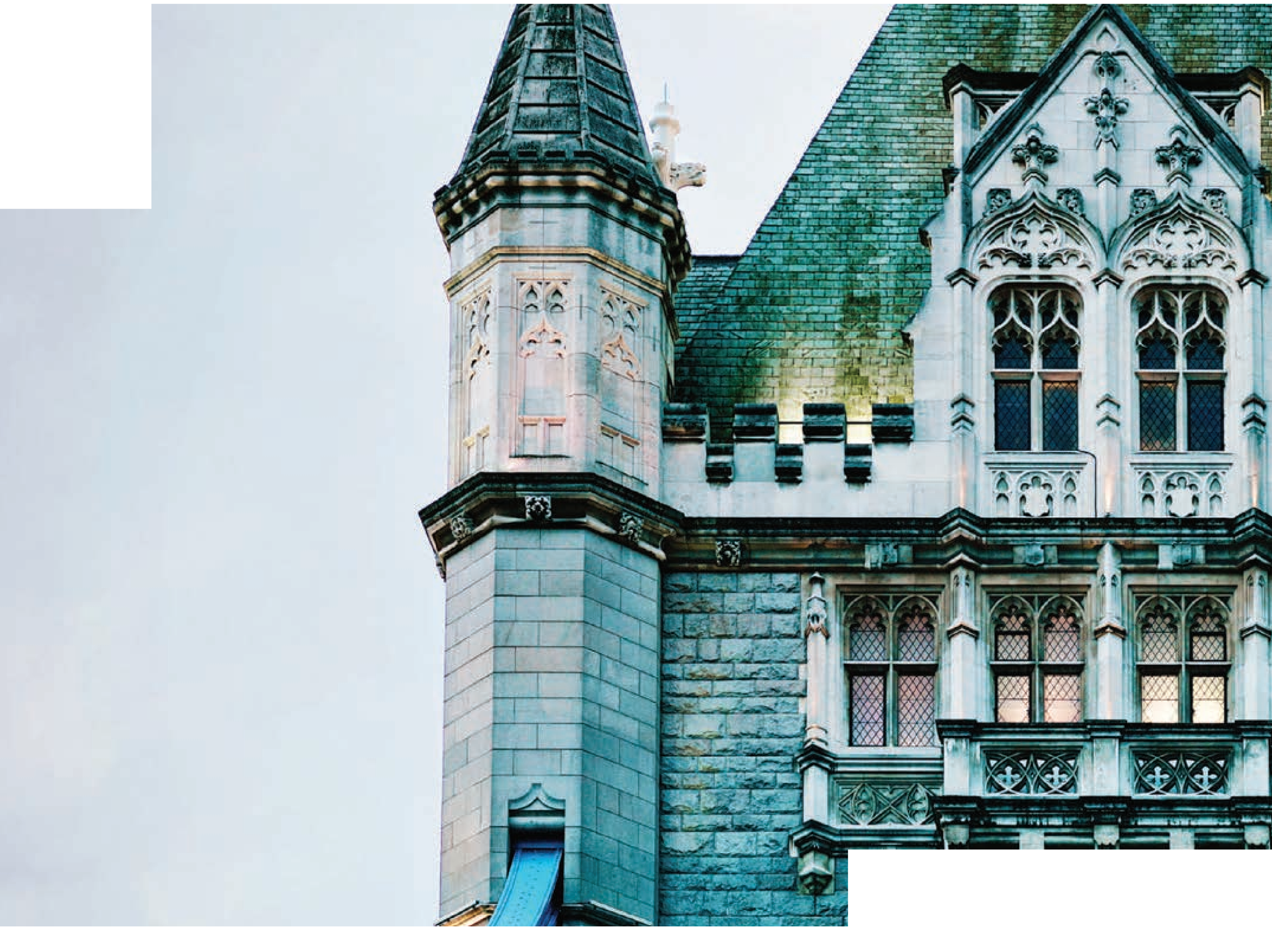
Credit Suisse Securities (Europe) Limited

CREDIT SUISSE

Annual Report 2019



Credit Suisse Securities (Europe) Limited

Annual Report 2019

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 DiIorio

Nicola Kane

Company Secretary

Paul Hare

Company Registration Number	00891554

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 Securities (Europe) Limited at a glance

Business Model

Entity Structure

The Credit Suisse Securities (Europe) Limited Group (the 'CSS(E)L Group') consists of the Company, its consolidated subsidiaries and structured entities. The CSS(E)L Group is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. Credit Suisse Securities (Europe) Limited ('CSS(E)L') or the 'Company' is a wholly owned subsidiary of Credit Suisse Investment Holdings (UK) (the 'Parent') and indirectly wholly owned subsidiary of Credit Suisse Group AG ('CSG'). The Company has branch operations in Paris, Seoul, Warsaw and Stockholm. Paris, Warsaw and Stockholm branches provide equity broking and investment banking services. In addition to providing these activities, the Seoul branch has approval from South Korea's Financial Supervisory Commission to engage in over-the-counter ('OTC') derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains a representative office in Switzerland.

