Credit Suisse Securities, Sociedad de Valores, S.A.

Financial statements
December 31, 2019
Directors' Report
Year ended December 31, 2019

(Along with the Auditors' Report)

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Statements of financial position

31 December 2019 and 2018

(Euros)

ASSETS	Nota	2019	2018
Cash		**-**	**-**
Financial assets held for trading	**5**	**2,892,061,274.50**	**-**
Debt securities		-	-
Equity instruments		11,300.92	
Trading Derivatives		2,892,049,973.58	-
Other financial assets		-	-
Available-for-sale financial assets	**6**	**600.00**	**600.00**
Debt securities		-	-
Equity instruments		600.00	600.00
Loans and receivables	**7**	**2,755,484,787.26**	**327,474,062.33**
Loans and receivables from financial intermediaries		2,720,627,498.84	327,474,062.33
Loans and receivables from private individuals		34,857,288.42	-
Other financial assets		-	-
Tangible assets	**8**	**1,291,241.73**	**472,579.12**
For own use		1,291,241.73	472,579.12
Real Estate investments		-	-
Intangible assets	**9**	**177,754.13**	**-**
Goodwill		-	-
Other intangible assets		177,754.13	,
Tax assets	**11**	**3,573,199.49**	**1,848,835.44**
Current		1,193,169.49	1,202,884.90
Deferred		2,380,030.00	645,950.54
Other assets	**12**	**396,988.03**	**2,259,006.07**
TOTAL ASSETS		**5,652,985,845.14**	**332,055,082.96**

The accompanying notes form an integral part of the Financial Statements.

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Statements of financial position

31 December 2019 and 2018

(Euros)

LIABILITIES AND EQUITY	Nota	2019	2018
Financial liabilities held for trading	**5**	**2,891,985,970.39**	**-**
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Financial liabilities measured at amortised cost	**13**	**2,075,082,318.04**	**103,391.00**
Debts with financial intermediaries		2,075,082,318.04	103,391.00
Debts with private individuals		-	-
Loans and subordinated liabilities		-	-
Other financial liabilities		-	-
Tax Liabilities	**15**	**533,751.28**	**-**
Current		533,751.28	-
Deferred		-	-
Other liabilities	**14**	**17,017,888.09**	**9,078,477.36**
TOTAL LIABILITIES		**4,984,619,927.80**	**9,181,868.36**
SHAREHOLDERS' EQUITY		**668,365,917.34**	**322,873,214.60**
Capital	**16.a**	**4,808,096.00**	**4,808,096.00**
Issued Capital		4,808,096.00	4,808,096.00
Minus: Uncalled capital (-)		-	-
Share Premium		**-**	**-**
Reserves	**16.b**	**668,065,118.60**	**316,261,694.31**
Other equity		**-**	**-**
Minus: Treasury shares (-)		-	-
P&L YTD(+/-)	**4**	**(4,507,297.26)**	**1,803,424.29**
Minus: Interim dividends (-)		-	-
TOTAL EQUITY		**668,365,917.34**	**322,873,214.60**
TOTAL LIABILITIES AND EQUITY		**5,652,985,845.14**	**332,055,082.96**

The accompanying notes form an integral part of the Financial Statements.

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Statements of financial position
31 December 2019 and 2018
(Euros)

OFF-BALANCE SHEET	Nota	2019	2018
Financial guarantees given		1,387,744,555.71	-
Other contingent liabilities		-	-
Forward securities trading commitments		-	-
Lent securities		-	-
Disbursements committed to underwrite issuances		-	-
Financial Derivatives		267,816,008,288.42	-
Other risk and commitment accounts		-	-
TOTAL RISK AND COMMITMENT ACCOUNTS	**17.a**	**269,203,752,844.13**	-
Depositing of securities		-	-
Portfolios managed		-	-
Other memorandum accounts		5,756,098,974.31	-
TOTAL OTHER MEMORANDUM ACCOUNTS	**17.b**	**5,756,098,974.31**	-

The accompanying notes form an integral part of the Financial Statements.

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Statements of profit and loss
for the years ended
31 de December 2019 and 2018

(Euros)

	Note	2019	2018
Interest income (+)	18.b	2,300,211.22	1,806.83
Interest expense (-)	18.b	(11,998,644.48)	(501,874.07)
INTEREST MARGIN (+/-)		**(9,698,433.26)**	**(500,067.24)**
Dividend income		2,810.75	-
Fee and commission income	18.c	60,756,413.87	1,543,014.75
(Fee and commission expenses)	18.c	(47,406,435.74)	(546,645.18)
Earnings from financial operations (net) (+/-)	18.1	(108,008.47)	(7.57)
Trading portfolio (+/-)	5	(108,008.47)	(7.57)
Other financial instruments at fair value with changes in P&L (+/-)		-	-
Financial instruments not valued at fair value with changes in P&L (+/-)		-	-
Others (+/-)		-	-
Exchange differences [gain or (-) loss], net		192,746.74	(46,013.80)
Other operating income	18.f	25,303,951.14	21,205,370.83
(Other operating expenses)	18.g	(20,000.00)	(42,541.15)
GROSS MARGIN (+/-)		**29,023,045.03**	**21,613,110.64**
Staff expenses (-)	18.d	(22,609,560.21)	(12,708,355.94)
(Other administrative expenses)	18.e	(12,125,462.47)	(6,393,321.18)
Depreciation (-)	8	(242,820.05)	(49,033.25)
(Provisions or (-) reversal of provisions)	16	-	-
(Impairment or (-) reversal of impairment on financial assets)		(20,555.99)	-
Loans and receivables (+/-)		(20,555.99)	-
Other financial instruments not valued at their fair value with changes in P&L (+/-)		-	-
OPERATING INCOME (+/-)		**(5,975,353.69)**	**2,462,400.27**
(Impairment or (-) reversal of impairment on non-financial assets)		-	-
Tangible assets (+/-)		-	-
Intangible assets (+/-)		-	-
Other(+/-)		-	-
Profits/(Losses) in the derecognition of assets not classified as non-current held for sale (+/-)		(1,905.47)	-
Negative goodwill recognised in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations		-	-
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(5,977,259.16)**	**2,462,400.27**
(Tax expense or (-) income related to profit or loss from continuing operations)	19	1,469,961.90	(658,975.98)
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**(4,507,297.26)**	**1,803,424.29**
Profit or (-) loss after tax from discontinued operations			
PROFIT OR (-) LOSS FOR THE YEAR		**(4,507,297.26)**	**1,803,424.29**

The accompanying notes form an integral part of the Financial Statements.

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Statements of changes in equity for the years ended 31 de December 2019 and 2018
(Euros)

A) Statements of Comprehensive Income for the years ended 31 de December 2019 and 2018

	2019	2018
Net Profit/(Loss)	(4,507,297.26)	1.803.424,29
Total comprehensive profit/(loss)	(4,507,297.26)	1.803.424,29

B) Total statements of Changes in Equity for the years ended 31 de December 2019 and 2018

	Issued Capital	Reserves		Profit / (loss) For the year	Total
		Legal reserve	Other reserves		
As at 31 December 2017	4,808,096.00	961,619.20	14,358,138.35	941,936.76	21,069,790.31
Other comprehensive income	-	-	-	1,803,424.29	1,803,424.29
Other shareholder's contributions	-	-	300,000,000.00	-	300,000,000.00
Distribution of the profit/(loss) for the year	-	-	941,936.76	(941,936.76)	-
As at 31 December 2018	4,808,096.00	961,619.20	315,300,075.11	1,803,424.29	322,873,214.60
Other comprehensive income	-	-	-	(4,507,297.26)	(4,507,297.26)
Other shareholder's contributions (note 16.b)	-	-	350,000,000.00	-	350,000,000.00
Distribution of the profit/(loss) for the year	-	-	1,803,424.29	(4,507,297.26)	-
As at 31 December 2019	4,808,096.00	961,619.20	667,103,499.40	(4,507,297.26)	668,365,917.34

The accompanying notes form an integral part of the Financial Statements.

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Statements of Cash Flow
for the years ended
31 de December 2019 and 2018
(Euros)

