on equal employment opportunity and dignity at work for all employees. In the event that an employee becomes disabled during employment, CS group makes every effort to enable their employment to continue, putting in place reasonable adjustments and training where required. CS group aims to treat such employees no differently from employees without a disability throughout their career, including in relation to training, career development and promotion opportunities. CS group offers a range of flexible medical benefits and also income protection benefits for employees who, whether temporarily or permanently, are unable to work due to disability. In 2019, a Wellbeing Programme has been launched in the UK, which introduced a number of initiatives designed to support employees' financial, physical and mental wellbeing.

In July 2018, CS group appointed a global Conduct & Ethics Ombudswoman who serves as a point of immediate escalation when sexual harassment claims arise to ensure appropriate senior management awareness of and attention to such claims.

In addition, the Ombudswoman has been conducting an in-depth review of existing policies, protocols, practices and training programmes globally, with a view to enhancing them to promote awareness of and sensitivity to these issues.

CS group is committed to keeping employees informed of changes within the organisation, including but certainly not limited to, financial and economic factors affecting the performance of the CS group and CSi. This is achieved using many different approaches, such as town hall meetings with senior management, management meetings across the bank, webcasts, a dynamic intranet, active employee networks and electronic bulletins focused on specific issues. In addition, employee consultation takes pace in various forms on certain topics. Employee feedback is frequently sought and is encouraged.

Respect for Human Rights

CS group strives to assume responsibilities in the area of human rights in accordance with the International Bill of Human Rights as well as the corresponding principles on human and labour rights set out in the UN Global Compact. CS group takes account of these principles in its 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.

CS group consider human rights issues in its risk management processes and are aware of its responsibilities as an employer. Furthermore, its Modern Slavery and Human Trafficking Transparency Statement sets out the steps that CS group 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.

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

Modern Slavery and Human Trafficking

In its role as an employer, and as a user and provider of services, CS group 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.

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.

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.

Anti-Bribery and Corruption Matters

CS group strives to prevent the improper use of products and service by third parties. As part of the efforts to fulfill 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 regularly 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

Members of the Board and Board Committees

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.

	Board member since	Independence	Audit Committee	Risk Committee	Nomination Committee	Advisory Remuneration Committee	Conflicts Committee
John Devine, Chair	2017	Independent	Member	Interim Chair	Chair	-	Member
David Mathers, CEO	2016	-	-	-	-	-	-
Alison Halsey	2015	Independent	Chair	Member	Member	Member	Chair
Debra Davies	2019	Independent	Member	-	Member	Member	Member
Andreas Gottschling	2018	-	-	Member	Member	Chair	-
Caroline Waddington, CFO	2017	-	-	-	-	-	-
Christopher Horne, Deputy CEO	2015	-	-	-	-	-	-
Paul Ingram, CRO	2015	-	-	-	-	-	-
Jonathan Moore	2017	-	-	-	-	-	-
Michael DiIorio	2017	-	-	-	-	-	-
Nicola Kane	2018	-	-	-	-	-	-

Board and Management

A number of management and governance changes have been effected since 1 January 2019. John Devine has been appointed as Chair and Debra Davies has been appointed as a Non-Executive Director ('NED'). Robert Endersby and Noreen Doyle have resigned as NEDs.

As required by the PRA and FCA, the Senior Managers and Certification Regime ('SMCR') has been in operation since Q1 2016. The SMCR framework seeks to increase individual accountability and enhance culture in financial services through:

- Mandating the clear allocation of all activities, business areas and management functions of the in-scope legal entities to a small number of Senior Managers who are approved by the UK Regulators;
- Identifying a set of functions that expose the in-scope legal entities to manage risk through their day-to-day activities and requiring that the staff performing these functions are captured as Certified Staff and confirmed annually as 'Fit & Proper'; and
- Implementing and enforcing a set of Conduct Rules that reflect the core standards expected of staff.

Internal Control and Financial Reporting

Board Responsibility

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 25 March 2020, the date of approval of the CSi Annual Report for 2019.

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 primary functions and types of decisions taken by the Board are:

Strategy and Management

- Set local strategy and oversee that the management of CSi is in line with the global or divisional strategy of the CSG;
- Act in good faith and in the best interests of CSi, exercise independent judgement and consider and avoid conflicts of interest where possible. Act in CSi's best interests may, as the case may be, include the best interests of the parent company and of the CS group;
- In the event of any conflicts of interest arising in the Board decision making process, declare such conflicts and ensure that they are appropriately managed;
- Act in accordance with the Management of Conflicts of Interest Memorandum. If a matter gives rise to a conflict for a Director of CSi also holding a position on the CSG board which was not manageable by declaration of the conflict of interest, the Director should recuse himself / herself from participation in the CSi Board or Board Committee discussions and decisions relating to the matter giving rise to the conflict. In the event that this was the Chair of the CSi Board, the Chair of either the Audit Committee or the Risk Committee would assume the position of the Chair of the CSi Board in relation to those decisions. In the event that this was the CEO, the Deputy CEO would assume the position of the CEO in relation to those decisions;
- Ensure arrangements are made for CSi to fulfil statutory duties;
- Ensure that CSi operates within the rules and regulations of all applicable jurisdictions;
- Ensure that CS group policies applicable to CSi are in accordance with the law and with regulatory requirements/guidelines, appropriate for the entity and are being properly implemented at the entity level;
- Oversee the management of CSi business within the overall business framework of CS group, delegating specific powers, to Board Committees or to other bodies while retaining responsibility and accountability, as appropriate;
- Ensure that CSi subsidiaries, branches and representative offices are adequately controlled and governed and appropriately governed including changes to Branch Managers / representatives;
- Review and consider the application of the business strategy recommended by executive management as far as it relates to CSi, ensuring that it does not expose CSi to unacceptable risk;
- Provide direction for and challenge to management;
- Review CSi performance, and monitor the execution of business strategy and plan as far as they are related to CSi;
- Ensure that CSi has adequate financial resources to meet its objectives and effectively manage risk;
- Review and consider material new business proposals;
- Review and consider standard reporting, including CSi financials (full breakdown by lines of business and existing data on remote booking), market and risk exposures, capital, liquidity and funding; and
- Review and consider reports by Board Committee Chairs on material issues.

Culture

- Review and consider programs and initiatives to support and monitor an appropriate culture, conduct and behaviour in business areas relevant to CSi;
- Review annually the decisions made by the CSi Executive Committee relating to the registration and de-registration of Senior Managers that are not members of the Board;
- Ensure that HR policies and procedures are in accordance with the law and regulatory requirements / guidelines, and are appropriate, ensuring that they do not expose CSi to unacceptable risk and are properly implemented at an entity level;
- Support the Whistleblower Champion to review and assess the integrity, independence, effectiveness and autonomy of CSi Reportable Concern Officer / Whistleblower policies and procedures, including the protection of employees who raise concerns from detrimental treatment; and
- Review reports prepared by Compliance on the operation and effectiveness of whistleblowing arrangements, including (i) significant whistleblowing matters which have been reported to the regulators; (ii) any instances where a successful claim has been made at an Employment Tribunal that an employee has been victimised as a result of whistleblowing; and (iii) training and measures undertaken within CSi to increase awareness of and promote CSi Whistleblower arrangements.

Risk Management

- Review and approve the risk policies, risk appetite and framework for CSi, including through the approval of risk limits for CSi;
- Review CSi material credit, market, operational, conduct, and reputational risk exposures, liquidity and liability management, and the capital framework to ensure the safety and soundness of CSi's operations;
- Consider and assess the systems and controls in relation to the incurring of risk on behalf of CSi so as ensure a reasonable level of assurance that the appetite of risk that CSi will incur is consistent with that which the Board considers it prudent for CSi to take; and
- Review and consider risk limits or exceptions escalated from the Board Risk Committee.

Financial Reporting and Internal Control

- Review and approve Annual Financial Statements, including the Directors' Report;
- Review and approve the Annual Strategy and Plan;
- Review and approve the control frameworks for all business booked into CSi;

- Review and consider the control framework for all functions that support the business of CSi (including, in the case of out-sourced or deployed functions being satisfied that appropriate contractual and service level agreements are in place);
- Consider reports and issues relating to entity financials including Financial Accounting, Product Control and Tax (full breakdown by lines of business and existing data on remote booking), market and credit risk exposures, capital, liquidity and funding, internal control, regulatory, legal or compliance escalated from divisional committees, Board Sub-Committees or other relevant committees; and
- Consider the adequacy of management information.

Delegation

- The Board will delegate execution of certain audit duties to the Audit Committee while retaining responsibility and accountability, and will consider the report by the Audit Committee Chair ('ACC'), four times per year;
- The Board will delegate execution of certain risk duties to the Risk Committee while retaining responsibility and accountability, and will consider the report by the Risk Committee Chair , four times per year;
- The Board will delegate execution of certain nomination duties to the Nomination Committee while retaining responsibility and accountability;
- The Board will delegate execution of certain advisory remuneration duties to the Advisory Remuneration Committee while retaining responsibility and accountability;
- The Board will monitor the effectiveness and independence of its Committees and will ensure that its Committees are able to use any forms of resources they deem appropriate, including external advice.

Escalation

- Consider escalation by the Board of any significant issues to the CSG Board, Audit Committee, Risk Committee or Executive Board;
- Consider the limits on the authority of the Committees to which authority , but not responsibility and accountability, has been delegated by the Board and the guidance to be given in exercising the authority delegated by the Board.

Board Evaluation

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 knowledge, skills, experience and diversity of Board members and Board succession planning. 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 which was done in 2017. At the beginning of 2020, the Board performed a self-evaluation of its own performance in 2019. The 2019 self-assessment concluded that the Board and Board Committees are operating effectively. The Board has approved the Board and Board Committees' objectives for 2020.

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, and 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 will be balanced appropriately. The Board maintains its initial target of at least 25% female representation on the Board in 2019 and will continue to monitor the composition in 2020 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

Seven Board meetings and one Board Strategy Onsite were held in 2019. In addition, Board members 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 proceedings.

Meeting Attendance
The members of the Board are encouraged to attend all Board and committee meetings on which they serve.

in 2019	Board of Directors [1]	Audit Committee [2]	Risk Committee [3]	Nomination Committee [4]	Advisory Remuneration Committee [5]	Conflicts Committee [6]
Total number of meetings held	8	5	5	4	6	4
Number of members who missed no meetings	11	5	6	5	5	3
Number of members who missed one meeting	2	–	–	–	–	–
Number of members who missed two or more meetings	–	–	–	–	–	–
Meeting attendance, in %	98	100	100	100	100	100

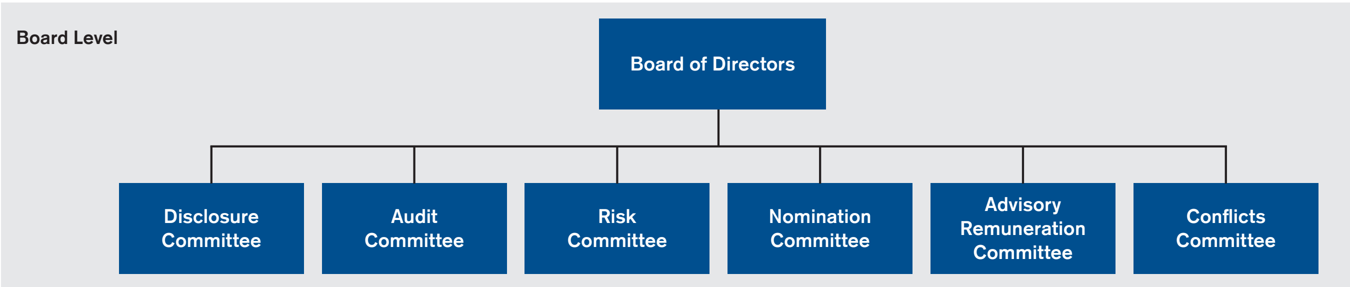
[1] The Board consisted of twelve members at the beginning of the year and eleven members at the end of the year, with two members resigning and one being appointed.
[2] The Audit Committee consisted of three members at the beginning and the end of the year with one member resigning and one being appointed.
[3] The Risk Committee consisted of four members at the beginning of the year and three members at the end of the year with two members resigning and one being appointed.
[4] The Nomination Committee consisted of three members at the beginning of the year and four members at the end of the year with one member resigning and two members being appointed.
[5] The Advisory Remuneration Committee consisted of four members at the beginning of the year and three members at the end of the year with two members resigning and one being appointed.
[6] The Conflicts Committee consisted of three members at the beginning and the end of the year with one member resigning and one being appointed.

Committees

Board committees overview

Certain powers are delegated to Board Committees, while retaining responsibility and accountability, which assist the Board in carrying out its functions and ensure that there is independent oversight. The Chair of each Board Committee reports to the Board.

Summary of Key Governance Committees



Audit Committee
The Audit Committee's ('AC') primary function is to assist the Board in fulfilling the Board's oversight responsibilities defined by law, articles of association and internal regulations by:

- monitoring and assessing the overall integrity of the financial statements and disclosures of the financial condition, results of operations and cash flows of CSi;
- reporting to the Board on the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the AC was in that process;
- monitoring the adequacy and integrity of the financial accounting and reporting processes and the effectiveness of internal quality controls regarding CSi's financial reporting;
- monitoring processes designed to ensure compliance by CSi in all significant respects with legal requirements, including disclosure controls and procedures, and the impact (or potential impact) of developments related thereto;
- assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- being responsible for contributing to the procedure for the selection of the External Auditors and recommending the External Auditors to be appointed;
- monitoring the qualifications, independence and performance of the External Auditors including the suitability of the External Auditors' provision (if any) of any non-audit services to CSi;
- monitoring the statutory audit of CSi annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions by the competent authority; and
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance of the Internal Audit Department, in particular its implementation and maintenance of an audit plan to examine and evaluate the adequacy and effectiveness of systems, internal control mechanisms and arrangements.

In reviewing the CSi Annual Report 2019, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the DTA. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriate funding to maintain adequate capital and liquidity positions.

The Audit Committee members are Alison Halsey (Chair), John Devine (from 22 November 2019) and Debra Davies (from 1 July 2019).

Risk Committee
The Risk Committee's primary function is to assist the Board in fulfilling the Board's risk management responsibilities as defined by applicable law and regulations, articles of association and internal regulations, by periodically:

- providing advice to the Board on CSi overall current and future risk appetite and assisting the Board in overseeing the implementation of that strategy by management;
- reviewing and approving the strategies and policies for taking up, managing, monitoring and mitigating the risks CSi is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance of the risk management function of CSi in particular as it relates to market, credit, and liquidity & funding risks and non-financial risks such as legal, strategic and business risks; and group risk;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance of the Compliance function of CSi including processes and organisational structures to detect and monitor any risk of failure to comply with applicable regulatory requirements or that CSi may be used to further financial crime;

- reviewing the adequacy of CSi capital (economic, regulatory and rating agency) and its allocation to CSi businesses;
- reviewing certain risk limits and regular risk reports including Risk Appetite and make recommendations to the Board;
- reviewing ICAAP and providing input into the range of scenarios and analyses that management should consider;
- reviewing and assessing the adequacy of the management of reputational risks;
- reviewing and assessing the adequacy of the management of operational risks; and
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of the compliance function of CSi in particular as it relates to the detection and monitoring of any risk that CSi may fail to comply with applicable regulatory requirements and/or the risk that CSi may be used to further financial crime.

The Risk Committee members are John Devine (Interim Chair from 16 August 2019, Member from 13 June 2019), Andreas Gottschling and Alison Halsey.

Nomination Committee
The duties of the Nomination Committee are to:
- engage a broad set of qualities and competencies when recruiting members to the Board and put in place a policy promoting diversity on the Board;
- identify and recommend for approval, by the Bank's shareholder (CSG / Credit Suisse AG), candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Board;
- make recommendations to the Board concerning the role of Chair and membership of the Board Committees, in consultation with the Chairs of those Committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- decide on a target for the representation of the under-represented gender in the Board and prepare a policy on how to increase the under-represented gender to meet that target;
- periodically, and at least annually, assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;
- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the Board and of the Board collectively, and report this to the Board;
- periodically review the policy of the Board for selection and appointment of senior management and make recommendations to the Board;
- recommend to the Board the appointment and removal of CEO and CFO;
- periodically, and at least annually, review the Board and Senior Management strategy for leadership development, talent pipelining, retention, and diversity and specifically approve the Board Succession Plan; and
- in performing its duties and to the extent possible on an on-going basis, take account of the need to ensure that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Bank as a whole.

The Nomination Committee members are John Devine (Chair), Alison Halsey, Andreas Gottschling (from 13 June 2019) and Debra Davies (from 1 July 2019). It complies with the requirements defined in the PRA Rulebook for 'General Organisational Requirements', chapter 6 (Nomination Committee).

Remuneration Approach for CSi
The CSi Board has delegated responsibility for remuneration matters to the CSi Advisory Remuneration Committee ('RemCo') while retaining responsibility and accountability. The purpose of RemCo is to advise the CSG Compensation Committee and the Board in respect of matters relating to remuneration for the employees of CSi, in particular members of the CSi/Executive Committee and CSi's Material Risk Takers ('MRT'). 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 from 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.

The Advisory Remuneration Committee Objectives are:
- Regulatory Developments: ongoing monitoring of regulatory requirements and expectations in relation to UK / EU operations;
- Variable Compensation Pool Setting: provide input on divisional compensation pools and actual compensation spending for CSi at year-end 2019;
- Gender and Equal Pay: review and consider internal equal pay review process outcomes for CSi and the reasoning for the annual UK Gender Pay Gap disclosures;
- Individual Compensation Awards: review CEO Balanced Scorecard and review compensation for CSi CEO. Review and, where relevant, challenge individual compensation awards for CSi Executive Committee, Senior Managers and all other MRTs, both inside and outside the UK for 2019 year-end;
- Senior Manager ('SM') Scorecards: review process for SM Scorecards for year-end 2019 and consider how they meet regulatory priorities;
- Regulatory Reporting: approve regulatory reporting and disclosures that CSi are required to make under relevant UK compensation regulations in respect of the 2019 performance year.

The Advisory Remuneration Committee members are Andreas Gottschling (Chair), Alison Halsey and Debra Davies (from 1 July 2019).

Conflicts Committee

The purpose of the Conflicts Committee is to assist the Board in fulfilling the Board's responsibilities to consider and avoid conflicts of interest and where they arise to declare and manage conflicts, consistent with the Board of Directors Terms of Reference and the Management of Conflicts of Interest Framework. Committee duties are to conduct an annual assessment on behalf of the Board, the Board conflicts governance process and effectiveness of the Conflicts Management Framework, including in particular the effectiveness with which potential conflicts between CSi and CSG arising out of the multiple roles performed by CSi Board Directors have been effectively managed, and to report to the Board on such assessment

The duties of the Conflicts Committee are:
- Review of the Conflict Management Framework to confirm that it remains fit for purpose. Update in light of role changes/new subject matter conflicts etc;
- Review of training received by Board Directors/Senior Managers on the framework and assessment of effectiveness;
- Review of which conflicts were escalated/declared through the Conflict Management Framework and how those conflicts were resolved, especially by reference to the subject/role topics in the Conflict Management Framework;
- Consideration of whether issues arose which in retrospect should have been discussed/escalated/declared and were not, and lessons learned;
- Review of progress made in addressing action already undertaken; and
- Review the Conflicts Management Framework for regulatory/legal compliance and address any other feedback.

The Conflicts Committee members are Alison Halsey (Chair), John Devine and Debra Davies (from 22 November 2019).

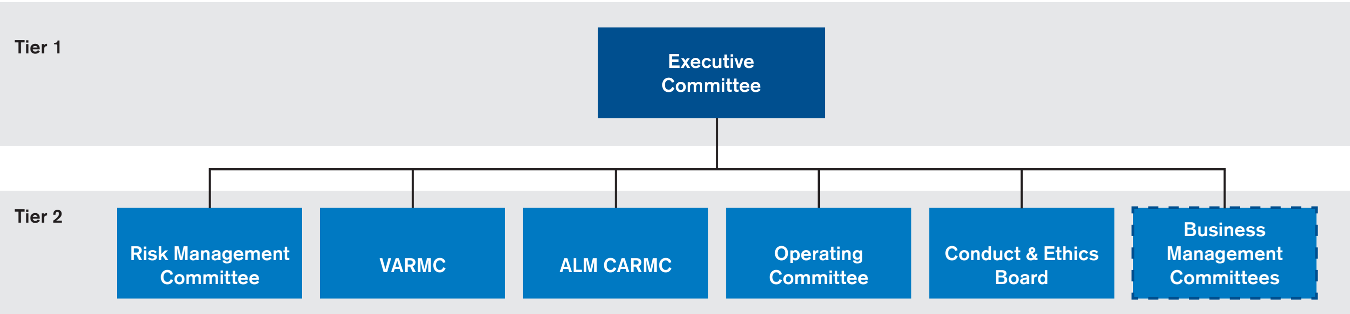
Disclosure Committee

The purpose of the Disclosure Committee is to ensure compliance with the EU Prospectus and Transparency directives in relation to the listing by the Bank of debt securities on European exchanges. The Committee reviews and updates the Bank's disclosure document and ongoing disclosure requirements to provide investors with all such information as may reasonably be required to make an informed assessment of the Bank as an issuer of debt securities.

The Disclosure Committee Chair is Christopher Horne.

Management committees overview

Tier 1 and Tier 2 committees support the Board.



Tier 1 comprises a single management committee, the CSi Executive Committee ('ExCo'). It is chaired by the CEO and members include the Deputy CEO, CFO, CRO, COO, Business Heads and other Support Head Senior Managers. The Deputy CEO, deputises as Chair when necessary.

The purpose of the ExCo is to support the CEO, in the day-to-day management of CSi and, in particular, in the delivery of the strategy agreed by the Board. The ExCo facilitates the decision-making process which impacts all aspects of CSi including: culture, strategy, revenue, reporting, policy, regulatory compliance, risk and control, costs and people. The ExCo is also responsible for identifying and escalating issues to the Board or relevant Board Committees for review, recommendation and/or approval as necessary.

Given the breadth of business activities and multiple areas of focus, the ExCo has an established support structure and it has delegated particular aspects of its mandate to Tier 2 committees, which have a more focused mandate. These Tier 2 committees are chaired by members of the ExCo and are all accountable to the ExCo. The ExCo has also adopted certain Business Management Committees with reporting requirements into the ExCo in relation to the activities in CSi.

Risk Management Committee ('RMC')
The RMC is chaired by the CRO of CSi. It is delegated authority from the ExCo to establish more granular limits within the bounds of CSi's overall risk limits and risk appetite. Its purpose is to:
- i ensure that proper standards for risk oversight and management are in place;
- ii make recommendations to the Board on risk appetite;
- iii review and challenge the ICAAP and ILAAP') and make recommendations to the CSi Board;
- iv define and establish risk limits for both individual businesses and at the portfolio level within authorities delegated by the Board; and
- v review and implement appropriate controls over remote booking risk relating to CSi.

Valuation Risk Management Committee ('VARMC')
VARMC is the most senior decision making forum for valuation issues in CSi, and is run as a sub-committee of CSG VARMC. Its purpose is to:
- i review, challenge and ratify/modify conclusions from Inventory Valuation Reviews; and
- ii direct resolution of significant inventory valuation issues. It also establishes non-actionable variance thresholds (both positive and negative) that are to be monitored on a monthly basis.

Asset and Liability Management & Capital Allocation and Risk Management Committee ('ALM' and 'CARMC')
The ALM and CARMC is chaired by the CFO. It is responsible for assisting the Board in providing a robust governance and oversight function with respect to capital, liquidity and balance sheet management in relation to CSi. Its purpose is to:
- i monitor and challenge the capital and liquidity positions of CSi against internal and external regulatory limits;
- ii monitor and challenge the systems and controls related to the ALM management framework for CSi;
- iii manage CSi's leverage ratio; and
- iv assess escalated items from subcommittees, which include Capital Governance Board, Pension Committee and RRP Committee.

Operating Committee ('OpCo')
The OpCo is chaired by the Deputy CEO. It provides a forum for the effective supervision of operational and control matters across the business areas and central functions, including the projects portfolio, on a front-to-back basis. Its purpose is to:
- i ensure effective performance and control of the business areas and central functions;
- ii ensure resolution of Audit points and compliance with regulatory requirements, including compliance with the CASS regime;
- iii ensure the policy framework is fit for purpose, including the adoption of new policies, as appropriate;
- iv provide oversight over operational activities including remote booking activity, outsourcing activities and the governance of the legal entity branch, subsidiary and representative office network; and

v provide oversight over projects, management initiatives and new business activities.

Conduct & Ethics Board ('CEB')
The CEB is chaired by the CEO, and is run as a sub-committee of the CS group CEB. Its purpose is to:
i establish, run and monitor a structured approach to embed an appropriate culture in CSi on behalf of the Board and Chair;
ii support the Divisions and Functions to embed the C&E Standards, ensuring a coordinated and appropriate approach in CSi;
iii implement and embed the governance framework mandated by the CS group CEB, ensuring coordination with Divisional/Corporate Functions CEBs;
iv review disciplinary cases and provide feedback to those responsible for disciplinary decisions for future reference; and
v ensure compliance with local regulation and statutory requirements.

Business Management Committees ('BMC')
Divisional CEOs have established management committee structures to undertake the management of divisional operations. Certain of these committees have a key role to play in UK governance, with reporting requirements into the ExCo in relation to the activities of CSi. The ExCo establishes governance requirements appropriate to its UK specific remit and agrees with the relevant committee procedures for the ongoing management of, and reporting against, these requirements. The following divisional committees are responsible for identifying issues relevant to those requirements, for escalation to the ExCo:
i GM, Credit and GM Client & Key Account Management Governance Committee;
ii GM Equites European Operating Committee;
iii ITS Fixed Income & Wealth Management Products Management and UK Senior Management Oversight Committee;
iv IBCM EMEA Executive Committee;
v ARU, Global Liquidity Group ('GLG') and Valuations Adjustments ('XVA') UK IB Senior Manager Committee; and
vi APAC UK IB Senior Manager Committee

FRC Wates Governance Principles and Companies Act Section 172

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. The CSi Board also complies with the Companies Act Section 172 general duty to act in the way they consider, 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

CSi has a purpose to support economies through its activities and to play a constructive role within society while generating long-term sustainable returns. CSi aims to create value for its clients by providing services and products to help them succeed. CSi recognises the importance of its relationship and engages with its stakeholders, shareholders, employees, clients, suppliers and with the wider community. 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, to provide securities and non-securities sales, trading, risk management and settlement services for GM and IBCM clients in EMEA markets. 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 EMEA corporate clients.

Corporate Responsibility

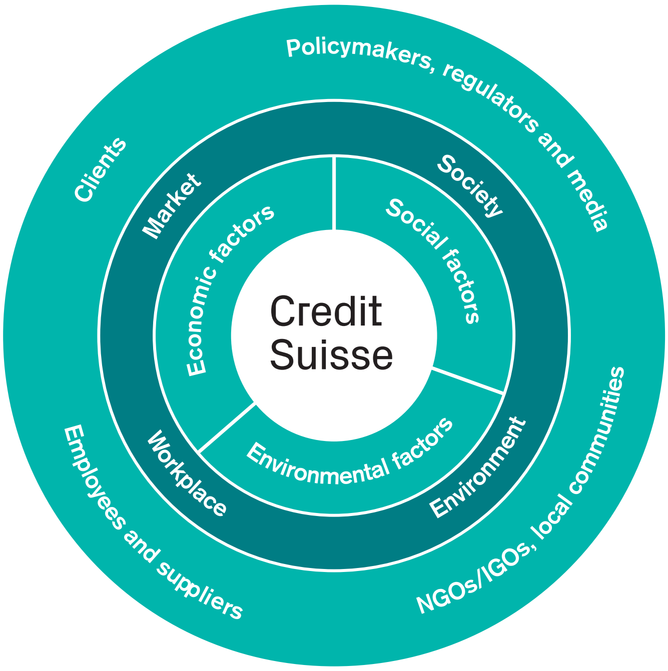
For CSi, corporate responsibility is about creating sustainable value for clients, shareholders, employees and other stakeholders. CSi strives to comply with the ethical values and professional standards set out in the Group Code of Conduct in every aspect of its work, including in the relationship with 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 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. CSi sees itself as an integral part of the economy and society. 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.

Engaging with Stakeholders

CSi businesses work on the basis that long-term success depends to a significant extent on the ability to inspire confidence in CSi 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 and directly regularly engages 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 understanding of the different, and sometimes conflicting, perspectives of its stakeholders. This helps CSi to identify their interests and expectations at an early stage, to offer CSi 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

The CSi Board receives reporting of Client trends, themes, performance and strategic direction. This reporting and management information allows the Board to have a clear picture of client activities across all relevant engagement points. 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 GM 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 client performance and service benchmarking 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 and Equity Derivatives: The business provides intensified coverage of strategic clients across the Equities pillar with an enhanced client framework. Significant work has taken place to ensure CSi is offering solutions aligned to Prime Services client demand. Investment continues to take place in the electronic/low-touch businesses and incorporating emerging technologies. Developing structured products for distribution to key client sectors remains the key goal for the Derivatives and Investor Products business.

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 GM and ITS businesses.

Fixed Income & Wealth Management: This business provides a consolidated global offering with improved distribution capabilities through leveraging of the IWM, SUB and ITS client pool. Investor Products business continues to differentiate by developing innovative structured solutions catering to client demand. The Financing and Structured Credit business is focused primarily on IWM/SUB clients, Sovereigns, Corporates and Financial Institutions. The Macro and Emerging Markets Trading business targets capital efficient client business. Key strengths also lie in offering clients liquidity and efficient trading solutions via the Electronic and Agency 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

Government stakeholders and regulators expect CSi to comply with current financial laws and regulations and to respond appropriately to regulatory developments, including new capital and liquidity requirements and rules governing transparency. Regulators and legislators also expect CSi to help combat 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 regular updates to the CSi Board on strategic topics of relevance, and for example during 2019 provided regular update presentations on the UK exit from the EU.

For Credit Suisse main global affiliations please see https://www.credit-suisse.com/ch/en/about-us/responsibility/economy-society/our-network.html

Regulators

CSi works closely with regulators to provide transparency over the strategy the CS group is taking with particular reference to the UK in order to help reduce risk in the industry and provide a more sustainable banking landscape over the long term. CSi has an open and regular engagement with regulators, ensuring clarity and transparency, and sharing views and expectations of CSi. Primary regulatory engagement for CSi is with the Bank of England including the PRA and FCA supervisory teams and senior management.

Workplace and Employees

The dialogue with society involves listening to CSi employees to ensure the needs of its people are taken properly into account. CSi is also in dialogue with suppliers to ensure that they are in line with CSi requirements for responsible social and environmental conduct.

CSi has during the year, engaged with employees through forums and channels, to gather feedback on how CSi is doing, with employees given the opportunity to ask questions directly to its Board members and senior management. These channels include employee surveys, town halls, and senior management and Board meetings with small groups of employees.

CSi has appointed a Board iNED to be responsible for Employee Engagement on behalf of the Board and to assist the Board to comply with its Board 'People' objective. The iNED will keep the Board advised on material employee matters including on key people and culture related insights and trends.

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 strive 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's 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 them 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 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 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.

CSi relies upon services provided by other subsidiaries of CS group. CSi has established arrangements across all outsourced services to ensure an efficient and effective of those internal services. This includes effective communication between service providers and receivers to enable a prompt escalation of issues. When senior management sponsor new business projects, it is done so to ensure that strategic changes are assessed and implemented in a controlled and sustainable way.

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 that includes ensuring outsourcing arrangements operate with acceptable risk appetite 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.

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 is regularly engaged 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

Local communities

CSi cultivates constructive relationships with local organisations and institutions and supports charitable projects through financial contributions, employee volunteering 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 grants program is guided by its Trustees, all of whom are senior leaders within the region. One of the trustees is a CSi employee.

Grant partner St Giles Trust was selected UK 2019 Charity of the Year. The charity was hosted at a CSi CEO quarterly town hall where the Chair of CSi invited employees to continue their support. CSi Board and Senior Management representatives attended the Credit Suisse fundraising dinner in September support of St Giles Trust.

Credit Suisse transferred some of its UK Apprenticeship Levy, which benefitted two Foundation grant partners to support the development of their staff and the capacity of the organisations.

More details can be found at www.credit-suisse.com/responsibility/society.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
25 March 2020

Directors' Report for the year ended 31 December 2019

International Financial Reporting Standards

The CSi group and Bank 2019 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the directors on 25 March 2020.

Dividends

No dividends were paid or are proposed for the year ended 31 December 2019 (2018: 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 2018 and up to the date of this report are as follows:

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

None of the Directors who held office at the end of the 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 place during the financial year and at the date of this report.

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 CSi group and Bank financial statements for each financial year. Under that law they are required to prepare the CSi group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Bank financial statements on the same basis.

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 group and parent company and of their profit or loss for that period. In preparing each of the CSi group and Bank financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the CSi group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the CSi group or Bank to cease operations, or have no realistic alternative but do to so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group 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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSi group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm to the best of their knowledge:

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

Risk and Capital

The way in which these risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 45 – Financial Risk Management.

Details of capital are set out in Note 33 – Share Capital and Share Premium.

Further Developments and Employees

Further developments impacting the Bank and information in relation to employees is detailed in 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.

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.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the CSi group's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the CSi group's auditor is aware of that information.

Donations

During the year the CSi group made USD 424,216 (2018: USD 94,497) of charitable donations. There were no political donations made by the CSi group during the year (2018: 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 group's financial statements and is ultimately accountable to the shareholders. The Audit Committee pre-approves the retention of, and fees paid to, the external auditor for all audit and non-audit services.

In December 2018, following a tender of the CSG audit mandate and structured evaluation and selection process, the CSG Board of Directors approved that PricewaterhouseCoopers LLP ('PwC') be proposed as the new statutory auditor to the CSG Annual General Meeting in April 2020. The appointment is proposed to be effective for the fiscal year ending 31 December 2020 and is subject to CSG shareholder approval. The CSi Audit Committee was consulted at each stage and contributed to the process.

The Board and shareholders proposed PwC as the new statutory auditor for CSi, effective for the fiscal year ending 31 December 2020.

Subsequent events

On 28 February 2020, the CSi group entered into a Business Transfer and Contribution Agreement with CSSSV whereby CSi London business is sold to CSSSV on 01 March 2020 for a cash consideration of USD 13 million.

In addition, branch businesses located in Amsterdam (USD 1.6 million consideration), Stockholm (USD 1.3 million consideration), Milan (USD 7.6 million consideration) and Madrid (USD 1.4 million consideration) are transferred to CSSSV on 01 March 2020 and all such transfers are executed with issuance of ordinary shares of CSSSV to the CSi group.

The transfer arrangements are part of the CSi group's planning for a Hard Brexit since it is anticipated that the CSi group would be unable to continue with such businesses due to lack of regulatory approvals once the UK withdraws its membership from the EU.

On 30 January 2020, CSi purchased Credit Suisse First Boston Trustees Limited from CSS(E)L for USD 130.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed. This tax rate increase is expected to be substantively enacted in 2020. If this tax rate increase had been substantively enacted as at 31 December 2019 it would have had the impact of increasing the deferred tax asset recorded by approximately USD 21 million.

The spread of COVID-19 is expected to have a significant impact on the global economy and is likely to affect CSi business performance and credit loss estimates, in at least the first half of 2020 and going forward. CSi has assessed its business continuity implications and has developed macro-economic scenarios for material risks to continue to monitor and manage these risks. CSi is closely monitoring the spread of COVID-19 and the potential effects on its operations and business, refer to the Operating Environment and Other Significant Risk sections in the Strategic report.