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

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

Financial statements

The CSS(E)L Annual Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Company and in accordance with 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

CSS(E)L Group's purpose is to support economies through its activities and play a constructive role in the broader social and environmental context. CSS(E)L aims to create value for its clients by providing services and products to help them succeed. CSS(E)L recognises the importance of its relationship and engages with its stakeholders; shareholders, employees, clients, suppliers and with the wider community. CSS(E)L 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 Securities (Europe) Limited strategy

The CSS(E)L strategy is to provide securities and non-securities sales, trading, risk management and settlement services for GM and IBCM clients in Europe, Middle East, and Africa ('EMEA') markets and to provide solutions for other divisions, and businesses, including wealth management clients.

In 2020, it is CSS(E)L management's strategy to transfer all core businesses to Credit Suisse International ('CSi') as part of a plan to consolidate the UK business in one legal entity.

Clients

CSS(E)L aims to provide its corporate, institutional and IWM clients with a broad range of financial solutions. To meet clients' evolving needs, CSS(E)L serves its clients through an integrated franchise and international presence. CSS(E)L acts as a dealer in securities, derivatives and foreign exchange on a principal and agency basis for its institutional and corporate clients. It delivers integrated client coverage to provide connectivity and access to broader financial markets, differentiated product offerings and tailored financing solutions. In addition, the business includes equities and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.

Growth driven by principal division

The CSS(E)L Group has one principal division, GM.

Global Markets

Business Profile

GM provides a broad range of financial products and services to client-driven businesses and also supports CSG's IWM, IBCM and APAC businesses and their clients. The suite of products and services includes global securities sales, trading and execution, prime brokerage 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 CSS(E)L 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.

Other divisions

APAC

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

Corporate Centre

Corporate Centre includes the newly formed Asset Resolution Unit ('ARU'), 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 CSS(E)L, the SRU predominantly comprised Longevity business. 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 CSS(E)L, 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, CSS(E)L is progressing with the following business migrations:

- CSS(E)L 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'); and
- CSS(E)L currently has EU branches in Paris and Stockholm. The businesses in Paris and Stockholm branches were transferred to newly set up branches of CSSSV on 28th February 2020.

Operating Environment

CSS(E)L is impacted by a range of political, macroeconomic, regulatory and accounting developments. The operating environment continues to evolve rapidly resulting in the need for CSS(E)L 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 CSS(E)L business performance, including credit loss estimates in the first half of 2020 and going forward. CSS(E)L 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 CSS(E)L 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 certain 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.

CSS(E)L has identified a significant number of liabilities and assets linked to IBOR indicies 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.

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

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.

CSS(E)L 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. CSS(E)L 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 Company uses a range of KPI's to manage its financial position to achieve the Company'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	177	102	(487)	(102)	(605)
Discontinued operations	21	(152)	96	122	8
Total	198	(50)	(391)	20	(597)

	2019	2018	2017	2016	2015
Consolidated Statement of Financial Position (USD million):					
Total Assets	93,365	95,532	123,782	118,953	143,542
Total Asset growth/(reduction)	(2.27)%	(22.82)%	4.06%	(17.13)%	(25.79)%
Return on Total Assets	0.21%	(0.05)%	(0.32)%	0.02%	(0.42)%

	2019	2018	2017	2016	2015
Capital (USD million):					
Risk Weighted Assets	27,252	23,679	27,472	30,391	33,277
Tier 1 capital	6,910	6,635	6,697	7,227	7,124
Return on Tier 1 capital	2.87%	(0.75)%	(5.84)%	0.28%	(8.38)%

	2019	2018	2017	2016	2015
Liquidity (USD million):					
Liquidity Buffer	11,224	16,126	17,884	20,636	19,216

Capital

CSS(E)L continues to maintain a strong capital position and as a result was able to repay USD 1 billion of capital in the form of subordinated debt during the year. The increase in Risk Weighted Assets ('RWA') of USD 4 billion to USD 27 billion was a result of the higher secured financing transactions facing Credit Suisse AG.

Capital Resources

The Company 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 regime and any forthcoming changes to the capital framework or to the Company's business model and includes reviewing potential opportunities to repay capital to shareholders.

The Company is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Company did not breach any capital limits during the year.

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

→ Changes in senior and subordinated debt are set out in Note 26 – Debt in Issuance.

→ Changes in capital are set out in Note 29 – Share Capital and Share Premium.

Liquidity

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

The liquidity buffer reduced by USD 5 billion to USD 11 billion (2018: USD 16 billion) primarily due to a reduction in the Pillar 2 requirement and the on-going reduction in risk in CSS(E)L Group leading to a reduction in High Quality Liquid Assets ('HQLA').