	Nota	2019	2018
1. CASH FLOWS FROM OPERATING ACTIVITIES		**(348,738,957.69)**	**(299,586,212.46)**
Net profit (loss)		**(4,507,297.26)**	**1,803,424.29**
Adjustments to reconcile net profit (loss) to net cash flows		**(1,714,204.57)**	**49,033.25**
Depreciation	8	242,820.05	49,033.25
Impairment of financial assets		-	-
Movements in provisions		20,555.99	-
Gain (loss) on disposal of non financial assets		1,905.47	-
Gain (loss) on disposal of investments		-	-
Other items		(1,979,486.08)	-
Adjusted net profit (loss)		**(6,221,501.83)**	**1,852,457.54**
Net decrease (increase) in operating assets (+/–)		**(5,318,209,981.39)**	**(300,663,450.30)**
Loans and receivables		(2,427,010,724.93)	(300,389,307.54)
Financial assets held for trading		(2,892,061,274.50)	-
Financial assets designated at fair value through profit or loss		-	-
Available-for-sale financial assets		-	400.00
Other operating assets		1,862,018.04	(274,542.76)
Net increase (decrease) in operating liabilities (+/–)		**4,973,904,308.16**	**(775,219.70)**
Financial liabilities measured at amortised cost		2,428,010,724.93	101,305.52
Financial liabilities held for trading		2,891,985,970.39	-
Financial liabilities designated at fair value through profit or loss		-	-
Other operating liabilities		7,939,411.41	(876,525.22)
Corporate income tax payments / (refunds)		**788,217.37**	**-**
2. CASH FLOWS FROM INVESTING ACTIVITIES		**(1,261,042.31)**	**(413,787.54)**
Payments (–)		**(1,261,042.31)**	**(413,787.54)**
Held-to-maturity investments		-	-
Investments in subsidaries, joint ventures and associates		-	-
Tangible assets	8	(1,083,288.18)	(413,787.54)
Intangible assets	9	(177,754.13)	-
Other business units		-	-
Held for sale non-current assets and associated liabilities		-	-
Other expenditures related to investing activities		-	-
Proceeds (+)		-	-
Held-to-maturity investments		-	-
Investments in subsidaries, joint ventures and associates		-	-
Tangible assets		-	-
Intangible assets		-	-
Other business units		-	-
Held for sale non-current assets and associated liabilities		-	-
Other proceeds related to investing activities		-	-
3. CASH FLOWS FROM FINANCING ACTIVITIES		**350,000,000.00**	**300,000,000.00**
Payments (–)		**-**	**-**
Redemption of shares		-	-
Acquisition of own shares		-	-
Repayment of debt instruments		-	-
Repayment of other debt instruments		-	-
Proceeds (+)		**350,000,000.00**	**300,000,000.00**
Issuance of capital		-	-
Issuance of other equity instruments		-	-
Issuance of debt instruments		-	-
Issuance of other debt instruments		-	-
Other shareholders’ contibutions	16.b	350,000,000.00	300,000,000.00
Dividends paid (-)		**-**	**-**
4. Net foreign exchange difference		-	-
5. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (1+2+3+4)			
Cash and cash equivalents at January 1, 2019		**-**	**-**
Cash and cash equivalents at December 31, 2019		**-**	**-**

(1) Nature and Core Business Activities

Credit Suisse Securities, Sociedad de Valores, S.A. (the Company) was organised with the name Barclays Pizarro y Recorder, S.A., Sociedad de Valores y Bolsa in a public deed on 27 June 1989 after receiving authorisation from Spain's securities market regulator (the CNMV) on 19 June 1989. On 4 April 1994, the Company changed its name to BZW, Sociedad de Valores y Bolsa, S.A. and on 10 March 1998 it changed it again to Credit Suisse First Boston, Sociedad de Valores y Bolsa, S.A. On 30 April 2003, a further change of name was approved, in accordance with Royal Decree 867/2001 of 20 July on investment firms, to Credit Suisse First Boston, Sociedad de Valores, S.A., and it adopted its present name as of 17 January 2006.

In 1997, BZW, Sociedad de Valores y Bolsa, S.A. acquired the companies BZW Gestión, S.A., S.G.C. and BZW Holding, S.A.

On 27 February 1999, Barclays Bank plc sold all the shares in the Company to Credit Suisse First Boston (UK) Investment Holding.

Its objects comprise the activities of commercial brokering and the rendering of complementary and ancillary services, provided they are for third parties and permitted by the Securities Market Act.

As a broker-dealer, the Company's activities are regulated by the applicable legal provisions, especially the terms of Legislative Royal Decree 4/2015 of 23 October, approving the recast Security Market Act, Act 47/2007 of 19 December, Royal Decree 217/2008 of 15 February, amended by Royal Decree 358/2015 of 8 May, and several CNMV Circulars developing that Royal Decree.

The Company's activities include exclusively those that broker-dealers are allowed to perform as investment firms, pursuant to sections 140 and 141 of the recast Securities Market Act. Consequently, the Company may perform the following investment services:

a) Reception and transmission of orders in relation to one or more financial instruments.

b) Execution of orders on behalf of clients.

c) Dealing on own account.

d) Placing of financial instruments, or placing of financial instruments without a firm commitment basis.

e) Underwriting of financial instruments and/or placing of financial instruments with a firm commitment basis.

f) Investment advice.

g) Safekeeping and administration for the account of clients of the financial instruments contemplated in section 2 of the Securities Market Act.

h) Granting credits or loans to investors to allow them to carry out a transaction in one or more of the financial instruments contemplated in section 2 of the recast Securities Market Act, where the firm granting the credit or loan is involved in the transaction.

i) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.

j) Services related to underwriting of issues or the placement of financial instrument.

k) Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.

l) Foreign exchange services where these are connected to the provision of investment services.

m) Investment services and ancillary services related to the underlying of the derivatives contemplated in the Securities Market Act where these are connected to the provision of investment or ancillary services.

n) Operations to be performed by the foreign exchange trading desks:
   - Reception and transmission of orders in relation to one or more financial instruments
   - Execution of orders on behalf of clients
   - Dealing on own account

o) Sending of advice letters in connection with credit ratings.

p) Issuance of guarantees connected with other investment services.

q) Ancillary services in respect of bank products or instruments.

Broker-dealers are regulated by Royal Decree 4/2015 of 23 October, approving the recast Security Market Act, Act 44/2002 of 22 November, Royal Decree 217/2008 of 15 February on investment firms, amended by Royal Decree 1820/2009 of 27 November and Royal Decree 358/2015 of 8 May, and by the CNMV Circulars. These provisions establish certain minimum requirements for obtaining and preserving authorisation, including among others:

(a) They must have a capital of at least 730 thousand euros.

(b) They must have a capital adequacy ratio compliant with the rules set out in the CNMV Circulars.

(c) They must have a liquidity ratio maintaining a volume of investments in certain low-risk, high-liquidity assets covering 10% of the liabilities due within less than a year, excluding instrumental, temporary credit accounts opened for clients.

The registered office of the Company is at c/ Ayala no. 42, Madrid.

On 10 November 2011, the sole shareholders of Credit Suisse (España), S.A., Sociedad Unipersonal (acquired company) and Credit Suisse Sociedad de Valores, S.A., Sociedad

Unipersonal (acquiring company) approved the joint terms of merger entailing the acquisition of the group company Credit Suisse (España) S.A., Sociedad Unipersonal by Credit Suisse Sociedad de Valores, S.A., Sociedad Unipersonal, winding up the acquired company without liquidation with the transfer en bloc of all its assets and liabilities to the acquiring company, which acquired by universal succession all the rights and obligations of the acquired company. The merger was made in accordance with the joint terms of merger drafted and signed by the sole shareholders of the companies as of 29 June 2011. Consequently, Credit Suisse (España), S.A., Sociedad Unipersonal has been wound up and dissolved, and the acquiring company has been subrogated in all the equity, activities and business of the dissolved company.

The sole shareholders of the merging companies, exercising the powers of their respective general meetings, approved the draft terms of merger in decisions adopted on 10 November 2011 in accordance with sections 49 and 52.1 of Act 3/2009 of 3 April on structural modifications of commercial enterprises. Consequently, this operation was carried out with no need to increase the capital in the acquiring company because it was fully owned by the acquired company, as indicated in the draft terms of merger and in the notarised certificates and once the acquired company had purchased all the shares in the acquiring company for 13,072,000.00 euros by virtue of the contract of sale signed on 12 March 2013 and put on record on the same date. That deed was entered in the trade register on 12 March 2013. In compliance with Act 3/2009 and Royal Decree 1159/2010 of 17 September regulating mergers between companies in the same group, the acquiring company delivered the merged annual accounts with effect for accounting purposes as from 1 January 2011, having obtained all the necessary approvals before either of the companies (acquiring company and acquired company) were obliged to draw up annual accounts.

In accordance with the foregoing and the draft terms of merger, and the decisions adopted by the sole shareholders of the acquiring and acquired companies, the treasury shares of Credit Suisse Sociedad de Valores, S.A., Sociedad Unipersonal that the latter received in the planned merger as part of the equity of the acquired company were allotted to the sole shareholder of the acquiring company.

Consequently, after the merger, the sole shareholder of the Company holding 100% of its capital is Credit Suisse AG (see note 12(a)).

This merger was authorised by the Ministry of Economy and Finance, upon recommendation by the National Securities Market Commission, in accordance with Article 19 of Royal Decree 217/2008 of 14 February on investment firms.

<u>Company’s new business</u>

In the Brexit context, Credit Suisse Group has prepared for a ‘Hard Exit’ scenario. In this sense, the Group group executed a group-wide plan and has built out trading capabilities in locations in existing companies within CS group. During 2019, the Company has been executing EU client and EU venue facing broker dealer businesses.

In line with the above, the Company has received from its Sole Shareholder a contribution of 650 million euros during 2018 and 2019 (note 16.b).

(2) Basis of presentation and approval of the annual accounts

(a) True and fair view

The accompanying annual accounts were prepared from the accounting records of Credit Suisse Securities, S.V., S.A.

The annual accounts 2018 were drawn up in accordance with the mercantile law currently in place and the provisions established in CNMV Circular 7/2008 of 26 November, and as such give a true and fair view of the equity and financial position of the company at 31 December 2019 and the results of its operations, changes in equity and cash flows generated during the year then ended.

These annual accounts, drawn up and authorised for issue by the Company directors, are pending approval by the sole shareholder of the Company. Nevertheless, the directors consider that they will be approved without modification by the sole shareholder. The 2018 annual accounts were approved at the annual general meeting of 26 April 2019.

(b) Comparison of information

As required by the accounting standards, the figures from the 2018 financial statements are presented for comparison alongside the figures at 31 December 2019 for each item on the balance sheet, statement of income, statement of changes in equity and notes to the accounts.