By Order of the Board

Caroline Waddington
Director

One Cabot Square
London E14 4QJ
25 March 2020

Independent auditor's report

to the members of Credit Suisse International

1. Our opinion is unmodified

We have audited the financial statements of Credit Suisse International ("CSi") for the year ended 31 December 2019 which comprise the

- Consolidated ('the CSi group') and Parent Company ('the Bank') Statements of Financial Position;
- Consolidated Statement of Income;
- Consolidated Statement of Comprehensive Income;
- Consolidated and the Bank Statements of Changes in Equity;
- Consolidated and the Bank Statements of Cash Flows; and
- The related notes, including the significant accounting policies in Note 2.

In our opinion:

— 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 2019 and of the CSi group's profit for the year then ended;

— the CSi group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

— the Bank financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

— the CSi group and the Bank's financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the CSi group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors in 1990. The period of total uninterrupted engagement is for the 30 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the CSi group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: CSi group and the Bank financial statements as a whole	USD 90m (2018:USD 105m) 0.4% (2018: 0.5%) of shareholders' equity	
Key audit matters		**vs 2018**
Recurring risks	**New:** Valuation of defined benefit pension obligation	▲
	Valuation of financial instruments	◄►
	Existence and accuracy of trading positions yet to be confirmed by a counterparty and not subject to external validation processes	◄►
	Recoverability of deferred tax assets	◄►
Event driven	**New:** Going Concern	▲
	Privileged IT access	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The risk	Our response
Going Concern – Disclosure quality **(CSi group & Bank)** The financial statements explain how the Board has formed a judgment that it is appropriate to adopt the going concern basis of preparation for the CSi group. That judgment is based on an evaluation of the inherent risks to the CSi group's business model and how those risks might affect the CSi group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the CSi group's available financial resources over this period is the impact of Covid-19 . The risk for our audit was whether or not the risk of Covid-19 is such that it amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had this been such, then that fact would have been required to have been disclosed. *Refer to page 19 (Strategic Report), page 40 (Directors' report), page 56 (accounting policy) and page 197 (financial disclosures)*	Our procedures included: — **Our Covid-19 knowledge:** We considered the directors' assessment of Covid-19 related sources of risk for the CSi group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; — **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the CSi group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. — **Evaluating Directors' intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. — **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure, including those in the strategic report, by comparing the overall picture against our understanding of the risks. **Our results** — We found the going concern disclosure without any material uncertainty to be acceptable (2018 result: acceptable)

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The risk	Our response
Valuation of Financial Instruments **(CSi group & Bank)** The majority of the CSi group's financial instruments are subject to significant observable inputs to the related valuation technique. In addition, the CSi group holds financial instruments for which significant unobservable inputs to the valuation exist. The valuation techniques noted above can involve the exercise of judgment including the use of assumptions and estimates. The level 2 and level 3 assets and liabilities are valued at USD 151,880m and USD 142,857m respectively (2018:USD 153,184m and USD 151,835m respectively). *Refer to page 31 (Corporate Governance), page 70 to 71 (accounting policy) and page 133 to 165 (financial disclosures)*	Our procedures included: — **Control testing:** We tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of financial instruments reported at fair value. This included controls over independent price verification, valuation model approval and the calculation, validation and recording of adjustments to fair value; — **Comparing inputs:** For a sample of instruments with significant observable inputs we compared those inputs against externally available market data; — **Benchmarking assumptions:** For a sample of instruments which have significant unobservable inputs, we critically examined and challenged the assumptions used by management; — **Independent re-performance:** For a sample of the most significant and judgmental instruments, we performed an independent valuation assessment through our valuation specialists or by reference to what we considered to be available alternative methods and sensitivities to key factors; — **Methodology choice:** We also examined the appropriateness of models used within the valuation technique including utilising our valuation specialists to benchmark those models and assumptions to market practice. Where there are key judgmental adjustments to fair value, we further evaluated the methodology and inputs used by critically examining and challenging these assumptions and models, and performing recalculations of a sample of these adjustments. — **Assessing transparency:** We assessed the adequacy of the CSi group's financial statements disclosures in the context of the relevant accounting standards. **Our results** — We found the valuation of financial instruments to be acceptable (2018: acceptable).
Existence and accuracy of trading positions yet to be confirmed by a counterparty and not subject to external validation processes **(CSi group & Bank)** The CSi group trades over-the-counter derivatives which are not subject to external clearing processes. Where these trades remain unconfirmed by the counterparty, these may be indicative of potential fraudulent activities. This may be facilitated by the manipulation of post-trade processing controls. *Refer to page 31 (Corporate Governance)*	Our procedures included: — **Control testing:** We tested the design and operating effectiveness of the post-initiation controls over the transaction lifecycle, including the Front Office Back Office (FOBO) reconciliations, confirmations process, trade cancellation and amendment process and bank account reconciliations. In addition, we tested the design and operating effectiveness of the general and application controls over the key IT applications and reconciliation tools, as the aforementioned controls are heavily reliant on automated elements; — **External confirmations:** We sent statements of derivative positions related to transactions that were unconfirmed, over-the-counter and bilaterally traded, and not subject to external clearing processes, to a sample of the CSi group's counterparties and requested that they confirm the completeness and accuracy of the information provided. In instances where responses were not received by us from the counterparties, we obtained the confirmations that were received by the CSi group since the year end in the normal course of business. **Our results** — The results of our procedures were satisfactory (2018: satisfactory).

[We continue to perform procedures over [identify key audit matter]. However, following [explain why risk is less significant

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The risk	Our response
Recoverability of the deferred tax asset **(CSi group & Bank)** Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years Deferred tax asset: USD 196m; 2018: USD 330m *Refer to page 31 (Corporate Governance), page 70 (accounting policy) and page 82 to 83 (financial disclosures).*	Our procedures included: — **Control testing:** We tested the design and operating effectiveness of the key controls over financial reporting with respect to the deferred tax asset, including management's quarterly assessment over the recoverability which includes profitability forecasts and earn-out analysis; — **Assessing forecasts:** We challenged the CSi group's process over the recoverability of the deferred tax asset by critically examining the CSi group's legal entity profitability forecast including challenging the assumptions used by performing a stress test analysis on the sensitivity of inputs; — **Assessing transparency:** We assessed the adequacy of the CSi group's disclosures in respect of deferred tax in the context of the relevant accounting standards. **Our results** — We found the level of deferred tax asset recognised to be acceptable (2018: acceptable).
Valuation of defined benefit pension obligation **(CSi group & Bank)** In 2019, the plan assets and plan liabilities of the funded, final salary defined benefit pension plan in the UK ("UK DB Plan") were transferred from Credit Suisse Securities Europe Limited ("CSSEL") to Credit Suisse International ("CSi") under a Flexible Apportionment Arrangement in accordance with UK law and CSi became the primary employer and sponsoring entity of the UK DB Plan. The net pension asset transferred from CSSEL to CSi was USD 1,164 million. The defined benefit pension obligation is impacted by a range of significant assumptions that are subjective. The key assumptions are the discount rate; inflation rate and life expectancy. There is a risk that these assumptions are inappropriate, which could result in a material misstatement. *Refer to page 31 (Corporate Governance), page 71 (accounting policy) and page 108 to 114 (financial disclosures)*	Our procedures included: — **Evaluation of actuary:** We evaluated the competence, independence and objectivity of CSi group's actuary in assessing management's reliance upon their expert valuation services; — **Benchmarking assumptions:** We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; and — **Membership data:** We assessed the accuracy of the standing membership data as at the year end by checking the underlying member details and the appropriateness of their classification through inspection of supporting documents. — **Plan Assets:** We obtained confirmations from the fund managers of the fair value of the plan assets and independently revalued a sample of these using our internal valuation specialists — **Assessing transparency:** We considered the adequacy of CSi group's disclosures in respect of the sensitivity of the obligation to these assumptions **Our results** — We found the key defined benefit pension assumptions to be acceptable (2018: not applicable).
Privileged IT access **(CSi group & Bank)** Effective general IT controls are integral to the operational stability of the CSi group's systems. Certain developers have privileged access to the production environment for a number of the CSi group's IT systems. There is a risk that this access could have been used to intentionally or erroneously impact the financial reporting result. *Refer to page 31 (Corporate Governance)*	Our procedures included: — **Risk Assessment:** We performed a risk assessment of all impacted systems for the 2019 year end that are integral to the CSi group's internal controls over financial reporting. — **Control Testing:** We tested the design and operating effectiveness of a range of IT controls, including the access logs of impacted systems; and tested the design and operating effectiveness of manual compensating controls in the instances where no IT controls existed. **Our results** — The results of our procedures were satisfactory (2018: Satisfactory)

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including CSi Group's own preparation, the relative significance of this matter on our audit work, including in relation to the valuation of financial instruments and recoverability of the deferred tax asset which remain a key audit matter has reduced. Accordingly we no longer consider this as a key audit matter.

In addition, the Directors identified a restatement in relation to intercompany transactions in the prior year. However, given that there are no identified prior period restatements this year, we have not assessed this as one of the most significant risks in our current year audit. Therefore, the restatement in relation to intercompany transactions is not separately identified in our report this year.

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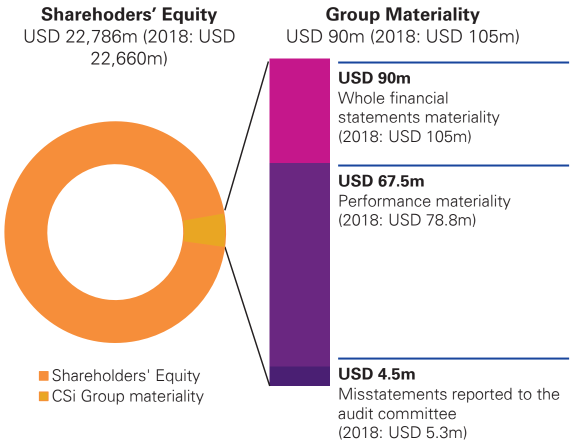
3. Our application of materiality and an overview of the scope of our audit

Materiality for the CSi group financial statements as a whole was set at USD 90m (2018: USD 105m), determined with reference to a benchmark of shareholders' equity (of which it represents 0.4% (2018: 0.5%)).

Materiality for the Bank financial statements was set at USD 90m (2018: USD 105m), determined with reference to a benchmark of shareholders' equity and chosen so as not to exceed materiality for the group financial statements as a whole. It represents 0.4% (2018: 0.5%) of the stated benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding USD 4.5m (2018:USD 5.3m), in addition to other identified misstatements that warranted reporting on qualitative grounds



Scope

The Bank represents the substantial majority of the CSi group comprising 99.9% (2018: 99.9%) of total CSi group assets. This also represents 100.3% of CSi group's profit after tax (2018: 117% of CSi group's profit after tax). The CSi group team performed a full scope audit for CSi group purposes of the Bank using the materiality levels set out above.

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4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Bank or the CSi group or to cease their operations, and as they have concluded that the Bank's and the CSi group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern and COVID-19, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the CSi group or the Bank will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the CSi group's and Bank's business model and analysed how those risks might affect the CSi group's and Bank's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the CSi group's and Bank's available financial resources over this period were:

— The ability and intention of Credit Suisse Group AG to support CSi;

— The underlying profitability of the CSi group;

— The impact of COVID-19 and EU exit on the CSi group's financial plan.

As these were risks that could potentially cast significant doubt on the CSi group's and the Bank's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the CSi group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

— adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us; or

— the Bank financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

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7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 32, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the CSi group and 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 they either intend to liquidate the CSi group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the CSi group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the CSi group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the CSi group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the CSi group's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct including money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the CSi group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

R. Faulkner

Richard Faulkner

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square

London

E14 5GL

25 March 2020

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Financial Statements for the year ended 31 December 2019

Consolidated Statement of Income for the Year ended 31 December 2019

	Reference to note	2019	in Restated 2018 [1]
Consolidated Statement of Income (USD million)			
Interest income	5	1,273	1,283
- of which Interest income from instruments at amortised cost		1,075	992
Interest expense	5	(1,111)	(1,068)
- of which Interest expense on instruments at amortised cost		(965)	(853)
Net interest income		162	215
Commission and fee income	6	336	489
Allowance for credit losses	8	(4)	(7)
Net gains from financial assets/liabilities at fair value through profit or loss	9	1,271	1,004
Other revenues	10	154	174
Net revenues		**1,919**	**1,875**
Compensation and benefits	11	(796)	(495)
General, administrative and trading expenses	12	(986)	(1,231)
Restructuring expenses	13	–	(92)
Total operating expenses		**(1,782)**	**(1,818)**
Profit before taxes from continuing operations		**137**	**57**
Income tax benefit/(expense) from continuing operations	14	158	(7)
Profit after tax from continuing operations		**295**	**50**
Discontinued Operations			
Profit before tax from discontinued operations	31	**53**	**17**
Income tax expense from discontinued operations	14	(12)	(8)
Profit after tax from discontinued operations		**41**	**9**
Net Profit attributable to Credit Suisse International shareholders		336	59

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

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2019

	2019	in Restated 2018
Consolidated Statement of Comprehensive Income (USD million)		
Net Profit	**336**	**59**
Cash flow hedges – effective portion of changes in fair value	21	(12)
Total Items that may be reclassified to net income/ Retained earnings	**21**	**(12)**
Remeasurements of defined benefit asset	(154)	–
Related tax on remeasurements of defined benefit asset	38	–
Realised gains relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings	8	–
Unrealised (losses)/gains on designated financial liabilities relating to credit risk	(13)	1
Total Items that will not be reclassified to net income/Retained earnings	**(121)**	**1**
Total comprehensive profit	**236**	**48**
Attributable to Credit Suisse International shareholders	236	48

The Bank's profit after tax was USD 337 million for the year ended 31 December 2019 (2018: Profit USD 69 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2019

	Reference to note	end of 2019	2018
Assets (USD million)			
Cash and due from banks		4,438	2,229
Interest-bearing deposits with banks		12,205	17,859
Securities purchased under resale agreements and securities borrowing transactions	16	6,145	10,487
Trading financial assets mandatorily at fair value through profit or loss	17	148,443	148,674
of which positive market values from derivative instruments	17	126,147	124,434
Non-trading financial assets mandatorily at fair value through profit or loss	18	22,294	17,659
Net loans	20	3,103	3,512
Investment property	21	17	18
Current tax assets		51	21
Deferred tax assets	15	196	330
Other assets	22	35,231	30,254
Property and equipment	25	535	234
Intangible assets	26	489	476
Assets held for sale	31	531	–
Total assets		**233,678**	**231,753**
Liabilities (USD million)			
Deposits	27	435	1,028
Securities sold under repurchase agreements and securities lending transactions	16	3,155	2,391
Trading financial liabilities mandatorily at fair value through profit or loss	17	133,536	126,414
of which negative market values from derivative instruments	17	129,517	123,455
Financial liabilities designated at fair value through profit or loss	19	21,115	24,164
Borrowings	28	14,116	19,555
Current tax liabilities		38	51
Other liabilities	22	23,320	23,339
Provisions	29	22	5
Debt in issuance	30	14,724	12,146
Liabilities held for sale	31	431	–
Total liabilities		**210,892**	**209,093**
Shareholders' equity (USD million)			
Share capital	33	11,366	12,366
Share premium	33	12,704	12,704
Capital contribution		875	–
Retained earnings		(2,030)	(2,381)
Accumulated other comprehensive income	32	(129)	(29)
Total shareholders' equity		**22,786**	**22,660**
Total liabilities and shareholders' equity		**233,678**	**231,753**

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

Approved by the Board of Directors on 25 March 2020 and signed on its behalf by:

C. Waddington

Caroline Waddington
Director

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Bank Statement of Financial Position as at 31 December 2019

	Reference to note	2019	end of 2018
Assets (USD million)			
Cash and due from banks		4,408	2,196
Interest-bearing deposits with banks		12,205	17,859
Securities purchased under resale agreements and securities borrowing transactions	16	6,145	10,487
Trading financial assets mandatorily at fair value through profit or loss	17	148,049	148,518
of which positive market values from derivative instruments	17	126,148	124,516
Non-trading financial assets mandatorily at fair value through profit or loss	18	22,410	17,712
Net loans	20	3,103	3,512
Current tax assets		51	21
Deferred tax assets	15	196	330
Other assets	22	35,231	30,254
Property and equipment	25	535	234
Intangible assets	26	489	476
Assets held for sale	31	531	–
Total assets		**233,353**	**231,599**
Liabilities (USD million)			
Deposits	27	435	1,028
Securities sold under repurchase agreements and securities lending transactions	16	3,155	2,391
Trading financial liabilities mandatorily at fair value through profit or loss	17	133,338	126,414
of which negative market values from derivative instruments	17	129,518	123,456
Financial liabilities designated at fair value through profit or loss	19	20,993	24,103
Borrowings	28	14,116	19,555
Current tax liabilities		38	51
Other liabilities	22	23,320	23,339
Provisions	29	22	5
Debt in issuance	30	14,653	11,988
Liabilities held for sale	31	431	–
Total liabilities		**210,501**	**208,874**
Shareholders' equity (USD million)			
Share capital	33	11,366	12,366
Share premium	33	12,704	12,704
Capital contribution		875	–
Retained earnings		(1,964)	(2,316)
Accumulated other comprehensive income	32	(129)	(29)
Total shareholders' equity		**22,852**	**22,725**
Total liabilities and shareholders' equity		**233,353**	**231,599**

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

Approved by the Board of Directors on 25 March 2020 and signed on its behalf by:

C. Waddington

Caroline Waddington
Director

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity for the Year ended 31 December 2019

	Note	Share Capital	Share Premium	Capital contribution	Retained Earnings	AOCI [1]	**Total**
Consolidated Statement of Changes in Equity (USD million)							
Balance at 1 January 2019		**12,366**	**12,704**	**–**	**(2,381)**	**(29)**	**22,660**
Adjustment on initial application of IFRS 16 (net of tax)		–	–	–	21	–	21 [2]
Adjusted balance at 1 January 2019		**12,366**	**12,704**	**–**	**(2,360)**	**(29)**	**22,681**
Net Profit for the year		–	–	–	336	–	336
Realised gain/(loss) relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings		–	–	–	(8)	8	–
Related tax on Realised loss relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings		–	–	–	2	–	2
Unrealised loss on designated financial liabilities relating to credit risk		–	–	–	–	(13)	(13)
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	21	21
Transfer UK Pension Fund from CSS(E)L		–	–	1,165	–	–	1,165
Related tax on transfer UK Pension Fund from CSS(E)L		–	–	(291)	–	–	(291)
Remeasurement of defined benefit pension assets		–	–	–	–	(154)	(154)
Related tax on remeasurement of defined benefit pension assets		–	–	–	–	38	38
Gain on loan sale to CSD		–	–	2	–	–	2
Related tax on gain on loan sale to CSD		–	–	(1)	–	–	(1)
Total comprehensive gain for the period		**–**	**–**	**875**	**330**	**(100)**	**1,105**
Transactions with owners of the Company							
Capital reduction of ordinary shares		(1,000)	–	–	–	–	(1,000)
Balance at 31 December 2019		**11,366**	**12,704**	**875**	**(2,030)**	**(129)**	**22,786**
Condensed Consolidated Statement of Changes in Equity (USD million)							
Balance at 1 January 2018		**12,366**	**12,704**	**–**	**(2,455)**	**–**	**22,615**
Adjustment on initial application of IFRS 15 (net of tax)		–	–	–	(10)	–	(10)
Adjustment on initial application of IFRS 9 (net of tax)		–	–	–	25	(18)	7
Adjusted balance at 1 January 2018		**12,366**	**12,704**	**–**	**(2,440)**	**(18)**	**22,612**
Net profit for the period		–	–	–	59	–	59
Gains on designated financial liabilities relating to credit risk		–	–		–	1	1
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	(12)	(12)
Total comprehensive gain for the period		**–**	**–**	**–**	**59**	**(11)**	**48**
Transactions with owners of the Company							
Capital reduction of ordinary shares		–	–	–	–	–	–
Balance at 31 December 2018		**12,366**	**12,704**	**–**	**(2,381)**	**(29)**	**22,660**

[1] AOCI refers to Accumulated Other Comprehensive Income

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

There were no dividends paid during 2019 (2018: Nil).

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Bank Statement of Changes in Equity for the Year ended 31 December 2019

	Note	Share Capital	Share Premium	Capital contribution	Retained Earnings	AOCI [1]	Total
Bank Statement of Changes in Equity (USD million)							
Balance at 1 January 2019		**12,366**	**12,704**	**–**	**(2,316)**	**(29)**	**22,725**
Adjustment on initial application of IFRS 16 (net of tax)		–	–	–	21	–	21 [2]
Adjusted balance at 1 January 2019		**12,366**	**12,704**	**–**	**(2,295)**	**(29)**	**22,746**
Net Profit for the year		–	–	–	337	–	337
Realised gain/(loss) relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings		–	–	–	(8)	8	–
Related tax on Realised loss relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings		–	–	–	2	–	2
Unrealised loss on designated financial liabilities relating to credit risk		–	–	–	–	(13)	(13)
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	21	21
Transfer UK Pension Fund from CSS(E)L		–	–	1,165	–	–	1,165
Related tax on transfer UK Pension Fund from CSS(E)L		–	–	(291)	–	–	(291)
Remeasurement of defined benefit pension assets		–	–	–	–	(154)	(154)
Related tax on remeasurement of defined benefit pension assets		–	–	–	–	38	38
Gain on loan sale to CSD		–	–	2	–	–	2
Related tax on gain on loan sale to CSD		–	–	(1)	–	–	(1)
Total comprehensive gain for the period		**–**	**–**	**875**	**331**	**(100)**	**1,106**
Transactions with owners of the Company							
Capital reduction of ordinary shares		(1,000)	–	–	–	–	(1,000)
Balance at 31 December 2019		**11,366**	**12,704**	**875**	**(1,964)**	**(129)**	**22,852**
Condensed Consolidated Statement of Changes in Equity (USD million)							
Balance at 1 January 2018		**12,366**	**12,704**	**–**	**(2,400)**	**–**	**22,670**
Adjustment on initial application of IFRS 15 (net of tax)		–	–	–	(10)	–	(10)
Adjustment on initial application of IFRS 9 (net of tax)		–	–	–	25	(18)	7
Restated balance at 1 January 2018		**12,366**	**12,704**	**–**	**(2,385)**	**(18)**	**22,667**
Net profit for the period		–	–	–	69	–	69
Gains on designated financial liabilities relating to credit risk		–	–	–	–	1	(12)
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	(12)	1
Total comprehensive gain for the period		**–**	**–**	**–**	**69**	**(11)**	**58**
Transactions with owners of the Company							
Capital reduction of ordinary shares		–	–	–	–	–	–
Balance at 31 December 2018		**12,366**	**12,704**	**–**	**(2,316)**	**(29)**	**22,725**

[1] AOCI refers to Accumulated Other Comprehensive Income

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

There were no dividends paid during 2019 (2018: Nil).

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows for the Year ended 31 December 2019

	Reference to note	2019 [2]	2018 [2]
Cash flows from operating activities (USD million)			
Profit before tax for the period		190	74
Adjustments to reconcile net profit/(loss) to net cash generated from/(used in) operating activities (USD million)			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation	12,25,26	176	138
Depreciation and impairment on investment property	12	1	4
Accrued interest on debt in issuance	5	321	315
Allowances for credit losses	8	4	8
Foreign exchange (gain)/loss		161	28
Provisions	29	17	(1)
Total adjustments		**680**	**492**
Cash generated before changes in operating assets and liabilities		**870**	**566**
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		5,654	(13,672)
Securities purchased under resale agreements and securities borrowing transactions	16	4,342	6,565
Trading financial assets mandatorily at fair value through profit or loss	17	(15)	25,996
Non-trading financial assets mandatorily at fair value through profit or loss	18	(4,734)	(17,580)
Financial assets designated at fair value through profit or loss		na [3]	11,130
Net loans	20	615	(266)
Other assets	22	(4,036)	2,842
Net increase in operating assets:		**1,826**	**15,015**
Net (decrease)/increase in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	16	764	(4,802)
Trading financial liabilities mandatorily at fair value through profit or loss	17	7,359	(23,208)
Financial liabilities designated at fair value through profit or loss	19	(2,968)	1,253
Borrowings	28	(5,439)	13,615
Share based compensation (Included in other liabilities & provisions)	22	(133)	(50)
Other liabilities and provisions	22	113	(1,106)
Net (decrease) in operating liabilities		**(304)**	**(14,298)**
Income taxes paid		(17)	(21)
Net group relief paid		(4)	(26)
Net cash generated from operating activities		**2,371**	**1,236**
Cash flows from investing activities (USD million)			
Proceeds from property, equipment and intangible assets	21,25,26	10	166
Capital expenditures for property, equipment and intangible assets	25,26	(251)	(248)
Net cash used in investing activities		**(241)**	**(82)**
Cash flow from financing activities (USD million)			
Issuances of debt in Issuance	30	4,083	5,773
Repayments of debt in Issuance	30	(2,398)	(10,431)
Capital reduction of ordinary shares		(1,000)	–
Net cash flow generated from/(used in) financing activities		**685**	**(4,658)**
Net change in cash and cash equivalents		**2,815**	**(3,504)**
Cash and cash equivalents at beginning of period [1]		1,201	4,783
Effect of exchange rate fluctuations on cash and cash equivalents		(13)	(78)
Cash and cash equivalents at end of period (USD million)		**4,003**	**1,201**
Cash and due from banks		4,438	2,229
Demand deposits	27	(435)	(1,028)
Cash and cash equivalents at end of period (USD million)		**4,003**	**1,201**

[1] At 31 December 2019, USD 32 million (2018: USD 36 million;) was not available for use by CSi relating to mandatory deposits at central banks.
[2] 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 31 – Discontinued Operations and Assets and Liabilities Held for Sale.
[3] na – not applicable. These financial statement captions or disclosures were applicable under IAS 39 “Financial Instruments”,however are not applicable under IFRS9 adopted in the previous year.

Refer to Note 33 – Share Capital and Share Premium for significant non-cash transactions.

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Bank Statement of Cash Flows for the Year ended 31 December 2019

	Reference to notes	2019 [2]	2018 [2]
Cash flows from operating activities (USD million)			
Profit before tax for the period		191	84
Adjustments to reconcile net loss to net cash used in operating activities			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation	12,25,26	176	138
Accrued interest on debt in issuance	5	321	315
Provision for credit losses	8	4	8
Foreign exchange (gain)/loss		248	8
Provisions	29	17	(1)
Total adjustments		766	468
Cash generated before changes in operating assets and liabilities		**957**	**552**
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		5,654	(13,672)
Securities purchased under resale agreements and securities borrowing transactions	16	4,342	6,565
Trading financial assets mandatorily at fair value through profit or loss	17	223	25,950
Non-trading financial assets mandatorily at fair value through profit or loss	18	(4,797)	(17,633)
Financial assets designated at fair value through profit or loss		na [3]	11,422
Net loans	20	615	(266)
Other assets	22	(4,036)	2,842 [1]
Net increase in operating assets		**2,001**	**15,208**
Net (decrease)/increase in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	16	764	(4,802)
Trading financial liabilities at fair value through profit or loss	17	7,161	(23,209)
Financial liabilities designated at fair value through profit or loss	19	(3,029)	1,192
Borrowings	28	(5,439)	13,615
Share Based Compensation (Included in other liabilities & provisions)	22	(133)	(50)
Other liabilities and provisions	22	113	(1,106)
Net decrease in operating liabilities		**(563)**	**(14,360)**
Income taxes refunded		–	–
Income taxes paid		(17)	(21)
Net group relief paid		(4)	(26)
Net cash generated from operating activities		**2,374**	**1,353**
Cash flows from investing activities (USD million)			
Proceeds from property, equipment and intangible assets	25,26	10	57
Capital expenditures for property, equipment and intangible assets	25,26	(251)	(248)
Net cash used in investing activities		**(241)**	**(191)**
Cash flows from financing activities (USD million)			
Issuances of debt in issuance	30	4,083	5,772
Repayments of debt in issuance	30	(2,398)	(10,431)
Capital reduction of ordinary shares		(1,000)	–
Net cash flow from/(used in) financing activities		**685**	**(4,659)**
Net decrease in cash and cash equivalents		**2,818**	**(3,497)**
Cash and cash equivalents at beginning of period [1]		1,168	4,743
Effect of exchange rate fluctuations on cash and cash equivalents		(13)	(78)
Cash and cash equivalents at end of period (USD million)		**3,973**	**1,168**
Cash and due from banks		4,408	2,196
Demand deposits	27	(435)	(1,028)
Cash and cash equivalents at end of period (USD million)		**3,973**	**1,168**

[1] At 31 December 2019, USD 32 million (2018: USD 36 million;) was not available for use by CSi relating to mandatory deposits at central banks.

[2] The CSi Bank 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 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

[3] na – not applicable. These financial statement captions or disclosures were applicable under IAS 39 "Financial Instruments",however are not applicable under IFRS9 adopted in the previous year.

Refer to Note 33 – Share Capital and Share Premium for significant non-cash transactions.

The notes on pages 56 to 197 form an integral part of the Financial Statements.

Notes to the consolidated financial statements

Notes to the Financial Statements for the year ended 31 December 2019

1 General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. 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 2019 comprise CSi and its subsidiaries (together referred to as the 'CSi group'). The Consolidated Financial Statements were authorised for issue by the Directors on 25 March 2020.

2 Significant Accounting Policies

a) Statement of compliance

Both the Bank financial statements and the CSi group financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'). On publishing the parent company financial statements here together with the CSi group financial statements, the Bank is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Income and related notes.

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, 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 Financial Statements in conformity with adopted IFRS 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 or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

In considering going concern, the directors have reviewed the capital, liquidity and financial position of CSi including future capital, liquidity and financial plans. With the recent market developments caused by COVID-19, the directors reassessed these components and have concluded the going concern basis is still appropriate. The reassessment was completed with reference to the stress testing processes within the ICAAP and ILAAP which demonstrated that CSi has sufficient capital and liquidity buffers to withstand the current market conditions. In terms of capital, CSi is holding stress buffers based on stress scenarios which are more severe than both the 2007/2008 crisis and the current market movements. Additionally, CRO includes specific elements of conservatism in the stress testing buffers to ensure idiosyncratic risks are captured including intercompany credit risk, removal of market risk hedging benefits and additional business risk impacts. Reverse stress testing is also used to assess and calibrate internal stress scenarios and ensure sufficient severity of the calibration. The impact of this is the specific scenario driving the ICAAP Stress Testing capital buffer is an internal scenario which is more severe than both the Bank of England and FINMA scenarios which are also assessed. Finally, CSi continues to retain significant capital surplus after ICAAP buffers are applied. In terms of liquidity, CSi hold buffers in accordance with the internal stress methodology as well as regulatory requirements. The stress testing methodology covers a number of scenarios involving both market and idiosyncratic shocks comparable to the 2007/2008 crisis. It is regularly reviewed and refined and the risk drivers are also assessed in the ILAAP. In addition to this CRO also performs reverse stress testing to identify tail risk scenarios which would lead to challenges in meeting regulatory minimums. CSi is reliant on funding from Credit Suisse AG and has received a letter of support to ensure CSi can meet its debt obligations. During the current market stress, CSG and CSi have activated their Contingency Funding Plans ('CFP'). CSG and CSi are taking steps to raise additional funding, limit new business usage of funding/liquidity and prepare for possible reduction of existing funding/liquidity usage.

Credit Suisse AG continues to provide confirmation that it will provide sufficient funding to the Bank to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. Consequently, the directors are confident that the Bank will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.

Standards effective in the current period

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

- **IFRS 16 Leases:** In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) superseding IAS 17 'Leases' (IAS 17), IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Lease-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged. Under the IAS 17 lessee accounting model the CSi group was required to distinguish between finance leases, which were recognised on balance sheet, and operating leases, which were not. IFRS 16 introduced a single, on-balance sheet lessee accounting model and requires lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet.
  IFRS 16 was effective for annual periods beginning on or after 1 January 2019. The CSi group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach with the cumulative effect adjustment recognised in retained earnings without restating comparatives.

The CSi group elected to apply the following practical expedients on transition:

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

As a result of adoption, the CSi group recognised additional liabilities of USD 836 million based on the present value of the remaining rental payments and corresponding right-of-use assets (net of onerous lease provisions) of USD 598 million. No retained earnings impact was associated with this change in accounting. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the CSi group's incremental borrowing rate as of 1 January 2019. The incremental borrowing rate used is the comparable rate that the CSi group would expect to pay to borrow a similar amount, for a similar term and with similar collateral. The CSi group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.92 %.

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

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

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

Standards and Interpretations endorsed by the EU and not yet effective

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform: In September 2019, the IASB issued 'Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7) in order to address the financial reporting consequences of the interest rate benchmark reform in the period before the replacement of an existing interest rate benchmark with an alternative reference rate. The amendments are effective for annual periods beginning on or after 1 January 2020 with an early adoption permitted. The adoption on 1 January 2020 did not have an impact on the CSi group's financial position, results of operations or cash flows.

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

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

- Amendment to definition of Business (IFRS 3): In October 2018, the IASB issued 'Definition of a Business'(Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The adoption on 1 January 2020 will not have a material impact on the CSi group's financial position, results of operations or cash flows.

The accounting policies have been applied consistently by the CSi group entities. Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSi group to conform to the current year's presentation and had no impact on net income/ (loss) or total shareholders' equity.

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 included in 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 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 significant 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% 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% 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 currency is United States Dollars ('USD'). 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 guidance.

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.

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 managed on a fair value basis 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 on a fair value basis 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 Instruments 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.

Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of an instrument, the CSi group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Where the fair value is not determined using a quoted price in an active market for an identical asset or liability or a valuation technique that uses data from observable inputs, then reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable inputs becomes available.

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.

g) Impairment of financial assets, loan commitments and financial guarantees

The impairment requirements apply primarily to financial assets measured at amortised cost as well as certain loan commitments and financial guarantee contracts. The impairment requirements are based on a forward-looking expected credit loss ('ECL') model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. This requires considerable judgement over how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

For financial instruments that include both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component, the expected credit losses 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.

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

Forward looking information

The estimation and application of forward-looking information requires significant judgment. 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. Probability 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.

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.

h) Net Loans

Loans are measured at amortised cost or mandatorily at fair value through profit or loss depending on the business model and the solely 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 g.

i) 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.

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 collects and remits cash between its clients and various Central Counterparty Clearing Houses ('CCPs'), Brokers and Deposit Banks. Where the CSi group obtains benefits from or controls the cash from its clients, the cash is an asset of the CSi group and is included within cash and due from banks on the Consolidated Statement of Financial Position and the corresponding liability is included in 'Other liabilities'. Where the CSi group has contractually agreed with the client that:

- 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, then cash collected from clients and remitted to the CCP, Broker or Deposit Bank is not reflected on the CSi group's Consolidated Statement of Financial Position. Examples include initial margin where the CSi group acts as Broker in an agency capacity and cash 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 g).

j) 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).

k) Commissions and fees

Fee and commission revenue is recognised from a diverse range of services provided by CSi to its customers. CSi recognises revenue when it satisfies a contractual performance obligation. CSi satisfies a performance obligation when control over the underlying good or 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 good or service. CSi must determine whether control of a good or service is transferred over time. If so, the related revenue is recognised over time as the good or service is transferred to the customer. If not, control of the good or service is transferred at a point in time. The performance obligations are typically satisfied as the services in the contract are rendered. 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. 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 must determine whether the nature of its promise is a performance obligation to provide the specified good or services itself (that is, CSi is a principal) or to arrange for those goods or services to be provided by the other party (that is, CSi is an agent). CSi determines whether it is a principal or an agent for each specified good or service provided to the customer. Gross presentation (revenue on the revenue line and expense on the expense line) is appropriate when CSi acts as principal in a transaction. Conversely, net presentation (revenue and expenses reported net) is appropriate when CSi acts as an agent in the transaction.