Consolidated Statement of Income

	2019	2018 [1]	2017	2016	2015
Consolidated Statement of Income (USD million)					
Net revenues	264	182	973	995	824
Total operating expenses	(87)	(80)	(1,460)	(1,097)	(1,429)
Profit/(Loss) before tax from continuing operations	**177**	**102**	**(487)**	**(102)**	**(605)**
Profit/(Loss) before tax from discontinuing operations	**21**	**(152)**	**96**	**122**	**8**
Profit/(Loss) before tax	**198**	**(50)**	**(391)**	**20**	**(597)**
Income tax benefit/(expense) from continuing operations	(43)	(31)	(11)	(5)	42
Income tax expenses from discontinuing operations	(81)	(32)	(47)	(43)	(3)
Profit/(Loss) after tax	**74**	**(113)**	**(449)**	**(28)**	**(558)**

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

The CSS(E)L Group has reported a net profit/(loss) of attributable to shareholders of USD 74 million (2018: USD (113) million loss).

Profit/(loss) before tax for the CSS(E)L Group was USD 198 million (2018: USD (50) million).

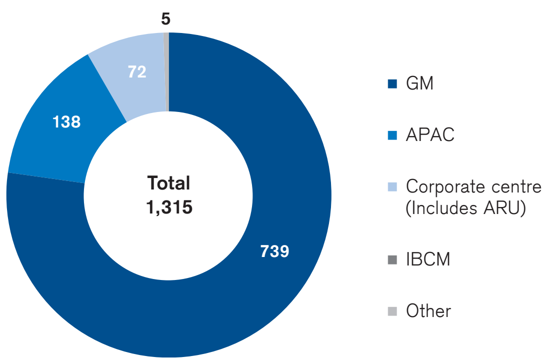
Net Revenues

	2019	2018 [2]	Variance	% Variance
Segment revenues (Continued and Discontinued) (USD million)				
Total Revenues				
- GM	739	853	(114)	(13)%
- APAC	138	201	(63)	(31)%
- Corporate centre (Includes ARU) [1]	72	(2)	74	3,700%
- Other	5	5	–	–
Revenue sharing agreements	436	352	84	24%
Cross divisional revenue share	87	11	76	691%
Treasury funding	(26)	(123)	97	79%
Shared services	(3)	(9)	6	67%
CSS(E)L Group to primary reporting reconciliations	(133)	73	(206)	(282)%
Net revenues	**1,315**	**1,361**	**(46)**	**(3)%**
Of which net revenues – discontinued operations	**1,051**	**1,179**	**(128)**	**(11)%**
Of which net revenues – continued operations	**264**	**182**	**82**	**45%**

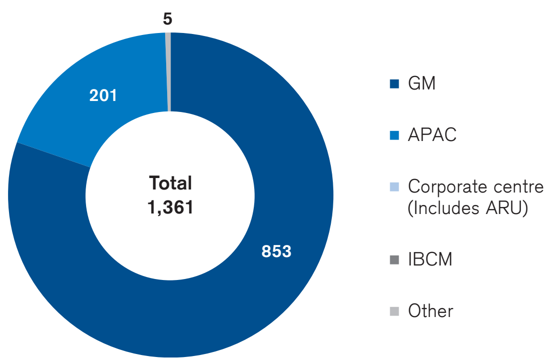
[1] Beginning in 2019, the SRU has ceased to exist as a separate division of the CSS(E)L group. The residual portfolio remaining as of 31 December 2018 is now managed in the ARU and is separately disclosed within the Corporate Centre.
[2] 2018 numbers have been re-stated to conform to current period's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

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

2019 (USD million)



2018 (USD million)



In 2019, Global Markets revenues (including continued and discontinued) decreased 13% year on year by USD 114 million, as continued challenging trading conditions resulted in low levels of client activity.

Asia Pacific revenues (including continued and discontinued) decreased 31% year on year by USD 63 million primarily due to low levels of client activity in Prime Services business.

Corporate centre revenues (including continued and discontinued) increased year on year by USD 74 million primarily due to the Longevity business driven by updates to life expectancy estimates.

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

- Increase in treasury income USD 97 million is due to reduction in liquidity costs of USD 58 million, and shared based compensation hedges of USD 33 million; and
- Decrease of USD 206 million in "CSS(E)L Group to primary reporting reconciliations" is primarily due to the accounting treatment for transfer pricing policy on prime brokerage. Balances are reported as net receivable or payable under IFRS but gross in US GAAP.

Expenses

	2019	2018 [1]	Variance	% Variance
Operating expenses (USD million)				
Compensation and benefits	(75)	(273)	198	(73)%
General, administrative and trading expenses	(1,042)	(1,109)	67	(6)%
Restructuring expenses	–	(29)	29	(100)%
Total operating expenses	**(1,117)**	**(1,411)**	**294**	**(21)%**
Of which operating expenses – discontinued operations	**(1,030)**	**(1,331)**	**301**	**(23)%**
Of which operating expenses – continued operations	**(87)**	**(80)**	**(7)**	**9%**

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

The CSS(E)L Group's operating expenses (including Continued and Discontinued operations, refer to Note 27 – Discontinued Operations and Assets Held for Sale) decreased by USD 294 million to USD 1,117 million (2018: USD 1,411 million). Compensation and Benefits reduced by USD 198 million to USD 75 million driven by lower salary costs of USD 140 million due to a reduction in headcount mainly driven by the transfer of employees to CSi. In addition a decrease in deferred compensation of USD 47 million due to the valuation of deferred compensation awards linked to the CSG share price.