As stated in note 1, during 2019 the Company has been executing new broker dealer in the context of Brexit. As a consequence, figures in fiscal years 2019 and 2018 are not comparable.

(c) Functional currency and presentation currency

The annual accounts are filled in euros to two decimal places, this being the company's functional and presentation currency.

(d) Critical aspects of valuation, estimation of uncertainties and material judgements in the application of accounting policies

The accounting estimations and judgements made by the company in 2019 were the same as those used in the previous year.

Certain estimations, judgements and hypotheses have to be made when applying the company's accounting policies for preparation of the annual accounts. The aspects involving a greater degree of judgement, complexity or material hypotheses and estimates are summarised below.

The most significant estimations used when preparing these annual accounts were:

- Estimates to calculate corporate income tax and deferred tax assets and liabilities (see Notes 9 and 15).

Although these estimates made by the company directors were based on the best information available at 31 December 2018, events that take place subsequently may make it necessary to raise or lower them in future years. The effect on the annual accounts of any adjustments that may be required in future years would be recognised prospectively.

(3) Recognition and measurement rules

(a) Financial instruments

(i) Recognition, measurement and classification of financial instruments

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions of the instruments.

Debt instruments are recognised as of the date on which the legal right arises to receive or pay cash; derivatives are recognised as of the date on which they are contracted. In general, the company derecognises financial instruments as of the date on which the risks, rewards, rights and duties inherent therein or control thereof are transferred to the recipient.

The company classifies financial instruments into different categories, based on their characteristics and management's intentions at initial recognition.

Purchases and sales of financial assets through conventional contracts, namely those in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled through netting, are recognised on the transaction or settlement date.

A financial asset and a financial liability may be offset only when the company has a currently enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The different types of financial instruments are recognised and measured according to the following criteria:

- Financial assets at fair value through profit or loss:
    - Trading book: this includes securities held for short-term trading and derivatives not designated as hedging instruments. They are initially measured at their fair value, recognising net differences with the purchase price in profit or loss.

      Non-derivative financial assets may be reclassified outside the trading book when they cease to be held for sale or repurchase in the short term when:

    * This responds to exceptional circumstances arising from a specific, one-off event beyond the firm's control, in which case they will be reclassified to available-for-sale financial assets;

    * The company has the intention and financial ability to hold those assets to maturity and they could originally have been classified as loans and receivables, in which case they will be classified as a loans and receivables.

  - Other financial assets at fair value through profit or loss: this includes hybrid financial assets, jointly managed assets and hedging derivatives. They are initially measured at fair value, recognising net differences with the purchase price in profit or loss.

- Loans and receivables: this category includes financial assets other than hedging instruments with fixed or determinable cash flows, for which the company will recover all of its initial investment. They are initially measured at the fair value of the consideration given and subsequently measured at amortised cost using the effective interest method. Assets acquired at discount are recognised at the value of the cash disbursed. The difference between the redemption value and the cash paid is recognised as financial income in profit or loss up to maturity.

- Available-for-sale financial assets: this category includes securities not classified in any of the previous categories. They are initially measured at fair value, recognising net differences with the purchase price in equity until they are derecognised, whereupon they are recognised in profit or loss.

- Financial liabilities at amortised cost: these liabilities are initially measured at the fair value of the consideration received and subsequently at amortised cost, recognising any net differences with the purchase price in profit or loss.

The carrying amount of financial instruments is adjusted against profit or loss when there is objective evidence of impairment.

<u>Transfer of financial assets</u>

Transfers of financial assets are measured according to the following criteria:

- When the risks and rewards are transferred substantially, the financial asset is derecognised and any right or obligation retained or created in the transfer is recognised.
- When the risks and rewards are retained substantially, the financial asset is not derecognised and a financial liability is recognised for the amount of the transaction at amortised cost.
- When the risks and rewards are neither transferred nor retained substantially, if the company does not retain control, the financial asset is derecognised and any right or obligation retained or created in the transfer is recognised. If, on the contrary, the

company retains control, the financial asset is not derecognised and continues to be recognised.

Criteria for calculating the fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The company generally applies the following systematic hierarchy to determine the fair value of financial assets and liabilities:

- Firstly, the company applies the quoted prices in the most advantageous active market to which it has immediate access, adjusted if necessary to reflect any difference in the credit risk between the instruments usually traded and the one being valued. For this purpose it uses the bid price for assets held or liabilities to be issued and the asking price for assets to be acquired or liabilities held. If the company has assets and liabilities with offsetting market risks, it uses mid-market prices for the offsetting risk positions and applies the bid or asking price to the net position.

  If there are no market prices available, prices of recent transactions are used, adjusted to reflect any changes in conditions.

- Otherwise and for most derivatives, the company applies generally accepted valuation techniques, making maximum use of market inputs and to a lesser extent specific inputs not observable in the market.

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- Impairment of financial assets carried at cost or amortised cost

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. These impairment losses are not reversible, so they are recognised directly against the value of the asset, not as a provision adjusting its value.

- Impairment of available-for-sale financial assets

In the case of available-for-sale financial assets, the decline in fair value that has been recognised in other comprehensive income in equity is carried to profit and loss when there is objective evidence of impairment, even if the financial asset has not been derecognised on the balance sheet. The amount of the impairment loss carried to profit and loss is calculated as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss for the year.

Impairment losses recognised in profit or loss for investments in equity instruments are not reversible, so they are deducted directly from the value of the asset and recorded not as a corrective provision.

Any increase in the fair value of debt instruments that can be objectively related to an event occurring after the impairment loss was recognised is carried to profit and loss up to the amount of the impairment loss previously recognised and any excess is carried to other comprehensive income in equity.

(b) Foreign currency transactions and balances

Foreign currency transactions are converted to euros at the spot exchange rates between the euro and the foreign currency on the transaction dates.

Foreign currency monetary items are converted to euros using the closing rate at year-end, while non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Finally, non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In the statement of cash flows, the cash flows arising from foreign currency transactions are converted to euros using the exchange rates in place on the transaction dates. The effect of changes in foreign exchange rates on cash and cash equivalents denominated in foreign currency is shown separately on the statement of cash flows in “Effect of changes in exchange rates on cash and cash equivalents”.

Exchange differences arising on the settlement of foreign currency transactions or on translating monetary assets and liabilities denominated in foreign currency to euros are carried to profit or loss. However, exchange differences arising on monetary items that are part of the net investment in foreign operations are recognised as exchange differences in equity.

The exchange rates used by the company to convert foreign currency balances to euros are those published by the European Central Bank.

Exchange gains and losses related with foreign currency monetary financial assets and liabilities are also carried to profit or loss.

Exchange gains and losses arising from non-monetary financial assets and liabilities are recognised together with the change in fair value. However, the exchange component of the change in the exchange rate of foreign currency non-monetary financial assets classified as available for sale and qualified as hedged items in fair value hedges of that component is recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment for own use is recognised at cost less accumulated depreciation and impairment, if any.

The depreciation of all items of property, plant and equipment is calculated by the straight-line method according to the following years of estimated useful life:

	Depreciation method	Years of estimated useful life 31.12.2018
Facilities and equipment	Straight-line	5
Furniture and fixtures	Straight-line	5
EDP equipment	Straight-line	3

The expected useful life and depreciation method of the items of property, plant and equipment are reviewed at least at each year-end.

Maintenance and upkeep costs of property, plant and equipment that do not improve their use or extend their useful life are carried to profit and loss when they are incurred. Those costs are capitalised only if it is probable that they will generate future economic benefits and the amount of those costs can be measured reliably.

(d) Leases

The company has assigned the right to use certain assets under lease agreements.

Leases that transfer substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases and other leases are classified as operating leases. The company only has operating leases.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(e) Deposits

Deposits paid under lease agreements are measured in accordance with the criteria indicated for financial assets. The difference between the amount paid and the fair value is recognised as an advance payment, which is carried to profit or loss during the lease term.

(f) Commissions, interest and yield on equity instruments

- Commissions

Commissions on activities and services rendered over a specified period of time are carried to profit or loss over the duration of those activities and services.

Commissions on activities and services rendered over an unspecified period of time are carried to profit or loss according to their degree of completion.

Commissions on a service rendered in a single event are recognised in profit or loss when the service is rendered.

Variable management commissions are recognised according to the best estimate at any time. The company adjusts these commissions retroactively if necessary when information becomes available on the evolution of the basis of calculation.

Stock exchange fees corresponding to securities transactions are considered a single service received, which is recognised as commissions paid for securities transactions.

- Interest and yield on equity instruments

Interest is recognised by the effective interest method.

Dividends from investments in equity instruments are recognised when the company becomes entitled to receive them. If the dividends distributed clearly derive from profits generated prior to the date of acquisition, because the amounts distributed are larger than the profits generated by the investee since that acquisition, they are deducted from the carrying amount of the investment.

(g) Employee benefits

- Contributions to pension schemes

In 2002, the company took out defined-contribution mixed group insurance with Santander Central Hispano Previsión, Sociedad Anónima de Seguros y Reaseguros, changing to Vida Caixa, Sociedad Anónima de Seguros y Reaseguros as from October 2004, covering certain pension commitments to its employees (Note 14 (d)).

- Termination benefits

Termination benefits for dismissal or redundancy are recognised when there is a detailed formal plan and a valid expectation has been generated among the affected employees that their contracts are going to be terminated, either because the plan is already being implemented or because the principal terms have been announced.