Transaction-related expenses are expensed as incurred. Underwriting expenses are deferred and recognized 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.

l) 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

The Bank 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.

m) 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 constitute economic sales 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 g). 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.

n) 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).

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.

o) 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 also treated as income taxes.

For UK corporation tax purposes CSi 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
Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSi group may accrue for tax contingencies on a best estimate basis. 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.

p) 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. If held for sale it will be subsequently measured at the lower of carrying amount and fair value less costs to sell.

To assess for impairment, on an annual basis an independent external valuer is engaged to assist in the determination of the fair value using recognised valuation techniques. Consideration is given to the specific nature of the properties to reflect their highest and best use including any appropriate business plan.

q) 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.

r) 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.

s) Deposits

Deposits are funds held from customers (both retail and commercial) and banks, generally for the cash safekeeping and/or liquidity needs of those customers. Deposits are initially recognised at fair value and subsequently recognised at amortised cost, which represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums.

t) 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.

u) Debt in issuances

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.

v) 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.

w) 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 sponsorship of the this plan was transferred during the year from the CSS(E)L Group to the CSi group, a related party also part of CSG.

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. The Bank has no contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

x) 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;
iv) Contingent Capital share awards

Phantom shares and Performance share awards are accrued over the 3 to 7 year vesting period. 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.

y) Other compensation plans

The CSi group has other deferred compensation plans which can be in the form of fixed or variable deferred cash compensation. 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.

z) 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 should be considered as estimation period for measuring ECL, and not the period over which the entity expects to extend credit. This should take into consideration if a guarantee was contingent or cancellable.

The ECL would be 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.

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

aa) Leases

The CSi group recognises lease liabilities, which are reported as debt in issuance 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 asset subject to the lease in its financial statements and recognises lease income on a straight-line basis over the period of the lease.

Subleases

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 related leases, 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.

ab) 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 is disclosed (unless the possibility of an outflow of economic resources is remote), except for those acquired under business combinations, which are recognised at fair value.

ac) 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.

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.

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. Where a modification and not an extinguishment is deemed to have occurred, the difference is adjusted to the carrying value of the new instrument and reclassified into income using the effective interest method.

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.

ad) 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.

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), 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. The judgments and estimates noted below remain the same as the prior period with the exception of those involving contingencies and loss provisions, structured entities and disposal groups, and discontinued operations, which are no longer seen as critical. During the year the CSi group became the sponsor of the CS UK pension plan (UK DB Plan). Other than this no new judgements and estimates were entered into during the period.

In the course of preparing the financial statements, no judgements have been made in the process of applying the accounting policies, other than those noted below in regards to taxes. However, a number of judgements involving estimations 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 loss carry-forwards 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. Management regularly 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 that have been made in relation to employee benefit, decelerated tax depreciation, other provisions and unpaid interest.

→ 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 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 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 42– 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 42– 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 42 – Financial Instruments.

Allowance and impairment losses financial instruments subject to expected credit loss model

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

- The CSi group's internal credit grading model, which assigns PDs to the individual grades
- The CSi group's quantitative and qualitative criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis
- The segmentation of financial assets under the PD/LGD approach to estimate Stage 1 and Stage 2 ECLs
- The development of ECL models, including the various formulas and the choice of inputs
- The determination of the associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

→ Please see Note 20 – Net Loans for more information.

Key Estimates

The ECL models contain a number of critical accounting estimates.

→ Please see Note 20 – Net Loans for more information.

Retirement Benefit Costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes. During 2019, the CSi group became the sponsor of the UK Defined Benefit Plan (UK DB Plan). The following relates to the assumptions the 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 35 – Retirement Benefit Obligations for more information.

Share-based payments

The CSi group uses the liability method to account for its share-based payment plans, which requires the CSi group's obligation under these plans to be recorded at its current estimated fair value.

Key Estimates

Share awards and share unit awards that contain market conditions are estimated based on the marked-to-market of the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are estimated based on the marked-to-market of CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience.

→ Please see Note 36 – Employee Share-based Compensation and Other Compensation Benefits 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 reasonably estimated. Charges are not established for matters when losses cannot be reasonably 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 29 – Provisions for more information.

4 Segmental Analysis

The CSi group has 4 reportable segments that are regularly reviewed by the Chief Operating Decision Maker ('CODM') when assessing the performance and allocation of resources. The CODM has been determined to be the Board.

The following segments are based on products and services offered by the CSi group:

Global Markets:	The GM division consists of six sub divisions Credit, Equities, Fixed Income & Wealth Management Products, Equity Derivatives & Investor Products, International Trading Solutions Management and Global Markets Management. These sub divisions together offer trading in emerging markets, equity derivatives, global macro, global credit and securitised products.
Investment Banking & Capital Markets:	The Investment Banking & Capital Markets division service offering includes mergers and acquisitions, debt, equity and other capital raising activities.
APAC:	Investment banking capabilities in Asia Pacific, serving corporate and institutional clients.
Corporate Centre:	Corporate Centre includes the newly formed Asset Resolution Unit ('ARU') and certain other expenses and revenues that have not been allocated to divisions.

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 a CSi group segment level. Certain revenue 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.

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

	2019	2018 [2]
Revenues (USD million)		
Global Markets	**1,157**	**960**
- Credit	264	190
- Equities	60	84
- Fixed Income & Wealth Management Products	382	318
- Equity Derivatives & Investor Products	529	435
- International Trading Solutions Management	(93)	(83)
- Global Markets Management	15	16
Investment Banking & Capital Markets	327	448
APAC	275	365
Other	8	11
Corporate centre (includes ARU) [1]	(37)	(39)
Total	**1,730**	**1,745**

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

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

	2019	2018 [2]
Consolidated Income/(loss) before taxes (USD million)		
Global Markets	**420**	**147**
- Credit	148	83
- Equities	36	36
- Fixed Income & Wealth Management Products	168	113
- Equity Derivatives & Investor Products	177	90
- International Trading Solutions Management	(88)	(106)
- Global Markets Management	(21)	(69)
Investment Banking & Capital Markets	(98)	20
APAC	188	291
Other	(8)	(19)
Corporate centre (includes ARU) [1]	(137)	(151)
Total	**365**	**288**

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

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 1,041 million (2018: USD 728 million).

Reconciliation of reportable segment revenues

	2019	2018 [2]
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments	1,730	1,745
Transfer pricing arrangements	97	135
Cross divisional revenue share	47	50
Treasury funding	500	336
Shared services	(17)	36
Provision for Credit Losses	(4)	(7)
CSi group to primary reporting reconciliations [1]	84	(98)
Net revenues as per Consolidated Statement of Income	**2,437**	**2,197**
Of which net revenues – discontinued operations [3]	**518**	**322**
Of which net revenues – continued operations	**1,919**	**1,875**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group accounts prepared in accordance with IFRS.
[2] 2018 numbers have been re-stated to conform to current period's presentation
[3] Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

	2019	2018 [2]
Reconciliation of reportable segment income before taxes (USD million)		
Income before taxes for reportable segments	365	288
Shared services	(131)	(33)
CSi group to primary reporting reconciliations [1]	(44)	(181)
Profit/(Loss) before taxes as per Consolidated Statement of Income	**190**	**74**
Of which profit before taxes – discontinued operations [3]	**53**	**17**
Of which loss before taxes – continued operations	**137**	**57**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group accounts prepared in accordance with IFRS.
[2] 2018 numbers have been re-stated to conform to current period's presentation
[3] Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

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

5 Net Interest Income

	2019	2018 [2]
Net interest income (USD million)		
Loans	125	139
Securities purchased under resale agreements and securities borrowing transactions	216	377
Cash collateral paid on OTC derivatives transactions	589	360
Interest income on cash and cash equivalents	343	407
Interest income	**1,273**	**1,283**
Deposits	(6)	(5)
Borrowings	(85)	(81)
Securities sold under repurchase agreements and securities lending transactions	(168)	(331)
Debt in Issuance	(289) [1]	(284)
Cash collateral received on OTC derivatives transactions	(563)	(367)
Interest expense	**(1,111)**	**(1,068)**
Net interest income	**162**	**215**
of which		
Interest income of Financial assets measured at fair value through profit or loss	198	291
Interest income of Financial assets measured at amortised cost	1,075	992
Interest expenses of Financial liabilities measured at fair value through profit or loss	(146)	(215)
Interest expenses of Financial liabilities measured at amortised cost	(965)	(853)

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

[1] Interest expense (Debt in issuance) includes interest on lease liability of USD 22 million. Interest income (Loans) includes interest on investment in sub-lease USD 9 million.

[2] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

6 Commission and Fee Income

	2019	2018 [1]
Commission and fee income (USD million)		
Lending business	77	125
Brokerage	56	94
Underwriting	69	86
Other client services	134	184
Total commission and fee income	**336**	**489**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

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

	2019	2018 [1]
Fee income and expense from financial instruments (USD million)		
Origination fees and other services	31	26
Commitment fees	12	15
Total fee income	**43**	**41**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

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 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:

	2019	2018 [2]
Type of Services (USD million)		
Lending business	34 [1]	84 [1]
Other securities business	3	5
Brokerage	56	94
Underwriting	69	86
Transfer pricing arrangement and other services	228	315
Total	**390**	**584**

[1] 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).

[2] 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. 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

Contract balances (USD million)	2019	2018
Contract receivables	11	35
Contract liabilities	–	1
Revenue recognised in the reporting period included in the contract liabilities balance at the beginning of period	1	9

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 (2018: USD 2 million).

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

	2019	2018 [1]
(Additional)/Release of allowance for credit losses (USD million)		
Allowance for credit losses	(18)	(6)
Allowance for off-balance sheet exposures	(1)	(1)
Additional allowance for credit losses	**(19)**	**(7)**
Allowance for credit losses	15	–
Release of allowance for credit losses	**15**	**–**
(Additional)/Release of allowance for credit losses	**(4)**	**(7)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

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

	2019	2018 [1]
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss	2,978	(587)
Net (losses)/gains from financial liabilities designated at fair value through profit or loss	(1,707)	1,591
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**1,271**	**1,004**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

	2019	2018[1]
Trading financial assets/liabilities mandatorily measured at fair value through profit or loss (USD million)		
Interest rate	1,045	2,120
Foreign exchange	356	(491)
Equity	1,529	(2,274)
Credit	(23)	325
Commodity	52	22
Other	(201)	(55)
Total net gains/(losses) from trading financial assets/liabilities mandatorily measured at fair value through profit or loss	**2,758**	**(353)**
Non-trading financial assets mandatorily measured at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	15	(177)
Net loans	32	(25)
Other financial assets	173	(32)
Total net gains/(losses) from non-trading financial assets mandatorily measured at fair value through profit or loss	**220**	**(234)**
Total net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss	**2,978**	**(587)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

	2019		2018	
	Profit or Loss	OCI	Profit or Loss	OCI
Net gains/(losses) from financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	(56)	–	15	–
Borrowings	(564)	–	491	–
Debt in issuance	(1,086)	(13)	1,079	(1)
Other financial liabilities designated at fair value through profit or loss	(1)	–	6	–
Total net (losses)/gains from financial liabilities designated at fair value through profit or loss	**(1,707)**	**(13)**	**1,591**	**(1)**

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

	2019	2018[1]
Other revenues (USD million)		
Transfer pricing arrangements	97	135
Other	57	39
Total other revenues	**154**	**174**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

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

	2019	2018 [1]
Compensation and benefits (USD million)		
Salaries and variable compensation	(647)	(404)
Social security	(102)	(62)
Pensions	(28)	(20)
Other	(19)	(9)
Total compensation and benefits	**(796)**	**(495)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

Included in the above table are amounts relating to Directors' remuneration, details of which are disclosed in Note 37 – Related Parties.

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

12 General, Administrative and Trading Expenses

	2019	2018 [2]
General, administrative and trading expenses (USD million)		
Brokerage charges and clearing house fees	(284)	(277)
Insurance charges	(4)	(6)
Trading expenses	**(288)**	**(283)**
Occupancy expenses	(104)	(23)
Depreciation and amortisation expenses	(137) [1]	(117)
Depreciation and impairment of investment property	(1)	(4)
Litigation	(32)	(13)
Auditor remuneration	(3)	(2)
Professional services	(342)	(247)
Impairment of intangible asset	–	(8)
CSG trademark	(3)	(3)
Net Overheads allocated to other CS group entities	426	32
Transfer pricing arrangements	(372)	(440)
UK Bank Levy	(7)	(11)
Marketing data, publicity and subscription	(32)	(29)
Non income taxes	(26)	(35)
Other	(65)	(48)
General and administrative expenses	**(698)**	**(948)**
Total general, administrative and trading expenses	**(986)**	**(1,231)**

[1] Depreciation and amortisation expense includes amortisation on right-of-use assets of USD 17 million.
[2] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

The CSi group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through Net overheads allocated to other CS group entities. The recharges comprise compensation and benefit expenses and general administrative expenses. The increase in charge year on year is due to employee transfers disclosed in Note 11.

Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.9 million (2018: USD 1.5 million). The following fees were payable by the CSi group to the auditor, KPMG LLP.

CSi Auditor's remuneration (USD '000)	**2019**	2018
Fees payable to the Bank's auditor for the audit of the Bank's annual accounts	(1,985)	(1,494)
Fees payable to the CSi group's auditor and its associates for other services	(335)	(208)
Audit-related assurance services	(1,074)	(951)
Other assurance services	(43)	(173)
Total fees	**(3,437)**	**(2,826)**

13 Restructuring Expenses

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

	2018 [1]
Restructuring expenses by type (USD million)	
Compensation and benefits-related expenses	(14)
of which severance	(9)
of which accelerated deferred compensation	(5)
General and administrative-related expenses	(78)
Total Restructuring expenses by type	**(92)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilities Held for Sale.

	2019			2018		
	Severance expenses	General and administrative-expenses	**Total**	Severance expenses	General and administrative-expenses	**Total**
Restructuring provision (USD million)						
Balance at beginning of the period/year	4	192	196 [1]	4	156	160
Net additional charges	–	–	–	11	66	77 [3]
Utilisation and foreign exchange fluctuations	–	–	–	(11)	(42)	(53)
Reclassification (to)/from other liabilities	(4)	(192)	(196) [2]	–	12	12 [4]
Balance at end of the period/year	**–**	**–**	**–**	**4**	**192**	**196**

[1] Liability relating to severance expenses and general and administrative expenses of USD 196 million have been included in 'Other Assets and Other Liabilities'.
[2] The CSi group completed the three-year restructuring plan in connection with the implementation of the revised CS group strategy by the end of 2018. Accordingly, the restructuring provision cease to exist. The property related general and adminstrative expenses are reclassified to right-of-use assets on implementation of IFRS 16 Leases.
[3] Liability arising on restructuring has been included in Note 22 – Other Assets and Other Liabilities as follows:
a) Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 3.5 million and unsettled cash based deferred compensation of USD 1.8 million, (not included in the table above) have been included in 'Share-based compensation liability' and 'Other', respectively. The settlement date for the unsettled share-based compensation remains unchanged.
b) Other general & administrative expenses related expenses of USD 13 million relates to other than property expenses and not included in table above.
[4] USD 12 million pertaining to onerous lease for 5 Canada Square was reclassified from "Other liabilities" to "Restructuring provision" in the above table for 2018.

14 Income Tax

	Group		Bank	
	2019	2018	2019	2018
Current and deferred taxes (USD million)				
Current tax				
Current tax (expense)/benefit for the period [1]	(18)	7	(18)	7
Adjustments in respect of previous periods	38	(5)	38	(5)
Current income tax benefit	**20**	**2**	**20**	**2**
Deferred tax				
Origination and reversal of temporary differences	(3)	4	(3)	4
Tax losses (utilised)	(7)	–	(7)	–
Reversal / (increase) in impairment of deferred tax asset	135	(18)	135	(18)
Adjustments in respect of previous periods	1	(3)	1	(3)
Deferred income tax benefit/(expense)	**126**	**(17)**	**126**	**(17)**
Income tax benefit/(expense)	**146**	**(15)**	**146**	**(15)**

[1] Withholding taxes are included within income taxes.

Income tax of USD 260 million (2018 : USD 2 million) was debited directly to Equity. Further information about deferred income tax is presented in Note 15 Deferred Taxes.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed.

Further information about deferred income tax 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		Bank	
	2019	2018	2019	2018 [2]
Reconciliation of taxes computed at the UK statutory rate (USD million)				
Profit before tax	190	74	192	84
Income tax expense computed at the statutory rate of 19%	(36)	(14)	(36)	(16)
(Increase)/decrease in income taxes resulting from:				
Other permanent differences	5	(15)	5	(13)
Effect of group relief surrendered for consideration at less than statutory rate	–	(8)	–	(8)
Impact of UK bank corporation tax surcharge	(13)	(11)	(13)	(11)
Non-recoverable foreign taxes including withholding taxes [1]	(9)	(5)	(9)	(5)
Other movements in deferred tax for current period	25	63	25	63
Adjustments to current tax in respect of previous periods	38	(5)	38	(5)
Adjustments to deferred tax in respect of previous periods	1	(2)	1	(2)
Net impact on deferred tax balances following transfer of pension asset from CSS(E)L	57	–	57	–
Reversal/ (Increase) Impairment of deferred tax asset	78	(18)	78	(18)
Income tax benefit/(expense)	**146**	**(15)**	**146**	**(15)**

[1] Withholding taxes are included within income taxes.
[2] 2018 numbers have been restated to conform to the current year's presentation.

15 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25%, which includes the impact of the UK banking surcharge. Deferred taxes are calculated on carry forward tax losses using effective tax rates of 17% or 25%.

Group and Bank	**2019**	2018
Deferred tax (USD million)		
Deferred tax assets	478	330
Deferred tax liabilities	(282)	–
Net position	**196**	**330**
Balance at 1 January	**330**	**349**
Credit/(Debit) to income for the period	126	(15)
Adjustments in respect of previous periods	1	(2)
Tax impact of transfer of UK Pension Fund from CSS(E)L	(291)	–
Tax impact of remeasurement of defined benefit pension plan assets	38	–
Tax Impact on adjustment on initial application of IFRS16	(7)	–
Other	(1)	(2)
At end of the period	**196**	**330**

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

Group and Bank	**2019**	2018
Components of net deferred tax assets (USD million)		
Derivative financial instruments	–	1
Employee benefits	68	47
Decelerated tax depreciation	107	184
Other provisions	21	21
Unpaid interest	77	77
Tax losses	205	–
Deferred tax assets netted against deferred tax liabilities	(282)	–
At end of the year	**196**	**330**

Group and Bank	**2019**	2018
Components of net deferred tax liabilities (USD million)		
Pensions and other post-retirement benefits	(275)	–
Leases	(7)	–
Deferred tax liabilities netted against deferred tax assets	282	–
At end of the year	**–**	**–**

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

Group and Bank	2019	2018
Tax effect of temporary differences (USD million)		
Derivative financial instruments	(1)	1
Employee benefits	21	12
Defined benefit pension assets	(22)	–
Decelerated tax depreciation	(77)	(6)
Other provisions	–	(20)
Unpaid interest	–	(4)
Tax losses	205	–
Total deferred tax benefit/(expense) in the Statement of Income	**126**	**(17)**

Group and Bank	2019	2018
Income Tax benefit/(expense) recognised in Equity (USD million)		
Adjustment on initial application of IFRS 9	–	(3)
Adjustment on initial application of IFRS 16	(7)	–
Realised gain/(loss) relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings	1	1
Recognition of deferred tax liability on transfer of UK Pension Fund from CSS(E)L	(291)	–
Re-measurement of defined benefit pension assets	38	–
Gain on loan sale to CSD	(1)	–
Total Income Tax expense recognised in Equity	**(260) –**	**(2)**

Following management's evaluation of the deferred tax asset recoverability as at the balance sheet date, deferred tax assets of USD 726 million have not been recognised (2018: USD 920 million). 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.

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	**2019**	2018
Securities purchased under resale agreements and securities borrowing transactions (USD million)		
Securities purchased under resale agreements	2,815	7,190
Deposits paid for securities borrowed	3,330	3,297
Total Securities purchased under resale agreements and securities borrowing transactions	**6,145**	**10,487**

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

Group and Bank	**2019**	2018
Securities sold under repurchase agreements and securities lending transactions (USD million)		
Securities sold under repurchase agreements	951	950
Deposits received for securities lent	2,204	1,441
Total Securities sold under repurchase agreements and securities lending transactions	**3,155**	**2,391**

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.

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

	Group		Bank	
	2019	2018	**2019**	2018
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	14,088	16,845	13,749	16,742
Equity securities	7,307	6,816	7,251	6,681
Derivative instruments	126,147	124,434	126,148	124,516
Other	901	579	901	579
Trading financial assets at fair value through profit or loss	**148,443**	**148,674**	**148,049**	**148,518**
Trading financial liabilities at fair value through profit or loss (USD million)				
Short positions	4,019	2,959	3,820	2,959
Derivative instruments	129,517	123,455	129,518	123,455
Trading financial liabilities at fair value through profit or loss	**133,536**	**126,414**	**133,338**	**126,414**

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 9 billion (2018: USD 11 billion) 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.

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

	Group		Bank	
	2019	2018	**2019**	2018
Non-trading financial assets mandatorily at fair value through profit or loss (USD million)				
Loans	1,354	1,045	1,470	1,098
Securities purchased under resale agreements and securities borrowing transactions	19,880	15,650	19,880	15,650
Other non-trading financial assets mandatorily at fair value through profit or loss	1,060	964	1,060	964
Total non-trading financial assets mandatorily at fair value through profit or loss	**22,294**	**17,659**	**22,410**	**17,712**

For loans mandatorily at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2019 was USD 1,354 million (2018: USD 1,045 million). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 615 million (2018: USD 225 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 2019, this fair value movement was a decrease of USD 7 million (2018: USD 10 million). The cumulative effect at the year-end was a increase of USD 7 million (2018: USD 11 million decrease). The corresponding decrease in fair value of the swaps and securities in place to mitigate this risk was USD 5 million (2018: USD 11 million). The cumulative effect at the year-end was a decrease of USD 2 million (2018: USD 11 million).

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 is insignificant.

19 Financial Liabilities Designated at Fair Value Through Profit or Loss

	Group		Bank	
	2019	2018	**2019**	2018
Financial Liabilities designated at fair value through profit or loss (USD million)				
Subordinated Debt	62	60	62	60
Structured notes (includes debt in issuance and borrowings)	10,855	8,849	10,729	8,787
Securities sold under repurchase agreement and securities lending transactions	9,604	14,927	9,608	14,928
Other	594	328	594	328
Total financial liabilities designated at fair value through profit or loss	**21,115**	**24,164**	**20,993**	**24,103**

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 4.7 billion lower than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity (2018: USD 4.5 billion lower).

	2019	**2018**
Changes in fair value of financial liabilities designated at fair value through profit or loss due to credit risk (USD million)		
Financial liabilities designated at fair value through profit or loss that present the effects of changes in that liability's credit risk in OCI		
Cumulative change in the fair value		
Debt in issuance		
of which structured notes over two years	4	17
Total Cumulative Change	**4**	**17**
YTD change in the fair value		
Debt in issuance		
of which structured notes over two years	(13)	(1)
Total YTD Change	**(13)**	**(1)**

20 Net Loans

The following table sets forth details of the domestic (United Kingdom) and foreign portfolios:

Group and Bank	**2019**	2018
Net loans (USD million)		
Net loans	2,824	3,512
Net investment in leases	279	–
Net loans	**3,103**	**3,512**

	2019	2018
Group and Bank **Net Loans (USD million)**		
Real estate	2	8
Commercial and industrial loans	2,836	3,401
Financial institutions	–	115
Gross loans	**2,838**	**3,524**
of which domestic	2,645	2,902
of which foreign	193	622
Net unearned income	(1)	(3)
Allowance for credit losses	(13)	(9)
Net loans	**2,824**	**3,512**
Gross impaired loans	**20**	**8**
of which loans with an individual allowance	20	8

Group and Bank (USD million)	**2019**
Net investment in leases	
Receivable within 1 year	23
Receivable between 1 and 2 years	28
Receivable between 2 and 3 years	29
Receivable between 3 and 4 years	29
Receivable between 4 and 5 years	29
Receivable after 5 years	206
Total lease payments receivable	**344**
Unearned finance income	**(65)**
Net investment in leases	**279**

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

Net investment in leases represents sublease of certain buildings in UK. Net loans due within one year for the CSi group and Bank, amount to USD 112 million (2018: Nil).

Reconciliation of the allowance for loan losses by class
The following table sets forth the movements in the allowances for impairment losses on net loans:

	Banks	Customers	**Total**
Group and Bank			
Allowance for credit losses (USD million)			
Balance at 1 January 2019	(1)	(8)	(9)
Additional allowances for credit losses	–	(19)	(19)
Reversal of allowances for credit losses	–	15	15
Movement recognised in Consolidated Statement of Income	–	(4)	(4)
Balance at 31 December 2019	**(1)**	**(12)**	**(13)**
Balance at 1 January 2018	(1)	(7)	(8)
Transition impact of IFRS 9	–	6	6
Adjusted balance at 1 January 2018	(1)	(1)	(2)
Additional allowances for impairment losses	–	(11)	(11)
Reversal of allowances for impairment losses	–	4	4
Movement recognised in Consolidated Statement of Income	–	(7)	(7)
Balance at 31 December 2018	**(1)**	**(8)**	**(9)**

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. The fair value and carrying value amount were the same as at 31 December 2019.

Group	**2019**	2018
Investment property (USD million)		
Balance at the beginning of the year	18	131
Reclassification to real estate held-for-sale	–	(109)
Depreciation charge for the year	(1)	(4)
Balance at the end of year	**17**	**18**

The recoverable amount of investment property is estimated based on its value-in-use. Based on the assessment in 2019, the carrying amount of the unit was determined to be equal to its recoverable amount of USD 17 million with no material impairments recognised for the year ended 31 December 2019. 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).

22 Other Assets and Other Liabilities

Group and Bank	**2019**	2018
Other Assets (USD million)		
Brokerage receivables (refer to Note 24)	1,955	5,584
Interest and fees receivable	697	464
Cash collateral on derivative instruments		
Banks	16,349	12,069
Customers	14,856	11,866
Other	1,374	271
Total other assets	**35,231**	**30,254**

Other assets are mainly due within one year.

Group and Bank	2019	2018
Other Liabilities (USD million)		
Brokerage payables (refer to Note 24)	397	1,613
Interest and fees payable	1,430	1,116
Cash collateral on derivative instruments		
Banks	13,991	14,367
Customers	6,734	5,229
Share-based compensation liability	236	110
Other	532	904
Total other liabilities	**23,320**	**23,339**

Other liabilities are mainly due within one year. Other liabilities include liability towards restructuring cost of USD Nil (2018: USD 196 million). Refer Note 13 – Restructuring Expenses.

23 Leases

Lease Liabilities

The following table sets forth details of the maturity analysis of contractual lease liabilities:

Group and Bank (USD million)	2019
Maturity of contractual lease liabilities	
Due within 1 year	76
Due between 1 and 2 years	75
Due between 2 and 3 years	76
Due between 3 and 4 years	75
Due between 4 and 5 years	74
Thereafter	526
Lease liabilities	**902**

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

The CSi group 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 leases 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 12 lease agreement 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 311 million as compared to USD 1,079 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. The value of these options is USD 970 million; these are not reflected in the discounted amount of lease liability amount of USD 715 million.

Lease Commitments

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

Group and Bank	2018
Operating lease commitments (USD million)	
Up to 1 year	87
From 1 year and no later than 5 years	332
From 5 years and over	592
Future operating lease commitments	**1,011**
Less minimum non-cancellable sublease rentals	(389)
Total net future minimum operating lease commitments	**622**

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

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

Group and Bank	2018
Net rental expense (USD million)	
Minimum rentals	86
Sublease rental income	(15)
Total net rental expenses	**71**

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

24 Brokerage Receivables and Brokerage Payables

Brokerage receivables and payables included in the table below represent amounts due to and from banks, brokers and dealers as well as customers for varying transaction types. Included within these balances are margin accounts where cash has been deposited with an exchange, bank or broker to facilitate future transactions and where the CSi group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

The CSi group also enters into fully margined exchange traded derivatives such as futures and balances payable to or receivable from the exchange the next day are recorded in the brokerage balances. In addition the CSi group performs brokerage and clearance activities for clients where exchange fees are incurred and receivable from clients.

Group and Bank	**2019**	2018
Brokerage receivable (USD million)		
Due from customers	804	1,433
Due from banks, brokers and dealers	1,151	4,151
Total brokerage receivables	**1,955**	**5,584**
Brokerage payable (USD million)		
Due to customers	177	564
Due to banks, brokers and dealers	220	1,049
Total brokerage payables	**397**	**1,613**

During the current reporting period there were no defaults or breaches in respect of third party brokerage payables.

Included within 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 3,490 million of client money as at 31 December 2019 (2018: USD 4,598 million), USD 3,232 million as of 31 December 2019 (2018: USD 3,934 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'.

25 Property and Equipment

Group and Bank	**2019**	2018
Property and equipment (USD million)		
Leasehold improvements	285	227
Equipment	21	7
Right of use assets	229	–
Property and equipment	**535**	**234**

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

	Leasehold Improvements	Equipment	Total
2019			
Group and Bank			
Property and equipment (USD million)			
Cost:			
Cost as at 1 January 2019	**442**	**105**	**547**
Acquisitions during the year	93	12	**105**
Disposals	(1)	(9)	**(10)**
Reclassification to real estate held-for-sale	(33)	13	**(20)**
Cost as at 31 December 2019	**501**	**120**	**621**
Accumulated depreciation:			
Accumulated depreciation as at 1 January 2019	**(215)**	**(98)**	**(313)**
Charge for the year	(15)	(4)	(19)
Disposals	–	–	–
Reclassification to real estate held-for-sale	13	4	17
Accumulated depreciation as at 31 December 2019	**(217)**	**(98)**	**(315)**
Net book value as at 1 January 2019	**227**	**7**	**234**
Net book value as at 31 December 2019	**284**	**22**	**306**

	Leasehold Improvements	Equipment	Total
2018 **Group and Bank** **Property and equipment (USD million)**			
Cost:			
Cost as at 1 January 2018	**353**	**107**	**460**
Additions	–	–	–
Acquisitions during the year	98	6	**104**
Disposals	(9)	(8)	**(17)**
Reclassification to real estate held-for-sale	–	–	–
Cost as at 31 December 2018	**442**	**105**	**547**
Accumulated depreciation:			
Accumulated depreciation as at 1 January 2018	**(206)**	**(97)**	**(303)**
Charge for the year	(15)	(2)	(17)
Disposals	6	1	7
Reclassification to real estate held-for-sale	–	–	–
Accumulated depreciation as at 31 December 2018	**(215)**	**(98)**	**(313)**
Net book value as at 1 January 2018	**147**	**10**	**157**
Net book value as at 31 December 2018	**227**	**7**	**234**

Group and Bank (USD million)	**Total**
Right- of- use assets (USD million)	
Balance as of 1 January 2019	598
Less :	
- Investment in Sub lease	(261)
- Reclassification	(58)
-Discontinued Operations	(33)
Amortisation	(17)
Balance as of December 31 December 2019	**229**

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

Leasehold improvements relate to improvements to land and buildings occupied by the Bank and its fellow subsidiaries for their own activities.

No interest has been capitalised from borrowings within property and equipment (2018: USD Nil).

26 Intangible Assets

Group and Bank	Total
2019 **Intangible Assets (USD million)**	
Cost:	
Cost as at 1 January 2019	**1,232**
Additions	146
Cost as at 31 December 2019	**1,378**
Accumulated amortisation:	
Accumulated amortisation as at 1 January 2019	**(756)**
Amortisation for the year	(133)
Impairment	–
Accumulated amortisation as at 31 December 2019	**(889)**
Net book value as at 1 January 2019	**476**
Net book value as at 31 December 2019	**489**
2018 (USD million)	
Cost:	
Cost as at 1 January 2018	**1,186**
Additions	144
Disposals	(98)
Cost as at 31 December 2018	**1,232**
Accumulated amortisation:	
Accumulated amortisation as at 1 January 2018	**(732)**
Amortisation for the year	(108)
Impairment	(13)
Disposals	97
Accumulated amortisation as at 31 December 2018	**(756)**
Net book value as at 1 January 2018	**454**
Net book value as at 31 December 2018	**476**

The recoverable amount of CSi's intangible assets is estimated based on their value-in-use. An assessment was performed in 2019, and the carrying amount of certain intangible assets was determined to be higher than their recoverable amount and an impairment loss of USD Nil was recognised for the year ended 31 December 2019 (2018: USD 13 million). The value-in-use is calculated based on detailed reviews and specific information regarding the individual projects and their capitalisation. Semi-annual assessments are performed to calculate any required impairment.

27 Deposits

Group and Bank	**2019**	2018
Deposits (USD million)		
Non-interest bearing demand deposits	15	83
Interest-bearing demand deposits	420	945
Total deposits	**435**	**1,028**
of which due to banks	435	1,028

28 Borrowings

Group and Band	2019	2018
Borrowings (USD million)		
from banks	14,116	19,555
Total Borrowings	**14,116**	**19,555**

29 Provisions

Group and Bank	Property	Litigation	Total
2019			
Provisions (USD million)			
Balance at 1 January 2019	4	1	5
Charges during the year	–	38	38
Released during the year	–	(4)	(4)
Utilised during the year	–	(17)	(17)
Balance at 31 December 2019	**4**	**18**	**22**
2018			
Provisions (USD million)			
Balance at 1 January 2018	4	2	6
Charges during the year	–	17	17
Released during the year	–	(2)	(2)
Utilised during the year	–	(16)	(16)
Balance at 31 December 2018	**4**	**1**	**5**

Property provision

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

Building	Provision	Utilisation period
17 Columbus Courtyard, London	USD 1 million	31 December 2024
5 Canada Square, London	USD 2 million	31 December 2027

Onerous lease provisions are recorded in other liabilities.

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 reasonably estimable. General Counsel in consultation with the business reviews CS group's 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 six to eighteen month 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. Legal cases are disclosed in the contingent liabilities and other commitments note.

→ Refer Note 40 – Guarantees and Commitments.

30 Debt In Issuance

	Group		Bank	
	2019	2018	**2019**	2018
Debt in issuance (USD million)				
Senior debt [1]	13,601	10,652	13,530	10,494
Subordinated debt	408	1,494	408	1,494
Lease liabilities	715	–	715	–
Total debt in issuance [2]	**14,724**	**12,146**	**14,653**	**11,988**

[1] Senior debt include USD 4.5 billion of gone concern capital in form of MREL issued to Credit Suisse AG, London Branch

[2] Debt in issuance include both loans and securities.

The increase in senior debt is principally due to bank issued EUR and GBP denominated gone concern capital of USD 3 billion in the form of MREL to Credit Suisse AG, London Branch.

During the year, the decrease in subordinated debts is mainly due to net repayment of USD 1.1 billion to Credit Suisse AG.

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.

Pursuant to IAS 7 – Cash Flow Statement, below is the reconciliation of liabilities arising from financing activities.