General and administrative expenses decrease by USD 67 million to USD 1,042 million due to:

- Transfer Pricing expenses reduced by USD 115 million mainly due to change in prime brokerage policy and other policies;
- Decrease in Occupancy expenses USD 70 million driven by decrease in office rent as leases were transferred to CSi;
- Brokerage commission expense reduced by USD 66 million mainly driven by decrease in trading security fee and settlement related expenses;
- Decrease in non income tax of USD 55 million driven by lower irrecoverable VAT; and
- Offset by increase in Expense allocation of USD 233 million mainly driven by the transfer of employees and leases to CSi and increase in litigation expenses of USD 32 million.

There were no restructuring expenses during the year. This is due to the completion of the three year restructuring program at the end of 2018.

The effective tax rate for the period to December 2019 is higher than the UK Statutory tax rate. The material items impacting the effective tax rate are permanent differences, non-recoverable foreign taxes, prior period adjustments and the impairment of the recognised deferred tax balances following the transfer of the pension to CSi. Similarly, the effective tax rate for the period to December 2018 was higher than the UK statutory tax rate. In that period, the material items impacting the effective tax rate were permanent differences and non-recoverable foreign taxes, partially offset by the benefit of deferred taxes previously not recognised.

The CSS(E)L Group has incurred substantial taxes in the UK during 2019, including Bank Levy of USD 10 million (2018: USD 21 million), employer's national insurance of USD 2 million (2018: USD 42 million) and irrecoverable UK value added tax ('VAT') of USD 15 million (2018: USD 41 million). As disclosed in Note 44 – Country-by-Country Reporting, Corporation taxes paid in the United Kingdom ('UK') for CSS(E)L are nil (2018: USD Nil). The CSS(E)L Group has paid USD 27 million (2018: USD 20 million) in taxes in branches located outside of the UK.

Consolidated Statement of Financial Position (USD million)	2019	2018	Variance	% Variance
Assets (USD million)				
Interest-bearing deposits with banks	14,550	7,421	7,129	96%
Securities purchased under resale agreements and securities borrowing transactions	8,329	16,272	(7,943)	(49)%
Trading financial assets mandatorily at fair value through profit or loss	4,325	19,645	(15,320)	(78)%
Non-trading financial assets mandatorily at fair value through profit or loss	17,151	37,537	(20,386)	(54)%
Other assets	6,201	10,069	(3,868)	(38)%
Assets held for sale	39,979	1,847	38,132	2,064%
Other (merged remaining balance sheet assets lines)	2,830	2,741	89	3%
Total assets	**93,365**	**95,532**	**(2,167)**	**(2)%**
Liabilities (USD million)				
Securities sold under repurchase agreements and securities lending transactions	2,063	6,045	(3,982)	(66)%
Trading financial liabilities mandatorily at fair value through profit or loss	5,270	17,841	(12,571)	(70)%
Financial liabilities designated at fair value through profit or loss	16,652	29,296	(12,644)	(43)%
Other liabilities	10,666	14,615	(3,949)	(27)%
Debt in issuance	15,239	12,837	2,402	19%
Liabilities held for sale	32,462	4,056	28,406	700%
Other (merged remaining balance sheet liabilities lines)	3,944	3,257	687	21%
Total liabilities	**86,296**	**87,947**	**(1,651)**	**(2)%**

Consolidated Statement of Financial Position

As at 31 December 2019 the CSS(E)L Group had total assets of USD 93 billion (31 December 2018: USD 96 billion) as shown in the Consolidated Statement of Financial Position on page 15.

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

- An increase in Assets held for sale of USD 38 billion and Liabilities held for sale of USD 28 billion is primarily due to the CSS(E)L Ramp Down Project, the objective of which is to reduce CSS(E)L to a scale where it is no longer a Material Legal Entity ('MLE'). This is directly impacting other balance sheet line items noted below.
- Trading financial assets at fair value through profit or loss decreased by USD 15 billion primarily due to USD 3 billon increase by higher equity long position of trading securities in Prime Services due to increase in hedge positions on the back of client swap requirement. The balance movement of USD 18 billion is due to reclassification to Assets held for sale;
- A reduction of USD 20 billion in Non-trading financial assets fair value through profit or loss is driven by decrease in Reverse Repos of USD 6 billion. CSS(E)L requirements of HQLA have been diminished Year on Year ('YoY'). The remaining balance of USD 14 billion is due to reclassification to Assets held for sale;
- Other Assets have decreased by USD 4 billion primarily due to USD 1 billon transfer of UK pension fund to Credit Suisse International ('CSi') and USD 1 billion decrease in failed trades. The remaining balance of USD 2 billion is due to reclassification to Assets held for sale; and
- A reduction of USD 13 billion in Trading financial liabilities at fair value through profit or loss is mainly due to a decrease of USD 6 billion in cash securities equity short positions under Prime Services and APAC Equities driven by hedge positions on client swap requirement. The remaining balance of USD 7 billion is due to reclassification to Liabilities held for sale.