When termination benefits fall due more than 12 months after year-end, they are discounted at the interest rate determined by reference to market yields on high quality corporate bonds or debentures.

Termination benefits for voluntary redundancy are recognised when they have been announced, with no realistic possibility of withdrawing the offer, and are measured at the best estimate of the number of employees expected to accept the offer.

- Remuneration based on Group equity instruments and third-party financial instruments

The cost of remuneration based on stock options over Group equity instruments and options over third-party financial instruments are recognised as an employee benefit expense at the fair value of the obligation contracted with company employees, which is adjusted in each reporting period to the fair value of that obligation in the relevant year.

The fair value is determined using the appropriate valuation models and taking into consideration the terms and conditions implicit in the remuneration schemes based on stock options over Group equity instruments. The stock options over Group equity instruments delivered to company employees include conditions regarding the services rendered by employees and financial indicators of the evolution of business.

(h) Corporate income tax

The income tax expense or income includes both current tax and deferred tax.

Current tax is the amount of income tax payable or recoverable in respect of the taxable profit (tax loss) for the year.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, unused tax losses or unused tax credits. Temporary differences for this purpose are differences between the carrying amount of assets and liabilities and their tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are expected to be realised or the liabilities settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the year and after considering the tax consequences deriving from the way in which the company expects to recover the assets or settle the liabilities.

Deferred tax assets and liabilities are recognised as non-current assets or liabilities, regardless of the date on which they are expected to be realised or settled.

(i) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amounts recognised on the balance sheet correspond to the best estimate at year-end of the expenditure required to settle the present obligation, taking account of the risks and uncertainties related with the provision and, when material, the financial effect produced by the discount, provided the payments to be made in each period can be determined reliably. The discount rate is a pre-tax rate, considering the time value of money and the risks specific to the liability that were not taken into account in the future cash flows related with the provision.

(j) Contributions to the Investment Guarantee Fund

The company participates in the Investment Guarantee Fund, to which it makes annual contributions, in pursuance of Royal Decree 948/2001 of 3 August on investor indemnity systems, amended by Act 53/2002 of 30 December on tax, administrative and social measures.

During 2019 and 2018 the company accrued contributions to the Fund in a sum of 20,000.00 euros, recognised within “Other operating costs” on the statement of income.

(k) Related party transactions

Transactions between group companies and with other related parties are recognised at the fair value of the consideration given or received. The difference between that value and the agreed amount is recognised in accordance with the underlying economic substance.

(l) Statement of Total Changes in Equity

This statement shows a reconciliation of the carrying amount at the beginning and end of the reporting period of all the items comprising equity, grouping the changes produced according to their nature, in the following items:

- Reclassifications: this includes all changes in equity that arise through restatement of balances in the financial statements due to changes in accounting policies or to the correction of errors.
- Income and expenses recognised in the year: includes the aggregate of all the items recognised on the statement of recognised income and expense.
- Other changes in equity: shows other items recognised in equity, such as the distribution of profit, trading in own equity instruments, payments made with equity instruments, reclassifications between equity items and any other increase or reduction of equity.

(m) Statement of cash flows

The company has used the indirect method to draw up its statement of cash flows. That method uses the following expressions and classification criteria:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to an insignificant risk of changes in value.

- Operating activities: the principal activities of investment firms and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings not included in operating activities.

Cash and cash equivalents include the liquid assets that, according to the applicable CNMV rules, are to be classified in “Cash”.

In its statement of cash flows, the company nets the amount of payments and receipts corresponding to financial assets and liabilities with a high turnover. The turnover is considered high when the time between the acquisition date and maturity is less than six months.

Bank overdrafts payable on demand that do not form part of the company’s cash management are not included in cash and cash equivalents on the statement of cash flows. Bank overdrafts are recognised on the balance sheet as financial liabilities within amounts due to credit institutions.

(4) Distribution of profit

The proposal for distribution of profit for the year ended 31 December 2019, submitted by the directors and pending approval by the sole shareholder, is as follows:

	Euros
Basis for distribution	
Profit / (loss) for the year	(4,507,297.26)
Distribution	
Voluntary reserves	(4,507,297.26)

The distribution of profit for the year ended 31 December 2018, submitted by the directors and approved by the sole shareholder on 26 April 2019, was as follows:

	Euros
Basis for distribution	
Profit / (loss) for the year	1,803,424.29
Distribution	
Voluntary reserves	1,803,424.29

At 31 December 2019 and 2018, the amounts of restricted reserves corresponded to the legal reserve, in a sum of 961,619.20 euros.

The company’s distributable reserves and profit for the year are not subject to any constraints on distribution.

(5) Held for trading portfolio

The composition of this item at 31 December 2019 and 2018 is indicated below:

	Euros			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Equity instruments	11,300.92	-	-	-
Derivatives	2,892,049,973.58	2,891,985,970.39	-	-
	2,892,061,274.50	2,891,985,970.39	-	-

(a) Equity instruments

The composition of this item at 31 December 2019 and 2018 is indicated below:

	Euros			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Quoted foreign portfolio	11.300,92	-	-	-
	11.300,92	-	-	-

(b) Derivatives

A breakdown of derivative instruments by risk type and currency is provided below:

	Euros	
	Assets	Liabilities
Risk on stock	156.346.092,64	156.346.092,64
Risk on interest rate	2.728.827.831,06	2.728.827.831,06
Risk on currency	2.522.530,92	2.468.213,60
Other risks	4.353.518,96	4.343.833,09
	2.892.049.973,58	2.891.985.970,39

	Euros	
	Assets	Liabilities
By currency:		
Euros	2,670,233,902.95	2,715,640,736.28
Foreign currency	221,816,070.63	176,345,234.11
	2,892,049,973.58	2,891,985,970.39

A breakdown of fair values of derivative instruments as of 31 December 2019 is shown below.

	Euros	
	Assets	Liabilities
Swaps	2,738,362,709.60	2,737,869,608.84
Currency forwards	372,579.97	855,772.51
Options on stock and indexes	152,542,475.19	152,542,475.19
Options on interest rates	70,378.82	70,378.82
Options on currency	529,316.47	475,221.50
Options on other underlyings	172,513.53	172,513.53
	2,892,049,973.58	2,891,985,970.39
Of which: with group companies (note 20)	154,526,309.83	94,221,379.06

(6) Held-for-sale portfolio

The composition of this item at 31 December 2019 and 2018 is indicated below:

	Euros	
	31.12.19	31.12.18
Shares in Spanish companies		
Not quoted	600,00	600,00

As a broker-dealer, the company had an interest at 31 December 2019 and 2018 in Gestora del Fondo General de Garantía de Inversiones, S.A. At 31 December 2019 and 2018, it held 3 shares with a par value of 200 euro/share. That interest is measured at cost.

(7) Loans and receivables

The composition of this item at 31 December 2019 and 2018 is indicated below:

	Euros	
	31,12,19	31,12,18
Due from financial intermediaries		
Reverse repos	1,049,373,745.95	15,000,000.00
Demand deposits	175,450,332.83	303,116,417.91
Time deposits (note 20)	49,228,467.71	-
Other receivables	1,445,055,134.93	9,357,644.42
Valuation adjustments	1,519,817.42	-
	2,720,627,498.84	327,474,062.33
Due from non financial intermediaries		
Trading receivables	100,034.09	-
Other receivables	34,757,254.31	-
	34,857,288.42	-
Total loans and receivables	2,755,484,787.26	327,474,062.33

Loans and receivables are denominated in euros and have the following maturities:

	Euros			
	31,12,19		31,12,18	
	Euros	Maturity	Euros	Maturity
Reverse repos	1,049,373,745.95	on demand	15,000,000.00	January 2018
Demand deposits	175,450,332.83	on demand	303,116,417.91	on demand
Time deposits	49,228,467.71	March 2020	-	-
Other receivables	1,444,944,139.50	Less tan 1 year	9,357,644.42	Less tan 1 year

(a) Reverse repos

	Euros						
	31,12,17	Additions	Disposals	31,12,18	Additions	Disposals	31,12,19
Reverse repos	17,000,000.00	395,400,000.00	397,400,000.00	15,000,000.00	4,782,335,048.69	(3,747,961,302.74)	1,049,373,745.95

As of 31 December 2019 and 2018 reverse repos are expressed in euros.

A balance of 996,868,890.00 euros in reverse repos is held with group companies at 31 December 2019 (note 20).

The reverse repos at 31 December 2019 correspond to treasury bonds, with a negative interest rate of 0.54% and on demand maturity.

The reverse repos at 31 December 2018 correspond to treasury bonds at 126.71%, with a negative interest rate of 0.54% and maturity at 10 January 2019.

The expenses obtained for reverse repos in 2019 y 2018 amounted to 3.833.415,16 and 87.521,36 euros, respectively (Note 18 (b)).

(b) Demand deposits

This item includes the balances of current accounts held with credit institutions at 31 December 2019 and 2018, earning interest at market rates.

Demand deposits at 31 December 2019 includes a sum de 20,247,332.01 euros held with group companies (298,786,152.70 euros at 31 December 2018) (note 20).

(c) Other receivables

This heading includes temporary balances with the following detail:

	Euros	
	31,12,19	31,12,18
Other receivables		
Guarantee deposits	1,099,581,904.64	8,100,000.00
Failed transactions	336,289,527.06	-
Other items	9,183,703.23	1,257,644.42
	1,445,055,134.93	9,357,644.42

Of the below balances, 350,819,431.35 euros are held with Group at 31 December 2019 (1,157,646.76 euros at 31 December 2018)) (note 20).