		Cash Flows		Non Cash Changes		
Group	Balance as at 1 January 2019	Issuances	Repayments and other movements	Acquisition / IFRS 16 transitional adjustment	Translation FX and Interest movements	Balance as at 31 December 2019
Debt in issuance (USD million)						
Debt in issuance	12,146	4,083	(2,363)	–	143	14,009
Lease liabilities [1]	–	–	(35)	735	15	715
Total debt in issuance	**12,146**	**4,083**	**(2,398)**	**735**	**158**	**14,724**

[1] The total cash flows related to leases includes the repayment of USD 22 million of interest that is not included in this table as it is separately classified as cash flows from operating activities.

		Cash Flows		Non Cash Changes		
Bank	Balance as at 1 January 2019	Issuances	Repayments and other movements	Acquisition / IFRS 16 transitional adjustment	Translation FX and Interest movements	Balance as at 31 December 2019
Debt in issuance (USD million)						
Debt in issuance	11,988	4,083	(2,363)	–	230	13,938
Lease liabilities [1]	–	–	(35)	735	15	715
Total debt in issuance	**11,988**	**4,083**	**(2,398)**	**735**	**245**	**14,653**

[1] The total cash flows related to leases includes the repayment of USD 22 million of interest that is not included in this table as it is separately classified as cash flows from operating activities.

		Cash Flows		Non Cash Changes		
Group	Balance as at 1 January 2018	Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	Balance as at 31 December 2018
Debt in issuance (USD million)						
Debt in issuance	16,847	5,773	(10,431)	–	(43)	12,146
Total debt in issuance	**16,847**	**5,773**	**(10,431)**	**–**	**(43)**	**12,146**

Bank	Balance as at 1 January 2018	Cash Flows Issuances	Cash Flows Repayments and other movements	Non Cash Changes Acquisition	Non Cash Changes Translation FX and Interest movements	Balance as at 31 December 2018
Debt in issuance (USD million)						
Debt in issuance	16,710	5,773	(10,431)	–	(64)	11,988
Total debt in issuance	**16,710**	**5,773**	**(10,431)**	**–**	**(64)**	**11,988**

31 Discontinued operations and Assets and Liabilities Held for Sale

The CSi group has begun to transfer Loans, Long term debt, OTC Derivatives, OTC Cash Collateral and Trading Securities to another CS group entity as part of the UK EU Exit, facilitated through a sale of positions currently held at fair value, with no gain or loss. Certain loans are held at amortised cost and have been sold for a gain of USD 2 million. The related assets and liabilities have been disclosed on the CSi group's balance sheet as Held for Sale. This transfer will continue until 2020. The transaction is presented as discontinued operations under IFRS, and post-tax profit or loss has been classified as discontinued operations in CSi group's Consolidated Statement of Income.

CSi group's prior period results have been restated to conform to the current presentation. Assets and liabilities relating to the transfers that have not yet completed have been classified as Assets/Liabilities held for sale in the Consolidated Statement of Financial Position. Cash outflow of USD 20 million was used from operational activities. No impairment losses were required to be recognised as a result of having to measure the Assets/Liabilities held for sale at fair value less cost to sell. During the year CSi group has also entered into other transactions which qualify as Held for Sale.

	2019	2018 [1]
Statement of Income for assets and liabilities held for sale (USD million)		
Interest income	346	163
Interest expense	(169)	(107)
Net interest income	**177**	**56**
Commission and fee income	**87**	**109**
Allowances for credit losses	(1)	(1)
Net gains from financial assets/liabilities at FV through profit or loss	182	93
Other revenues	73	65
Net revenues	**518**	**322**
Compensation and benefits	(203)	(109)
General and administrative expenses	(262)	(192)
Restructuring expenses	–	(4)
Total operating expense	**(465)**	**(305)**
Profit before tax	**53**	**17**
Income tax expense	(12)	(8)
Profit after tax	**41**	**9**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations.

Group and Bank	Discontinued Operations – Migration of EU Branches	Discontinued Operations – Loan migration to CSD	Discontinued Operations – Portfolio migration to CSSV	Total
2019				
Statement of Financial Position for assets and liabilities held for sale (USD million)				
Trading financial assets mandatorily at fair value through profit or loss	–	–	246	**246**
of which positive market values from derivative instruments	–	–	239	**239**
Non-trading financial assets mandatorily at fair value through profit or loss	–	64	35	**99**
Net Loans	–	80	–	**80**
Other assets	–	–	70	**70**
Property and equipment	36	–	–	**36**
Total assets held for sale	**36**	**144**	**351**	**531**
Trading financial liabilities mandatorily at fair value through profit or loss	–	–	237	**237**
of which negative market values from derivative instruments	–	–	233	**233**
Financial liabilities designated at fair value through profit or loss	–	–	92	**92**
Other liabilities	13	–	48	**61**
Debt in issuance	41	–	–	**41**
Total liabilities held for sale	**54**	**–**	**377**	**431**

32 Accumulated Other Comprehensive Income

Group and Bank	Cash flow hedges	Gains/(losses) on designated financial liabilities relating to credit risk	Unrealised Gain/ (losses) on Pension Fund	Accumulated other comprehensive income
2019				
Accumulated other comprehensive income (USD million)				
Balance at 1 January 2019	**(12)**	**(17)**	**–**	**(29)**
Adjustment on initial application of IFRS 16	–	–	–	–
Adjusted Balance at 1 January 2019	**(12)**	**(17)**	**–**	**(29)**
(Increase)/decrease:				
Realised losses relating to credit risk on designated financial liabilities extinguished during year reclassed to retained earnings	–	8	–	8
Unrealised gains on designated financial liabilities relating to credit risk	–	(13)	–	(13)
Cash flow hedges – effective portion of changes in fair vaue	21	–	–	21
Remeasurement of defined benefit pension assets	–	–	(154)	(154)
Related tax on remeasurement of defined benefit pension assets	–	–	38	38
Balance at 31 December 2019	**9**	**(22)**	**(116)**	**(129)**
2018				
Accumulated other comprehensive income (USD million)				
Balance at 1 January 2018	**–**	**–**	**–**	**–**
Adjustment on initial application of IFRS 9	–	(18)	–	(18)
Adjusted Balance at 1 January 2018	**–**	**(18)**	**–**	**(18)**
(Increase)/decrease:				
Cash flow hedges – effective portion of changes in fair vaue	(12)	–	–	(12)
Financial liabilities relating to credit risk	–	1	–	1
Balance at 31 December 2018	**(12)**	**(17)**	**–**	**(29)**

33 Share Capital and Share Premium

Group and Bank	2019	2018
Share Capital **Allotted called-up and fully paid (USD million)**		
Opening Balance		
131,158,070,611 Ordinary shares of USD 0.09428 each	12,366	12,366
19 November 2019:		
Capital reduction of Ordinary shares (131,158,070,611 of USD 0.00762 each)	(1,000)	–
Total allotted called-up and fully paid capital	**11,366**	**12,366**
Share Premium (USD million)		
Share Premium	**12,704**	**12,704**

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

On 19 November 2019, USD 1,000 million of equity was repatriated to existing shareholders, in the same proportion as to their respective holding.

34 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.

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.

Group and Bank	Not credit impaired				Credit impaired			
	12 Month ECL Stage 1		Lifetime ECL Stage 2		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3		Total	Total
2019	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Net loans (USD million)								
Opening balance	3,504	2	5	–	8	4	3,517	6
Transfer to 12 Month ECL	8	–	(8)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(9)	–	9	–	–	–	–	–
Transfer to lifetime ECL credit impaired financial assets	–	–	(12)	–	12	–	–	–
Net remeasurement of loss allowance	–	1	–	–	–	3	–	4
New financial assets originated or purchased	89	–	–	–	–	–	89	–
Financial assets that have been derecognised (including write-offs)	(475)	–	–	–	–	–	(475)	–
Other changes	(307)	–	6	–	–	–	(301)	–
Foreign exchange	8	–	–	–	–	–	8	–
Closing balance	**2,818**	**3**	**–**	**–**	**20**	**7**	**2,838**	**10**

Group and Band **2018**	12 Month ECL Stage 1 Gross carrying amount	 Allowance for ECL	Not credit impaired Lifetime ECL Stage 2 Gross carrying amount	 Allowance for ECL	Credit impaired Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 Gross carrying amount	 Allowance for ECL	Total Gross carrying amount	Total Allowance for ECL
Net loans (USD million)								
Opening balance	3,205	1	43	–	8	1	3,256	2
Transfer to lifetime ECL not credit impaired	(12)	–	12	–	–	–	–	–
Net remeasurement of loss allowance	–	1	–	4	–	3	–	8
New financial assets originated or purchased	926	–	–	–	–	–	926	–
Financial assets that have been derecognised (including write-offs)	(643)	–	(22)	(4)	–	–	(665)	(4)
Other changes	29	–	(22)	–	–	–	7	–
Foreign exchange	(1)	–	1	–	–	–	–	–
Closing balance	**3,504**	**2**	**12**	**–**	**8**	**4**	**3,524**	**6**

Group and Bank **2019**	12 Month ECL Stage 1 Gross carrying amount	 Allowance for ECL	Not credit impaired Lifetime ECL Stage 2 Gross carrying amount	 Allowance for ECL	Credit impaired Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 Gross carrying amount	 Allowance for ECL	Total Gross carrying amount	Total Allowance for ECL
Loan commitments (USD million)								
Opening balance	2,939	–	29	–	–	–	2,968	–
Transfer to 12 Month ECL	16	–	(16)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(118)	–	118	–	–	–	–	–
Transfer to Lifetime ECL Credit Impaired Financial Assets	–	–	(1)	–	1	–	–	–
Net remeasurement of Loss Allowance	–	–	–	–	–	–	–	–
New financial assets originated or purchased	825	1	–	–	–	–	825	1
Financial assets that have been derecognised (including write-offs)	(1,129)	–	(4)	–	–	–	(1,133)	–
Other changes	(146)	–	(34)	–	–	–	(180)	–
Foreign exchange	(17)	–	(1)	–	–	–	(18)	–
Closing balance	**2,370**	**1**	**91**	**–**	**1**	**–**	**2,462**	**1**

Group and Bank	12 Month ECL Stage 1 (Not credit impaired)		Lifetime ECL Stage 2 (Not credit impaired)		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 (Credit impaired)		Total	Total
2018	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Loan commitments (USD million)								
Opening balance	2,947	1	319	–	–	–	3,266	1
Transfer to 12 Month ECL	107	–	(107)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(70)	(1)	70	1	–	–	–	–
Net remeasurement of Loss Allowance	–	–	–	(1)	–	–	–	(1)
New financial assets originated or purchased	2,192	–	–	–	–	–	2,192	–
Financial assets that have been derecognised (including write-offs)	(2,220)	–	(195)	–	–	–	(2,415)	–
Other changes	–	–	(57)	–	–	–	(57)	–
Foreign exchange	(17)	–	(1)	–	–	–	(18)	–
Closing balance	**2,939**	**–**	**29**	**–**	**–**	**–**	**2,968**	**–**

Group and Bank	12 Month ECL Stage 1 (Not credit impaired)		Lifetime ECL Stage 2 (Not credit impaired)		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 (Credit impaired)		Total	Total
2019	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Financial guarantees (USD million)								
Opening balance	240	3	–	–	–	–	240	3
Transfer to lifetime ECL not credit impaired	–	–	–	–	–	–	–	–
Net remeasurement of loss allowance	–	–	–	–	–	–	–	–
New financial assets originated or purchased	3	–	–	–	–	–	3	–
Financial assets that have been derecognised (including write-offs)	(184)	–	–	–	–	–	(184)	–
Other changes	146	–	–	–	–	–	146	–
Foreign Exchange	–	–	–	–	–	–	–	–
Closing balance	**205**	**3**	**–**	**–**	**–**	**–**	**205**	**3**

Group and Bank	12 Month ECL Stage 1 (Not credit impaired)		Lifetime ECL Stage 2 (Not credit impaired)		Lifetime ECL (excluding purchased / originated credit impaired) Stage 3 (Credit impaired)		Total	Total
2018	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
Financial guarantees (USD million)								
Opening balance	64	1	–	–	–	–	64	1
Net remeasurement of loss allowance	–	(2)	–	–	–	–	–	(2)
New financial assets originated or purchased	190	4	–	–	–	–	190	4
Financial assets that have been derecognised (including write-offs)	(14)	–	–	–	–	–	(14)	–
Closing balance	**240**	**3**	**–**	**–**	**–**	**–**	**240**	**3**

Group and Bank	2019	2018
Interest bearing deposits with banks (USD million)		
Opening balance	**1**	
Net remeasurement of loss allowance	(1)	1
Foreign exchange	–	
Closing balance	**–**	**1**

	2019	2018
Other assets (USD million)		
Opening balance	**2**	–
Net remeasurement of loss allowance	–	2
Closing balance	**2**	**2**

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.

The Scenario Design team within CSi group's Enterprise and Operational Risk Management ('EORM') department generates the three relevant macro-economic scenarios for the different geographical segments. The EORM Scenario Design formulate the Baseline projections used for IFRS9 from in-house Credit Suisse Economic Research forecasts and where judged appropriate from external sources. The Downside and Upside scenarios are leveraged off the Baseline view. All three scenarios are subject to a syndication, review and challenge process. That syndication process is with the Credit Suisse Economic Research fraternity and with Credit Risk Managers. The EORM Scenario Design incorporate any feedback from that syndication into the scenario projections. The Scenario Design Working Group for IFRS9 is the governance forum which provides a final review and challenge and approves the macro-economic scenarios.

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.

The figures for 'Subsequent years' represent a long-term average and so are the same for each scenario.

As at 31 December 2019 (Group & Bank) EMEA Macroeconomic Factors (MEF)	Function-Corporates/ Financial Institutions	ECL Scenario	Assigned Probabilities	Latest data					End Period Projections		Impact on ECL from an increase in MEF
			%	December 19 %	2019 %	2020 %	2021 %	2022 %	2023 %	2024 %	
UK Nominal GDP Growth Rate (%YoY)											↓
	Financial Institutions	Downside	40	3.2	2.5	0.0	0.5	2.0	3.0	3.2	
	Financial Institutions	Baseline	50	3.2	3.5	3.8	2.8	3.0	3.1	3.2	
	Financial Institutions	Upside	10	3.2	3.6	4.3	3.2	3.2	3.2	3.2	
Eurozone Unemployment Rate (%)											↑
	Corporates	Downside	40	7.4	7.9	9.7	11.0	10.5	9.8	9.2	
	Corporates	Baseline	50	7.4	7.5	7.4	7.4	7.4	7.3	7.3	
	Corporates	Upside	10	7.4	7.5	7.3	7.1	7.3	7.3	7.3	
Eurozone House Price Index (%YoY)											↓
	Both	Downside	40	1.2	-0.1	-2.5	-0.9	-0.3	1.5	2.1	
	Both	Baseline	50	1.2	0.9	1.4	1.6	2.0	2.1	2.1	
	Both	Upside	10	1.2	1.0	2.0	2.2	2.3	2.2	2.1	
UK 1Y Government Bond Yield (%)											↓
	Financial Institutions	Downside	40	0.5	0.2	0.2	1.0	1.8	2.1	2.3	
	Financial Institutions	Baseline	50	0.5	0.6	0.7	1.3	1.8	2.1	2.3	
	Financial Institutions	Upside	10	0.5	0.8	1.1	1.5	1.8	2.1	2.3	
Euribor 12Mo Rate (%)											↑
	Corporates	Downside	40	-0.3	-0.5	-0.5	0.2	0.8	1.1	1.4	
	Corporates	Baseline	50	-0.3	-0.3	-0.2	0.3	0.8	1.1	1.4	
	Corporates	Upside	10	-0.3	-0.2	0.1	0.5	0.8	1.1	1.4	
Euro 3Y Swap Rate (%)											↑
	Corporates	Downside	40	-0.5	-0.6	-0.4	0.2	0.8	1.0	1.3	
	Corporates	Baseline	50	-0.5	-0.4	-0.1	0.4	0.8	1.0	1.3	
	Corporates	Upside	10	-0.5	-0.2	0.3	0.6	0.8	1.0	1.3	
EuroStoxx 50 Equity Index (levels)											↓
	Corporates	Downside	40	3569	3291	2741	3125	3763	3803	3843	
	Corporates	Baseline	50	3569	3620	3710	3733	3762	3802	3842	
	Corporates	Upside	10	3569	3696	3981	3884	3762	3802	3842	

As at 31 December 2018 (Group & Bank) EMEA Macroeconomic Factors (MEF)	Function- Corporates/ Financial Institutions	ECL Scenario	Assigned Probabilities	Latest data	End Period Projections						Impact on ECL from an increase in MEF
			%	December 18 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	
UK Nominal GDP Growth Rate (%YoY)											↓
	Financial Institutions	Downside	40	3.6	2.6	0.5	0.7	1.7	3.2	3.7	
	Financial Institutions	Baseline	50	3.6	3.4	3.3	3.5	2.9	3.4	3.7	
	Financial Institutions	Upside	10	3.6	3.5	3.8	4.0	3.2	3.4	3.7	
Eurozone Unemployment Rate (%)											↑
	Corporates	Downside	40	8.1	8.6	10.5	12.0	12.5	11.5	10.5	
	Corporates	Baseline	50	8.1	8.1	7.8	7.6	7.3	7.1	7.1	
	Corporates	Upside	10	8.1	8.0	7.5	7.2	7.2	7.1	7.1	
Eurozone House Price Index (%YoY)											↓
	Both	Downside	40	3.2	2.1	-1.3	-1.7	-0.2	2.1	3.0	
	Both	Baseline	50	3.2	3.1	2.4	1.8	2.6	2.9	3.0	
	Both	Upside	10	3.2	3.3	3.3	2.5	2.9	2.9	3.0	
UK 1Y Government Bond Yield (%)											↓
	Financial Institutions	Downside	40	1	1	1	1	2	2	2	
	Financial Institutions	Baseline	50	1	1	1	1	2	2	2	
	Financial Institutions	Upside	10	0.8	0.9	1.3	1.4	1.5	1.7	1.8	
Euribor 12Mo Rate (%)											↑
	Corporates	Downside	40	-0.2	-0.2	-0.2	0.6	1.0	1.2	1.5	
	Corporates	Baseline	50	-0.2	-0.1	0.1	0.6	1.0	1.2	1.5	
	Corporates	Upside	10	-0.2	0.0	0.1	0.6	1.0	1.2	1.5	
Euro 3Y Swap Rate (%)											↑
	Corporates	Downside	40	0.1	0.0	-0.1	0.7	1.0	1.2	1.3	
	Corporates	Baseline	50	0.1	0.1	0.2	0.7	1.0	1.2	1.3	
	Corporates	Upside	10	0.1	0.1	0.3	0.7	1.0	1.2	1.3	
EuroStoxx 50 Equity Index (levels)											↓
	Corporates	Downside	40	3399	3296	2991	3118	3227	3413	3620	
	Corporates	Baseline	50	3399	3370	3170	3186	3227	3413	3620	
	Corporates	Upside	10	3399	3426	3501	3308	3227	3414	3620	

As at 31 December 2019 (Group & Bank) 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 19 %	2019 %	2020 %	2021 %	2022 %	2023 %	2024 %	
US Unemployment Rate (%)											↑
	Both	Downside	40	3.6	3.9	4.8	5.8	5.8	5.2	4.5	
	Both	Baseline	50	3.6	3.7	3.7	3.8	4.0	4.2	4.2	
	Both	Upside	10	3.6	3.7	3.6	3.6	3.9	4.2	4.2	
US House Price Index (%YoY)											↓
	Corporates	Downside	40	4.3	2.0	-3.0	-3.1	-2.1	1.2	2.4	
	Corporates	Baseline	50	4.3	3.7	2.8	2.4	2.0	2.3	2.4	
	Corporates	Upside	10	4.3	3.8	3.2	2.6	2.1	2.3	2.4	
US 5Y Government Bond Yield (%)											↑
	Corporates	Downside	40	1.5	1.3	0.8	1.8	2.5	2.6	2.6	
	Corporates	Baseline	50	1.5	1.6	1.7	2.3	2.5	2.6	2.6	
	Corporates	Upside	10	1.5	1.8	2.1	2.5	2.5	2.6	2.6	
US 10Y Government Bond Yield (%)											↑
	Corporates	Downside	40	1.7	1.5	1.0	2.1	2.7	2.8	2.8	
	Corporates	Baseline	50	1.7	1.8	2.0	2.6	2.7	2.8	2.8	
	Corporates	Upside	10	1.7	2.0	2.4	2.7	2.7	2.8	2.8	
Dow Jones Equity Index (levels)											↓
	Both	Downside	40	30442	28557	24764	28185	32744	32931	33121	
	Both	Baseline	50	30442	31184	32484	32604	32744	32931	33122	
	Both	Upside	10	30442	31519	33951	33394	32744	32931	33121	
US Market Volatility Index (VIX Qmax, levels)											↑
	Financial Institutions	Downside	40	24.6	40.0	34.0	25.2	22.5	22.8	23.0	
	Financial Institutions	Baseline	50	24.6	22.0	22.0	22.3	22.5	22.8	23.0	
	Financial Institutions	Upside	10	24.6	20.0	16.5	19.2	22.5	22.8	23.0	
US Corporate BBB Yield (%)											↑
	Corporates	Downside	40	3.4	3.4	3.4	4.1	4.5	4.7	4.8	
	Corporates	Baseline	50	3.4	3.4	3.6	4.3	4.5	4.7	4.8	
	Corporates	Upside	10	3.4	3.6	3.9	4.4	4.5	4.7	4.8	

As at 31 December 2018 (Group & Bank) 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 18 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	
US Unemployment Rate (%)											↑
	Both	Downside	40	3.8	3.9	4.6	5.3	5.8	5.5	4.8	
	Both	Baseline	50	3.8	3.7	3.7	3.7	4.1	4.5	4.5	
	Both	Upside	10	3.8	3.7	3.6	3.5	4.1	4.5	4.5	
US House Price Index (%YoY)											↓
	Corporates	Downside	40	5.5	2.2	-5.0	-3.6	-2.5	1.3	2.8	
	Corporates	Baseline	50	5.5	4.0	2.3	3.2	2.7	2.8	2.8	
	Corporates	Upside	10	5.5	4.1	2.9	3.8	3.0	2.8	2.8	
US 5Y Government Bond Yield (%)											↑
	Corporates	Downside	40	3.0	2.5	2.0	3.1	3.1	3.1	3.1	
	Corporates	Baseline	50	3.0	3.1	3.2	3.1	3.1	3.1	3.1	
	Corporates	Upside	10	3.0	3.1	3.2	3.1	3.1	3.1	3.1	
US 10Y Government Bond Yield (%)											↑
	Corporates	Downside	40	3.1	2.7	2.5	3.3	3.3	3.4	3.5	
	Corporates	Baseline	50	3.1	3.2	3.3	3.3	3.3	3.4	3.5	
	Corporates	Upside	10	3.1	3.3	3.4	3.3	3.3	3.4	3.5	
Dow Jones Equity Index (levels)											↓
	Both	Downside	40	30190	29035	25661	28583	29742	31011	32417	
	Both	Baseline	50	30190	30437	28542	29160	29739	31008	32414	
	Both	Upside	10	30190	30491	31095	29636	29740	31009	32415	
US Market Volatility Index (VIX Qmax, levels)											↑
	Financial Institutions	Downside	40	16.1	25.0	30.0	25.3	23.7	22.9	22.0	
	Financial Institutions	Baseline	50	16.1	17.9	25.0	24.3	23.7	22.9	22.0	
	Financial Institutions	Upside	10	16.1	17.5	23.0	23.9	23.7	22.9	22.0	
US Corporate BBB Yield (%)											↑
	Corporates	Downside	40	4	4	5	5	5	5	5	
	Corporates	Baseline	50	4	5	5	5	5	5	5	
	Corporates	Upside	10	4	5	5	5	5	5	5	

As at 31 December 2019 (Group & Bank) APAC 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 19 %	2019 %	2020 %	2021 %	2022 %	2023 %	2024 %	
Australia Real GDP Growth Rate (%YoY)											↓
	Both	Downside	40	1.7	1.6	0.0	0.3	1.4	2.2	2.2	
	Both	Baseline	50	1.7	2.0	2.8	2.7	2.5	2.3	2.2	
	Both	Upside	10	1.7	2.0	3.1	3.0	2.6	2.3	2.2	
Australia House Price Index (%YoY)											↓
	Financial Institutions	Downside	40	-5.7	-4.8	-6.7	-4.7	-3.0	0.4	2.3	
	Financial Institutions	Baseline	50	-5.7	-2.9	2.0	2.5	3.2	2.2	2.3	
	Financial Institutions	Upside	10	-5.7	-2.7	3.0	3.7	3.8	2.3	2.3	
China Real GDP Growth Rate (in RMB) (%YoY)											↓
	Corporates	Downside	40	6.0	4.3	4.3	4.5	5.3	5.6	5.5	
	Corporates	Baseline	50	6.0	5.9	5.8	5.7	5.7	5.6	5.5	
	Corporates	Upside	10	6.0	6.5	6.4	6.2	5.8	5.6	5.5	
Japan Unemployment Rate (%)											↑
	Corporates	Downside	40	2.4	2.5	2.7	2.9	2.9	2.7	2.5	
	Corporates	Baseline	50	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
	Corporates	Upside	10	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
G10 Unemployment Rate (%)											↑
	Corporates	Downside	40	5.1	5.1	5.7	6.4	6.4	5.8	5.2	
	Corporates	Baseline	50	5.1	4.9	4.8	4.8	4.8	4.8	4.8	
	Corporates	Upside	10	5.1	4.9	4.7	4.6	4.7	4.8	4.8	

As at 31 December 2018 (Group & Bank) APAC Macroeconomic Factors (MEF)	Function- Corporates/ Financial Institutions	ECL Scenario	Assigned Probabilities	Latest data					End Period Projections		Impact on ECL from an increase in MEF
			%	December 18 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	
Japan Real GDP Growth Rate (%YoY)											↓
	Corporates	Downside	40	0.4	0.1	-2.4	-0.2	0.8	1.2	0.9	
	Corporates	Baseline	50	0.4	1.4	-0.4	2.1	1.7	1.3	0.9	
	Corporates	Upside	10	0.4	2.1	0.7	3.3	2.3	1.4	0.9	
Australia Real GDP Growth Rate (%YoY)											↓
	Financial Institutions	Downside	40	2.8	2.4	0.3	0.4	1.5	2.2	2.4	
	Financial Institutions	Baseline	50	2.8	3.5	2.3	2.5	2.4	2.4	2.4	
	Financial Institutions	Upside	10	2.8	3.7	2.6	2.8	2.5	2.4	2.4	
Australia House Price Index (%YoY)											↓
	Financial Institutions	Downside	40	-3.4	-8.4	-16.2	-0.3	4.9	4.2	4.9	
	Financial Institutions	Baseline	50	-3.4	-7.6	-13.4	3.7	8.7	5.3	4.9	
	Financial Institutions	Upside	10	-3.4	-5.6	-5.2	6.1	9.5	5.4	4.9	
ASX 200 Total Return Index (levels)											↓
	Financial Institutions	Downside	40	63979	62030	56302	66683	68914	69470	70076	
	Financial Institutions	Baseline	50	63979	64875	68587	68762	68911	69467	70073	
	Financial Institutions	Upside	10	63979	65511	70180	69007	68911	69467	70073	

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

SICR thresholds (back book)

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

In terms of the quantitative trigger for new originated financial instruments, the CSi group compared:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

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

SICR thresholds (forward book)

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

SICR thresholds (forward book)

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

35 Retirement Benefit Obligations

In August 2019, the plan assets and plan liabilities of the funded, final salary defined benefit pension plan in the UK ('UK DB Plan') were transferred from Credit Suisse Securities Europe Limited ('CSS(E)L') to Credit Suisse International ('CSi') under a Flexible Apportionment Arrangement in accordance with UK law and Credit Suisse International became the primary employer and sponsoring entity of the UK DB Plan. The net pension asset transferred from CSS(E)L to CSi was USD 1,165 million and treated as a dividend distribution out of "Retained Earnings" in CSS(E)L and as "Additional Paid in Capital" in CSi.

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. The UK DB Plan is closed to future defined benefit accrual however past service benefits for active members are still linked to pensionable salary.

Approximately 3% of the UK DB Plan's obligations are attributable to current employees, 74% to former employees yet to retire and 23% to current pensioners and dependents of former members currently in receipt of benefits. The duration of the UK DB Plan is 22 years as per 31 December 2019 (22 years as per 31 December 2018).

The Bank does not contribute to any other pension or post-retirement defined benefit plans.

Accounting for Defined Benefit Plans
Prior to the transfer of the UK DB Plan, the Bank was one of the participating entities, who are all related parties under common control, in the UK DB Plan and therefore accounted for its share of the plan using defined contribution accounting. During 2019, prior to the plan transfer, the Bank contributed and expensed USD 1 million (2018: USD 1 million) to the UK DB Plan.

Subsequent to the transfer of the UK DB Plan, the Bank became 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 and Remeasurement in OCI
All expenses arising from retirement benefit obligations are recorded in the Consolidated Statement of Income under 'Compensation and benefits'. The following tables show the defined benefit (credits)/costs and remeasurement in OCI for the UK DB Plan for 2019 and 2018.

Group and Bank	UK DB Plan 2019	2018
Defined benefit pension plans (USD million)		
Operating Cost		
Current service costs on benefit obligation	1	1
Past service costs (including curtailments)	–	11
Administrative expense	2	2
Financing Cost		
Net Interest (credits)/costs	(25)	(25)
Defined benefit (credits)/costs	**(22)**	**(11)**

Group and Bank	UK DB Plan 2019	2018
Remeasurements in OCI (USD million)		
Return on plan assets (in excess of)/below that recognised in net interest	(250)	158
Actuarial (gains)/losses due to changes in financial assumptions	265	(121)
Actuarial (gains)/losses due to changes in demographic assumptions	(31)	(19)
Actuarial (gains)/losses due to liability experience	(3)	7
Total amount recognised in OCI	**(19)**	**25**
Total amount recognised in profit and loss and OCI	**(41)**	**14**

During 2019, subsequent to the transfer of legal sponsorship, the Bank recognised USD (6) million of the net defined benefit credits from the UK DB Plan in its Consolidated Statement of Income. None of the net defined benefit (credits)/costs from the UK DB Plan were recognised by the Bank in its Consolidated Statement of Income in 2018.

An interim remeasurement of the plan assets and liabilities for the UK DB Plan was performed prior to the transfer of legal sponsorship to CSi based on year-to-date performance and market data through to the end of August 2019. A gain of USD 173 million was recognised by CSS(E)L in OCI prior to the transfer.

The remeasurement gain on the UK DB Plan recorded in August 2019 consisted of actual returns on assets in excess of that recognised in interest of USD 508 million and losses on the benefit obligation of USD 335 million due to changes in financial and demographic assumptions, primarily the discount rate and inflation.

A year-end remeasurement of the plan assets and liabilities for the UK DB Plan was performed as of 31 December 2019 subsequent to the transfer of legal sponsorship to the Bank based on year-to-date performance and market data from the end of August 2019 through the end of December 2019. A loss of USD 154 million was recognised by the Bank in OCI as of 31 December 2019.

The remeasurement loss on the UK DB Plan recorded by the Bank as of 31 December 2019 consisted of losses on the asset portfolio of USD 258 million and gains on the benefit obligation of USD 104 million due to changes in financial and demographic assumptions, primarily the discount rate and inflation.

For the year ending 31 December 2018 a remeasurement loss of USD 25 million was incurred for the UK DB Plan mainly due to losses on the asset portfolio of USD 158 million which were partially offset by gains on the benefit obligation of USD 133 million resulting mainly from an increase in the discount rate. None of the losses were recorded in OCI by the Bank because it was not the legal sponsor of the plan at that time.

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 2019 and 2018:

Group and Bank	UK DB Plan 2019	UK DB Plan 2018
Defined benefit pension plans (USD million)		
Defined benefit obligation – 1 January	**1,635**	**1,972**
Current service cost	1	1
Interest cost	41	45
Actuarial losses/(gains) on assumptions	234	(140)
arising out of changes in demographic assumptions	(31)	(19)
arising out of changes in financial assumptions	265	(121)
Actuarial (gains)/losses – experience	(3)	7
Benefit payments	(73)	(159)
Past service costs (including curtailments)	–	11
Exchange rate losses/(gains)	68	(102)
Defined benefit obligation – 31 December	**1,903**	**1,635**
Fair value of plan assets – 1 January	**2,649**	**3,053**
Interest on plan assets	66	70
Actuarial gains/(losses) on plan assets	250	(158)
Actual return on plan assets	**316**	**(88)**
Employer contributions	2	5
Administrative expense	(2)	(2)
Benefit payments	(73)	(159)
Exchange rate gains/(losses)	112	(160)
Fair value of plan assets – 31 December	**3,004**	**2,649**
Total funded status – 31 December		
Plan assets	3,004	2,649
Defined benefit obligation related to funded plans	(1,903)	(1,635)
Funded status for funded plans	**1,101**	**1,014**
Funded status recognised – 31 December	**1,101**	**1,014**

Benefit payments include USD 56 million (2018: USD 140 million) of transfers where deferred members have initiated on an individual basis to transfer their pension to another pension scheme.

In 2018, a High Court concluded that the Guaranteed Minimum Pension ('GMP') needed to be equalised between male and female members who have GMP. GMP is a portion of pension that was accrued by individuals who have contracted out of the State Second Pension prior to 6 April 1997. The DBO was increased by USD 11 million as a result of equalising the GMP.

Pension Asset/Liability

The following table shows the changes in the net asset position for the UK DB Plan as at 31 December 2019 and 2018 respectively:

Group and Bank (USD million)	UK DB Plan 2019	UK DB Plan 2018
At 1 January	**1,014**	**1,081**
Total amount recognised in profit and loss and OCI (charge)/credit	41	(14)
Contributions paid	2	5
Gains/(Losses) due to changes in exchange rates	44	(58)
At 31 December	**1,101**	**1,014**

As of 31 December 2019, the Bank had the entire net pension asset of USD 1,101 million recognised in its Consolidated Statement of Financial Positon for the UK DB Plan. As of 31 December 2018, none of the net pension asset for the UK DB Plan was recognised by the Bank in its Consolidated Statement of Financial Positon because it was not legal sponsor of the plan at that time

The Bank recognises the surplus in the UK DB Plan in accordance with the requirements of IFRIC 14. 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. The Bank will review the IASB's amendments to IFRIC 14 and how it will affect its ability to receive a refund of surplus once finalised.

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 on 31 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 2019, the escrow value was nil, since a Solvency surplus was deemed to exist, having been calculated to be USD 150 million as at 30 September 2019. At 31 December 2019 and 2018 the pension fund plan assets hold no material amounts of the CS group debt and equity securities.

Assumptions

The assumptions used in the measurement of the benefit obligation and defined benefit cost for the UK DB Plan as at 31 December 2019 and 2018 were as follows:

Group and Bank	**2019**	2018
Benefit obligation (%)		
Discount rate	2.06%	2.84%
Retail Price Inflation	2.84%	3.07%
Consumer Price Inflation	1.84%	1.97%
Pension increases [1]	2.75%	2.95%
Salary increases	3.09%	3.22%
Defined benefit cost (%)		
Discount rate – Service cost	2.84%	2.45%
Discount rate – Interest cost	2.69%	2.34%
Salary increases	3.22%	3.26%

[1] Pensions earned pre 6 April 1997 which are subject to pension increases on a discretionary basis are considered to be Nil.