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

- An increase in Interest bearing deposits with banks of USD 7 billion is mainly with Credit Suisse AG, London Branch, due to business cash generation under GM;
- Securities purchased under resale agreements and securities borrowing decreased by USD 8 billion due to a USD 2 billion decrease on account of client migration to Credit Suisse AG, Dublin branch and USD 1 billion decrease in reverse repos due to optimisation of collateral. The remaining balance of USD 5 billion is due to reclassification to Assets held for sale;
- A reduction of USD 4 billion in Securities sold under repurchase agreements and securities lending transactions is due to USD 2 billion increase by stock lending transactions with Credit Suisse AG, Dublin Branch. The remaining decrease of USD 6 billion is due to reclassification to Assets held for sale;
- A reduction of USD 13 billion in Financial liabilities designated at fair value through profit or loss is driven by USD 3 billion increase in Repos due to increase in JPY liquidity buffer as per treasury requirements. The remaining decrease of USD 16 billion is due to reclassification to Liabilities held for sale; and
- An increase in Debt in issuance of USD 2 billion is driven by liquidity management with Credit Suisse 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 increased to USD 2.4 billion as at 31 December 2019 (31 December 2018: USD 2.2 billion) mainly driven by market movement. This was equivalent to 2.5% of total assets (2018: 2.3%). Total Level 3 liabilities remained stable USD 0.9 billion as at 31 December 2019 (31 December 2018: USD 0.9 billion). This was equivalent to 1.0% (2018: 1.1%) of total liabilities.

→ Fair Value disclosures are presented in Note 38 – Financial Instruments.

Discontinued operations and assets held for sale

CS group is focused on materially reducing the business and financial footprint of CSS(E)L by the end of 2020.

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. This will be achieved through the business migration of in-scope CSS(E)L clients and positions into CSi.

CSS(E)L is progressing with the following business migrations due to the UK leaving the EU:

- CSS(E)L 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'); and
- CSS(E)L currently has EU branches in Paris and Stockholm. The businesses in Paris and Stockholm branches have been transferred to newly set up branches of CSSSV on 28th February 2020.

CS will continue progressing with CSS(E)L rationalisation throughout 2020, noting CSS(E)L will still contain ARU positions.

CSS(E)L Group has been migrating part of the Prime Services business to Credit Suisse AG Dublin Branch during 2019.

→ For further details, refer to page 10 European Union ('EU') Exit Strategy and Note 27 – Discontinued Operations and Asset Held for sale.

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.	CSS(E)L 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 CSS(E)L'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 CSS(E)L'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 CSS(E)L is managed by the CSS(E)L Credit Risk Management ('CRM') department, which is headed by the CSS(E)L Chief Credit Officer ('CCO'). CSS(E)L 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 CSS(E)L are subject to approval by CSS(E)L 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 CSS(E)L 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 CSS(E)L 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.	CSS(E)L 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 Company level down to specific portfolios. CSS(E)L 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. CSS(E)L 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 is used to do this and 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 CSS(E)L's reputation as perceived by clients, shareholders, the media and the public.	CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L data and/or information by a third party; Unintentional or intentional theft or misuse of internal (non-public) CSS(E)L data or information by a CSS(E)L employee/contractor.	Technology risks are managed through CSS(E)L's technology risk management program, business continuity management plan and business contingency and resiliency plans. Technology risks are included as part of CSS(E)L's 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. CSS(E)L has an enterprise-wide Cybersecurity Strategy to provide strategic guidance to achieve an optimised end-to-end security and risk competence that enables a secure and innovative business environment, aligned with the Company'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 31 December, 2020. That uncertainty may continue to have a negative economic impact in the UK. CSS(E)L is continuing to closely monitor this situation and its potential impact.

CSS(E)L's preparations have focussed on a 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. CSS(E)L 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 36 – Guarantees and Commitments. CSS(E)L is the defendant in several legal cases, currently some of these have led to claims being made against the firm. CSS(E)L is defending itself with regards to these claims

Macro-Economic Environment

CSS(E)L's performance is dependent on the market environment. This could be materially affected by certain events such as COVID-19. Due to COVID-19, CSS(E)L has invoked its business continuity plans following Government advice with staff safety paramount. CSS(E)L has developed macro-economic scenarios for material risks to continue to monitor and manage these risks.

Risk Exposures

Longevity Risk
CSS(E)L has a portfolio of life insurance products that are long dated and relatively illiquid. The portfolio is managed by the ARU reflecting the fact that this is a legacy business where the risk exposure is being exited. The principle risk drivers are potential premium increases and changes in expected mortality within the portfolio.