(d) Time deposits

Time deposits at 31 December 2019 are held with Group companies (note 20), are expressed in swiss francs and have a maturity of 120 days evergreen.

(e) Valuation adjustments

This heading contains interest accruals on the following items:

	Euros	
	31,12,19	31,12,18
Guarantee deposits	899,741.96	-
Repos (note 13)	86,595.73	-
Other	533,679.73	-
	1,519,817.42	-

(8) Property. plant and equipment

The changes in these items produced during 2019 and 2018 are shown below:

2019

	31,12,18	Additions	Disposals	Transfers	31,12,19
Cost:					
Facilities & equipment	2,039,202.97	88,089.27	(38,240.08)	876,476.00	2,965,528.16
Furniture & fittings	189,195.73	3,766.49	(106,195.34)	251,609.76	338,376.64
EDP equipment	69,328.88	6,137.01	(1,832.40)	185,941.60	259,575.09
Construction in progress	402,359.74	1,018,486.71	-	(1,314,027.36)	106,819.09
	2,700,087.32	1,116,479.48	(146,267.82)	-	3,670,298.99
Accumulated depreciation	(2,227,508.20)	(242,820.05)	91,271.00	-	(2,379,057.25)
Net book value	472,579.12	873,267.79	(54,605.18)	-	1,291,241.73

2018

	31.12.17	Additions	Disposals	31.12.18
Cost:				
Facilities & equipment	2,080,537.26	-	(41,334.29)	2,039,202.97
Furniture & fittings	189,195.73	-	-	189,195.73
EDP equipment	85,562.17	11,427.80	(27,661.09)	69,328.88
Construction in progress	-	402,359.74	-	402,359.74
	2,355,295.16	413,787.54	(68,995.38)	2,700,087.32
Accumulated depreciation	(2,247,470.33)	(49,033.25)	68,995.38	(2,227,508.20)
Net book value	107,824.83	364,754.29	-	472,579.12

At 31 December 2019, the company had fully depreciated items of property, plant and equipment with a value of 2,057,659.80 euros (2,125,107.53 euros at 31 December 2018).

(9) Intangible assets

At 31 December 2019, the company has a balance of 177,754.13 is recorded in this heading and corresponds to software acquired during 2019.

(10) Operating Leases - Tenant

The company leases the property at which it operates, under an operating lease.

The details of the most important lease agreement are set out below:

Lease	Term	Penalties
C/ Ayala, 42 (Madrid)	9 years	Termination of lease in event of default

At 31 December 2019 and 2018, the lease on this building includes a guarantee deposit of 292,269.34 euros (note 12).

Lease payments for the building in calle Ayala totalled 1.995.311,98 euros in 2019 (1.867.844,39 euros in 2018) (note 18 (e)).

(11) Tax assets

The composition of this balance sheet item at 31 December 2019 and 2018 is as follows:

	Euros			
	Current		Deferred	
Activos Fiscales	31.12.19	31.12.18	31.12.19	31.12.18
Tax receivables				
Withholding tax (note 19)	248,165.87	788,217.46	-	-
Advance tax	-	-	2,380,030.00	645,950.54
Other tax assets	945,003.62	414,667.44	-	-
	1,193,169.49	1,202,884.90	2,380,030.00	645,950.54

The variations in deferred tax assets during 2019 and 2018 are as follows:

	Euros
Balance 31.12.17	1,986,444.18
Additions	-
Reductions	(1,340,493.64)
Balance 31.12.18	645,950.54
Additions	1,734,079.46
Reductions	-
Balance 31.12.19	2,380,030.00

During 2019 additions of deferred tax assets temporary differences on Corporate Income Tax.

Tax assets in 2018 include a negative adjustment of 35,203.76 euros made in 2018 to take account of the differences between the provision and the payment of corporate income tax for 2017 (note 15).

(12) Other assets

The breakdown of this item on the balance sheets at 31 December 2019 and 2018 is as follows:

	Euros	
	31.12.19	31.12.18
Debitor balances	-	1.890.442,18
Accruals	104.060,59	-
Other assets	396.988,03	368.563,89
	396.988,03	2.259.006,07

Other accounts receivable at 31 December 2018 includes receivables from third parties for investment advice in a sum of 1,500,000 euros.

Other assets includes, at 31 December 2019 and 2018, the deposit paid on the leased property where the company performs its business, in a sum of 292,269.34 euros (note 8).

(13) Financial liabilities at amortised cost

The composition of this item at 31 December 2019 and 2018 is shown below:

	Euros	
	31.12.19	31.12.18
Due to financial intermediaries		
Loans and due to Group companies (note 20)	1,151,348,210.45	100,000.00
Other credits (note 20)	2,092,624.08	-
Repos (note 20)	52,504,855.86	-
Other debts	225,994,114.54	3,391.00
Valuation adjustments (note 20)	2,892,149.87	-
Otros financial liabilities		
Collateral held	640,250,363.24	-
	2,074,082,318.04	103,391.00

(a) Loans and due to Group companies

At 31 December 2019 and 2018 this heading contains the funding received from a Group company. At December 31 2019 la the funding has a 120 days maturity evergreen.

Detail by currency is shown below:

	Euros	
	31.12.19	31.12.18
Euro	904,403,918.23	100,000.00
Swedish krona	118,093,154.36	-
Polish zloty	35,246,845.73	-
Pound sterling	28,255,946.39	-
US dollar	13,037,951.03	-
New Zealand dollar	12,317,471.52	-
Australian dollar	10,008,970.79	-
Japanese yen	9,872,422.67	-
Canadian dollar	6,156,835.43	-
Singapore dollar	3,977,561.82	-
Hong Kong dollar	3,896,288.25	-
Danish krone	1,753,704.76	-
Czech koruna	1,692,147.18	-
Norwegian krone	1,179,508.08	-
Russian rouble	811,266.57	-
Mexican peso	236,595.55	-
Hungarian forint	217,476.72	-
South African rand	190,121.58	-
Saudi Arabia Riyal	23.79	-
	1,151,348,210.45	100,000.00

(b) Repos

This heading gathers a repurchase agreement on government bonds with on demand maturity.

(c) Other debts

A breakdown of this heading is shown below:

	Euros	
	31.12.19	31.12.18
Failed trades	213,876,962.17	-
Other debts	12,117,152.37	3,391.00
	225,994,114.54	3,391.00

This heading includes 138,872,940.24 euros held with Group companies (note 20).

(d) Valuation adjustments

This heading contains interest accruals on the following items:

	Euros	
	31.12.19	31.12.18
Reverse repos (note 20)	2,785,021.97	-
Others	107,127.90	-
	2,892,149.87	-

(e) Collateral held

At December 31 2019 this heading includes 111,303,877.02 euros held with Group companies (note 20).

(14) Other liabilities

	Euros	
	31.12.19	31.12.18
Due to group companies (note 20)	7,077.12	434,083.79
Due to others	5,715,472.99	644,514.10
Accrued wages and salaries	10,875,337.98	7,574,986.32
Tax payables	420,000.00	424,893.15
	17,017,888.09	9,078,477.36

Accrued wages and salaries includes the part of the variable remuneration and other commitments to the company's employees accrued at 31 December 2019 and 2018 (note 18 (d)).

All the balances included in this heading are payable within less than one year, except sums payable under the employee bonus scheme based on options included in Accrued wages and salaries that are payable more than one year after year-end.

(15) Tax liabilities

At 31 December 2019 this heading includes withholding taxes pending settlement.

(16) Own Funds

The composition and variation in equity are shown in the statement of changes in equity.

(a) Issued capital

At 31 December 2019 and 2018, capital was represented by 1,600 registered shares with a par value of 3,005.06 euros each, fully subscribed and paid up by the sole shareholder Credit Suisse AG, and the company complied with the requirements stipulated in current laws on single-member companies. These shares have equal voting and economic rights. There are no significant contracts with the sole shareholder.

At 31 December 2019 and 2018, no own shares are held by the company or a third party acting on its behalf. The shares in the company are not listed on any stock exchange.

(b) Reserves

(i) Legal reserve

In pursuance of the recast Corporate Enterprises Act, companies are obliged to set aside a sum equal to 10% of the profit each year to fund the legal reserve until it has a balance at least equal to 20% of the capital. This reserve may only be used to offset losses when there are no other reserves available. On certain conditions, it may also be used to increase the capital.

At 31 December 2019 and 2018, the company's legal reserve was equal to 20% of its paid-up capital.

(ii) Other reserves

Other reserves includes the part corresponding to the unappropriated reserve and the capitalisation reserve.

The company has an unappropriated reserve of 666,585,296.01 euros at 31 December 2019 (314,962,214.99 euros at 31 December 2018).

On 19 November 2018, the sole shareholder resolved to inject 300,000.00 thousand euros into the company for the new business activity to be undertaken in 2019 (note 1) and to comply with the own funds requirements stipulated by several trading centres that the company will join. Moreover, on 12 December 2019 the sole shareholder resolved to inject 350,000.00 into the company.

In pursuance of section 25 of the Corporate Income Tax Act 27/2914 of 27 November, the company has a restricted reserve of 518.202,55 euros at 31 December 2018 (337,860.12 euros at 31 December 2018).

(c) Own funds: Capital management

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June on capital adequacy for investment firms and their consolidated groups regulate the own funds of these firms and their consolidated groups, how own funds are to be determined, the different capital adequacy assessment processes to be conducted by investment firms and their public reporting to the market.