The interim remeasurement performed in August 2019, prior to the transfer of the legal sponsorship from the CSS(E)L to CSi, was performed using a discount rate of 1.85% and retail price inflation rates of 2.97%. There were no significant changes to any of the other financial and demographic assumptions used, including mortality.

All 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 life expectancy assumptions for 2019 have been updated from those used for 2018.

The assumptions for life expectancy for the 2019 UK DB benefit obligation pursuant to IAS 19 are based on the "SAPS 2 light" base table with improvements in mortality in line with 2017 CMI model with S=7.0, and a scaling factor of 95%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.50% p.a.

On this basis the post-retirement mortality assumptions are as follows:

	2019	2018
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28.0	28.5
Females	29.1	29.6
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	29.8	30.3
Females	31.0	31.5

Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation would have had the following effects:

2019	Defined Benefit Obligation (USD million)	Increase %	Defined Benefit Obligation (USD million)	Decrease %
Defined Benefit obligation				
One-percentage point change				
- 1%/ +1% Discount rate	2,383	25	1,545	(19)
+1% / -1% Inflation rate	2,191	15	1,666	(12)
+1% / -1% Salary increases rate	1,907	–	1,900	–
+1 / -1 year to life expectancy at 60	1,967	3	1,839	(3)

2018	Defined Benefit Obligation USD million	Increase %	Defined Benefit Obligation USD million	Decrease %
Defined Benefit obligation				
One-percentage point change				
- 1%/ +1% Discount rate	2,041	25	1,332	(19)
+1% / -1% Inflation rate	1,869	14	1,437	(12)
+1% / -1% Salary increases rate	1,639	–	1,632	–
+1 / -1 year to life expectancy at 60	1,677	3	1,593	(3)

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 2019 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

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. 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, together with agreed contributions from the Bank, 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.

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. The UK DB Plan holds a proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored by the trustees to ensure it remains appropriate given the UK DB Plan's long term objectives.

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.

Estimated future benefit payments

	Defined Benefit Pension Plans UK Plans 2019
Estimated future benefit payments (USD million)	
2020	22
2021	24
2022	27
2023	31
2024	35
For five years thereafter	239

The future estimated benefit payments assume alternative benefit options that a member can choose instead of a pension are not elected, i.e. deferred members do not elect to transfer their pension arrangement to another pension scheme before retirement and members do not elect to convert pension into lump sum at retirement.

Expected Contributions

Contributions payments to the UK DB Plan were ceased in April 2019, with agreement of the Trustees in recognition of the present surplus within the scheme.

Plan assets measured at fair value

	2019				2018			
	Quoted	Unquoted	**Total**	% of total fair value of scheme assets	Quoted	Unquoted	**Total**	% of total fair value of scheme assets
Plan assets measured at fair value (USD million)								
Cash and cash equivalents	–	113	113	3.8%	–	182	182	6.9%
Debt Securities	2,756	132	2,887	96.1%	2,304	86	2,390	90.2%
of which governments	1,967	–	1,967	65.5%	1,594	–	1,594	60.2%
of which corporates	789	132	920	30.7%	710	86	796	30.0%
Derivatives	–	(38)	(38)	(1.3%)	–	19	19	0.7%
Alternative investments	–	41	41	1.4%	–	58	58	2.2%
of which hedge funds	–	–	–	–	–	13	13	0.5%
of which other	–	41	41	1.4%	–	45	45	1.7%
Total plan assets UK Plans	**2,756**	**248**	**3,004**	**100.0%**	**2,304**	**345**	**2,649**	**100.0%**

Cash and cash equivalents include shares of separately managed funds and repurchase agreements for which the asset value is generally determined based on inputs other than quoted prices.

The fixed income securities include government bonds which are generally based on quoted prices. Corporate debt securities include individual positions and separately managed funds. They are generally based on quoted prices that are observable directly or indirectly. Positions for which market prices are not available and/or for which a fair value is not readily determinable, are measured at fair value using their net asset value ('NAV').

Derivatives consist of a variety of products to manage market risks (e.g. interest, inflation). These include OTC and exchange traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that include those characteristics of the derivative that have a bearing on the economics of the instrument. The fair value of exchange- traded derivatives is typically derived from observable exchange prices and/or observable inputs.

Alternative investments consist of real estate investments, which are measured using their NAV.

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2019 were USD 32 million (2018: USD 22 million).

36 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 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, two-year moratorium periods on early retirement 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 2019 and 2018 was USD 177 million and USD 32 million respectively. The total stock award liability recorded as at 31 December 2019 was USD 249 million (2018: USD 117 million). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2019 CHF 13.10 (2018: CHF 10.80). The average weighted fair value of awards granted in 2019 was CHF 11.26 (2018: CHF 16.43). The intrinsic value of vested share based awards outstanding as at year end was USD 65 million (2018: USD 18 million).

The recognition of compensation expense for the deferred compensation awards granted in February 2020 began in 2020 and thus had no impact on the 2019 financial statements.

Phantom Share Awards

Share awards granted in February 2020 are similar to those granted in February 2019. 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 risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five 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, are 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 shares by the average price of CSG share over the five business days ended 5 March 2020. The fair value of each share award was CHF 10.81, 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 Phantom Share outstanding were as follows:

Group and Bank	**2019**	2018
Number of units (millions)		
As at 1 January	8.65	7.73
Granted	9.19	4.05
Shares transferred in/out	0.17	1.32
Delivered	(3.20)	(4.10)
Forfeited	(0.29)	(0.35)
As at 31 December	**14.52**	**8.65**

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 negative adjustment in the event of a divisional loss by the division in which the employees worked as of 31 December 2019, or a negative CSG ROE, whichever results in a larger adjustment. For employees in Corporate Functions and the ARU, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. Given the pre-tax loss in the Investment Banking & Capital Markets division for 2019, a negative adjustment has been applied to performance share awards held by employees in that division. 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 was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the ten business days ended 28 February 2020. The fair value of each performance share award was CHF 12.71, 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	**2019**	2018
Number of units (millions)		
As at 1 January	5.76	4.71
Granted	5.55	2.72
Shares transferred in/out	(0.04)	0.62
Delivered	(1.54)	(2.09)
Forfeited	(0.10)	(0.20)
As at 31 December	**9.63**	**5.76**

Contingent Capital Share Awards

In March 2016, the CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert USD 8 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 8%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Movements in the number of CCA share outstanding were as follows:

Group and Bank	**2019**	2018
Number of units (millions)		
As at 1 January	0.13	0.30
Granted	–	–
Delivered	(0.13)	(0.17)
As at 31 December	**–**	**0.13**

Contingent Capital Awards

Contingent Capital Awards (CCA) were granted in February 2019, 2018, 2017, January 2016, 2015 and 2014 to certain employees as part of the 2018, 2017, 2016, 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted certain employees, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA 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 2019, 2018, 2017, 2016, 2015 and 2014 that are denominated in US dollars receive interest equivalents at a rate of 4.46%, 3.05%, 4.27%, 5.41%, 5.75% and 5.33%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR) and vest three years from the date of grant;
- CCA granted in 2019, 2018, 2017, 2016, 2015 and 2014 that are denominated in Swiss francs receive interest equivalents of 3.73%, 2.24%, 3.17%, 4.23%, 4.85% and 4.75%, respectively, per annum over the six-month Swiss franc LIBOR and vest three years from the date of grant.
- CCA granted in 2017 that are denominated in US dollars receive interest equivalents at a rate of 4.27% per annum over the six-month US dollar LIBOR and vest five or seven years from the date of grant;

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.

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 February 2018, February 2017, January 2016, January 2015 and January 2014 CCA during the year ended 31 December 2019 was USD 38 million (2018: USD 17 million).

Capital Opportunity Facility awards

As part of the 2011 annual compensation process, CSG awarded a portion of deferred variable compensation for certain employees in the form of 2011 Partner Asset Facility ('PAF2') units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, including both current and possible future swaps and other derivative transactions.

PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, CSG restructured the awards, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof:

- **Capital Opportunity Facility ('COF'):** participants elected for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions, to be entered into with CSG, chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and
- **CCA:** participants elected to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards.

Total compensation expense recognised for the COF during the year ended 31 December 2019 was USD 0.3 million (2018: USD 0.6 million).

Other Deferred Compensation

During 2017, CSG granted deferred cash retention awards relating to the reorganisation of the APAC business. These awards have been expensed over a two-year period from the grant date.

Total compensation expense recognised for APAC retention during the year ended 31 December 2019 was USD 0.02 million (2018: USD 0.2 million).

37 Related Parties

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

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, reverse repurchase or repurchase agreements. In addition, the ordinary shares are issued to CSG and subsidiaries of CSG, as outlined in Note 33 – Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties.

a) Related party assets and liabilities

Group	31 December 2019 Parent [1]	31 December 2019 Fellow group companies	31 December 2019 Total	31 December 2018 Parent [1]	31 December 2018 Fellow group companies	31 December 2018 Total
Assets (USD million)						
Cash and due from banks	3,006	38	3,044	169	21	190
Interest-bearing deposits with banks	12,205	–	12,205	17,859	–	17,859
Securities purchased under resale agreements and securities borrowing transactions	3,078	3,067	6,145	5,608	4,844	10,452
Trading financial assets mandatorily at fair value through profit or loss	21,591	5,263	26,854	21,421	5,458	26,879
Non-trading financial assets mandatorily at fair value through profit or loss	530	18,405	18,935	179	9,326	9,505
Net loans	195	2,504	2,699	–	2,504	2,504
Other assets	3,903	2,494	6,397	967	3,034	4,001
Total assets	**44,508**	**31,771**	**76,279**	**46,203**	**25,187**	**71,390**
Liabilities and Equity (USD million)						
Deposits	21	–	21	26	2	28
Securities sold under repurchase agreements and securities lending transactions	1,619	1,536	3,155	536	1,855	2,391
Trading financial liabilities mandatorily at fair value through profit or loss	21,220	4,740	25,960	16,385	5,472	21,857
Financial liabilities designated at fair value through profit or loss	8,893	2,718	11,611	7,558	8,911	16,469
Borrowings	14,116	–	14,116	19,292	263	19,555
Debt in issuance	11,057	2,821	13,878	9,120	2,808	11,928
Other liabilities	2,756	1,656	4,412	5,223	911	6,134
Share capital	8,764	2,602	11,366	9,535	2,831	12,366
Share premium	4,110	8,594	12,704	4,110	8,594	12,704
Total liabilities and equity	**72,556**	**24,667**	**97,223**	**71,785**	**31,647**	**103,432**

[1] Above table includes other liabilities balances with CSG of USD 126 million (2018: USD 121 million)

Bank	31 December 2019 Parent [1]	31 December 2019 Fellow group companies	31 December 2019 Subsidiaries	31 December 2019 Total	31 December 2018 Parent [1]	31 December 2018 Fellow group companies	31 December 2018 Subsidiaries	31 December 2018 Total
Assets (USD million)								
Cash and due from banks	3,006	38	–	3,044	169	21	–	190
Interest-bearing deposits with banks	12,205	–	–	12,205	17,859	–	–	17,859
Securities purchased under resale agreements and securities borrowing transactions	3,078	3,067	–	6,145	5,608	4,844	–	10,452
Trading financial assets mandatorily at fair value through profit or loss	21,591	5,263	8	26,862	21,421	5,458	86	26,965
Non-trading financial assets mandatorily at fair value through profit or loss	530	18,405	171	19,106	179	9,326	173	9,678
Net loans	195	2,504	–	2,699	–	2,504	–	2,504
Other assets	3,903	2,494	–	6,397	967	3,034	–	4,001
Total assets	**44,508**	**31,771**	**179**	**76,458**	**46,203**	**25,187**	**259**	**71,649**
Liabilities and Equity (USD million)								
Deposits	21	–	–	21	26	2	–	28
Securities sold under repurchase agreements and securities lending transactions	1,619	1,536	–	3,155	536	1,855	–	2,391
Trading financial liabilities at fair value through profit or loss	21,220	4,740	2	25,962	16,385	5,472	1	21,858
Financial liabilities designated at fair value through profit or loss	8,893	2,718	4	11,615	7,558	8,911	1	16,470
Borrowings	14,116	–	–	14,116	19,292	263	–	19,555
Debt in issuance	11,057	2,821	59	13,937	9,120	2,808	60	11,988
Other liabilities	2,756	1,656	–	4,412	5,223	911	–	6,134
Share capital	8,764	2,602	–	11,366	9,535	2,831	–	12,366
Share premium	4,110	8,594	–	12,704	4,110	8,594	–	12,704
Total liabilities and equity	**72,556**	**24,667**	**65**	**97,288**	**71,785**	**31,647**	**62**	**103,494**

[1] Above table includes other liabilities balances with CSG of USD 126 million (2018: USD 121 million)

Related party off-balance sheet transactions

Group (USD million)	31 December 2019 Parent	31 December 2019 Fellow group companies	31 December 2019 Total	31 December 2018 Parent	31 December 2018 Fellow group companies	31 December 2018 Total
Guarantees and Commitments						
Other credit guarantees	–	50	50	105	50	155
Other indemnifications	–	10	10	–	401	401
Irrevocable loan commitments	–	173	173	–	173	173
Irrevocable Loan commitments – sub-part IC	–	32	32	–	–	–
Total	**–**	**265**	**265**	**105**	**624**	**729**

b) Related party revenues and expenses

Group (USD million)	31 December 2019 Parent [2]	31 December 2019 Fellow group companies	31 December 2019 Total	31 December 2018 [3] Parent [2]	31 December 2018 [3] Fellow group companies	31 December 2018 [3] Total
Interest income	456	140	596	461	272	733
Interest expense	(390)	(194)	(584)	(375)	(367)	(742)
Net interest expense	**66**	**(54)**	**12**	**86**	**(95)**	**(9)**
Commissions and fees	23	53	76	14	109	123
Transfer pricing arrangements	7	90	97	10	125	135
Other revenue	55	–	55	47	–	47
Total non-interest revenues	**85**	**143**	**228**	**71**	**234**	**305**
Net operating income	**151**	**89**	**240**	**157**	**139**	**296**
Total operating expenses [1]	**(376)**	**(360)**	**(736)**	**(262)**	**(432)**	**(694)**

[1] Net overheads allocated to other CS group entities of USD 426 million (2018: USD 32 million) are not included in the Total operating expenses.
[2] Above table includes operating expenses balances with CSG of USD 3.4 million (2018: USD 3.1million)
[3] 2018 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 31 – Discontinued Operations and Assets and Liabilties Held for Sale.

c) Remuneration

Remuneration of Directors

(USD '000)	2019	2018
Emoluments	6,231	5,699
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	468	1,040
Amounts Delivered under Share Based Awards	1,333	2,502
Total	**8,032**	**9,241**
Compensation for loss of office	–	–
Bank's contributions to defined contribution	102	97
Total	**8,134**	**9,338**

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 1,989,000 (2018: USD 2,941,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 10,000 (2018: USD 10,000). There were no contributions made for defined benefit lump sum (2018: 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 37 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 2019 was USD 11,917,000 (2018: USD 15,345,000).

d) Number of Directors and Benefits

(Number of Directors)	**2019**	2018
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	7	7
No scheme	6	4
Both defined contribution and defined benefit	–	–
Both defined contribution and defined benefit lump sum	–	–
Directors in respect of whom services were received or receivable under long term incentive scheme	7	7

e) Remuneration of Key Management Personnel

(USD' 000)	**2019**	2018
Remuneration of Key Management Personnel		
Emoluments	12,460	11,644
Long term incentive schemes	12,085	3,515
Total	**24,545**	**15,159**
Compensation for loss of office	–	–
Bank's contributions to defined contribution plan	183	190
Bank's contributions to defined benefit lump sum	–	–
Total	**24,728**	**15,349**

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

	2019	2018
Number of shares	1,109,773	668,117

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 Company's 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 2019 were USD 3,000 (2018: USD 6,000), of which loans to Directors were USD 3,000 (2018: USD 3,000).

38 Employees

The average number of persons employed during the year was as follows:

Group and Bank (Number)	**2019**	2018
Business functions	1,500	1,213
Corporate functions	940	394
Total	**2,440**	**1,607**

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. Staff costs and staff numbers do not differ between Bank and CSi group. In 2019, the majority of employees were transferred from CSS(E)L to CSi.

39 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 2019				31 December 2018			
	Trading [1]		Hedging [1]		Trading [1]		Hedging [1]	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	1	1	–	–	111	82	–	–
Swaps	70,504	69,447	–	–	59,178	54,566	–	–
Options bought and sold (OTC)	17,766	17,511	–	–	18,302	18,615	–	–
Options bought and sold (Exchange traded)	276	252	–	–	212	221	–	–
Interest rate products	**88,547**	**87,211**	**–**	**–**	**77,803**	**73,484**	**–**	**–**
Forwards and forward rate agreements	3,871	3,735	11	2	4,614	4,781	–	12
Swaps	11,901	14,855	–		15,742	18,634	–	–
Options bought and sold (OTC)	2,444	2,926	–		2,711	3,201	–	–
Foreign exchange products	**18,216**	**21,516**	**11**	**2**	**23,067**	**26,616**	**–**	**12**
Forwards and forward rate agreements	–	7	–	–	1	1	–	–
Swaps	3,403	4,049	–	–	5,893	4,546	–	–
Options bought and sold (OTC)	7,644	7,517	–	–	6,669	5,881	–	–
Options bought and sold (Exchange traded)	4,628	4,428	–	–	10,624	12,470	–	–
Equity/indexed-related products	**15,675**	**16,001**	**–**	**–**	**23,187**	**22,898**	**–**	**–**
Swaps	5,215	5,634	–	–	6,910	7,353	–	–
Options bought and sold (OTC)	35	88	–	–	100	84	–	–
Credit products	**5,250**	**5,722**	**–**	**–**	**7,010**	**7,437**	**–**	**–**
Forwards and forward rate agreements	96	89	–	–	9	9	–	–
Swaps	10	124	–	–	531	16	–	–
Options bought and sold (OTC)	206	289	–	–	65	64	–	–
Options bought and sold (Exchange traded)	11	14	–	–	36	45	–	–
Other products	**323**	**516**	**–**	**–**	**641**	**134**	**–**	**–**
Total derivative instruments	**128,011**	**130,966**	**11**	**2**	**131,708**	**130,569**	**–**	**12**

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note – 31 Discontinued Operations and Assets and Liabilities held for sale.

Group	2019 [1]		2018 [1]	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	128,022	130,968	131,708	130,581
Replacement values (trading and hedging) after netting	126,397	129,752	124,434	123,467

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note – 31 Discontinued Operations and Assets and Liabilities held for sale.

Bank	31 December 2019 Trading[1]		Hedging[1]		31 December 2018 Trading[1]		Hedging[1]	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	1	1	–	–	111	82	–	–
Swaps	70,505	69,447	–	–	59,260	54,565	–	–
Options bought and sold (OTC)	17,766	17,511	–	–	18,302	18,615	–	–
Options bought and sold (Exchange traded)	276	252	–	–	212	221	–	–
Interest rate products	**88,548**	**87,211**	**–**	**–**	**77,885**	**73,483**	**–**	**–**
Forwards and forward rate agreements	3,871	3,735	11	2	4,614	4,781	–	12
Swaps	11,901	14,855	–	–	15,742	18,634	–	–
Options bought and sold (OTC)	2,444	2,926	–	–	2,711	3,201	–	–
Foreign exchange products	**18,216**	**21,516**	**11**	**2**	**23,067**	**26,616**	**–**	**12**
Forwards and forward rate agreements	–	7	–	–	1	1	–	–
Swaps	3,403	4,048	–	–	5,893	4,546	–	–
Options bought and sold (OTC)	7,644	7,517	–	–	6,669	5,881	–	–
Options bought and sold (Exchange traded)	4,628	4,429	–	–	10,624	12,470	–	–
Equity/indexed-related products	**15,675**	**16,001**	**–**	**–**	**23,187**	**22,898**	**–**	**–**
Swaps	5,215	5,635	–	–	6,910	7,355	–	–
Options bought and sold (OTC)	35	88	–	–	100	84	–	–
Credit products	**5,250**	**5,723**	**–**	**–**	**7,010**	**7,439**	**–**	**–**
Forwards and forward rate agreements	96	89	–	–	9	9	–	–
Swaps	10	124	–	–	531	16	–	–
Options bought and sold (OTC)	206	289	–	–	65	64	–	–
Options bought and sold (Exchange traded)	11	14	–	–	36	45	–	–
Other products	**323**	**516**	**–**	**–**	**641**	**134**	**–**	**–**
Total derivative instruments	**128,012**	**130,967**	**11**	**2**	**131,790**	**130,570**	**–**	**12**

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note – 31 Discontinued Operations and Assets and Liabilities held for sale.

Bank	2019[1]		2018[1]	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	128,023	130,969	131,790	130,582
Replacement values (trading and hedging) after netting	126,398	129,753	124,516	123,468

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note – 31 Discontinued Operations and Assets and Liabilities held for sale.

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 2019 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:

Group and Bank As at 31 December 2019 (USD million)	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		
Cash flow hedges (USD million)					
Foreign exchange risk					
Forward contracts	529	11	2	Other assets/ Other Liabilities	21

Group and Bank As at 31 December 2018 (USD million)	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		
Cash flow hedges (USD million)					
Foreign exchange risk					
Forward contracts	477	–	12	Other liabilities	12

The following table sets forth the timing of future cash flows of hedging instruments:

As at 31 December 2019 (USD million)	< 6 months	< 1 year
Cash Flow Hedges		
Foreign exchange price risk		
Forward contracts	260	269
Average exchange rate – GBP/USD	1.32	1.27

Group and Bank As at 31 December 2018 (USD million)	< 6 months	< 1 year	1 – 2 years	2 – 5 years	5 – 10 years
Cash Flow Hedges					
Foreign exchange price risk					
Forward contracts	238	239	–	–	–
Average exchange rate – GBP/USD	1.33	1.31	–	–	–

The following table sets forth the details of hedged item:

Group and Bank Cash flow hedges as at 31 December 2019 (USD million)	Change in value of the hedged item	Cash flow hedge reserve
Foreign exchange price risk		
Professional services, salaries and payroll taxes	–	9

Group and Bank Cash flow hedges as at 31 December 2018 (USD million)	Change in value of the hedged item	Cash flow hedge reserve
Foreign exchange price risk		
Professional services, salaries and payroll taxes	–	12

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.

	2019	2018
	Foreign exchange price risk	Foreign exchange price risk
Cash flow hedges (USD million)	Forward contract	Forward contract
Hedging gain/(loss) recognised in OCI	6	(17)
Amount reclassified to profit or loss because hedged item has affected profit or loss	(15)	5
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

Cash flow hedge reserve (USD million)	2019 Cash flow hedging reserve	2018 Cash flow hedging reserve
Opening balance at 1 January	**(12)**	**–**
Cash flow hedges		
Effective portion of changes in fair value:		
Foreign Exchange Currency risk	6	(17)
Net amount reclassified to profit or loss:		
Foreign Exchange Currency risk	15	5
Closing balance at 31 December	**9**	**(12)**

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.

40 Guarantees and Commitments

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

Group and Bank	Maturity <1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2019							
Guarantees (USD million)							
Credit guarantees and similar instruments	203	2	–	–	205	29	176
Performance guarantees and similar instruments	586	1,734	25	–	2,345	–	2,345
Other guarantees	10	–	–	–	10	–	10
Total guarantees	**799**	**1,736**	**25**	**–**	**2,560**	**29**	**2,531**

Group and Bank	Maturity <1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2019							
Other commitments (USD million)							
Loan commitments	1,056	2,098	1,824	857	5,835	3,108	2,727
Other commitments – commitments to purchase cash securities <1 year	1,442	–	–	–	1,442	–	1,442
Total other commitments	**2,498**	**2,098**	**1,824**	**857**	**7,277**	**3,108**	**4,169**

Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
	Maturity						
31 December 2018							
Guarantees (USD million)							
Credit guarantees and similar instruments	190	50	–	–	240	36	204
Performance guarantees and similar instruments	133	185	99	–	417	–	417
Other guarantees	401	–	–	–	401	–	401
Total guarantees	**724**	**235**	**99**	**–**	**1,058**	**36**	**1,022**

Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
	Maturity						
31 December 2018							
Other commitments (USD million)							
Loan commitments	152	1,405	2,228	575	4,360	1,208	3,151
Other commitments – commitments to purchase cash securities <1 year	2,369	–	–	–	2,369	–	2,369
Total other commitments	**2,521**	**1,405**	**2,228**	**575**	**6,729**	**1,208**	**5,520**

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 fulfill 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.

Other Guarantees consist of an indemnity that CSi has provided to CSS(E)L with respect to potential funding requests up to a maximum of USD 391 million in relation to the UK Pension Fund for the period starting 01 June 2016 and ending 31 March 2019.

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 will be made where the IFRS requirements for recognition of a provision are satisfied i.e. i) loss is 'more likely than not' (>50% likelihood of loss); and ii) losses can be reasonably estimated. Furthermore, under IFRS, legal expenses are only accrued where CSi group have accrued for loss otherwise they are expensed when invoiced.

CSi is the defendant in a lawsuit brought by the German public utility company Stadtwerke München GmbH in a German court, in connection with a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the swaps 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, the claimant filed a notice of appeal and an application for a supplementary judgment. On 29 November 2019, the court ruled on the supplementary judgment application, finding that the claimant was entitled to a refund of negative interest from CSi. CSi is appealing this ruling.

Credit Suisse including CSi is responding to requests from regulatory and enforcement authorities related to certain Credit Suisse entities' arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiacana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and certain Credit Suisse entities' subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. 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. Credit Suisse is cooperating with the authorities on this matter. 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. 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 Credit Suisse 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.

41 Interests in Other Entities

Composition of the CSi group

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 2019**	Percentage of ownership held 2018
31 December 2019				
AHL Investment Strategies PCC – Class K1 AHL Global Futures 7 EUR Shares	Guernsey [1]	EUR	–	100
AHL Investment Strategies PCC – Class L1 AHL Global Futures 8 EUR Shares	Guernsey [1]	EUR	–	100
AI3 Segregated Portfolio	Cayman Islands [1]	USD	100	100
Ajanta Limited	Gibraltar [1]	EUR	100	100
Andrea Investments (Jersey) PCC	Jersey [1]	GBP	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 EUR	Jersey [1]	EUR	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey [1]	USD	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	Jersey [1]	USD	100	100
Argentum Capital Series 2015-5	Luxembourg [1]	USD	–	100
Argentum Capital Series 2015-53, 2016-06, 2015-79, 2015-25, 2014-9	Luxembourg [1]	USD	100	–
Argentum Capital Series 2016-20, 2015-51, 2018-64	Luxembourg [1]	USD	100	100
Argentum Netherlands Series 2018-17, 2018-15	Netherlands [1]	USD	–	100
Arundel (International) Limited	Gibraltar [1]	EUR	100	100
Bellingham Properties Limited	Gibraltar [1]	EUR	100	100
Boats Investments (Jersey) Ltd Series 557,567,568,577,587,590,600,603,605, 608,613,618,619,620,621,624,627,628,630,631,632,633,634,637	Jersey [1]	USD	100	100
Boats Investments (Jersey) Ltd Series 562	Jersey [1]	USD	–	100
Boats Investments (Jersey) Ltd Series 638,639,641,642,643,644,645	Jersey [1]	USD	100	–
Bondstreet 2 GmbH	Germany [1]	USD	–	100
CARMF Alternative 1	France [1]	USD	100	100
Carmil Properties Limited	Gibraltar [1]	EUR	100	100
Cepheus Holdings Limited	Gibraltar [1]	EUR	100	100
Clearwater Seller Limited	United Kingdom [1]	USD	100	–
Coxaro Holdings Limited	Cyprus [1]	USD	100	100
Crown Alternative Investments (Segregated Portfolio)	Cayman Islands [1]	USD	100	–
Custom Markets QIF PLC	Ireland, Republic of [1]	USD	100	100
Dutch Holding Rembrandt B.V.	Netherlands [1]	EUR	100	100
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands [1]	EUR	100	100
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands [1]	USD	100	100
Global Bond Fund	Ireland, Republic of [1]	USD	100	100
HOLT Emerging Markets Equity Fund	Ireland, Republic of [1]	USD	100	100
Interleuvenlaan 15 Real Estate Ltd	Gibraltar [1]	EUR	100	100
Kaylen Properties Limited	Gibraltar [1]	EUR	100	100
Mistral SPC	Cayman Islands [1]	USD	100	100
Mistral SPC – Long/Short Equity	Cayman Islands [1]	USD	100	100
New Jersey S.A.	Luxembourg [1]	EUR	100	100
Ramper Investments (Jersey) Limited – Series 11 Class A,11 Class B,12	Jersey [1]	USD	–	100
Ramper Investments (Jersey) Limited – Series 13	Jersey [1]	USD	100	100
SAPIC Global Macro Master Fund Ltd.	Cayman Islands [1]	USD	–	100
SAPIC-98 Master Fund	Cayman Islands [1]	USD	–	100
Silver Hake Limited	Gibraltar [1]	EUR	100	100
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands [1]	EUR	100	100
Sontex (International) Limited	Gibraltar [1]	EUR	100	100
Weiveldlaan 41 Real Estate Ltd	Gibraltar [1]	EUR	100	100
Westwood S.A	Portugal [1]	USD	100	100
YI Active Spezial ESPA Fund	Austria [1]	EUR	100	100
Zephyros Limited	Cayman Islands [1]	USD	100	100

[1] Detailed Registered Office address mentioned in Note 49 (Table 2)

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 47 – 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 24 – Brokerage Receivables and Brokerage Payables 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, loan-to-value ratios are strictly 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

	Type of structured entity					
		Financial intermediation				
End of 2019	CDO	Securitisations	Funds	Loans	Other	**Total**
Balance sheet line item (USD million)						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	–	163	142	–	–	305
Equity securities	–	–	883	–	15	898
Derivative instruments	61	80	20	–	5	166
Non-trading financial assets mandatorily at fair value through profit or loss						
Loans	–	54	–	2	–	56
Total assets	**61**	**297**	**1,045**	**2**	**20**	**1,425**
Trading financial liabilities mandatorily at fair value through profit or loss						
Debt securities	–	(3)	–	–	–	(3)
Derivative instruments	–	(10)	(39)	–	–	(49)
Financial liabilities designated at fair value through profit or loss						
Debt in issuance	–	–	–	–	–	–
Total liabilities	**–**	**(13)**	**(39)**	**–**	**–**	**(52)**
Maximum exposure to loss	**61**	**297**	**1,045**	**2**	**20**	**1,425**
Unconsolidated structured entity assets	**120**	**34,982**	**1,100,911**	**57**	**579**	**1,136,649**

End of 2018	CDO	Securiti-sations	Funds	Loans	Other	Total
		Type of structured entity — Financial intermediation				
Balance sheet line item (USD million)						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	–	–	30	34	–	64
Equity securities	–	–	1,181	–	6	1,187
Derivative instruments	65	91	47	–	1	204
Non-trading financial assets mandatorily at fair value through profit or loss						
Loans	3	1	–	–	6	10
Total assets	**68**	**92**	**1,258**	**34**	**13**	**1,465**
Trading financial liabilities mandatorily at fair value through profit or loss						
Derivative instruments	–	(21)	(42)	–	–	(63)
Financial liabilities designated at fair value through profit or loss						
Debt in issuance	–	(15)	–	–	(8)	(23)
Total liabilities	**–**	**(36)**	**(42)**	**–**	**(8)**	**(86)**
Maximum exposure to loss	**68**	**92**	**1,258**	**34**	**13**	**1,465**
Unconsolidated structured entity assets	**392**	**27,269**	**740,941**	**197**	**478**	**769,277**

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

31 December 2019	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)	Total
	Income/(Losses)						
Structured entity type (USD million)							
Securitisations	47	(8)	–	12	–	1	52
Funds	–	230	(47)	–	4	–	187
Loans	26	(17)	–	15	–	–	24
Other	3	(4)	1	2	10	1	13
Total	**76**	**201**	**(46)**	**29**	**14**	**2**	**276**

31 December 2018	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)	Total
	Income/(Losses)						
Structured entity type (USD million)							
Securitisations	(24)	(4)	–	5	–	5	(18)
Funds	2	(12)	(35)	–	5	–	(40)
Loans	1	3	–	–	–	–	4
Other	19	(5)	–	2	5	4	25
Total	**(2)**	**(18)**	**(35)**	**7**	**10**	**9**	**(29)**

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	Income/(Losses) Derivative Gain/(Loss)	Income/(Losses) Gain/(Loss) on Sale of Assets	Income/(Losses) Other Income/ (Other Losses)	Income/(Losses) **Total**	Carrying Value of Assets transferred
31 December 2019 (USD million)					
Securitisations	214	(151)	–	63	2,467
Funds	–	–	–	–	–
CDO	(3)	–	–	(3)	–
Loans	–	1	–	1	39
Other	(2)	14	(1)	11	601
Total	**209**	**(136)**	**(1)**	**72**	**3,107**

Structured entity type	Income/(Losses) Derivative Gain/(Loss)	Income/(Losses) Gain/(Loss) on Sale of Assets	Income/(Losses) Other Income/ (Other Losses)	Income/(Losses) **Total**	Carrying Value of Assets transferred
31 December 2018 (USD million)					
Securitisations	229	(115)	7	121	1,621
Funds	4	–	–	4	–
Loans	(5)	–	–	(5)	14
Other	(5)	1	3	(1)	329
Total	**223**	**(114)**	**10**	**119**	**1,964**

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.

42 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 (including fair value hierarchy; transfers between levels; Level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit);
- 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 2019				Carrying value	Total fair value
Group (USD million)	**Total carrying value**	Mandatorily at FVTPL	Designated at fair value	Other amortised cost	
Financial assets (USD million)					
Cash and due from banks	4,438	–	–	4,438	4,438
Interest-bearing deposits with banks	12,205	–	–	12,205	12,205
Securities purchased under resale agreements and securities borrowing transactions	6,145	–	–	6,145	6,145
Trading financial assets mandatorily at fair value through profit or loss	148,443	148,443	–	–	148,443
Non-trading financial assets mandatorily at fair value through profit or loss	22,294	22,294	–	–	22,294
Net loans	3,103	–	–	3,103	2,823
Other assets	35,231	11	–	35,220	35,231
Assets held for sale	495	345	–	150	495
Total financial assets	**232,354**	**171,093**	**–**	**61,261**	**232,074**
Financial liabilities (USD million)					
Deposits	435	–	–	435	435
Securities sold under repurchase agreements and securities lending transactions	3,155	–	–	3,155	3,155
Trading financial liabilities mandatorily at fair value through profit or loss	133,536	133,536	–	–	133,536
Financial liabilities designated at fair value through profit or loss	21,115	–	21,115	–	21,115
Borrowings	14,116	–	–	14,116	14,116
Other liabilities	23,320	2	–	23,318	23,320
Debt in issuance	14,724	–	–	14,724	14,008
Liabilities held for sale	431	237	92	102	431
Total financial liabilities	**210,832**	**133,775**	**21,207**	**55,850**	**210,116**

[1] Assets held for sale does not include USD 36 million Premises and equipment as it is out of scope of the Financial instruments disclosure.