Credit Risk
CSS(E)L has a global portfolio with exposures driven by a number of businesses and is therefore exposed to risks from a broad range of sources. These risks are managed within the CSS(E)L Credit Risk 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 Company are now discussed further.

The main drivers of credit risk in CSS(E)L are trading in securities financing, listed derivatives and prime brokerage activity. In aggregate, credit exposure in CSS(E)L increased in 2019 by USD 2.5 billion to USD 11 billion on a potential exposure basis. USD 1.6 billion of this increase is attributable to a methodology change affecting the legacy life insurance portfolio.

EU exit continues to be 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, CSS(E)L has exposure to counterparties in the UK and across the EU, with material exposures to banks, central counterparties, and funds. CRM continue to assess potential risks arising from UK EU Exit but have not identified any counterparties at immediate risk of significant deterioration as a result of the UK's exit.

Republic of Korea ("South Korea")
CSS(E)L undertakes business in South Korea through its branch in Seoul and has a Korean portfolio made up of short-term listed derivatives, securities borrowing and lending, and money market transactions. CSS(E)L has assigned an internal rating of AA- to South Korea based on its solid macro-economic performance, resilience, fiscal prudence, healthy balance sheet and current account surplus. While the last two years have seen a significant de-escalation of geopolitical tensions amid increased diplomatic engagements, no tangible progress in denuclearisation has been made and the peace negotiation is likely to be lengthy amidst ongoing risk of a military confrontation with lack of defined permanent peace settlement.

Credit Risk Exposure Views by Country and Industry Segment
The following table shows the largest exposures in CSS(E)L by country. The two largest exposures are in large developed countries (United States and United Kingdom), and collectively these countries account for approximately 49% of the total exposure. CSS(E)L also has exposure to counterparties across the European Union and the table includes the countries with the largest net exposures. With respect to emerging markets, CSS(E)L has exposure to financial institutions in South Korea through its local branch in Seoul.

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 (not limited to credit protection purchased and sold), 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 Credit Default Swaps ('CDS') and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

31 December 2019 (USD millions)	Sovereign Gross Exposure	Sovereign Net Exposure	Financial Institutions Gross Exposure	Financial Institutions Net Exposure	Corporate Gross Exposure	Corporate Net Exposure	**Total Gross Exposure**	**Total Net Exposure**	Annual Δ Gross Exposure	Annual Δ Net Exposure	Net Exposure as % of All Country Exposures
United States	16	16	3,013	2,984	98	98	**3,127**	**3,098**	498	1,525	32%
United Kingdom	-	-	2,317	1,497	200	200	**2,517**	**1,697**	600	496	17%
Republic of Korea	-	-	663	621	-	-	**663**	**621**	(29)	(68)	6%
European Union	3	3	1,830	1,735	401	401	**2,234**	**2,139**	(188)	357	22%
- of which France	1	1	428	415	142	142	**571**	**558**	5	118	6%
- of which Netherlands	-	-	363	340	71	71	**434**	**411**	6	39	4%
- of which Germany	-	-	281	281	43	43	**324**	**324**	(237)	(55)	3%
- of which Italy	-	-	275	217	24	24	**299**	**241**	22	187	2%
- of which Luxembourg	-	-	94	94	39	39	**133**	**133**	(6)	(5)	1%
- of which Spain	-	-	40	40	21	21	**61**	**61**	(7)	(7)	1%
Total	**19**	**19**	**7,823**	**6,837**	**699**	**699**	**8,541**	**7,555**	**881**	**2,310**	**77%**

31 December 2018 (USD millions)	Sovereign Gross Exposure	Sovereign Net Exposure	Financial Institutions Gross Exposure	Financial Institutions Net Exposure	Corporate Gross Exposure	Corporate Net Exposure	**Total Gross Exposure**	**Total Net Exposure**
United States	16	16	2,575	1,519	38	38	**2,629**	**1,573**
United Kingdom	-	-	1,768	1,052	149	149	**1,917**	**1,201**
Republic of Korea	-	-	692	689	-	-	**692**	**689**
European Union	5	5	2,114	1,473	303	303	**2,422**	**1,781**
- of which Germany	-	-	517	335	44	44	**561**	**379**
- of which France	2	2	509	383	55	55	**566**	**440**
- of which Netherlands	-	-	357	301	72	72	**429**	**373**
- of which Italy	-	-	265	42	12	12	**277**	**54**
- of which Luxembourg	-	-	103	103	36	36	**139**	**139**
- of which Spain	-	-	62	62	5	5	**67**	**67**
Total	**21**	**21**	**7,149**	**4,733**	**490**	**490**	**7,660**	**5,244**

[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 CSS(E)L by industry.