The strategic goals set by company management regarding the management of own funds are indicated below:

- Comply at all times with the applicable laws and regulations on minimum own funds requirements.

- Seek maximum efficiency in the management of own funds so that the consumption of own funds, together with other profitability and risk variables, is considered a fundamental variable in the analyses associated with decision-making in the company.
- Increase the weight of Tier 1 capital in the company's total own funds.

To meet these goals, the company has a number of own fund management policies and processes, the principal guidelines of which are:

- The company monitors and checks at all times the levels of compliance with the laws and regulations on own funds, with alarms that enable it to guarantee compliance at all times and see that the decisions made by the different divisions and units of the company are coherent with the goals set to comply with the minimum own funds requirements. In this regard, there are contingency plans to make sure the company keeps within the limits set in the applicable laws and regulations.
- In the company's strategic and commercial planning and the analysis and monitoring of its operations, the impact of those operations on its eligible own funds and the consumption-yield-risk ratio are considered a key factor in the company's decision-making. The company has certain metrics that are used to guide its decision-making regarding or affecting the minimum own funds requirements.

Therefore, the company considers own funds and the own funds requirements stipulated in the above-mentioned laws and regulations essential for its management, affecting the company's decisions, analysis of the viability of operations, strategy for the distribution of profits, etc.

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June indicate what elements must be counted as own funds and the own funds requirements to be met at all times. The company must satisfy the following own funds requirements:

a) a Common Equity Tier 1 capital ratio of 4.5%;

b) a Tier 1 capital ratio of 6%;

c) a total capital ratio of 8%.

The company calculates its capital ratios as follows:

a) the Common Equity Tier 1 capital ratio will be equal to the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

b) the Tier 1 capital ratio will be equal to the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

c) the total capital ratio will be equal to the own funds of the institution expressed as a percentage of the total risk exposure amount.

The company’s management of its own funds complies, in terms of conceptual definitions, with the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June. The minimum own funds requirements established in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June are calculated in accordance with the company’s exposure to credit, counterparty and dilution risk and free delivery exposures, liquidation/delivery risk, position, foreign exchange and commodity risk, operational risk, risk due to general overheads and the risk associated with material exposure in the trading book. The company is also required to keep within the limits on risk concentration established in that Circular and to make the capital adequacy assessments, measure the interest rate risk and comply with the reporting obligations also established in the Circular. In order to guarantee satisfying the afore-mentioned goals, the company pursues integrated management of these risks, applying the policies described earlier. Details of the company’s own funds at 31 December 2018 and 2017 is included below, classified into basic own funds and Tier 2 own funds, calculated in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and CNMV Circular 2/2014 of 23 June, which, as mentioned earlier, coincides with what is considered, for consolidated purposes, “capital for management”

	Thousand euros	
	31.12.2019	31.12.2018
Common Equity Tier 1 capital		
Issued capital	4,808.00	4,808.00
Reserves	12,016.00	16,262.00
Other reserves	650,000.00	300,000.00
Deductions	(679.00)	-
Total Common Equity Tier 1 capital	666,145.00	321,070.00
Total Tier 1 capital	666,145.00	321,070.00
Tier 2 capital		
Standard approach General credit risk adjustments	21.00	-
Total Tier 2 Capital	21.00	-
Total Capital	666,166.00	321,070.00
Total amount of risk exposure		
For credit, counterparty, dilution & free delivery risk	320,005.00	67,594.00
For settlement/delivery risk	63.00	-
For position, foreign exchange & commodity risk	2,963.00	3,363.00
Por riesgo operacional	38,825.00	38,863.00
For operational risk	118,425.00	-
Total amount of risk exposure	480,281.00	109,820.00
Common Equity Tier 1 capital ratio	138.70%	292.36%
Surplus of Common Equity Tier 1 capital	644,532.00	316,128.00
Tier 1 capital ratio	138.70%	292.36%
Surplus of Tier 1 capital	637,328.00	314,481.00
Total capital ratio	138.70%	292.36%
Surplus of total capital	627,744.00	312,284.00

At 31 December 2019 and 2018, the company’s eligible own funds exceeded those required by the aforesaid legislation.

Investment firms must satisfy at all times the combined buffer requirement, meaning the total Common Equity Tier 1 capital defined in Article 26 of Regulation (EU) No 575/2013, which is necessary to comply with the obligation of having a capital conservation buffer plus, where appropriate:

a) a specific countercyclical capital buffer for each institution

b) a buffer for global systemically important institutions (G-SIIs)

c) a buffer for other systemically important institutions (O-SIIs)

d) a buffer against systemic risks.

The buffers indicated in points b), c) and d) are not applicable to the company this year.

The capital conservation buffer requirement for Common Equity Tier 1 capital contemplated in section 44 of Act 10/2014 is applied to total risk-weighted exposure according to the following calendar:

a) From 1 January 2016 to 31 December 2016: 0.625%

b) From 1 January 2017 to 31 December 2017: 1.25%

c) From 1 January 2018 to 31 December 2018: 1.875%

d) From 1 January 2019: 2.5%

The company amply complies with the applicable capital buffer requirements.

(17) Contingent liabilities and commitments and Other off-balance sheet items

The company had no balances in these headings at 31 December 2018.

At 31 December 2019 the breakdown of this heading is shown below.

	Euros
Guarantees and sureties granted	1,387,744,555.71
Derivative instruments	267,816,008,288.42
Other risks and commitment accounts	-
Total contingent liabilities and commitments	269,203,752,844.13
Client orders to buy securities pending settlement	1,647,750,857.89
Client orders to sell securities pending settlement	1,647,750,857.89
Other ítems	2,460,597,258.53
Total other off-balance sheet items	5,756,098,974.31

(a) Guarantees and sureties granted

This heading includes non-cash collateral posted by the Company on the course of its business.

(b) Derivative instruments

A breakdown of notionals at December 31 2019 is provided below.

	Euros
Financial futures on securities and interest rates	
Purchased	40,949,089,228.92
Sold	40,949,089,228.91
Other trades on interest rates	
Swaps	109,380,120,416.40
Financial futures on currency	
Purchased	1,156,132,746.79
Sold	1,156,132,746.81
Options on equity or equity indexes	
Purchased	7,794,891,956.00
Sold	8,652,251,349.00
Options on interest rates	
Purchased	14,902,534,270.93
Sold	15,051,483,942.54
Options on currency	
Purchased	746,270,033.25
Sold	1,272,687,718.78
Other trades	25,805,324,650.09
	267,816,008,288.42

(c) Other ítems

This heading includes, on one hand, a balance of 1,060,597,258.53 euros on guarantees received for the Company's business and, on other hand, the parental guarantee issued on 18 April 2019 by the Company's sole shareholder to guarantee the Company's trading with LCH. The maximum guarantee amount is 1,400,000,000.00 and it has a 2 year maturity. The cost accrual related to the parenyal guarantee has been recorded as "Commissions paid" in the Profit and Loss statement (note 18 (c)).

(18) Income and expense

(a) Información segmentada

The company is mainly engaged in the worldwide brokering of national or foreign investments on recognised exchanges for companies within the Credit Suisse Group.

(b) Interest income / Interest expense

The breakdown of this item on the income statement in 2019 and 2018 is as follows:

	Euros	
	31.12.19	31.12.18
Interest income		
Financial intermediaries		
Deposits (note 16)	709,738.13	408,816.30
Repos (note 13)	495,889.94	87,521.36
Other	1,088,426.03	5,536.41
Spanish non financial intermediaries	6,157.12	-
Dividend	2,810.75	-
	2,303,021.97	501,874.07
Interest expense		
Financial intermediaries		
Deposits	1,648,023.23	-
Reverse repos	3,833,415.16	-
Other	6,492,760.28	1,806.83
Spanish non financial intermediaries	19,618.05	-
Foreign non financial intermediaries	4,827.76	-
	11,998,644.48	1,806.83

Balances with Group companies are detailed on note 20.

(c) Commissions received and paid

The breakdown of commissions received and paid during 2019 and 2018, according to their nature, is set out below:

	Euros	
Commissions received	31.12.19	31.12.18
Processing and execution of client's orders to buy and sell securities	58,698,845.90	43,014.75
Investment advice	2,000,000.00	1,500,000.00
Other commissions	57,567.97	-
	60,756,413.87	1,543,014.75
Commissions paid		
Cash equities trading	29,790,012.23	-
Derivative trading	10,784,244.83	-
Underwritting and placement	56,582.15	-
Commissions paid to markets and clearing & settlement systems	4,776,681.12	79,995.33
Other commissions	1,998,915.41	466,649.85
	47,406,435.74	546,645.18

At 31 December 2019 "Other commissions paid" includes the cost accrual related to the parental guarantee issued by the Company's Sole Shareholder (notes 17 (d) and 20).

Balances with Group companies are detailed on note 20.

(d) Employee benefits

The breakdown of this item on the income statement in 2019 and 2018 is as follows:

	Euros	
	31.12.19	31.12.18
Wages and salaries	18,600,785.44	10,303,583.40
Social security	763,981.91	408,680.41
Contributions to supplementary pension schemes (Note 3(g))	370,222.46	219,014.56
Termination benefits	1,911,994.89	1,399,544.44
Other employee benefits	962,575.51	377,533.13
	22,609,560.21	12,708,355.94

During 2019, the company recognised within wages and salaries a sum of 2,912,109.13 euros corresponding to employee remuneration plans based on stock options over equity instruments (1,284,375.20 euros in 2018). This expense is carried at the fair value of the obligation contracted to employees in each period, as indicated in Note 3 (g).