Financial assets and liabilities by categories

As at 31 December 2019				Carrying value	Total fair value
Bank (USD million)	**Total carrying value**	Mandatorily at FVTPL	Designated at fair value	Other amortised cost	
Financial assets (USD million)					
Cash and due from banks	4,408	–	–	4,408	4,408
Interest-bearing deposits with banks	12,205	–	–	12,205	12,205
Securities purchased under resale agreements and securities borrowing transactions	6,145	–	–	6,145	6,145
Trading financial assets mandatorily at fair value through profit or loss	148,049	148,049	–	–	148,049
Non-trading financial assets mandatorily at fair value through profit or loss	22,410	22,410	–	–	22,410
Net loans	3,103	–	–	3,103	2,823
Other assets	35,231	11	–	35,220	35,231
Assets held for Sale	495	345	–	150	495
Total financial assets	**232,046**	**170,815**	**–**	**61,231**	**231,766**
Financial liabilities (USD million)					
Deposits	435	–	–	435	435
Securities sold under repurchase agreements and securities lending transactions	3,155	–	–	3,155	3,155
Trading financial liabilities mandatorily at fair value through profit or loss	133,338	133,338	–	–	133,338
Financial liabilities designated at fair value through profit or loss	20,993	–	20,993	–	20,993
Borrowings	14,116	–	–	14,116	14,116
Other liabilities	23,320	2	–	23,318	23,320
Debt in issuance	14,653	–	–	14,653	13,879
Liabilities held for sale	431	237	92	102	431
Total financial liabilities	**210,441**	**133,577**	**21,085**	**55,779**	**209,667**

[1] Assets held for sale does not include USD 36 million Premises and equipment as it is out of scope of the Financial instruments disclosure.

Financial assets and liabilities by categories

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

Financial assets and liabilities by categories

As at 31 December 2018 Bank (USD million)	Total carrying value	Mandatorily at FVTPL	Designated at fair value	Other amortised cost (Carrying value)	Total fair value
Financial assets (USD million)					
Cash and due from banks	2,196	–	–	2,196	2,196
Interest-bearing deposits with banks	17,859	–	–	17,859	17,859
Securities purchased under resale agreements and securities borrowing transactions	10,487	–	–	10,487	10,487
Trading financial assets mandatorily at fair value through profit or loss	148,518	148,518	–	–	148,518
Non-trading financial assets mandatorily at fair value through profit or loss	17,712	17,712	–	–	17,712
Net loans	3,512	–	–	3,512	3,510
Other assets	30,254	–	–	30,254	30,254
Assets held for Sale	–	–	–	–	–
Total financial assets	**230,538**	**166,230**	**–**	**64,308**	**230,536**
Financial liabilities (USD million)					
Deposits	1,028	–	–	1,028	1,028
Securities sold under repurchase agreements and securities lending transactions	2,391	–	–	2,391	2,391
Trading financial liabilities mandatorily at fair value through profit or loss	126,414	126,414	–	–	126,414
Financial liabilities designated at fair value through profit or loss	24,103	–	24,103	–	24,103
Borrowings	19,555	–	–	19,555	19,555
Other liabilities	23,339	12	–	23,327	23,339
Debt in issuance	11,988	–	–	11,988	11,962
Liabilities held for sale	–	–	–	–	–
Total financial liabilities	**208,818**	**126,426**	**24,103**	**58,289**	**208,792**

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 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 2019 (Group)	Level 1	Level 2	Level 3	Impact of netting [1]	**Total at fair value**
Assets (USD million)					
Debt securities	**8,117**	**4,769**	**1,202**	**–**	**14,088**
of which UK government	5,008	–	–	–	5,008
of which foreign governments	3,028	546	31	–	3,605
of which corporates	81	4,057	1,171	–	5,309
of which residential mortgage backed securities	–	166	–	–	166
of which commercial mortgage backed securities	–	–	–	–	–
Equity securities	**4,558**	**2,153**	**596**	**–**	**7,307**
Derivatives	**8,475**	**117,350**	**1,947**	**(1,625)**	**126,147**
of which interest rate products	5,664	82,469	211	(1,625)	86,719
of which foreign exchange products	48	17,971	181	–	18,200
of which equity/index-related products	2,444	12,210	1,003	–	15,657
of which credit derivatives	123	4,573	552	–	5,248
of which other derivative products	196	127	–	–	323
Other	**–**	**647**	**254**	**–**	**901**
Trading financial assets mandatorily at fair value through profit or loss	**21,150**	**124,919**	**3,999**	**(1,625)**	**148,443**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**20,210**	**–**	**(330)**	**19,880**
Loans	**–**	**793**	**561**	**–**	**1,354**
of which commercial and industrial loans	–	218	421	–	639
of which loans to financial institutions	–	461	137	–	598
of which government and public institutions	–	58	3	–	61
of which real estate	–	56	–	–	56
Other non-trading financial assets mandatorily at fair value through profit or loss	**–**	**1,034**	**26**	**–**	**1,060**
of which failed purchases	–	992	–	–	992
of which other	–	42	26	–	68
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**22,037**	**587**	**(330)**	**22,294**
Equity securities	**7**	**–**	**–**	**–**	**7**
Derivatives	**–**	**239**	**–**	**–**	**239**
of which interest rate products	–	203	–	–	203
of which foreign exchange products	–	16	–	–	16
of which equity/index-related products	–	18	–	–	18
of which credit derivatives	–	2	–	–	2
Trading financial assets at fair value through profit or loss	**7**	**239**	**–**	**–**	**246**
Loans	**–**	**77**	**22**	**–**	**99**
of which commercial and industrial loans	–	42	22	–	64
of which loans to financial institutions	–	35	–	–	35
Assets held for sale	**7**	**316**	**22**	**–**	**345**
Total assets at fair value	**21,157**	**147,272**	**4,608**	**(1,955)**	**171,082**

[1] Derivative contracts/ Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.
[2] Fair value of cash flow hedging derivatives of USD 11 million is included in 'Other assets'. These are level 2 instruments.

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

As at 31 December 2019 (Group)	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**398**	**352**	**–**	**–**	**750**
of which UK government	361	–	–	–	361
of which foreign governments	37	65	–	–	102
of which corporates	–	287	–	–	287
Equity securities	**3,269**	**–**	**–**	**–**	**3,269**
Derivatives	**9,998**	**117,982**	**2,753**	**(1,216)**	**129,517**
of which interest rate products	6,894	79,985	154	(1,216)	85,817
of which foreign exchange products	48	21,330	110	–	21,488
of which equity/index-related products	2,734	11,418	1,829	–	15,981
of which credit derivatives	123	4,932	660	–	5,715
of which other derivative products	199	317	–	–	516
Trading financial liabilities mandatorily at fair value through profit or loss	**13,665**	**118,334**	**2,753**	**(1,216)**	**133,536**
Securities sold under resale agreements and securities borrowing transactions	**–**	**9,934**	**–**	**(330)**	**9,604**
Borrowings	**–**	**2,234**	**617**	**–**	**2,851**
Debt in issuance	**–**	**6,140**	**1,926**	**–**	**8,066**
of which structured notes between one and two years	–	1,874	239	–	2,113
of which other debt instruments between one and two years	–	113	–	–	113
of which treasury debt over two years	–	62	–	–	62
of which structured notes over two years	–	1,891	1,545	–	3,436
of which other debt instruments over two years	–	2,091	125	–	2,216
of which non-recourse liabilities	–	109	17	–	126
Other financial liabilities designated at fair value through profit or loss	**–**	**428**	**166**	**–**	**594**
of which failed sales	–	424	135	–	559
of which other	–	4	31	–	35
Financial liabilities designated at fair value through profit or loss	**–**	**18,736**	**2,709**	**(330)**	**21,115**
Equity securities	**4**	–	–	–	**4**
Derivatives	**–**	**233**	**–**	**–**	**233**
of which interest rate products	–	178	–	–	**178**
of which foreign exchange products	–	28	–	–	**28**
of which equity/index-related products	–	20	–	–	**20**
of which credit derivatives	–	7	–	–	**7**
Trading financial liabilities at fair value through profit or loss	**4**	**233**	**–**	**–**	**237**
Debt in issuance	**–**	**67**	**25**	**–**	**92**
of which other debt instruments between one and two years	–	67	25	–	92
Financial liabilities designated at fair value through profit or loss	**–**	**67**	**25**	**–**	**92**
Liabilities held for sale	**4**	**300**	**25**	**–**	**329**
Total liabilities at fair value	**13,669**	**137,370**	**5,487**	**(1,546)**	**154,980**
Net assets/liabilities at fair value	**7,488**	**9,902**	**(879)**	**(409)**	**16,102**

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

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

As at 31 December 2019 (Bank)	Level 1	Level 2	Level 3	Impact of netting[1]	Total at fair value
Assets (USD million)					
Debt securities	**8,117**	**4,431**	**1,201**	**–**	**13,749**
of which UK government	5,008	–	–	–	5,008
of which foreign governments	3,028	546	31	–	3,605
of which corporates	81	3,719	1,170	–	4,970
of which residential mortgage backed securities	–	166	–	–	166
of which commercial mortgage backed securities	–	–	–	–	–
Equity securities	**4,527**	**2,142**	**582**	**–**	**7,251**
Derivatives	**8,475**	**117,351**	**1,947**	**(1,625)**	**126,148**
of which interest rate products	5,664	82,470	211	(1,625)	86,720
of which foreign exchange products	48	17,971	181	–	18,200
of which equity/index-related products	2,444	12,210	1,003	–	15,657
of which credit derivatives	123	4,573	552	–	5,248
of which other derivative products	196	127	–	–	323
Other	**–**	**647**	**254**	**–**	**901**
Trading financial assets mandatorily at fair value through profit or loss	**21,119**	**124,571**	**3,984**	**(1,625)**	**148,049**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**20,210**	**–**	**(330)**	**19,880**
Loans	**–**	**793**	**677**	**–**	**1,470**
of which commercial and industrial loans	–	217	421	–	**638**
of which loans to financial institutions	–	461	253	–	**714**
of which government and public institutions	–	59	3	–	**62**
of which real estate		56			56
Other non-trading financial assets mandatorily at fair value through profit or loss	**–**	**1,034**	**26**	**–**	**1,060**
of which failed purchases	–	992	–	–	**992**
of which other	–	42	26	–	**68**
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**22,037**	**703**	**(330)**	**22,410**
					–
Equity securities	7	–	–	–	**7**
Derivatives	**–**	**239**	**–**	**–**	**239**
of which interest rate products	–	203	–		**203**
of which foreign exchange products	–	16	–		**16**
of which equity/index-related products	–	18	–		**18**
of which credit derivatives	–	2	–	–	**2**
Trading financial assets at fair value through profit or loss	**7**	**239**	**–**	**–**	**246**
Securities purchased under resale agreements and securities borrowing transactions	–	–	–	–	**–**
Loans	**–**	**77**	**22**	**–**	**99**
of which commercial and industrial loans	–	42	22	–	64
of which loans to financial institutions	–	35	–	–	35
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**77**	**22**	**–**	**99**
Assets held for sale	**7**	**316**	**22**	**–**	**345**
Total assets at fair value	**21,126**	**146,924**	**4,709**	**(1,955)**	**170,804**

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

[2] Fair value of cash flow hedging derivatives of USD 11 million is included in 'Other assets'. These are level 2 instruments.

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

As at 31 December 2019 (Bank)	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**399**	**152**	**–**	**–**	**551**
of which UK government	362	–	–	–	362
of which foreign governments	37	65	–	–	102
of which corporates	–	87	–	–	87
Equity securities	**3,269**	**–**	**–**	**–**	**3,269**
Derivatives	**9,998**	**117,983**	**2,753**	**(1,216)**	**129,518**
of which interest rate products	6,894	79,985	154	(1,216)	85,817
of which foreign exchange products	48	21,330	110	–	21,488
of which equity/index-related products	2,734	11,418	1,829	–	15,981
of which credit derivatives	123	4,933	660	–	5,716
of which other derivative products	199	317	–	–	516
Trading financial liabilities mandatorily at fair value through profit or loss	**13,666**	**118,135**	**2,753**	**(1,216)**	**133,338**
Securities sold under resale agreements and securities borrowing transactions	**–**	**9,938**	**–**	**(330)**	**9,608**
Borrowings	**–**	**2,234**	**617**	**–**	**2,851**
Debt in issuance	**–**	**6,031**	**1,909**	**–**	**7,940**
of which structured notes between one and two years	–	1,874	239	–	2,113
of which other debt instruments between one and two years	–	113	–	–	113
of which treasury debt over two years	–	62	–	–	62
of which structured notes over two years	–	1,891	1,545	–	3,436
of which other debt instruments over two years	–	2,091	125	–	2,216
Other financial liabilities designated at fair value through profit or loss	**–**	**428**	**166**	**–**	**594**
of which failed sales	–	424	135	–	559
of which other	–	4	31	–	35
Financial liabilities designated at fair value through profit or loss	**–**	**18,631**	**2,692**	**(330)**	**20,993**
Equity securities	**4**	–	–	–	**4**
Derivatives	**–**	**233**	**–**	**–**	**233**
of which interest rate products	–	178	–	–	178
of which foreign exchange products	–	28	–	–	28
of which equity/index-related products	–	20	–	–	20
of which credit derivatives	–	7	–	–	7
Trading financial liabilities at fair value through profit or loss	**4**	**233**	**–**	**–**	**237**
Debt in issuance	**–**	**67**	**25**	**–**	**92**
of which other debt instruments over two years	–	67	25	–	92
Liabilities held for sale	**4**	**300**	**25**	**–**	**329**
Total liabilities at fair value	13,670	137,066	5,470	(1,546)	154,660
Net assets/liabilities at fair value	**7,456**	**9,858**	**(761)**	**(409)**	**16,144**

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

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

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

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

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

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

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

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

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

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

As at 31 December 2018 (Bank)	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**12,069**	**3,519**	**1,154**	**–**	**16,742**
of which UK government	7,355	–	–	–	7,355
of which foreign governments	4,682	297	49	–	5,028
of which corporates	32	3,171	1,090	–	4,293
of which residential mortgage backed securities	–	13	3	–	16
of which commercial mortgage backed securities	–	38	12	–	50
Equity securities	**5,334**	**778**	**569**	**–**	**6,681**
Derivatives	**3,829**	**124,914**	**3,047**	**(7,274)**	**124,516**
of which interest rate products	185	77,496	204	(1,249)	76,636
of which foreign exchange products	47	22,744	276	–	23,067
of which equity/index-related products	3,596	17,582	2,009	(6,025)	17,162
of which credit derivatives	–	6,452	558	–	7,010
of which other derivative products	1	640	–	–	641
Other	**–**	**330**	**249**	**–**	**579**
Trading financial assets mandatorily at fair value through profit or loss	**21,232**	**129,541**	**5,019**	**(7,274)**	**148,518**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**16,459**	**–**	**(809)**	**15,650**
Loans	**–**	**773**	**325**	**–**	**1,098**
of which commercial and industrial loans	–	243	98	–	341
of which loans to financial institutions	–	449	227	–	676
of which government and public institutions	–	81	–	–	81
Other non-trading financial assets mandatorily at fair value through profit or loss	**–**	**886**	**78**	**–**	**964**
of which failed purchases	–	854	51	–	905
of which other	–	32	27	–	59
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**18,118**	**403**	**(809)**	**17,712**
Derivatives	**–**	**–**	**–**	**–**	**–**
of which credit derivatives	–	–	–	–	–
Trading financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**
Assets held for sale	**–**	**–**	**–**	**–**	**–**
Total assets at fair value	**21,232**	**147,659**	**5,422**	**(8,083)**	**166,230**

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

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

As at 31 December 2018 (Bank)	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**776**	**237**	**–**	**–**	**1,013**
of which UK government	348	–	–	–	348
of which foreign governments	428	80	–	–	508
of which corporates	–	157	–	–	157
Equity securities	**1,946**	**–**	**–**	**–**	**1,946**
Other securities	**–**	**–**	**–**	**–**	**–**
Derivatives	**3,944**	**124,707**	**1,919**	**(7,114)**	**123,456**
of which interest rate products	140	73,144	199	(1,249)	72,234
of which foreign exchange products	50	26,430	136	–	26,616
of which equity/index-related products	3,753	18,135	1,010	(5,865)	17,033
of which credit derivatives	–	6,865	574	–	7,439
of which other derivative products	1	133	–	–	134
Trading financial liabilities mandatorily at fair value through profit or loss	**6,666**	**124,944**	**1,919**	**(7,114)**	**126,415**
Securities sold under resale agreements and securities borrowing transactions	**–**	**15,737**	**–**	**(809)**	**14,928**
Borrowings	**–**	**1,325**	**460**	**–**	**1,785**
Debt in issuance	**–**	**4,786**	**2,276**	**–**	**7,062**
of which structured notes between one and two years	–	1,436	126	–	1,562
of which other debt instruments between one and two years	–	–	–	–	–
of which treasury debt over two years	–	60	–	–	60
of which structured notes over two years	–	1,874	1,894	–	3,768
of which other debt instruments over two years	–	1,416	256	–	1,672
Other financial liabilities designated at fair value through profit or loss	**–**	**198**	**130**	**–**	**328**
of which failed sales	–	187	99	–	286
of which other	–	11	31	–	42
Financial liabilities designated at fair value through profit or loss	**–**	**22,046**	**2,866**	**(809)**	**24,103**
Derivatives	**–**	**–**	**–**	**–**	**–**
of which credit derivatives	–	–	–	–	–
Trading financial liabilities at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**
Liabilities held for sale	**–**	**–**	**–**	**–**	**–**
Total liabilities at fair value	**6,666**	**146,990**	**4,785**	**(7,923)**	**150,518**
Net assets/liabilities at fair value	**14,566**	**669**	**637**	**(160)**	**15,712**

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

Transfers between Level 1 and Level 2

	2019		2018	
USD million	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2
Assets				
Trading financial assets mandatorily at fair value through profit or loss	89	2,697	109	3,413
Total transfers in assets at fair value	**89**	**2,697**	**109**	**3,413**
Liabilities				
Trading financial liabilities mandatorily at fair value through profit or loss	3	3,070	8	3,584
Total transfers in liabilities at fair value	**3**	**3,070**	**8**	**3,584**

The transfers from Level 1 to Level 2 were 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 inputs become 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

								Trading revenues		
Group	Balance as at 1 January 2019	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out[1]	On all other	Balance as at 31 December 2019
Assets at fair value (USD million)										
Debt securities	**1,154**	**327**	**(452)**	**1,588**	**(1,537)**	**–**	**–**	**9**	**113**	**1,202**
of which foreign governments	49	31	(44)	39	(48)	–	–	3	1	31
of which corporates	1,090	296	(404)	1,549	(1,479)	–	–	6	113	1,171
of which commercial mortgage backed securities	12	–	(4)	–	(9)	–	–	–	1	–
of which Residential Mortgage-Backed Securities	3	–	–	–	(1)	–	–	–	(2)	–
Equity securities	**611**	**–**	**–**	**113**	**(155)**	**–**	**–**	**–**	**27**	**596**
Derivatives	**3,047**	**752**	**(1,098)**	**–**	**–**	**1,165**	**(1,590)**	**(132)**	**(197)**	**1,947**
of which interest rate products	204	21	–	–	–	27	(56)	3	12	211
of which foreign exchange products	276	70	(86)	–	–	73	(44)	(19)	(89)	181
of which equity/index-related products	2,009	335	(737)	–	–	848	(1,158)	(105)	(189)	1,003
of which credit derivatives	558	326	(275)	–	–	217	(332)	(11)	69	552
Other	**249**	**136**	**(243)**	**409**	**(296)**	**44**	**(30)**	**(10)**	**(5)**	**254**
Trading financial assets mandatorily at fair value through profit or loss	**5,061**	**1,215**	**(1,793)**	**2,110**	**(1,988)**	**1,209**	**(1,620)**	**(133)**	**(62)**	**3,999**
Loans	**273**	**239**	**(69)**	**256**	**(88)**	**64**	**(63)**	**(4)**	**(47)**	**561**
of which commercial and industrial loans	98	239	(69)	202	–	–	(19)	(4)	(26)	421
of which loans to financial institutions	175	–	–	54	(88)	61	(44)	–	(21)	137
of which government and public institutions	–	–	–	–	–	3	–	–	–	3
Other non-trading financial assets mandatorily at fair value through profit or loss	**78**	**11**	**(54)**	**1**	**–**	**–**	**–**	**–**	**(10)**	**26**
of which failed purchases	51	–	(49)	–	–	–	–	(2)	–	–
of which other	27	11	(5)	1	–	–	–	2	(10)	26
Non-trading financial assets mandatorily at fair value through profit or loss	**351**	**250**	**(123)**	**257**	**(88)**	**64**	**(63)**	**(4)**	**(57)**	**587**
Loans	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22**
of which commercial and industrial loans	–	22	–	–	–	–	–	–	–	22
Assets held for sale	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22**
Total assets at fair value	**5,412**	**1,487**	**(1,916)**	**2,367**	**(2,076)**	**1,273**	**(1,683)**	**(137)**	**(119)**	**4,608**

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

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

Group	Balance as at 1 January 2019	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues On transfers in/out [1]	Trading revenues On all other	Balance as at 31 December 2019
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of which corporates	–	–	–	–	–	–	–	–	–	–
Derivatives	**1,919**	**643**	**(668)**	**–**	**–**	**738**	**(1,563)**	**82**	**1,602**	**2,753**
of which interest rate products	199	13	(7)	–	–	24	(69)	–	(6)	154
of which foreign exchange products	136	61	(33)	–	–	11	(99)	(19)	53	110
of which equity/index-related products	1,010	275	(333)	–	–	477	(856)	83	1,173	1,829
of which credit derivatives	574	294	(295)	–	–	226	(539)	18	382	660
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Trading financial liabilities mandatorily at fair value through profit or loss	**1,919**	**643**	**(668)**	**–**	**–**	**738**	**(1,563)**	**82**	**1,602**	**2,753**
Borrowings	**460**	**93**	**(163)**	**–**	**–**	**918**	**(158)**	**3**	**(536)**	**617**
Debt in issuance	**2,277**	**476**	**(1,271)**	**–**	**–**	**1,280**	**(627)**	**36**	**(245)**	**1,926**
of which structured notes between one and two years	126	87	(135)	–	–	298	(39)	–	(98)	239
of which structured notes over two years	1,894	360	(556)	–	–	211	(243)	14	(135)	1,545
of which other debt instruments over two years	231	29	(580)	–	–	538	(105)	22	(10)	125
of which non-recourse liabilities	26	–	–	–	–	233	(240)	–	(2)	17
Other financial liabilities designated at fair value through profit or loss	**130**	**96**	**(32)**	**61**	**(69)**	**4**	**(1)**	**(26)**	**3**	**166**
of which failed sales	99	87	(21)	61	(62)	–	–	(29)	–	135
of which others	31	9	(11)	–	(7)	4	(1)	3	3	31
Financial liabilities designated at fair value through profit or loss	**2,867**	**665**	**(1,466)**	**61**	**(69)**	**2,202**	**(786)**	**13**	**(778)**	**2,709**
Debt in issuance	**25**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
of which other debt instruments over two years	25	–	–	–	–	–	–	–	–	25
Liabilities held for sale	**25**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
Total liabilities at fair value	**4,811**	**1,308**	**(2,134)**	**61**	**(69)**	**2,940**	**(2,349)**	**95**	**824**	**5,487**
Net assets/liabilities at fair value	**601**	**179**	**218**	**2,306**	**(2,007)**	**(1,667)**	**666**	**(232)**	**(943)**	**(879)**

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

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

Bank	Balance as at 1 January 2019	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2019
								On transfers in/out[1]	On all other	
Assets at fair value (USD million)										
Debt securities	**1,154**	**327**	**(452)**	**1,588**	**(1,538)**	**–**	**–**	**9**	**113**	**1,201**
of which foreign governments	49	31	(44)	39	(48)	–	–	3	1	31
of which corporates	1,090	296	(404)	1,549	(1,480)	–	–	6	113	1,170
of which commercial mortgage backed securities	12	–	(4)	–	(9)	–	–	–	1	–
of which Residential Mortgage-Backed Securities	3	–	–	–	(1)	–	–	–	(2)	–
Equity securities	**569**	**–**	**–**	**97**	**(111)**	**–**	**–**	**–**	**27**	**582**
Derivatives	**3,047**	**752**	**(1,098)**	**–**	**–**	**1,165**	**(1,590)**	**(132)**	**(197)**	**1,947**
of which interest rate products	204	21	–	–	–	27	(56)	3	12	211
of which foreign exchange products	276	70	(86)	–	–	73	(44)	(19)	(89)	181
of which equity/index-related products	2,009	335	(737)	–	–	848	(1,158)	(105)	(189)	1,003
of which credit derivatives	558	326	(275)	–	–	217	(332)	(11)	69	552
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Other	**249**	136	(243)	409	(296)	44	(30)	(10)	(5)	**254**
Trading financial assets mandatorily at fair value through profit or loss	**5,019**	**1,215**	**(1,793)**	**2,094**	**(1,945)**	**1,209**	**(1,620)**	**(133)**	**(62)**	**3,984**
Loans	**325**	**239**	**(69)**	**256**	**(17)**	**64**	**(63)**	**(4)**	**(54)**	**677**
of which commercial and industrial loans	98	239	(69)	202	–	–	(19)	(4)	(26)	421
of which loans to financial institutions	227	–	–	54	(17)	61	(44)	–	(28)	253
of which government and public institutions	–	–	–	–	–	3	–	–	–	3
Other non-trading financial assets mandatorily at fair value through profit or loss	**78**	**11**	**(54)**	**1**	**–**	**–**	**–**	**1**	**(11)**	**26**
of which failed purchases	51	–	(49)	–	–	–	–	(2)	–	–
of which other	27	11	(5)	1	–	–	–	3	(11)	26
Non-trading financial assets mandatorily at fair value through profit or loss	**403**	**250**	**(123)**	**257**	**(17)**	**64**	**(63)**	**(3)**	**(65)**	**703**
Loans	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22**
of which commercial and industrial loans	–	22	–	–	–	–	–	–	–	22
Assets held for sale	**–**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22**
Total assets at fair value	**5,422**	**1,487**	**(1,916)**	**2,351**	**(1,962)**	**1,273**	**(1,683)**	**(136)**	**(127)**	**4,709**

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

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

Bank	Balance as at 1 January 2019	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues: On transfers in/out [1]	Trading revenues: On all other	Balance as at 31 December 2019
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of which corporates	–	–	–	–	–	–	–	–	–	–
Derivatives	**1,919**	**643**	**(668)**	**–**	**–**	**737**	**(1,564)**	**84**	**1,602**	**2,753**
of which interest rate products	199	13	(7)	–	–	25	(70)	–	(6)	154
of which foreign exchange products	136	61	(33)	–	–	12	(100)	(19)	53	110
of which equity/index-related products	1,010	275	(333)	–	–	475	(856)	85	1,173	1,829
of which credit derivatives	574	294	(295)	–	–	225	(538)	18	382	660
Trading financial liabilities mandatorily at fair value through profit or loss	**1,919**	**643**	**(668)**	**–**	**–**	**737**	**(1,564)**	**84**	**1,602**	**2,753**
Borrowings	**460**	**93**	**(163)**	**–**	**–**	**918**	**(158)**	**3**	**(536)**	**617**
Debt in issuance	**2,251**	**476**	**(1,271)**	**–**	**–**	**1,047**	**(387)**	**36**	**(243)**	**1,909**
of which structured notes between one and two years	126	87	(135)	–	–	298	(39)	–	(98)	239
of which structured notes over two years	1,894	360	(556)	–	–	211	(243)	14	(135)	1,545
of which other debt instruments over two years	231	29	(580)	–	–	538	(105)	22	(10)	125
Other financial liabilities designated at fair value through profit or loss	**130**	**96**	**(32)**	**61**	**(68)**	**4**	**(1)**	**(27)**	**3**	**166**
of which failed sales	99	87	(21)	61	(61)	–	–	(30)	–	135
of which others	31	9	(11)	–	(7)	4	(1)	3	3	31
Financial liabilities designated at fair value through profit or loss	**2,841**	**665**	**(1,466)**	**61**	**(68)**	**1,969**	**(546)**	**12**	**(776)**	**2,692**
Debt in issuance	**25**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
of which other debt instruments over two years	25	–	–	–	–	–	–	–	–	25
Liabilities held for sale	**25**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
Total liabilities at fair value	**4,785**	**1,308**	**(2,134)**	**61**	**(68)**	**2,706**	**(2,110)**	**96**	**826**	**5,470**
Net assets/liabilities at fair value	**637**	**179**	**218**	**2,290**	**(1,894)**	**(1,433)**	**427**	**(232)**	**(953)**	**(761)**

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

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

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

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

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

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

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

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

								Trading revenues		
Bank	Balance as at 1 January 2018	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance as at 31 December 2018
Assets at fair value (USD million)										
Debt securities	**901**	**218**	**(215)**	**1,688**	**(1,322)**	**–**	**–**	**(10)**	**(106)**	**1,154**
of which foreign governments	53	21	(12)	46	(47)	–	–	–	(12)	49
of which corporates	809	197	(203)	1,624	(1,236)	–	–	(10)	(91)	1,090
of which commercial mortgage backed securities	10	–	–	18	(13)	–	–	–	(3)	12
of which Residential Mortgage-Backed Securities	29	–	–	–	(26)	–	–	–	–	3
Equity securities	**711**	**1**	**–**	**44**	**(144)**	**–**	**–**	**–**	**(43)**	**569**
Derivatives	**2,400**	**763**	**(718)**	**–**	**–**	**3,023**	**(2,589)**	**64**	**104**	**3,047**
of which interest rate products	523	15	(66)	–	–	51	(176)	16	(159)	204
of which foreign exchange products	162	3	(4)	–	–	44	(18)	1	88	276
of which equity/index-related products	1,117	567	(476)	–	–	2,740	(2,098)	42	117	2,009
of which credit derivatives	598	178	(172)	–	–	188	(297)	5	58	558
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Other	**180**	**120**	**(79)**	**171**	**(130)**	**30**	**(79)**	**2**	**34**	**249**
Trading financial assets at fair value through profit or loss	**4,192**	**1,102**	**(1,012)**	**1,903**	**(1,596)**	**3,053**	**(2,668)**	**56**	**(11)**	**5,019**
Loans	**548**	**62**	**(16)**	**–**	**(138)**	**11**	**(124)**	**–**	**(18)**	**325**
of which commercial and industrial loans	193 [2]	58	(16)	–	(19)	11	(118)	–	(11)	98
of which loans to financial institutions	355	4	–	–	(119)	–	(6)	–	(7)	227
of which government and public institutions	–	–	–	–	–	–	–	–	–	–
of which real estate	–	–	–	–	–	–	–	–	–	–
Other financial assets designated at fair value through profit or loss	**34**	**57**	**–**	**37**	**(32)**	**–**	**–**	**–**	**(18)**	**78**
of which failed purchases	33	38	–	3	(32)	–	–	–	9	51
of which other	1	19	–	34	–	–	–	–	(27)	27
Financial assets designated at fair value through profit or loss	**582**	**119**	**(16)**	**37**	**(170)**	**11**	**(124)**	**–**	**(36)**	**403**
Total assets at fair value	**4,774**	**1,221**	**(1,028)**	**1,940**	**(1,766)**	**3,064**	**(2,792)**	**56**	**(47)**	**5,422**

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

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

Bank	Balance as at 1 January 2018	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues		Balance as at 31 December 2018
								On transfers in/out [1]	On all other	
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of which corporates	–	–	–	–	–	–	–	–	–	–
Derivatives	**2,489**	**571**	**(535)**	**–**	**–**	**1,424**	**(2,171)**	**21**	**120**	**1,919**
of which interest rate products	287	15	(3)	–	–	214	(137)	12	(189)	199
of which foreign exchange products	96	27	(1)	–	–	14	(28)	–	28	136
of which equity/index-related products	1,181	264	(350)	–	–	1,097	(1,424)	(9)	251	1,010
of which credit derivatives	925	265	(181)	–	–	99	(582)	18	30	574
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Trading financial liabilities at fair value through profit or loss	**2,489**	**571**	**(535)**	**–**	**–**	**1,424**	**(2,171)**	**21**	**120**	**1,919**
Borrowings	**106**	**75**	**(90)**	**–**	**–**	**469**	**(51)**	**4**	**(53)**	**460**
Debt in issuance	**2,878**	**162**	**(558)**	**–**	**–**	**865**	**(887)**	**(7)**	**(177)**	**2,276**
of which structured notes between one and two years	43	50	(104)	–	–	249	(80)	(7)	(25)	126
of which other debt instruments between one and two years	–	–	–	–	–	–	–	–	–	–
of which structured notes over two years	2,500	53	(390)	–	–	484	(718)	1	(36)	1,894
of which other debt instruments over two years	335	59	(64)	–	–	132	(89)	(1)	(116)	256
Other financial liabilities designated at fair value through profit or loss	**99**	**51**	**(1)**	**5**	**(30)**	**2**	**–**	**–**	**4**	**130**
of which failed sales	97	43	–	2	(30)	–	–	–	(13)	99
of which others	2	8	(1)	3	–	2	–	–	17	31
Financial liabilities designated at fair value through profit or loss	**3,083**	**288**	**(649)**	**5**	**(30)**	**1,336**	**(938)**	**(3)**	**(226)**	**2,866**
Total liabilities at fair value	**5,572**	**859**	**(1,184)**	**5**	**(30)**	**2,760**	**(3,109)**	**18**	**(106)**	**4,785**
Net assets/liabilities at fair value	**(798)** [2]	**362**	**156**	**1,935**	**(1,736)**	**304**	**317**	**38**	**59**	**637**

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

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

Group and Bank	**2019**	2018
Trading revenues (USD million)		
Net realised/unrealised (losses)/gains included in net revenues	(1,175) [1]	86 [1]
Whereof:		
Trading financial assets mandatorily at fair value through profit or loss	390	1,061
Non-trading financial assets mandatorily at fair value through profit or loss	3	(9)
Trading financial liabilities mandatorily at fair value through profit or loss	(1,316)	(357)
Financial liabilities designated at fair value through profit or loss	(148)	64
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(1,071)**	**759**

[1] Bank loss of USD 1,185 million (2018: USD 97 million)

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

Trading financial assets mandatorily at fair value through profit or loss
Trading financial assets transferred into and out of Level 3 as at 31 December 2019 amounted to USD 1,215 million and USD (1,793) million respectively for both CSi group and Bank. For CSi group and Bank transfers into Level 3 mainly comprised USD 1,124 million related to debt securities, equity/ index-related, credit derivatives and others. For CSi group and Bank transfers out of Level 3 mainly comprised USD (1,707) million of debt securities, equity/ index-related, credit derivatives and others.

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

Non-trading financial assets mandatorily at fair value through profit or loss
Non-trading financial assets mandatorily at fair value through profit or loss transferred into and out of Level 3 in 2019 amounted to USD 250 million and USD (123) million, respectively for both CSi group and Bank. Transfers into Level 3 largely comprised of loans. Transfers out of Level 3 related to loans and failed purchases.

Trading financial liabilities mandatorily at fair value through profit or loss
Trading financial liabilities transferred into and out of Level 3 as at 31 December 2019 amounted to USD 643 million and USD (668) million, respectively for both CSi group and Bank. USD 294 million and USD 275 million of transfers into Level 3 were related to credit derivatives and equity/index-related products respectively. Transfers out of Level 3 largely comprised of equity/index related derivatives and credit derivatives. There were no Liabilities held for sale transferred into and out of Level 3 in 2019 for both CSi group and Bank.

Trading financial liabilities transferred into and out of Level 3 as at 31 December 2018 amounted to USD 571 million and USD (535) million, respectively for both CSi group and Bank. USD 265 million and USD 264 million of transfers into Level 3 were related to credit derivatives and equity/index-related products respectively. Transfers out of Level 3 largely comprised of equity/index related derivatives and credit derivatives.