Industry Segments (USD millions)	**2019** Gross Exposure	**2019** Net Exposure	**2019** Net Exposure as % of All Industry Segment Exposures	2018 Gross Exposure	2018 Net Exposure	Annual Δ Gross Exposure	Annual Δ Net Exposure
Other Financial Companies	2,294	2,251	24%	1,571	1,487	723	764
Asset Management & Investment Funds	2,283	2,028	22%	1,757	1,011	526	1,017
Insurance	1,691	1,691	18%	1,506	717	185	974
Commercial & Investment Banks	1,173	1,063	11%	1,426	1,379	(253)	(316)
Central Clearing Parties	1,136	1,136	12%	946	946	190	190
Total	**8,577**	**8,169**	**87%**	**7,206**	**5,540**	**1,371**	**2,629**

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

Risk Management

Overview

The Company's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Company's business planning process and is strongly supported by senior management and the Board. The primary objectives of risk management are to protect the Company's financial strength and reputation, while ensuring that capital and liquidity is well deployed to support business activities and grow shareholder value. The Company 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 Company'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 Company 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 Company's business activities and they are monitored and managed through its risk management framework. The Company'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 Company's independent risk management function is headed by the CSS(E)L Credit Risk Officer ('CRO'), who reports jointly to the Company's Chief Executive Officer ('CEO') and the CRO of CS group. The CSS(E)L CRO is responsible for overseeing the Company's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Company has strengthened the risk management function to provide a more dedicated focus on the risks at the Company 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 Company and recommends corrective action where necessary;
- TLRM is responsible for assessing, monitoring and managing the liquidity risk profiles of the Company, and recommending 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 Company CRO and the relevant Global Risk Head. Furthermore, these departments are supported by a global infrastructure and data process which is largely maintained by the central, Risk Data Management ('RDM') group as well as the 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 Company'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 Company are set by the Board.

Within the bounds of the overall risk appetite of the Company, as defined by the limits set by the Board, the Company CRO is the nominated executive who is responsible for implementing a limit framework. The Company 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 Company 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 (Company-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 Company's financial risk management objectives and policies and the exposure of the CSS(E)L Group to market risk, credit risk, liquidity risk, currency and operational risk are outlined in Note 41 – 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.

CSS(E)L'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, CSS(E)L will focus on its clients' transition risks and opportunities, and on further integrating climate change into its risk management models. Secondly, CSS(E)L will focus on delivering sustainable finance solutions; and thirdly, CSS(E)L will work on reducing the carbon footprint of its own operations.

Governance

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

Risk Management

limate-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, CSS(E)L 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. CSS(E)L 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 CSS(E)L, assumes its various responsibilities towards society and the environment across CSG including CSS(E)L.

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 Company 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 Company. 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 CSS(E)L, decisions regarding reputational risks are made by one or two Reputational Risk Approvers, or escalated to the CSS(E)L 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 CSS(E)L 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 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 CSS(E)L 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.

CSS(E)L, 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 CSS(E)L has a significant dependency on the skills, experience and conducts of its employees and employees of other CS group entities.

Corporate Employee Policy

The CSS(E)L 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.

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

CSS(E)L has been focusing on gender diversity for a number of years, including assessing gender representation across the UK businesses to see if there is more CSS(E)L could be doing to increase the number of senior women in the organisation. This has led to an enhancement in CSS(E)L'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 CSS(E)L's continued drive for tangible and positive change in 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 CSS(E)L Group BAME (Black, Asian, and Minority Ethnic) employee population. As well as collecting and analysing the ethnic make-up of itsr population for the first time, CSS(E)L will also be looking to identify the 'lived experience' of its BAME employees in order to identify and then address any potential issues. Once CSS(E)L 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 CSS(E)L's Group corporate culture. Managers are advised on the planning and implementation of necessary internal structures and measures to ensure CSS(E)L Group can offer an inclusive working environment free from discrimination and can take the specific needs of all clients into account in CSS(E)L Group product and service offering. Senior leaders are responsible for ensuring that CSS(E)L Group systematically strives to achieve the targets defined and appropriate measures are implemented.

The CSS(E)L Group is committed to ensuring it has an appropriate corporate culture, reflecting a focus on risk, ethics and values. The CSS(E)L 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, the 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 operate within the Company, 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 Company 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 CSS(E)L. 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 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, the 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. CSS(E)L 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 the 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 CSS(E)L Board of Directors ('Board') is responsible for governance arrangements that ensure effective and prudent management of CSS(E)L, 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 Dilorio	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 Non-Executive Directors.

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 CSS(E)L 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 CSS(E)L Group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the Company have been in place throughout the year and up to 25 March 2020, the date of approval of the CSS(E)L 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 CSS(E)L is in line with the global or divisional strategy of the CSG;
- Act in good faith and in the best interests of CSS(E)L, exercise independent judgement and consider and avoid conflicts of interest where possible. Act in CSS(E)L'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 the Company 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 Company 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 Company Board, the Chair of either the Audit Committee or the Risk Committee would assume the position of the Chair of the Company 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 CSS(E)L to fulfil statutory duties;
- Ensure that CSS(E)L operates within the rules and regulations of all applicable jurisdictions;
- Ensure that CS group policies applicable to CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L, ensuring that it does not expose CSS(E)L to unacceptable risk;
- Provide direction for and challenge to management;
- Review CSS(E)L performance, and monitor the execution of business strategy and plan as far as they are related to CSS(E)L;
- Ensure that CSS(E)L 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 CSS(E)L 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 CSS(E)L;
- Review annually the decisions made by the CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L to increase awareness of and promote CSS(E)L Whistleblower arrangements.