At 31 December 2019 and 2018, the company had the following variable remuneration plans based on stock options over own and third-party equity instruments.

Name of plan	Number of shares	Eligible employees	Maturity	Conditions
Phantom Share Award	Variable	Employees with remuneration > USD 250 thousand or equivalent in local currency	2019-2020-2021	- Calculation of ROE of CS AG share - Performance of business area - The underlying are Group equity instruments
Performance Share Award	Variable	Employees with remuneration > USD 250 thousand or equivalent in local currency	2019-2020-2021	- Calculation of ROE of CS AG share - Performance of business area - The underlying are Group equity instruments
Contingent Capital Award	Variable	Employees with remuneration > USD 250 thousand or equivalent in local currency	2019-2020-2021	- Non-guaranteed right to receive future cash payments - The underlying are CS Group equity instruments

The amount of Contributions to supplementary pension schemes corresponds to payment of a defined contribution mixed group insurance taken out by the company in 2002 with Santander Central Hispano Previsión, Sociedad Anónima de Seguros y Reaseguros, changed as from October 2004 to Vida Caixa, Sociedad Anónima de Seguros y Reaseguros, covering certain pension commitments to its employees (see Note 3 (g)).

The average number of employees on the company's payroll during the year ended 31 December 2019 and 2018, by category and gender, is as follows:

	31.12.19		31.12.18	
	Men	Women	Men	Women
Executives	7	1	1	1
Skilled staff	25	8	5	3
Administrative staff	3	9	6	5
	34	18	12	9

At 31 December 2018 and 2017, the company had no employees with a disability rating of 33% or over.

(e) General expenses

The breakdown of this item on the income statement in 2019 and 2018 is set out below:

	Euros	
	31.12.19	31.12.18
Leases (Note 8)	1,995,311.98	1,867,844.39
Communications	106,265.83	92,610.17
Computer systems	2,237,304.89	1,370,191.96
Supplies	207,503.28	162,582.20
Maintenance and repair	203,872.26	146,315.68
Advertising	75,354.73	68,856.73
Representation and travel	661,599.09	556,230.45
Other independent professional services	4,576,337.59	415,137.72
Outsourced administrative services	5,219.99	3,917.99
Other expenses	2,056,692.83	1,676,858.02
Contributions and taxes	-	32,775.87
	12,125,462.47	6,393,321.18

At 31 December 2019 and 2018, leases include the lease payments on the offices in Calle Ayala, of 1,995,311.98 euros and 1,867,844.39 euros, respectively (note 10).

Other independent professional services includes, at 31 December 2019, 3,533,725.11 euros costs related to the Company's new business due to Brexit (note 1).

(f) Other operating income

The details of this item on the income statement in 2019 and 2018 are as follows:

	Euros	
	31.12.19	31.12.18
Other operating income	25,303,951.14	21,205,370.83

At 31 December 2019 and 2018, other operating income essentially includes revenue from services rendered to other group companies (note 20).

(19) Tax situation

The company's profits are taxable for corporate income tax at the rate of 25% of taxable income in 2019 and 2018. Certain deductions and allowances can be applied to the resulting liability.

In 2017, the company notified the National Tax Inspection Office of its option to apply consolidated tax rules for its corporate income tax as from 2017. The National Tax Inspection Office assigned the Tax Group number 440/17.

For corporate income tax, the company is included in the group headed by Credit Suisse Gestión SGIIC S.A. The net tax base for other taxes for which the company is taxable is calculated on an individual basis.

Under consolidated taxation rules, the group of companies included in the tax base is considered a single taxpayer for all purposes.

However, the company must calculate the tax debt that would be payable if it were to file separate tax returns, adjusting the tax liability according to the deductions and allowances attributed to it by the Group, after calculating them on the basis of consolidated earnings.

Owing to the different treatment permitted by tax laws for certain transactions, the accounting profit may differ from the taxable profit (tax base).

The calculation of the taxable income and corporate income tax expense for 2019 that the company expects to declare once the 2019 annual accounts have been approved, and the 2018 corporate tax expense, is shown below:

	Euros	
	31.12.19	31.12.18
Profit before tax	(5,977,259.16)	2,462,400.27
Permanent differences	479,296.57	318,178.08
Accounting profit	(5,497,962.59)	2,780,578.35
Timing differences	6,810,222.67	(2,932,516.55)
Non operating losses offsetting	(1,000,000.00)	-
Taxable profit	312,260.08	(151,938.20)
Gross liability at 25%	78,065.02	-
Deduction for training expenses	(1,549.11)	(964.85)
Net tax liability	76,515.91	(964.85)
Withholdings and advance tax (Note 9)	(248,165.87)	(788,217.47)
Corporate income tax payable / (recoverable) Profit before tax	(171,649.96)	(789,182.32)

The corporate income tax expense is calculated as follows:

	Euros	
	31.12.19	31.12.18
Tax base at 25%	(1,374,490.65)	695,144.59
Deductions	(1,549.11)	(964.85)
Corporate income tax expense	(1,376,039.76)	694,179.74
Corporate income tax expense/(income) from previous years	(93,922.14)	(35,203.76)
	(1,469,961.90)	658,975.98

Under current laws, taxes cannot be considered final until the tax returns filed have been inspected by the tax authorities, or until the limitation period of four years has ended. At 31 December 2019, the company has all the main taxes for which it is taxable as from 1 January 2016 open for inspection by the tax authorities, except corporate income tax, for which its returns filed on or after 1 January 2015 are subject to inspection. Company directors do not expect any material additional liabilities to arise from any potential inspection.

(20) Related party transactions

(a) Company transactions and balances with group companies

Balances held with group companies and associates at 31 December 2019 and 2017 are shown below:

	Euros	
	31.12.19	31.12.18
Accounts receivable		
Derivative instruments (note 5(b))	154,526,309.83	-
Reverse repos (note 7(a))	996,868,890.07	-
Demand deposits (note 7(b))	20,247,332.01	298,786,152.70
Time deposits (note 7(c))	49,228,467.71	-
Other credits (note 7 (d))	350,819,431.35	1,157,646.76
Otros accounts receivable	97,327.72	144,103.84
	1,571,787,758.69	300,087,903.30
Accounts payable		
Derivative instruments (note 5(b))	94,221,379,06	-
Repos (note 13)	52,504,855,86	-
Other debts with Group companies (note 13)	1,151,348,210,45	100,000,00
Other debts (note 13(c))	138,872,940,24	3,391,00
Group creditors (note 14)	7,077,12	434,083,79
Collateral held (note 13(e))	111,303,877,02	-
Valuation adjustments (note 13)	2,892,149,87	-
Other accounts payable	12,382,55	-
	1,551,162,872,17	537,474,79

The main transactions made with group companies and associates during the years ended 31 December 2019 and 2018 are summarised below:

	Euros	
	31.12.19	31.12.18
Expenses		
Deposits (note 18 (b))	1,098,509.18	-
Reverse repos (note 14 (b))	3,817,479.25	-
Commissions(note 18(c))	2,918,269.48	-
Expense allocations	1,819,499.26	874,985.13
	9,653,757.17	874,985.13
Income		
Interest	170,862.27	408,816.30
Commissions	52,512,750.66	-
Other operating income (note 18 (f))	25,303,951.14	21,058,508.73
	77,987,564.07	21,467,325.03

Expense allocations mainly include payments made to group companies for services rendered in the general expenses area.

Other operating income mainly includes payments made by other group companies for operations corresponding to the company’s business.

(b) Transactions with board members

Board members earned 3,568,297.77 euros as employees of the Credit Suisse Group in the year ended 31 December 2019 (3,454,535.05 euros at 31 December 2018).

During 2019 and 2018 the company has not granted any advances or loans to board members, furnished any guarantees on their behalf, or paid any liability insurance premiums for damages that may be caused through their actions or omissions as directors. Moreover, the company has not contracted any pension or life assurance commitments to current or former board members or furnished any guarantees on their behalf.

Board members have not entered into any transactions with the company during 2019 and 2018 outside normal trading or other than on arm’s length terms.

Company directors and their related parties have not incurred in any conflict of interest that must be reported pursuant to section 229 of the recast Corporate Enterprises Act.

(21) Auditors’ Fees

The auditors of the company’s annual accounts, KPMG Auditores, S.L., invoiced the net fees shown below for their professional services in the years ended 31 December 2019 and 2018:

	Euros	
	31.12.2018	31.12.2017
Auditing services	28,875.00	28,875.00
Other account-checking services	-	-
Other services	-	-
	28,875.00	28,875.00

The amounts indicated above include all fees charged for the services of auditing the company’s accounts provided in 2019 and 2018, regardless of the date of invoicing.

No other professional services were provided for the company in 2019 and 2018 by other companies related to KPMG International.

(22) Risk Policy and Management

Credit Suisse Sociedad de Valores S.A. (CSSSV) in line with Credit Suisse Group has implemented a 3 Lines of Defence risk model, where the 1st Line of Defence consists of functions that manage the risk gateway into the bank, responsible for identification, measurement, management, and reporting of risks they generate.

The 2nd Line of Defence consists of independent risk management, compliance and control functions which are responsible for establishing the risk management framework and associated control standards, and providing independent challenge over activities, processes and controls carried out by the 1st Line of Defence.