Financial liabilities designated at fair value through profit or loss
For both CSi group and bank, financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2019 amounted to USD 665 million and USD (1,466) million respectively. Transfers into Level 3 were in relation to structured notes, failed sales and other hybrid instruments. Transfers out of Level 3 were largely related to structured notes and other hybrid instruments.

For CSi group, financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2018 amounted to USD 299 million and USD (650) million. respectively For CSi Bank, financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2018 amounted to USD 288 million and USD (649) million respectively. Transfers into Level 3 were in relation to both structured notes and failed sales. Transfers out of Level 3 were largely related to structured notes and other hybrid instruments.

Qualitative disclosures of valuation techniques

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

On a monthly basis, meetings are held for each business line with senior representatives of the 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 majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

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

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

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

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

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

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

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

Other non-trading financial assets mandatorily at fair value through profit or loss
Loans
The CSi group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans, loans to government and public institutions, and loans to financial institutions. These categories include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans.

Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

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

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.

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.

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 each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

As at 31 December 2019 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,202**					
of which corporates	1,171					
of which	658	Option model	Correlation in %	(60)	100	63
	277		Volatility in %	–	275	26
of which	79	Discounted cash flow	Credit spread in bp	108	560	241
	3	Market comparable	Price in %	–	101	97
Equity securities	**596**					
of which	4	Market comparable	Price in %	6	7	7
	590	Vendor price	Fund NAV, in USD million	–	9	–
Derivatives	**1,947**					
of which interest rate products	211					
of which	45	Option model	Correlation in %	5	100	49
	1		Mean reversion, in %	(55)	15	13
	99		Prepayment rate in %	1	28	10
	40		Volatility skew, in %	(4)	1	(1)
of which foreign exchange products	181					
of which	96	Option model	Correlation in %	5	70	30
	35		Prepayment rate in %	23	28	25
	1		Volatility in %	80	80	80
of which equity/index-related products	1,003					
of which	513	Option model	Correlation in %	(60)	100	57
	434		Volatility in %	1	275	26
	11		Buyback probability in %	50	100	70
of which credit derivatives	552					
of which	–	Discounted cash flow	Correlation in %	97	97	97
	109		Credit spread in bp	2	1,033	99
	51		Recovery rate in %	–	–	–
	159		Discount rate in %	8	27	16
	–		Default rate in %	1	20	4
	219		Funding spread in bps	112	115	113
	–		Loss severity in %	29	85	69
of which	–	Option model	Prepayment rate, in %	–	7	4
of which	–	Market comparable	Price, in %	100	110	100
Other	**254**					
of which trading	20	Discounted cash flow	Credit spread in bp	6	8	8
	222	Market comparable	Price in %	–	106	73
of which loans held-for-sale	70	Market comparable	Price, in %	–	99	75
Loans	**561**					
of which commercial and industrial loans	421					
	362	Market comparable	Price in %	25	103	100
of which loans to finance institutions	137					
	54	Discounted cash flow	Credit spread in bp	256	717	716
	55	Market comparable	Price, in %	108	108	108

As at 31 December 2019 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**2,753**					
of which interest rate products	154					
of which	32	Option model	Correlation, in %	5	100	30
	14		Mean reversion, in %	(10)	15	(3)
	87		Prepayment rate, in %	1	28	7
	5	Discounted cash flow	Funding spread, in bps	115	115	115
of which foreign exchange products	110					
of which	14	Option model	Correlation, in %	55	55	55
	34		Prepayment rate, in %	23	28	25
	5	Discounted cash flow	Contingent probability, in %	95	95	95
	32		Credit spread, in bp	47	147	71
of which equity/index-related products	1,829					
of which	86	Option model	Buyback probability, in %	50	100	70
	619		Correlation, in %	(50)	100	66
	1,116		Volatility, in %	–	275	25
of which credit derivatives	660					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	282		Credit spread, in bp	2	1,033	127
	–		Default rate, in %	1	20	4
	159		Discount rate, in %	8	27	15
	6		Funding spread, in bps	112	154	137
	–		Loss severity, in %	29	85	69
	107		Recovery rate, in %	–	49	23
	–		Funding Spread, in %			
of which	–	Option model	Prepayment rate, in %	–	8	5
Debt in issuance	**1,951**					
of which structured notes over two years	1,545					
of which	932	Discounted cash flow	Credit spread, in bp	8	1,260	66
	–		Recovery rate, in %	25	40	37
	–		CS own spread, in bps	(2)	23	13
of which	240	Option model	Buyback probability, in %	50	100	70
	244		Correlation, in %	(50)	100	59
	–		Credit spread, in bp	(2)	32	18
	21		Gap risk, in %	–	2	–
	107		Volatility, in %	0	275	22
of which other debt over two years	150					
of which	113	Option model	Buyback probability, in %	50	100	70
	16		Correlation, in %	(50)	100	66
	11		Gap risk, in %	–	2	–
of which structured notes between one and two years	239					
of which	13	Option model	Buyback probability, in %	50	100	70
	48		Correlation, in %	25	92	51
	–		Credit spread, in bp	(15)	15	6
	64		Gap risk, in %	–	2	–
	94		Volatility, in %	11	100	43
Borrowings	**617**					
of which	273	Option model	Buyback probability, in %	50	100	70
	112		Correlation, in %	(50)	100	46
	–		Credit spread, in bp	(40)	15	5
	32		Gap risk, in %	–	2	–
	192		Volatility, in %	12	99	43
Other Financial liabilities designated at fair value	**166**					
of which failed sales	115	Market comparable	Price in %	–	58	54

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

As at 31 December 2018 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**1,919**					
of which interest rate products	199					
of which	42	Option model	Correlation, in %	5	100	41
	79		Prepayment rate, in %	1	26	7
of which foreign exchange products	136					
of which	46	Option model	Prepayment rate, in %	21	26	23
	71	Discounted cash flow	Credit spread, in bp	146	535	438
of which equity/index-related products	1,010					
of which	222	Option model	Correlation, in %	(60)	98	72
	641		Volatility, in %	2	178	30
	143		Buyback probability in %	50	100	74
of which credit derivatives	574					
of which	–	Discounted cash flow	Correlation, in %	97	97	97
	207		Credit spread, in bp	3	2,937	262
	–		Default rate, in %	1	20	4
	206		Discount rate, in %	3	28	14
	–		Loss severity, in %	16	95	56
	51		Recovery rate, in %	–	68	22
	84		Funding Spread, in %	–	–	–
of which	7	Market comparable	Price, in %	83	83	83
Debt in issuance	**2,302**					
of which structured notes over two years	1,894					
of which	259	Option model	Buyback probability, in %	50	100	74
	276		Correlation, in %	(40)	99	65
	164		Gap risk, in %	–	4	1
	90		Volatility, in %	0	178	23
of which	1,042	Discounted cash flow	Credit spread, in bp	(12)	495	415
of which other debt over two years	256					
of which	79	Option model	Buyback probability, in %	50	100	74
	54		Correlation, in %	(40)	98	72
	11		Gap risk, in %	–	4	1
of which structured notes between one and two years	126					
of which	46	Option model	Correlation, in %	(40)	98	59
	18		Volatility, in %	15	43	27
Borrowings	**460**					
of which	309	Option model	Buyback probability, in %	50	100	74
	46	Option model	Correlation, in %	(40)	98	59
	49	Option model	Gap risk, in %	–	4	1
	54	Option model	Volatility, in %	12	43	30
Other Financial liabilities designated at fair value	**130**					
of which failed sales	99	Market comparable	Price in %	–	99	72

The 'Quantitative information about Level 3 assets and liabilities at fair value' table applies to both CSi group and Bank, with the exception of the following adjusted line item in respect of Assets at fair value – Other (trading loan that is eliminated on consolidation from the Group table).

As at 31 December 2019 Bank	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value (USD million)						
Other	**254**					
of which trading loans	17	Discounted cash flow	Capitalisation rate, in %	9.40	9.40	9.40

As at 31 December 2018 Bank	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value (USD million)						
Other	**249**					
of which trading loans	18	Discounted cash flow	Capitalisation rate, in %	9.40	9.40	9.40

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 the primary significant unobservable input for fund linked Constant Proportion Portfolio Insurance (‘CPPI’) products and structures where the payoff may be sensitive to “discontinuity” in the hedging portfolio.

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

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

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

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	**As at 31 December 2019**		As at 31 December 2018	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	233	(275)	269	(282)
Assets-backed securities, loans and derivatives	–	(1)	1	(4)
Debt and equity securities	53	(44)	36	(24)
Loans	21	(17)	23	(16)
Total	**307**	**(337)**	**329**	**(326)**

Bank	**As at 31 December 2019**		As at 31 December 2018	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	233	(275)	269	(282)
Assets-backed securities, loans and derivatives	–	(1)	1	(4)
Debt and equity securities	53	(44)	36	(24)
Loans	22	(18)	24	(17)
Total	**308**	**(338)**	**330**	**(327)**

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

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

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

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

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

Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the period fair value is expected to become observable.

The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of year with a reconciliation of the changes of the balance during the year:

	2019	2018
Deferred trade date profit (USD million)		
Balance at the beginning of period	458	408
Increase due to new trades	219	246
Reduction due to passage of time	(73)	(59)
Reduction due to redemption, sales, transfers or improved observability	(101)	(137)
Balance at the end of period	**503**	**458**

Fair value of financial instruments not carried at fair value
IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the Consolidated Statements of Financial Position. IFRS also requires the disclosure of the fair values of these financial instruments within the fair value hierarchy.

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 realization, as well as the minimal credit risk inherent in these instruments.

As at 31 December 2019 Group (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Fair value**
Financial assets					
Cash and due from banks	4,362	76	–	–	4,438
Interest-bearing deposits with banks	–	12,205	–	–	12,205
Securities purchased under resale agreements and securities borrowing transactions	–	6,145	–	–	6,145
Net loans	–	2,823	–	–	2,823
Other assets	–	35,220	–	–	35,220
Assets held for sale	–	150	–	–	150
Total fair value of financial assets	**4,362**	**56,619**	**–**		**60,981**
Financial liabilities					
Deposits	–	435	–	–	435
Securities sold under repurchase agreements and securities lending transactions	–	3,155	–	–	3,155
Borrowings	–	14,116	–	–	14,116
Debt in issuance	–	14,008	–	–	14,008
Other financial liabilities	–	23,318	–	–	23,318
Liabilities held for sale	–	102	–	–	102
Total fair value of financial liabilities	**–**	**55,134**	**–**		**55,134**

As at 31 December 2019 Bank (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Fair value**
Financial assets					
Cash and due from banks	4,332	76	–	–	4,408
Interest-bearing deposits with banks	–	12,205	–	–	12,205
Securities purchased under resale agreements and securities borrowing transactions	–	6,145	–	–	6,145
Net loans	–	2,823	–	–	2,823
Other assets	–	35,220	–	–	35,220
Assets held for sale	–	150	–	–	150
Total fair value of financial assets	**4,332**	**56,619**	**–**	**–**	**60,951**
Financial liabilities					
Deposits	–	435	–	–	435
Securities sold under repurchase agreements and securities lending transactions	–	3,155	–	–	3,155
Borrowings	–	14,116	–	–	14,116
Debt in issuance	–	13,879	–	–	13,879
Other financial liabilities	–	23,318	–	–	23,318
Liabilities held for sale	–	102	–	–	102
Total fair value of financial liabilities	**–**	**55,005**	**–**	**–**	**55,005**

As at 31 December 2018 Group (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Fair value**
Financial assets					
Cash and due from banks	2,227	2	–	–	2,229
Interest-bearing deposits with banks	–	17,859	–	–	17,859
Securities purchased under resale agreements and securities borrowing transactions	–	10,487	–	–	10,487
Net loans	–	3,392	118	–	3,510
Other assets	–	30,254	–	–	30,254
Total fair value of financial assets	**2,227**	**61,994**	**118**	**–**	**64,339**
Financial liabilities					
Deposits	1,028	–	–	–	1,028
Securities sold under repurchase agreements and securities lending transactions	–	2,391	–	–	2,391
Borrowings	–	19,555	–	–	19,555
Debt in issuance	–	12,181	–	–	12,181
Other financial liabilities	–	23,327	–	–	23,327
Total fair value of financial liabilities	**1,028**	**57,454**	**–**	**–**	**58,482**

As at 31 December 2018 Bank (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Fair value**
Financial assets					
Cash and due from banks	2,193	2	–	–	2,195
Interest-bearing deposits with banks	–	17,859	–	–	17,859
Securities purchased under resale agreements and securities borrowing transactions	–	10,487	–	–	10,487
Net loans	–	3,392	118	–	3,510
Other financial assets	–	30,254	–	–	30,254
Total fair value of financial assets	**2,193**	**61,994**	**118**	**–**	**64,305**
Financial liabilities					
Deposits	1,028	–	–	–	1,028
Securities sold under repurchase agreements and securities lending transactions	–	2,391	–	–	2,391
Borrowings	–	19,555	–	–	19,555
Debt in issuance	–	11,962	–	–	11,962
Other financial liabilities	–	23,327	–	–	23,327
Total fair value of financial liabilities	**1,028**	**57,235**	**–**	**–**	**58,263**

43 Assets Pledged or Assigned

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

Group and Bank	**2019**	2018
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	8,993	11,078
Collateral received (USD million)		
Fair value of collateral received with the right to resell or repledge	78,130	77,811
Of which sold or repledged	49,508	50,638

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.

As at 31 December 2019 and 2018 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.

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.

44 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.

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 2019, 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.

Information on transferred assets by type of continuing involvement

	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	
2019 Group and Bank (USD million)	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 2019	Cumulative to 31 December 2019
Type of continuing involvement								
Derivatives								
Swaps	92	(106)	92	(106)	92	12	(29)	(48)
Notes	161	–	161	–	161	–	–	–
Total	**253**	**(106)**	**253**	**(106)**	**253**	**12**	**(29)**	**(48)**

2018 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 2018	Cumulative to 31 December 2018
Type of continuing involvement								
Derivatives								
Swaps	37	(22)	37	(22)	37	9	(14)	(29)
Notes	8	(1)	8	(1)	8	–	–	–
Total	**45**	**(23)**	**45**	**(23)**	**45**	**9**	**(14)**	**(29)**

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

2019 Group and Bank (USD million)	Total	On demand	Less than 1 year	1–5 years	more than 5 years
Type of continuing involvement					
Derivatives [1]					
Swaps	(309)	(309)	–	–	–

[1] The derivative provides CSi group the right but not the obligation to repurchase the transferred asset at the CSi group's option.

2018 Group and Bank (USD million)	Total	On demand	Less than 1 year	1–5 years	more than 5 years
Type of continuing involvement					
Derivatives [1]					
Swaps	(349)	(349)	–	–	–

[1] 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 30 –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)	2019 Carrying amount of assets	2019 Carrying amount of associated liabilities	2018 Carrying amount of assets	2018 Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase & Securities lending agreements	8,993	8,993	11,078	11,078
Total Return Swaps	407	391	156	158
Other	167	167	130	130

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 1,967 million (2018: USD 1,746 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 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.

45 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's level. The Bank regularly reviews the risk management techniques and policies to ensure they remain appropriate.

Value-at-Risk

VaR measures the potential loss arising from fair-valued financial instruments due to adverse market movements over a defined holding period and that is expected to occur at a specified confidence level. Positions can be aggregated in several ways, across risk factors, products and businesses. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options, amongst others. The use of VaR allows the comparison of risk across different asset classes and divisions and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

The Bank's VaR model is a simulation, which derives plausible future trading losses from the analysis of historical movements in market risk factors. VaR is calculated for all financial instruments with adequate price histories. 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 uses a two-year historical dataset to compute VaR and avoids any explicit assumptions on the correlation between risk factors.

The Bank uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS'). The Bank has approval from the PRA to use its regulatory VaR model in the calculation of the trading book market risk capital requirements.

The VaR model uses assumptions and estimates that the Bank believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions and/or correlations across asset classes.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does not provide any information on the size of losses that could occur beyond that threshold.
- VaR 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.
- VaR is calculated using positions held at the end of each business day and does not include intra-day changes in exposures.

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. Market data proxies are selected to be as close to the underlying instrument as possible. Where neither a suitable market dataset nor a close proxy is available, conservative parameter moves are used.

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 quantity 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 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 for the Bank, as measured by ten-day 99% VaR. 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 [1]	Total
2019 (USD million)						
Average	28	6	4	17	(26)	29
Minimum	18	3	2	8	– [2]	16
Maximum	49	17	9	43	– [2]	57
End of period	20	3	3	13	(20)	19
2018 (USD million)						
Average	26	7	4	20	(24)	33
Minimum	14	4	2	10	– [2]	16
Maximum	55	15	8	54	– [2]	67
End of period	27	5	3	44	(22)	57

[1] VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.
[2] As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

VaR results

The Bank's ten-day, 99% regulatory VaR as of 31 December 2019 decreased by 66% to USD 19 million, compared to 31 December 2018 (USD 57 million).

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including scenario analysis, sensitivity 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. The sensitivity analysis for the non-trading activities 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 risk on banking book positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD 0.07 million as of 31 December 2019 compared to USD 0.15 million as of 31 December 2018. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2018, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

A fair value gain of USD 76 million (2018: gain of USD 29 million) for a +200bps move.

A fair value gain of USD 72 million (2018: loss of USD 43 million) for a -200bps move.

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.

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 and funding strategy of Credit Suisse ('CS') is approved by the Capital Allocation & Risk Management Committee ('CARMC') and overseen by the Board of Directors ('Board').

CARMC committee includes the CEOs of the CS group and the divisions, the Chief Financial Officer, the CRO, the Chief Compliance and Regulatory Affairs Officer and the Treasurer, and it is responsible for review of the capital position, balance sheet development, current and prospective funding, interest rate risk and foreign exchange exposure, as well as defining and monitoring the adherence to internal risk limits. CARMC also regularly reviews the methodology and assumptions of the liquidity risk management framework and determines the liquidity horizon to be maintained.

The Board defines CS's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage by businesses. The Board is responsible for defining overall risk tolerance in the form of a risk appetite statement.

The implementation and execution of the liquidity and funding strategy is managed by Treasury. Treasury ensures adherence to the CS funding policy and the efficient coordination of secured funding desks. This approach enhances CS's ability to manage potential liquidity and funding risks and to promptly adjust liquidity and funding levels to meet stress situations.

The liquidity and funding profile is reported regularly to CARMC and the Board and it reflects CS strategy and risk appetite and is driven by business activity levels and the overall operating environment.

The liquidity and funding policy is designed to ensure that CS assets are funded and CS liquidity obligations are met as they fall due in times of stress, whether caused by market events and/or CS specific issues. This is achieved thorough a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets.

To address short-term liquidity stress, a liquidity pool comprising of cash held at central banks and high-quality liquid assets ('HQLA') is maintained and managed by Treasury for the purpose of covering unexpected outflows in the event of severe market and idiosyncratic stress. CS liquidity risk parameters reflect various liquidity stress assumptions calibrated as such that in the event CS is unable to access unsecured funding, CS expects to have sufficient liquidity to sustain operations for a period of time in excess of the minimum limit. This includes potential currency mismatches, which are monitored and subject to limits, particularly in the significant currencies of euro, Japanese yen, pound sterling, Swiss franc and US dollar.

CS uses the internal liquidity Barometer to manage its liquidity to internal targets and as a basis to model both CS-specific and market-wide stress scenarios and their impact on the liquidity and funding over different time horizons. Other functionalities include the ability to manage entity-specific liquidity, and low point and currency controls. The internal Barometer framework also supports the management of the funding structure.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken as a response, including a detailed communication plan for creditors, investors and customers.

On the regulatory front, in 2010, the Basel Committee on Banking Supervision ('BCBS') issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio ('LCR') and a net stable funding ratio ('NSFR').

The LCR aims to ensure that banks have unencumbered high-quality liquid assets ('HQLA') available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding.

It should be noted that local regulators are free to interpret the BCBS proposals and have implemented various aspects differently including timescales for implementation of the LCR and NSFR.

Legal entity management of liquidity risk

The legal entity internal liquidity risk management framework is aligned with the group-wide approach but also incorporates local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's ('PRA') Individual Liquidity Guidance ('ILG') which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under CRDIV guidelines, the LCR was initially introduced with a minimum requirement of 80% on 1 October 2015 with an increase to 90% from 1 January 2017 and full compliance by 1 January 2018 (one year prior to BCBS guidelines). NSFR will become legally effective in the EU from 28 June 2021 under the Capital Requirements Regulation (CRR) rules. Until then, the EU NSFR is to be submitted on a monitoring basis.

In the context of legal entity liquidity management, the CSi Board is responsible for setting the liquidity risk appetite. Some of the key characteristics determining the liquidity risk management approach in CSi include, but are not limited to:

- Board approved legal entity risk appetite;
- Compliance with local regulatory requirements;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

CSi has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage the liquidity risk.

The legal entity risk appetite and assumptions underlying relevant stress tests, which form part of CSi's liquidity risk management framework, are reviewed by Liquidity Risk and Treasury and ultimately approved by the Board on at least an annual basis or as market conditions dictate.

The authority to set more granular limits is delegated by the Board to the CSi's ExCo which has appointed the CSi CRO as the Accountable Executive; operating limits are approved through CSi Risk Management Committee ('RMC').

Treasury is responsible for maintaining sufficient HQLA collateral to meet regulatory and internal stress requirements. Treasury is also responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communication strategies.

Incremental to CSi's unsecured funding sources from CS, CSi has the ability to access secured funding markets via repurchase and stock lending agreements. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

Group 31 December 2019	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	435	–	–	–	–	**435**
Securities sold under repurchase agreements and securities lending transactions	519	908	1,728	–	–	**3,155**
Trading financial liabilities mandatorily at fair value through profit or loss	133,536	–	–	–	–	**133,536**
Financial liabilities designated at fair value through profit or loss [1]	3,444	8,465	2,922	4,808	1,476	**21,115**
Borrowings	–	14,116	–	–	–	**14,116**
Debt in issuance	–	4,377	58	9,861	449	**14,745**
Other liabilities	23,320	–	–	–	–	**23,320**
Liabilities held for sale	297	–	4	6	125	**432**
Total	**161,551**	**27,866**	**4,712**	**14,675**	**2,050**	**210,854**

[1] In addition certain of the Financial liabilities designated at fair value through profit or loss includes 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 current liabilities. Within the population this includes USD 0.6 billion of such notes with a contractual maturity of between 1 and 5 years.

Group 31 December 2018	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	1,028	–	–	–	–	**1,028**
Securities sold under repurchase agreements and securities lending transactions	1,610	776	5	–	–	**2,391**
Trading financial liabilities at fair value through profit or loss	126,414	–	–	–	–	**126,414**
Financial liabilities designated at fair value through profit or loss [1]	2,455	10,505	1,458	5,633	4,113	**24,164**
Borrowings	–	19,555	–	–	–	**19,555**
Debt in issuance	–	2,847	1,564	7,772	8	**12,191**
Other liabilities	23,339	–	–	–	–	**23,339**
Liabilities held for sale	–	–	–	–	–	**–**
Total	**154,846**	**33,683**	**3,027**	**13,405**	**4,121**	**209,082**

[1] In addition certain of the Financial liabilities designated at fair value through profit or loss includes 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 current liabilities. Within the population this includes USD 87 million of such notes with a contractual maturity of between 1 and 5 years.

Bank 31 December 2019	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	435	–	–	–	–	**435**
Securities sold under repurchase agreements and securities lending transactions	519	908	1,728	–	–	**3,155**
Trading financial liabilities mandatorily at fair value through profit or loss	133,338	–	–	–	–	**133,338**
Financial liabilities designated at fair value through profit or loss [1]	3,377	8,533	2,909	4,742	1,433	**20,994**
Borrowings	–	14,116	–	–	–	**14,116**
Debt in Issuance	–	4,428	7	9,734	506	**14,675**
Other liabilities	23,320	–	–	–	–	**23,320**
Liabilities held for sale	297	–	4	6	125	**432**
Total	**161,286**	**27,985**	**4,648**	**14,482**	**2,064**	**210,465**

[1] In addition certain of the Financial liabilities designated at fair value through profit or loss includes 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 current liabilities. Within the population this includes USD 0.6 billion of such notes with a contractual maturity of between 1 and 5 years.

Bank 31 December 2018	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	1,028	–	–	–	–	**1,028**
Securities sold under repurchase agreements and securities lending transactions	1,610	776	5	–	–	**2,391**
Trading financial liabilities at fair value through profit or loss	126,414	–	–	–	–	**126,414**
Financial liabilities designated at fair value through profit or loss [1]	2,455	10,505	1,441	5,395	4,307	**24,103**
Borrowings	–	19,555	–	–	–	**19,555**
Debt in issuance	–	2,847	1,547	7,636	3	**12,033**
Other liabilities	23,339	–	–	–	–	**23,339**
Liabilities held for sale	–	–	–	–	–	**–**
Total	**154,846**	**33,683**	**2,993**	**13,031**	**4,310**	**208,863**

[1] In addition certain of the Financial liabilities designated at fair value through profit or loss includes 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 current liabilities. Within the population this includes USD 0.1billion 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 deposits, 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') department, 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.

The CSi group 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 2019. 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:

2019 (USD million)	Group Gross	Group Collateral	Group Net	Bank Gross	Bank Collateral	Bank Net
Maximum exposure to credit risk						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	14,088	–	14,088	13,749	–	13,749
Derivative trading positions	126,147	115,437	10,710	126,148	115,437	10,711
Other	901	–	901	901	–	901
Non-trading financial assets mandatorily at fair value through profit or loss						
Loans	1,354	1,005	349	1,470	1,005	465
Reverse repurchase agreements	19,880	19,880	–	19,880	19,880	–
Other	1,060	–	1,060	1,060	–	1,060
Maximum exposure to credit risk – total assets	**163,430**	**136,322**	**27,108**	**163,208**	**136,322**	**26,886**
Off-balance sheet items						
loan commitments and other credit related commitments	3,392	2,009	1,383	3,392	2,009	1,383
Maximum exposure to credit risk – total off-balance sheet	**3,392**	**2,009**	**1,383**	**3,392**	**2,009**	**1,383**
Maximum exposure to credit risk	**166,822**	**138,331**	**28,491**	**166,600**	**138,331**	**28,269**

2018 (USD million)	Group Gross	Group Collateral	Group Net	Bank Gross	Bank Collateral	Bank Net
Maximum exposure to credit risk						
Trading financial assets at fair value through profit or loss						
Debt securities	16,845	–	16,845	16,742	–	16,742
Derivative trading positions	124,434	117,245	7,189	124,516	117,245	7,271
Other	579	–	579	579	–	579
Financial assets designated at fair value through profit or loss						
Loans	1,045	348	697	1,098	348	750
Reverse repurchase agreements	15,650	15,650	–	15,650	15,650	–
Other	964	–	964	964	–	964
Net loans						
Other assets						
Maximum exposure to credit risk – total assets	**159,517**	**133,243**	**26,274**	**159,549**	**133,243**	**26,306**
Off-balance sheet items						
loan commitments and other credit related commitments	1,392	382	1,010	1,392	382	1,010
Maximum exposure to credit risk – total off-balance sheet	**1,392**	**382**	**1,010**	**1,392**	**382**	**1,010**
Maximum exposure to credit risk	**160,909**	**133,625**	**27,284**	**160,941**	**133,625**	**27,316**

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.

Cash and due from banks 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	2019 Total
AA+ to AA-	450	–	–	–	450
A+ to A-	3,876	–	–	–	3,876
BBB+ to BBB-	15	–	–	–	15
BB+ to BB-	23	–	–	–	23
B+ and below	74	–	–	–	74
Gross Carrying amount	**4,438**	**–**	**–**	**–**	**4,438**
Loss allowance	–	–	–	–	–
Net Carrying amount	**4,438**	**–**	**–**	**–**	**4,438**

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	2018 Total
AA+ to AA-	579	–	–	–	579
A+ to A-	1,475	–	–	–	1,475
BBB+ to BBB-	159	–	–	–	159
BB+ to BB-	16	–	–	–	16
Gross Carrying amount	**2,229**	**–**	**–**	**–**	**2,229**
Loss allowance	–	–	–	–	–
Net Carrying amount	**2,229**	**–**	**–**	**–**	**2,229**

The previous table applies to Bank also, with the exception of rating trades A+ to A- for which the 12 month ECL (Stage1) balance is USD 1,442 million.

Interest bearing deposit with banks 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	2019 Total
AA+ to AA-	–	–	–	–	–
A+ to A-	12,205	–	–	–	12,205
Gross Carrying amount	**12,205**	**–**	**–**	**–**	**12,205**
Loss allowance	–	–	–	–	**–**
Net Carrying amount	**12,205**	**–**	**–**	**–**	**12,205**

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	2018 Total
A+ to A-	17,859	–	–	–	17,859
Gross Carrying amount	**17,859**	**–**	**–**	**–**	**17,859**
Loss allowance	1	–	–	–	1
Net Carrying amount	**17,858**	**–**	**–**	**–**	**17,858**

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	2019 Total
A+ to A-	110	–	–	–	110
BBB+ to BBB-	2,614	–	–	–	2,614
BB+ to BB-	7	–	–	–	7
B+ and below	87	–	20	–	107
Gross Carrying amount	**2,818**	**–**	**20**	**–**	**2,838**
Loss allowance	3	–	7	–	10
Net Carrying amount	**2,815**	**–**	**13**	**–**	**2,828**

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	2018 Total
A+ to A-	372	–	–	–	372
BBB+ to BBB-	2,974	–	–	–	2,974
BB+ to BB-	4	–	–	–	4
B+ and below	154	12	8	–	174
Gross Carrying amount	**3,504**	**12**	**8**	**–**	**3,524**
Loss allowance	2	–	4	–	6
Net Carrying amount	**3,502**	**12**	**4**	**–**	**3,518**

Securities purchases under resale agreements and Securities borrowing transactions 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	2019 Total
A+ to A-	6,145	–	–	–	6,145
B+ and below	–	–	–	–	–
Gross Carrying amount	**6,145**	**–**	**–**	**–**	**6,145**
Loss allowance	–	–	–	–	–
Net Carrying amount	**6,145**	**–**	**–**	**–**	**6,145**

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	2018 Total
A+ to A-	10,452	–	–	–	10,452
B+ and below	35	–	–	–	35
Gross Carrying amount	**10,487**	**–**	**–**	**–**	**10,487**
Loss allowance	–	–	–	–	–
Net Carrying amount	**10,487**	**–**	**–**	**–**	**10,487**

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	2019 **Total**
AA+ to AA-	574	–	–	–	574
A+ to A-	924	–	–	–	924
BBB+ to BBB-	4	–	–	–	4
BB+ to BB-	14	–	–	–	14
B+ and below	66	2	–	–	68
Gross Carrying amount	**1,582**	**2**	**–**	**–**	**1,584**
Loss allowance	2	–	–	–	2
Net Carrying amount	**1,580**	**2**	**–**	**–**	**1,582**

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	2018 **Total**
AA+ to AA-	1	–	–	–	1
A+ to A-	479	–	–	–	479
BBB+ to BBB-	8	–	–	–	8
BB+ to BB-	14	–	–	–	14
B+ and below	37	–	–	–	37
Gross Carrying amount	**539**	**–**	**–**	**–**	**539**
Loss allowance	2	–	–	–	2
Net Carrying amount	**537**	**–**	**–**	**–**	**537**

Financial guarantees 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	2019 **Total**
BBB+ to BBB-	50	–	–	–	50
B+ and below	155	–	–	–	155
Gross Carrying amount	**205**	**–**	**–**	**–**	**205**
Loss allowance	3	–	–	–	3
Net Carrying amount	**202**	**–**	**–**	**–**	**202**

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	2018 **Total**
BBB+ to BBB-	75	–	–	–	75
B+ and below	165	–	–	–	165
Gross Carrying amount	**240**	**–**	**–**	**–**	**240**
Loss allowance	3	–	–	–	3
Net Carrying amount	**237**	**–**	**–**	**–**	**237**

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
2019					
AA+ to AA-	168	–	–	–	168
A+ to A-	346	11	–	–	357
BBB+ to BBB-	785	–	–	–	785
BB+ to BB-	347	–	–	–	347
B+ and below	724	80	1	–	805
Gross Carrying amount	**2,370**	**91**	**1**	**–**	**2,462**
Loss allowance	1	–	–	–	1
Net Carrying amount	**2,369**	**91**	**1**	**–**	**2,461**

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
2018					
A+ to A-	846	–	–	–	846
BBB+ to BBB-	1,225	–	–	–	1,225
BB+ to BB-	154	–	–	–	154
B+ and below	714	29	–	–	743
Gross Carrying amount	**2,939**	**29**	**–**	**–**	**2,968**
Loss allowance	–	–	–	–	–
Net Carrying amount	**2,939**	**29**	**–**	**–**	**2,968**

The CSi group 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.

The CSi group typically enters into master netting arrangements ('MNAs') with OTC derivative counterparties. The MNAs allow the CSi group 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 the CSi group, 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 receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group 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 18 – Financial Assets and 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 the CSi group 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. The CSi group 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. The CSi group 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 39 – Guarantees and Commitments.

For further information on collateral held as security that the CSi group 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.

Risk Mitigation

CSi actively manages its credit exposure utilising credit hedges and monetiseable 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

Counterparty exposure before collateral by rating

	2019		2018	
	USD million	%	USD million	%
AAA	768	2	1,274	4
AA+ to AA-	8,499	26	7,441	23
A+ to A-	9,302	28	9,955	29
BBB+ to BBB-	8,691	26	9,108	28
BB+ to BB-	2,097	6	1,713	5
B+ and below	3,846	12	3,461	11
	33,203	**100**	**32,952**	**100**

Unsecured exposure by rating (including provisions)

	2019		2018	
	USD million	%	USD million	%
AAA	203	2	153	1
AA+ to AA-	4,091	28	3,465	25
A+ to A-	3,217	22	3,837	29
BBB+ to BBB-	3,178	22	3,170	23
BB+ to BB-	1,205	8	721	5
B+ and below	2,517	18	2,298	17
	14,411	**100.00**	**13,644**	**100**

The previous tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

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. Credit limits are sized to 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).