The 3rd Line of Defence provides independent assurance to the Board and senior management about the adequacy of the overall risk and control framework. The CSSSV Risk Management unit (CSSSV CRO and their team) is part of the 2nd Line of Defence and is responsible for risk control within CSSSV as mandated by both the CSSSV Board of Directors and the CS Group CRO.

The CSSSV CRO organization based in Madrid was established in February 2019 and focuses on Global Markets and Investment Banking Capital Markets businesses that deployed in CSSSV as part of Credit Suisse contingency planning for Brexit. The CSSSV CRO reports into the CSSSV CEO and functionally into the CS Group CRO organization to ensure appropriate segregation of line of defence. The CSSSV CRO is a member of the Executive committee of CSSSV and he chairs the CSSSV Risk Management Committee. Executives of the CSSSV CRO team are based and Madrid and are senior experts in their field of expertise (e.g Credit risk, Liquidity Risk, Operational risk, etc). CSSSV risks are controlled with a CSSSV specific risk framework owned by the CSSSV BoD and monitored by the CSSSV CRO and their team.

As of end of 2019, the key risks identified for CSSSV are **Credit Risk**, where the Broker dealer activities of CSSSV expose CSSSV to various Credit risks inclusive of settlement risk on securities trading, counterparty credit risk exposure on OTC derivatives and exposures to Central Clearing Houses of which CSSSV is a member.

Liquidity Risk where CSSSV pursues prudent liquidity risk management, based on maintaining sufficient cash and negotiable securities, ensuring the permanent availability of financing through adequate credit facility commitments and sufficient ability to settle market positions. This is enforced by a specific CSSSV liquidity risk framework that is monitored regularly.

Finally **operational risk** which is an inherent risk for CS Group and its peers. Indeed, CSSSV as a broker dealer engaged in sophisticated and complex activities, relying on services provided by CS Group and third party providers, operational risk remains a key focus for CSSSV and is actively controlled by the risk framework rolled out and monitored by the CSSSV CRO team. Other risks are present in the entity yet with lower degree of materiality and are also controlled by specific risk frameworks and risk monitoring tools rolled out to CSSSV (and enforced under the authority of the CSSSV CRO) in line with CS Group approach.

As of end of 2019, CSSSV CRO monitors other less material risks for CSSSV such as **market risk,** where CSSSV controls the composition of its portfolio and the potential market losses to be incurred from repricing of asset and or market variables which again is controlled by a CSSSV market risk framework monitored daily by Madrid based CSSSV CRO executives. **Model Risk** is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports and **Reputational risk** as we seek to avoid any transaction or service that could damage the reputation of CSSSV or CS Group or any affiliates of CS Group.

(23) Environmental information

The company directors consider any environmental risks that could arise from its activity minimal and, in any case, adequately covered. No additional liabilities are expected to derive from its operations related with such risks. The company did not incur in any environmental expense or receive any grants related with those risks during the years ended 31 December 2019 and 2018.

(24) Information on payment deferrals to suppliers. Supplementary Provision Three “Reporting Duty” of Act 15/2010 of 5 July

Final Provision Two of Act 31/2014 of 3 December, amending the Corporate Enterprises Act to enhance corporate governance, amending Supplementary Provision Three of Act 15/2010 of 15 July, in turn amending Act 3/2004 of 29 December that established measures to combat arrears in commercial transactions, all commercial enterprises are required to disclose expressly in the notes to their annual accounts the average time they take to pay suppliers. Accordingly, the company indicates below its average period for payment (days payable outstanding) to suppliers and service providers as at 31 December 2019 and 2018:

	2019	2018
	Days	
Average payment period	28	16
Paid transactions ratio	29	16
Outstanding transactions ratio	19	20
	Euros	
Total payments made	13,000,810.56	7,330,558.23
Total payments outstanding	1,274,191.44	355,414.55

The above figures were calculated applying the following methodology:

$$\text{Average days payable outstanding} = \frac{\text{Ratio transactions paid * total payments made} + \text{ratio transactions outstanding * total payments outstanding}}{\text{Total payments made + total payments}}$$

$$\text{Ratio of transactions paid} = \frac{\Sigma(\text{Number of days to payment * amount of transaction paid})}{\text{Total payments outstanding}}$$

$$\text{Ratio of transactions paid} = \frac{\Sigma(\text{Number of days to payment * amount of transaction paid})}{\text{Total payments outstanding}}$$

(25) Subsequent events

Business Transfer Agreement

On effective date 1st March 2020, the Company, as transferee, along with CREDIT SUISSE INTERNATIONAL, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (both as “transferors”), CREDIT SUISSE AG and CREDIT SUISSE SERVICES AG signed the “Business Transfer Agreement (“BTA”), in which the transferors agree to, on one hand, sell part of their business and, on the other hand, agree to the contribution of their Branches’s businesses to the Company.

The transferred business consists of the business carried on by the transferrors including GM and IBCM to the extent such business relating to EU Regulated Activities. The price of the business transfer has been set at 11,800,000.00 euros.

For the Branches's businesses contribution the Company's government bodies agreed to a capital increase that has been subscribed by the transferors in exchange for the contribution of the Branches's businesses. On the contribution effective date, the company issued the following shares:

- 168,284 Consideration Shares to Credit Suisse International with an aggregate value of €10,850,952.32

- 299,264 Consideration Shares to Credit Suisse Securities Europe Limited with an aggregate value of €10,850,952.32

The Company has contributed each Branches business to the relevant Company's Branch in each of the EU locations.

Covid-19

The rapid spread of the COVID-19 virus inside China and across the world in January, February and March 2020 led to the introduction of tight government controls and travel bans, as well as the implementation of measures which quickly closed down activity in large parts of China's economy. Markets globally were negatively impacted, with the travel and tourism and the transportation sectors, as well as companies with close links to China's economy, being the worst affected. The medical emergency is expected to have a significant impact on China's economy in the first quarter of 2020 as well as negative effects on other countries globally in the first quarter of 2020.

Although there have been no consequences at the date of preparation of the annual accounts, the Company expects significant events might occur in the future, for which it is not possible to make a reliable estimate.

The Company will assess during the financial year 2020, the impact of said events on the equity and financial situation as of December 31, 2020 and on the results of its operations and the cash flows corresponding to the annual fiscal year ended on that date

No other significant events have occurred between 1 January 2020 and the date of approval of these annual accounts.

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Annual report of investment firms for 2018, information provided in compliance with the Securities Market Act 24/1988, section 70.bis.one

FY 2019

COUNTRY: SPAIN

Stand alone information

Name:	Credit Suisse Securities SV, S.A.
Nature:	Broker-Dealer
Geographical location of business:	Madrid
Turnover (euros):	85,949,369.58
Number of full-time employees at 31/12/2019:	59
Gross profit before tax (euros):	(5,977,259.16)
Income tax (euros):	1,469,961.90
Grants or public aids received:	-
Total return on assets:	(0.08%)

CREDIT SUISSE SECURITIES,
SOCIEDAD DE VALORES, S.A.

Directors' report

FY 2018

Development of business

In 2019, world economic growth reached 2.9%, a figure lower than in 2018. It is the lowest since the global financial crisis, in a context of a clear slowdown, highly conditioned by trade tensions between the US and China and the Brexit scenario. The US grew 2.3%, six bp less than the previous year. At the end of the year, the signing of the first phase of an agreement to end this trade war took place, which paralyzed the planned increase in tariffs and improved expectations for the 2020 financial year.

The EU grew by 1.2%, which is a slower pace than the previous year, and the weakest since 2014, as a result of the situation of the four major euro economies: the slowdown in the economies of France and Spain, and the weak growth of Germany and Italy, which even came close to recession in some quarter.

In Spain, the slowdown in the growth of the economy continued which stood at 2%, although it was again above the European average, and also by political instability. The unemployment rate has decreased from 14.5% to 13.8%, reaching its lowest level since 2008, although with a lower decrease than in previous years.

The 2019 financial year was an excellent year for the equity markets, especially in the US: the American stock market closed the year with earnings of over 20%, in one of the best years on record. The European stock market performed very well as well, although the rises fell somewhat below those of the USA.

Regarding interest rates, the ECB announced that it was resuming its program of net asset purchases, so the low interest rate environment has continued, making it significantly difficult to obtain attractive returns on fixed-income portfolios. There are currently no prospects for short-term increases in Europe. The Fed announced three interest rate cuts during fiscal year 2019, reaching 1.5%.

Internationally, very moderate growth is expected in 2020, with obvious threats from the aforementioned trade tensions, the worrying situation in some emerging and peripheral economies, and the uncertainty that the Brexit implementation still generates. The consequences of the coronavirus epidemic, still uncertain in its impact, undoubtedly add pessimism to these perspectives. In Spain, the year seems to be marked again by political instability and expectations of an even greater economic slowdown.

Situation of the company

In 2019, the company posted a loss before tax of 5,977 thousand euros, compared with a profit of 2,462 thousand euros in the previous year.

Foreseeable development

In the Brexit context, Credit Suisse Group has prepared for a 'Hard Exit' scenario. In this sense, the Group group executed a group-wide plan and has built out trading capabilities in locations in existing companies within CS group. During 2019, the Company has been executing EU client and EU venue facing broker dealer businesses.

In line with the above, the Company has received from its Sole Shareholder a contribution of 650 million euros during 2018 and 2019.

Trading in own shares

The company did not hold any treasury shares at 31 December 2019 or plan to acquire them at any time in the foreseeable future.

Investment in research and development

The company has no special research and development plans and there is no charge for this item in the 2019 accounts.