Wrong-way risk ('WWR')

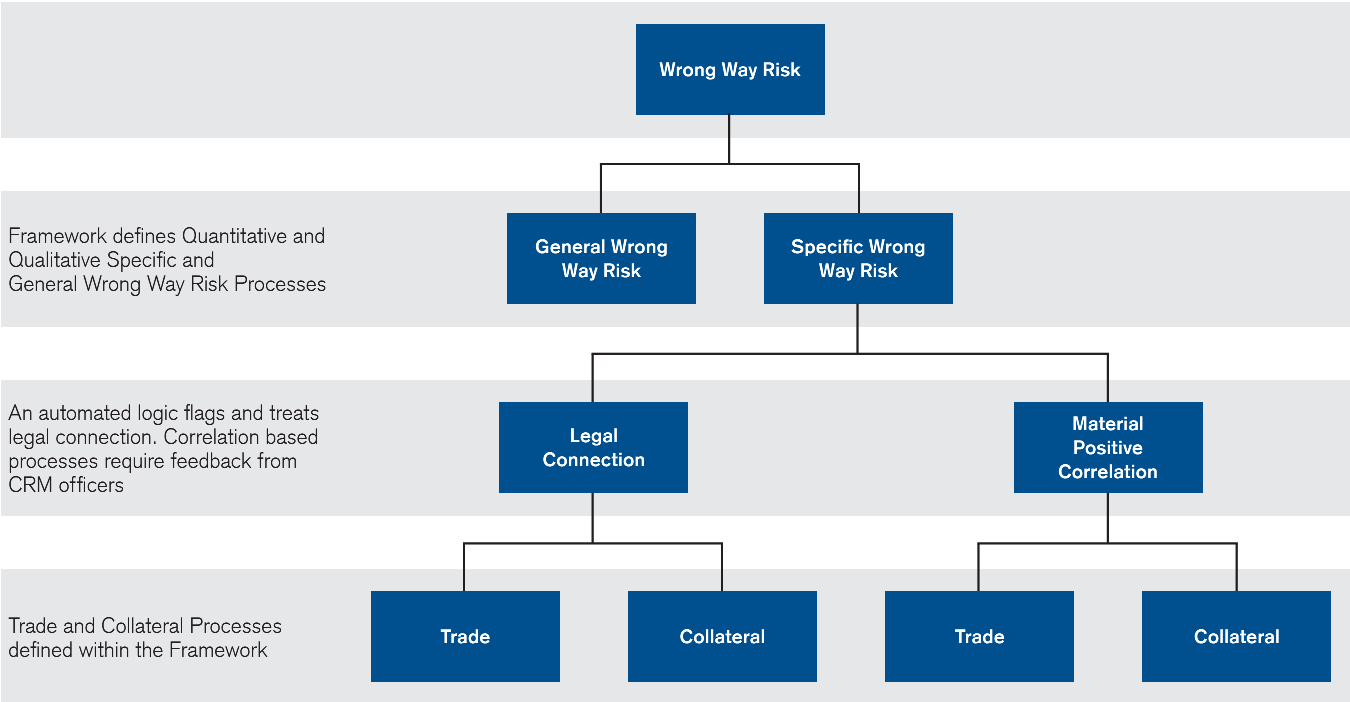
Wrong-way exposures

In a wrong-way trading situation, the Bank's exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing WWR requires the establishment of basic assumptions regarding correlations within a given trading product. The Bank has multiple processes that allow us to capture and estimate WWR.

Exposure adjusted risk calculation

WWR can arise from different business relationships.

An exposure methodology based on jump–to-default assumptions, ineligibility of collateral or scenario-based add-ons is in place to identify and adjust exposures for all WWR types as per the distinction in the following table below.



With respect to general WWR, a scenario-based exposure add-on is applied to those counterparties identified following the quantitative and qualitative review from Credit Officers where the Basel III exposure is not deemed sufficient to capture the additional risk fully.

Wrong-way risk monitoring

Regular reporting of WWR at both the individual trade and portfolio level allows WWR to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing WWR due to legal connection are automatically flagged and included in regular reporting. General WWR and transactions containing specific WWR due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. The outcome of the WWR identification process is subject to regular review by the UK CRM management team.

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, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSi group 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 risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. CSi CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSi.

For CSi, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. 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 unauthorized 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.

Compliance and regulatory risk

Compliance and regulatory risk is the risk from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on our franchise and clients CS group serves. It includes 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. Examples of sources of compliance risks include cross-border activities, the risk of money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients

Enterprise Risk & Control Framework('ERCF')

To effectively manage operational and compliance risks, the CS group-wide ERCF was introduced in 2016 focusing on the early identification, recording, assessment, monitoring, prevention and mitigation of these risks, as well as timely and meaningful management reporting. Under the ERCF, CSi integrated the operational risk framework and all of its components with the compliance risk components to further harmonise our approach to non-financial risk. The assessment processes for operational and compliance risks are closely coordinated, resulting in an enhanced risk and control self-assessment ('RCSA') that covers both risk types in a more consistent manner. Also, standardised CS group-wide role descriptions define the responsibilities for identifying, assessing, reporting and managing risks across the organisation. A systematic key control activities framework forms part of the ERCF. This framework applies consistent standards and approaches to the identification, documentation and assessment of key controls across the CS group.

The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across CSi while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet group-wide minimum standards. The main components of the ERCF are:

Governance and policies are fundamental to ERCF. Effective governance processes establish clear roles and responsibilities for managing operational and compliance risk and define appropriate escalation processes for outcomes that are outside expected levels. CS group utilise a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.

- Each business area takes responsibility for its operational and compliance risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated second line of defense operational risk and compliance teams that are responsible for independent risk oversight, methodologies, tools and reporting within their areas as well as working with management on any operational and compliance risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational and compliance risk issues and identify required actions to mitigate risks.
- The operational risk management and compliance functions are jointly responsible for setting minimum standards with policies and procedures for operational and compliance risks. This includes ensuring the cohesiveness of policies, tools and practices throughout the CS group particularly with regard to the identification, evaluation, mitigation, monitoring and reporting of these risks.
- Operational and compliance risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings of the internal control system cycle and at legal entity operational risk and compliance management committees, which have senior representatives from all relevant functions.

ERCF risk appetite determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their operational and compliance risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents (which may also arise due to compliance issues) and qualitative statements covering outcomes that should be avoided. Senior management also defines market area and client risk appetites. In 2018, we further enhanced our conduct risk appetite. The risk appetites are defined with the relevant risk management committees in agreement with the operational risk management and compliance functions.

ERCF risk taxonomy represents a unified and standardised catalogue of inherent non-financial risk definitions across operational and compliance risk. It provides a consistent approach to the identification and classification of these risks across the CS group.

ERCF key controls are documented and assessed under a common controls assessment framework, ensuring that key controls are identified, documented, executed and assessed consistently and comprehensively, with a focus on the most significant risks and associated key controls. CS group utilise a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended. Key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other ERCF components, such as in the RCSA process.

ERCF metrics are risk and control indicators that are used to monitor identified operational risks, compliance risks and controls over time. A key risk indicator is defined as a metric used to provide early warning of increasing risk exposure and can be backward and forward looking in nature. A key control indicator is defined as a metric that assesses and monitors the effectiveness of one or several controls. Minimum standards apply to the identification, selection, risk mapping approval, monitoring and escalation of metrics that are linked to ERCF risk appetite and top ERCF risks which are reported to legal entity risk management committees. Key risk and control indicators may also be used as inputs into scenario analysis and capital allocation.

Incidents describes the process in which CS group systematically collects, analyses and reports data on operational and compliance risk incidents to ensure that CS group understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CS group focuses both on incidents that result in economic losses and on events that provide information on potential control gaps, even if no losses occurred. CS group also collects and utilises available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the legal entity. Incident data is also a key input for our operational risk capital models and other analytics.

Enterprise risk and control assessment consolidates the assessment, review and challenge activities for operational, compliance and legal risks across all divisions and functions into a single framework and consists of the elements RCSA, compliance risk assessment and any associated legal risk assessment:

- **Risk and control self-assessments** ('RCSA') are comprehensive, bottom-up assessments of the key operational and compliance risks in each business and control function. The

process of preparing RCSAs comprises a self-assessment of the relevant business line or functional risk profile based on the ERCF risk taxonomy classifying risks under a standardised approach. It covers an assessment of the inherent risks of each business and control function, provides an evaluation of the effectiveness of the controls in place to mitigate these risks, determines the residual risk ratings and requires a decision to either accept or remediate any residual risks. In the case of remediation, mitigating actions are defined and approved by management. While these are self-assessments, they are subject to independent review and challenge by relevant risk management functions to ensure that they have been conducted appropriately. RCSAs utilise other components of the ERCF, such as ERCF metrics and incidents, and they generate outputs that are used to manage and monitor risks.
- **Compliance risk assessment** is the CS group's formal, proactive dynamic process which provides the framework for the independent second line compliance function to formally assess the overall compliance and regulatory risks associated with a particular business unit or business activity. The results are used to identify potential or actual areas of risk in the business which also assists compliance management in planning the compliance objectives to mitigate risks identified. This risk assessment consists of an analysis of the inherent risk and control effectiveness aligned to the compliance risk categories and is performed at the level of a risk unit. Quantitative metrics are leveraged wherever possible, supplementing the qualitative assessments. Upon completion of the assessment, overall risk unit ratings are established through a compliance divisional, legal entity and CS group-wide review and mitigating actions are identified as appropriate. The results of the compliance risk assessment are presented to the CSG Board of Directors and Audit Committee, and the CSi Board of Directors.
- **Legal risk assessment** is a sub-assessment of the CS group's RCSA with the objective to conduct an enhanced assessment of legal risks across the CS group. The legal risk assessment is based on the principles defined for the RCSA program. The General Counsel function reviews the results of the legal risk assessments performed by business units across the CS group. The legal risk assessment complements the RCSA process in providing an independent review and challenge process by the second line of defense.

Top ERCF risks are identified at the legal entity level and represent the most significant risks requiring senior management attention. They are generated through a combination of top-down assessment by senior management and a bottom-up process collating the main themes arising from the RCSA and compliance risk assessment processes. Where appropriate, remediation plans are put in place with ownership by senior management.

Issues and action management encompasses a structured approach to responding to operational and compliance risk incidents and breaches of ERCF quantitative and qualitative risk appetite or metrics, as well as continuous monitoring of remediation actions against identified control issues. Further, the compliance and regulatory responses function consolidates and monitors issues and actions CS group-wide including audit, regulatory, self-identified and second line identified issues and actions. The operational risk incident management component includes a defined process for identifying, categorising, investigating, escalating and remediating incidents. These reviews seek to assess the causes of control weaknesses, establish appropriate remediation actions and ascertain whether events have implications for other businesses or could have potential impact in the future. They can result in recommendations to impose restrictions on businesses while operational risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative ERCF risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how to best remediate issues that fall outside agreed risk appetite levels.

Where appropriate, major strategic change programs may also undergo independent ERCF change assessments by the operational risk function, leveraging the ERCF assessment framework to determine the potential impact of the change activity on the overall operational risk profile of the impacted area both during and after implementation.

ERCF scenario analysis is focused on operational and compliance risks and is used to identify and measure exposure to a range of adverse events, such as unauthorised trading, transaction processing errors and compliance issues. These scenarios help businesses assess the suitability of controls in light of potential losses, and they are also an input to the internal models used by the CS group to calculate stressed loss projections as well as economic and regulatory capital. More specifically, **the ERCF stress testing** is a sub-component of the CS group-wide stress testing framework and it focuses on the evaluation of potential operational risk impacts of macro-economic scenarios on net income and regulatory capital across a number of operational risk categories. **Operational Risk regulatory capital** is based on the Business Indicator Approach which for the internal capital adequacy assessment process is supplemented by internal models and scenario analysis.

Transfer of operational risk to third-party insurance companies
In addition to managing and mitigating operational risks under the ERCF through business- and risk-related processes and organisation, CS group also transfers the risk of potential loss from certain operational risks to third-party insurance companies in certain instances.

viii) Conduct Risk
Credit Suisse globally defines conduct risk as the risk that improper behaviour or judgement by our employees results in negative financial, non-financial or reputational impact to our clients, employees, the bank, and the integrity of the markets.

Some conduct risks are inherent in our business and negative impact to our clients, employees, the market or competition, can arise from a variety of causes including failed processes, product design, business set-up, execution of organisational change, or as unintended consequences of business decisions. CS group apply conduct risk across the bank's ('ERCF') Risk Register to identify potential conduct risks and evaluate conduct breaches that have occurred. In line with our overall risk management model, all staff are responsible for assessing and managing the conduct risks inherent in the activities they undertake.

CSi seeks to promote good behaviour and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening CSi's reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviours. In addition, the Conduct and Ethics Standards further embed clear expectations of Credit Suisse's employees to ensure that the right things are done in the right way. The Code of Conduct and the set of Conduct and Ethics Standards are linked to CSi's employee performance assessment and compensation processes.

ix) 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 activities. 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. CS group seeks 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. CS group requires our critical IT systems to be identified, secure, resilient and available and support our ongoing operations, decision-making, communications and reporting. CS group systems must also have the capability, 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 enterprise risk and control assessment 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 we 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 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 modify our protective measures or 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 assesses and responds accordingly to any potential vulnerabilities that this may reveal. CS group is also an active participant in industry forums and information exchange initiatives and engages in regulatory consultation on this subject.

CS group have 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 group risk appetite. CS group 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 its our key controls and CS group 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 Enterprise and Risk Control Framework, the Executive Board as well as CSi risk management committee are given updates on the broader technology risk exposure.

Senior management, including the CSi Board and its Risk Committee are regularly informed about broader technology risk exposure and the threats and mitigations in place to manage cyber incidents. Notable incidents are escalated to the Risk Committee together with lessons learned and mitigation plans. Regular business continuity and cyber incident response plans are rehearsed at all levels, up to and including the Executive Board.

x) 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 ('the Policy') 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.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, action or client relationship, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The CSi Board has delegated reputational risk issues to be reviewed via the Bank's global RRRP which includes an overview of the transaction or action being considered, the risks identified and relevant mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by the UK Senior Manager in the relevant division, and assuming they are supportive of the proposal are then subsequently referred to one of CSi Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on the Bank's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the CSi Reputational Risk Committee ('the Committee') for further discussion, review and final decision. The Committee is comprised of senior Bank entity management across divisions and corporate functions.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to EMEA RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the relevant regional committee

46 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 (enforceable master netting agreements), 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 deposits 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.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of derivative instruments

(USD million)			**2019**			2018
Group	Gross	Offsetting	Net [2]	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	126,161	(1,625)	124,536	130,634	(7,274)	123,360
Derivative instruments not subject to enforceable master netting agreements [1]	1,861	–	1,861	1,074	–	1,074
Total derivative instruments presented in the Consolidated Statement of Financial Position	**128,022**	**(1,625)**	**126,397**	**131,708**	**(7,274)**	**124,434**
of which recorded in trading financial assets at fair value through profit or loss	128,011	(1,625)	126,386	131,708	(7,274)	124,434
of which recorded in other assets	11	–	11	–	–	–
Derivative Liabilities			–			
Derivative instruments subject to enforceable master netting agreements	128,320	(1,216)	127,104	129,334	(7,114)	122,220
Derivative instruments not subject to enforceable master netting agreements [1]	2,648	–	2,648	1,247	–	1,247
Total derivative instruments presented in the Consolidated Statement of Financial Position	**130,968**	**(1,216)**	**129,752**	**130,581**	**(7,114)**	**123,467**
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	130,966	(1,216)	129,750	130,569	(7,114)	123,455
of which recorded in other liabilities	2	–	2	12	–	12

[1] Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] Above table includes Assets and Liabilities held for sale. Details are included in Note – 31 Discontinued Operations and Assets and Liabilities held for sale.

(USD million)			2019			2018
Bank	Gross	Offsetting	Net [2]	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	126,162	(1,625)	124,537	130,716	(7,274)	123,442
Derivative instruments not subject to enforceable master netting agreements [1]	1,861	–	1,861	1,074	–	1,074
Total derivative instruments presented in the Statement of Financial Position	**128,023**	**(1,625)**	**126,398**	**131,790**	**(7,274)**	**124,516**
of which recorded in trading financial assets at fair value through profit or loss	128,012	(1,625)	126,387	131,790	(7,274)	124,516
of which recorded in other assets	11	–	11	–	–	–
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	128,321	(1,216)	127,105	129,335	(7,114)	122,221
Derivative instruments not subject to enforceable master netting agreements [1]	2,648	–	2,648	1,247	–	1,247
Total derivative instruments presented in the Statement of Financial Position	**130,969**	**(1,216)**	**129,753**	**130,582**	**(7,114)**	**123,468**
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	130,967	(1,216)	129,751	130,570	(7,114)	123,456
of which recorded in other liabilities	2	–	2	12	–	12

[1] Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] Above table includes Assets and Liabilities held for sale. Details are included in Note – 31 Discontinued Operations and Assets and Liabilities held for sale.

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 2019 and 31 December 2018. 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 securities purchased under resale agreements and securities borrowing transactions

Group and Bank (USD million)	Gross	Offsetting	2019 Net	Gross	Offsetting	2018 Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	22,907	(330)	22,577	22,630	(809)	21,821
Securities borrowing transactions	3,330	–	3,330	3,297	–	3,297
Total subject to enforceable master netting agreements	26,237	(330)	25,907	25,927	(809)	25,118
Total not subject to enforceable master netting agreements [1]	118	–	118	1,019	–	1,019
Total [2]	**26,355**	**(330)**	**26,025**	**26,946**	**(809)**	**26,137**

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities sold under repurchase agreements and securities lending transactions

Group (USD million)	Gross	Offsetting	2019 Net	Gross	Offsetting	2018 Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	10,795	(330)	10,465	16,613	(809)	15,804
Securities lending transactions	2,204	–	2,204	1,441	–	1,441
Total subject to enforceable master netting agreements	12,999	(330)	12,669	18,054	(809)	17,245
Total not subject to enforceable master netting agreements [1]	90	–	90	73	–	73
Total [2]	**13,089**	**(330)**	**12,759**	**18,127**	**(809)**	**17,318**

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Bank (USD million)	Gross	Offsetting	2019 Net	Gross	Offsetting	2018 Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	10,795	(330)	10,465	16,613	(809)	15,804
Securities lending transactions	2,204	–	2,204	1,441	–	1,441
Total subject to enforceable master netting agreements	12,999	(330)	12,669	18,054	(809)	17,245
Total not subject to enforceable master netting agreements [1]	94	–	94	73	–	73
Total [2]	**13,093**	**(330)**	**12,763**	**18,127**	**(809)**	**17,318**

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] USD 9,938 million (2018 USD 15,736 million) of the total gross amount are reported at fair value.

The following table presents the gross amount of Financial assets designated at fair value through profit or loss subject to enforceable master netting agreements, the amount of offsetting, the amount of Financial assets designated at fair value through profit or loss not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of Funded Derivatives Assets

Group and Bank (USD million)	Gross	Offsetting	2019 Net	Gross	Offsetting	2018 Net
Funded Derivatives Assets [1]						
Funded Derivative instruments subject to enforceable master netting agreements	272	–	272	83	–	83
Funded Derivative instruments not subject to enforceable master netting agreements [2]	124	–	124	12	–	12
Total Funded Derivatives Assets	**396**	**–**	396	**95**	**–**	**95**

[1] These represent funded derivatives included under Loans in Financial assets designated at fair value through profit or loss.
[2] Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the gross amount of Financial liabilities designated at fair value through profit or loss subject to enforceable master netting agreements, the amount of offsetting, the amount of Financial liabilities designated at fair value through profit or loss not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of Funded Derivatives Liabilities

Group and Bank (USD million)	Gross	Offsetting	2019 Net	Gross	Offsetting	2018 Net
Funded Derivatives Liabilities [1]						
Funded Derivative instruments subject to enforceable master netting agreements	2,469	(889)	1,580	2,411	(705)	1,706
Funded Derivative instruments not subject to enforceable master netting agreements [2]	443	–	443	217	–	217
Total Funded Derivatives Liabilities	**2,912**	**(889)**	**2,023**	**2,628**	**(705)**	**1,923**

[1] These represent funded derivatives included under structured notes in Note 19 Financial liabilities designated at fair value through profit or loss.
[2] Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and Financial assets and liabilities designated at fair value through profit or loss not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the Consolidated Statement of Financial Position

Group and Bank (USD million)	2019 Net [1]	2019 Financial instruments [2]	2019 Cash collateral received/ pledged [2]	2019 Net exposure	2018 Net [1]	2018 Financial instruments	2018 Cash collateral received/ pledged [2]	2018 Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	124,536	(100,327)	(15,110)	9,099	123,360	(101,585)	(15,660)	6,115
Securities purchased under resale agreements	22,577	(22,577)	–	–	21,821	(21,821)	–	–
Securities borrowing transactions	3,330	(3,330)	–	–	3,297	(3,297)	–	–
Funded derivative assets	272	(39)	–	233	83	(74)	–	9
Total financial assets subject to enforceable master netting agreements	**150,715**	**(126,273)**	**(15,110)**	**9,332**	**148,561**	**(126,777)**	**(15,660)**	**6,124**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	127,105	(98,659)	(20,962)	7,484	122,220	(99,194)	(17,473)	5,553
Securities sold under repurchase agreements	10,465	(10,465)	–	–	15,804	(15,804)	–	–
Securities lending transactions	2,204	(2,204)	–	–	1,441	(1,441)	–	–
Funded derivative liabilities	1,580	(992)	–	588	1,706	(1,293)	–	413
Total financial liabilities subject to enforceable master netting agreements	**141,354**	**(112,320)**	**(20,962)**	**8,072**	**141,171**	**(117,732)**	**(17,473)**	**5,966**

1 Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.
2 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's. Therefore the net exposure presented in the table is not representative for the CSi group's counterparty exposure.

47 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 European Union regulations as set by the European Banking Authority ('EBA'). 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.

During 2019, USD 1 billion of Tier 1 Capital was repatriated and USD 1.1 billion of Tier 2 subordinated debt was repaid to Credit Suisse AG. In 2018, USD 1.525 billion of Tier 2 subordinated debt was repaid to DLJ UK Holdings Limited.

Overall movements in capital resources were as follows:

	2019	2018
Regulatory capital less deductions (USD million)		
Total regulatory capital less deductions at 1 January	**22,267**	**23,852**
Changes in Tier 1 instruments:		
Capital Repatriation [3]	(1,000)	–
Capital Contribution [3]	874	–
Changes in Tier 2 instruments:		
Subordinated debt repayment	(796)	(1,525)
Net movement on Tier 2 capital [1]	(187)	(113)
Profit and loss and movements in other comprehensive income [2]	127	55
Net movement in regulatory deductions and prudential filters	(1,038)	(2)
Total regulatory capital less deductions at 31 December	**20,373**	**22,267**

[1] Net movement on Tier 2 capital includes a amortisation and a general provision.
[2] Net move in shareholders equity includes repatriation of capital and introduction of capital contribution.
[3] Changes in Tier 1 instruments are already covered in Note 2, and are of which disclosures. These need to be excluded for arriving at the final capital in above table.

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% in 2019 and 2018. The RWA reflect the credit, market, operational and other risks of the Bank calculated using methodologies set out in the CRR.

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 2019 and 2018.

	2019	2018
Regulatory capital less deductions (USD millions)		
Total shareholders' equity-Bank	22,852	22,725
Shareholders' equity	**22,852**	**22,725**
Other deductions:		
Regulatory deductions (Intangible assets)	(489)	(476)
Securitisation positions	(9)	(62)
DTA on non-temporary differences	(203)	(6)
Excess of expected loss amounts over credit risk adjustments	(145)	(104)
Defined benefit pension fund assets (Net of DTL)	(825)	–
Prudential filters	(822)	(807)
Total Tier 1 capital	**20,359**	**21,270**
Tier 2 capital		
Subordinated debt	3	991
Standardised General Credit Risk Adjustments	11	6
Total Tier 2 capital	**14**	**997**
Total Tier 1 plus Tier 2 capital less Deductions	**20,373**	**22,267**

48 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 2018.

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 during 2018 or 2017. 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 2019 (2018: Nil).

Country by Country Reporting for the year ended 31 December 2019

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million) [1]	Profit/(Loss) before taxes (USD million) [1]	Corporation Taxes Paid (USD million)	Public Subsidies Received (USD million)
United Kingdom							
Credit Suisse International	Parent	Bank	2,406	2,405	189	9	–
Ireland							
Credit Suisse International, Dublin Branch	Branch	Bank branch	–	–	–	–	–
Spain							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	2	2	–	–	–
Italy							
Credit Suisse International, Italian Branch	Branch	Bank Branch	24	22	–	–	–
The Netherlands							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	5	4	1	–	–
Sweden							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	3	4	–	–	–
Credit Suisse International	Consolidated [1]		2,440	2,437	190	9	–

[1] Variable Interest entities are not included in the above reporting. For a full list of other consolidated entities please refer Note 41 – Interest in Other Entities.

CSi incurred Bank Levy of USD 14 million, employees social security of USD 102 million and irrecoverable UK value added tax of USD 25 million.

Country by Country Reporting for the year ended 31 December 2018

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million)	Profit/(Loss) before taxes (USD million)	Corporation Taxes Paid (USD million)	Public Subsidies Received (USD million)
United Kingdom							
Credit Suisse International	Parent	Bank	1,576	2,169	70	–	–
Ireland							
Credit Suisse International, Dublin Branch	Branch	Bank branch	–	–	–	–	–
Spain							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	2	1	–	–	–
Italy							
Credit Suisse International, Italian Branch	Branch	Bank Branch	22	22	4	–	–
The Netherlands							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	4	2	–	–	–
Sweden							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	3	3	–	–	–
Credit Suisse International	Consolidated [1]		1,607	2,197	74	–	–

[1] Variable Interest entities are not included in the above reporting. For a full list of other consolidated entities please refer Note 41 – Interest in Other Entities.

CSi incurred Bank Levy of USD 16 million, employees social security of USD 62 million and irrecoverable UK value added tax of USD 33 million.

49 CSi's Subsidiaries and Associates

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 2019 is disclosed below.

	Country	Security	Immediate Parent	Ultimate Parent	Total (%)
31 December 2019					
Subsidiaries					
AI3 Segregated Portfolio	Cayman Islands [2]	USD 100 Participating shares	Credit Suisse International	Credit Suisse Group AG	100
Andrea Investments (Jersey) PCC – Cell Series 1000 EUR	Jersey [2]	EUR Preference shares	Andrea Investments (Jersey) PCC	Borowska Trust	100
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	Jersey [2]	USD Preference shares	Andrea Investments (Jersey) PCC	Borowska Trust	100
Global Bond Fund	Republic of Ireland [2]	Investment Fund Share	Credit Suisse International	Credit Suisse Group AG	100
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands [2]	EUR 0.01 Participating shares	Credit Suisse International	Credit Suisse Group AG	100
Xanthos Holding – Segregated Portfolio	Cayman Islands [2]	Non-Participating USD 1 shares	Credit Suisse International	Credit Suisse Group AG	100
YI Active Spezial ESPA Fund.	Austria [2]	Non-voting shares	Credit Suisse International	Credit Suisse Group AG	100
LHI Mid Market Buy-Out Europe LP	Guernsey [2]	EUR shares	Credit Suisse International	Credit Suisse Group AG	80
Ajanta Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Andrea Investments (Jersey) PCC	Jersey [2]	No shares	Borowska Trust	Borowska Trust	– [1]
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey [2]	No shares	Andrea Investments (Jersey) PCC	Borowska Trust	– [1]
Argentum Capital Series 2016-20, 2015-51, 2018-64,2015-53, 2016-06, 2015-79, 2015-25,2014-9	Luxembourg [2]	No shares	Argentum Capital S.A.	Argentum Capital S.A.	– [1]
Arundel (International) Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Bellingham Properties Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Boats Investments (Jersey) Ltd Series 557,567,568,577,587,590,600,603,605, 608,613,618,619,620,621,624,627,628, 630,631,632,633,634,637,638,639,641, 642,643,644,645	Jersey [2]	No shares	Boats Investments (Jersey) Limited (Master Vehicle)	Boats Investments (Jersey) Limited (Master Vehicle)	– [1]
CARMF Alternative 1	France [2]	No shares	FLP Direct Investments	FLP Direct Investments	– [1]
Carmil Properties Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Cepheus Holdings Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Clearwater Seller Limited	United Kingdom [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Coxaro Holdings Limited	Cyprus [2]	No shares	AK Bars Bank	AK Bars Bank	– [1]
Crown Alternative Investments - (Segregated Portfolio)	Cayman Islands [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Custom Markets QIF PLC	Republic of Ireland [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Dutch Holding Rembrandt B.V.	Netherlands [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands [2]	No shares	CNP Assurances SA	CNP Assurances SA	– [1]
HOLT Emerging Markets Equity Fund	Republic of Ireland [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Interleuvenlaan 15 Real Estate Ltd	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Kaylen Properties Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Mistral SPC	Cayman Islands [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Mistral SPC – Long/Short Equity	Cayman Islands [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
New Jersey S.A.	Luxembourg [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Ramper Investments (Jersey) Limited – Series 13	Jersey [2]	No shares	Ramper Investments (Jersey) Limited	Ramper Investments (Jersey) Limited	– [1]
Silver Hake Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Sontex (International) Limited	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]

[1] Subsidiaries included in Note 41 – Interests in Other Entities, where CSi does not hold any share capital.
[2] Detailed Registered Office address mentioned in next Table.

	Country	Security	Immediate Parent	Ultimate Parent	Total (%)
31 December 2019					
Subsidiaries					
Weiveldlaan 41 Real Estate Ltd	Gibraltar [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Westwood S.A	Portugal [2]	No shares	Credit Suisse International	Credit Suisse Group AG	– [1]
Zephyros Limited	Cayman Islands [2]	No shares	Credit Suisse Group AG	Credit Suisse Group AG	– [1]
Associates					
Nanjia XSE Fund	Republic of Ireland [2]	Participating Shares	Credit Suisse International	Credit Suisse Group AG	48
AZ Pure China – Equity Strategy	Luxembourg [2]	USD A shares	BNP Paribas Securities Services SCA	BNP Paribas Securities Services SCA	32
SAPIC-98 Master Fund	Cayman Islands [2]	Non-Voting Ordinary Shares	Credit Suisse International	Credit Suisse Group AG	29
Solon Capital Ltd.	Bermuda	Participating Certificates	Solon Capital Ltd.	Solon Capital Ltd.	25
HOLT Global Equity Fund	Luxembourg	Investment Fund Share	Credit Suisse International	Credit Suisse Group AG	21
Investcorp Geo – Risk Fund	Republic of Ireland [2]	Class A EUR shares	Investcorp Investment Advisers LLC	Investcorp Investment Advisers LLC	20

[1] Subsidiaries included in Note 41 – Interests in Other Entities, where CSi does not hold any share capital.
[2] Detailed Registered Office address mentioned in next Table.

	Country	Registered Office
31 December 2019		
Subsidiaries		
AI3 Segregated Portfolio	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	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX, Jersey
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX, Jersey
Global Bond Fund	Republic of Ireland	2nd Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Republic of Ireland
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands	Cayman Management Ltd. Ground Floor, Harbour Centre, P.O. Box 1569 George Town, Grand Cayman KY1-1110, Cayman Islands
Xanthos Holding – Segregated Portfolio	Cayman Islands	Walkers SPV Limited Walker House, Mary Street PO Box 908GT George Town, Grand Cayman, Cayman Islands
YI Active Spezial ESPA Fund.	Austria	Am Belvedere 1, Vienna 1100, Austria
LHI Mid Market Buy-Out Europe LP	Guernsey	1 Royal Plaza Royal Avenue, St Peter Port, GY1 2HL, Guernsey
Ajanta Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Andrea Investments (Jersey) PCC	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX,Jersey
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX,Jersey
Argentum Capital Series 2016-20, 2015-51, 2018-64,2015-53,2016-06,2015-79,2015-25,2014-9	Luxembourg	51, avenue John F. Kennedy ,Luxembourg L-1855, Luxembourg
Arundel (International) Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Bellingham Properties Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Boats Investments (Jersey) Ltd Series 557,567,568,577,587,590,600,603,605,608,613,618, 619,620,621,624,627,628,630,631,632,633,634,637, 638,639,641,642,643,644,645	Jersey	22 Grenville Street, St Helier JE2 4UF, Jersey
CARMF Alternative 1	France	Aberdeen Asset Management, Gestion 29, rue de Berri, 75008 Paris
Carmil Properties Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Cepheus Holdings Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Clearwater Seller Limited	United Kingdom	35 Great St. Helen's, London EC3A 6AP, United Kingdom
Coxaro Holdings Limited	Cyprus	Elia House, 77 Limassol Avenue, Nicosia 2121, Cyprus
Crown Alternative Investments (Segregated Portfolio)	Cayman Islands	Grand Pavilion commercial centre, 1st Floor, West bay road, P.O Box 31855, George Town, E9 KY1-1207, Cayman Islands
Custom Markets QIF PLC	Republic of Ireland	MFD Secretaries Limited, 2nd Floor Beaux Lane House, Dublin 2, Republic of Ireland
Dutch Holding Rembrandt B.V.	Netherlands	Schiphol Boulevard, 231 toren B, 5e Luchthaven Schiphol 1118BH, Netherlands

	Country	Registered Office
31 December 2019		
Subsidiaries		
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands	Schiphol Boulevard, 231 toren B, 5e Luchthaven Schiphol 1118BH, Netherlands
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands	PO Box 309, George Town, Grand Cayman KY1-1104, Cayman Islands
HOLT Emerging Markets Equity Fund	Republic of Ireland	2nd Floor, Beaux lane House Mercer Street, Lower Dublin, Republic of Ireland
Interleuvenlaan 15 Real Estate Ltd	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Kaylen Properties Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Mistral SPC	Cayman Islands	PO Box 309, GT Ugland House, South Church, Street George Town, Grand Cayman,Cayman Islands
Mistral SPC – Long/Short Equity	Cayman Islands	PO Box 309, GT Ugland House, South Church, Street George Town, Grand Cayman, Cayman Islands
New Jersey S.A.	Luxembourg	51, avenue John F. Kennedy ,Luxembourg L-1855, Luxembourg
Ramper Investments (Jersey) Limited – Series 13	Jersey	St Pauls Gate, New Street, St Helier,St Helier JE4 8ZB, Jersey
Silver Hake Limited	Gibraltar	Suite 7b & 8b, Finsbury Trust, 50 Town Range, PO Box 472, Gibraltar
Sontex (International) Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Weiveldlaan 41 Real Estate Ltd	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Westwood S.A	Portugal	Edificio Atrium Saldanha Praca Duque de Saldanha, Lisbon 1050 094, Portugal
Zephyros Limited	Cayman Islands	PO Box 1093,GT Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands
Associates		
Nanjia XSE Fund	Republic of Ireland	Riverside One, Sir John Rogerson's Quay, Dublin 2, Republic of Ireland
AZ Pure China – Equity Strategy	Luxembourg	AZ Fund Management S.A., 35 Avenue Monterey,L-2163, Luxembourg
SAPIC-98 Master Fund	Cayman Islands	Services Cayman Limited, PO Box 10008, Willow House Cricket, Grand Cayman, KY1-1001, Cayman Islands
Solon Capital Ltd.	Bermuda	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
HOLT Global Equity Fund	Luxembourg	Credit Suisse Custom Markets,11/13 Boulevard de la Foire, L-1528 Luxembourg
Investcorp Geo – Risk Fund	Republic of Ireland	70 Sir John Rogerson's Quay, Dublin 2, Republic of Ireland

50 Subsequent Events

On 28 February 2020, the CSi group entered into a Business Transfer and Contribution Agreement with CSSSV whereby CSi London business is sold to CSSSV on 01 March 2020 for a cash consideration of USD 13 million.

In addition, branch businesses located in Amsterdam (USD 1.6 million consideration), Stockholm (USD 1.3 million consideration), Milan (USD 7.6 million consideration) and Madrid (USD 1.4 million consideration) are transferred to CSSSV on 01 March 2020 and all such transfers are executed with issuance of ordinary shares of CSSSV to the CSi group.

The transfer arrangements are part of the CSi group's planning for a Hard Brexit since it is anticipated that the CSi group would be unable to continue with such businesses due to lack of regulatory approvals once the UK withdraws its membership from the EU.

On 30 January 2020, CSi purchased Credit Suisse First Boston Trustees Limited from CSS(E)L for USD 130.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed. This tax rate increase is expected to be substantively enacted in 2020. If this tax rate increase had been substantively enacted as at 31 December 2019 it would have had the impact of increasing the deferred tax asset recorded by approximately USD 21 million.

The spread of COVID-19 is expected to have a significant impact on the global economy and is likely to affect the CSi business performance and credit loss estimates, in at least the first half of 2020 and going forward. CSi has assessed its business continuity implications and has developed macro-economic scenarios for material risks to continue to monitor and manage these risks. CSi is closely monitoring the spread of COVID-19 and the potential effects on its operations and business, refer to the Operating Environment and Other Significant Risk sections in the Strategic report.

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