Risk Management
- Review and approve the risk policies, risk appetite and framework for CSS(E)L, including through the approval of risk limits for the Company;
- Review CSS(E)L material credit, market, operational, conduct, and reputational risk exposures, liquidity and liability management, and the Capital Framework to ensure the safety and soundness of CSS(E)L's operations;
- Consider and assess the systems and controls in relation to the incurring of risk on behalf of CSS(E)L so as to ensure a reasonable level of assurance that the appetite of risk that CSS(E)L will incur is consistent with that which the Board considers it prudent for CSS(E)L 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 CSS(E)L;
- Review and consider the control framework for all functions that support the business of the Company (including, in the case of outsourced 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 ('RCC'), 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; and
- 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 and Audit Committee, Risk Committee or Executive Board; and
- 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 CSS(E)L'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

CSS(E)L 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.

	Board of Directors [1]	Audit Committee [2]	Risk Committee [3]	Nomination Committee [4]	Advisory Remuneration Committee [5]	Conflicts Committee [6]
in 2019						
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.

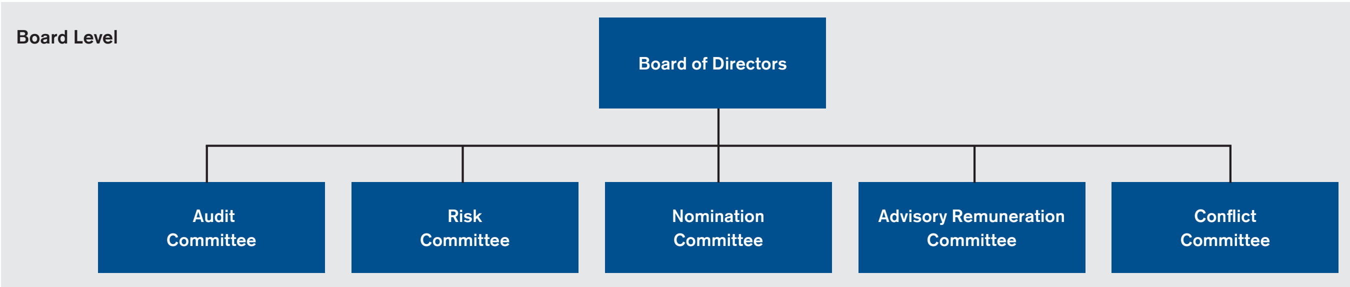
[6] The Conflicts Committee consisted of three members at the beginning and the end of the year with one member resigning and one being appointed.

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 CSS(E)L;
- 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 CSS(E)L's financial reporting;
- monitoring processes designed to ensure compliance by CSS(E)L 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 CSS(E)L;
- monitoring the statutory audit of CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L including processes and organisational structures to detect and monitor any risk of failure to comply with applicable regulatory requirements or that CSS(E)L may be used to further financial crime;

- reviewing the adequacy of CSS(E)L capital (economic, regulatory and rating agency) and its allocation to CSS(E)L businesses;
- reviewing certain risk limits and regular risk reports including Risk Appetite and make recommendations to the Board;
- reviewing the 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 CSS(E)L in particular as it relates to the detection and monitoring of any risk that CSS(E)L may fail to comply with applicable regulatory requirements and/or the risk that CSS(E)L 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 ultimate 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 CSS(E)L

The CSS(E)L Board has delegated responsibility for remuneration matters to the CSS(E)L 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 CSS(E)L, in particular members of the CSS(E)L Executive Committee and CSS(E)L's Material Risk Takers ('MRT'). Remuneration for CSS(E)L 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 CSS(E)L. The group policy can be found in the following link https://www.credit-suisse.com/about-us/en/our-company/our-governance/compensation.html. The policy outlines the CS group's remuneration structures and practices and is aligned with the company's purpose, values and culture. The Policy includes consideration of the reputational and behavioural risks to the company that can result from an insufficient scrutiny of compensation and emphasises Credit Suisse's commitment to non-discrimination in terms of gender and/or other individual characteristics in relation to employee compensation.

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 CSS(E)L at year-end 2019;
- Gender and Equal Pay: review and consider internal equal pay review process outcomes for CSS(E)L and the reasoning for the annual UK Gender Pay Gap disclosures;
- Individual Compensation Awards: review CEO Balanced Scorecard and review compensation for CSS(E)L CEO. Review and, where relevant, challenge individual compensation awards for CSS(E)L 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; and
- Regulatory Reporting: approve regulatory reporting and disclosures that CSS(E)L 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 CSS(E)L and CSG arising out of the multiple roles performed by CSS(E)L Board Directors have been effectively managed, and to report to the Board on such assessment

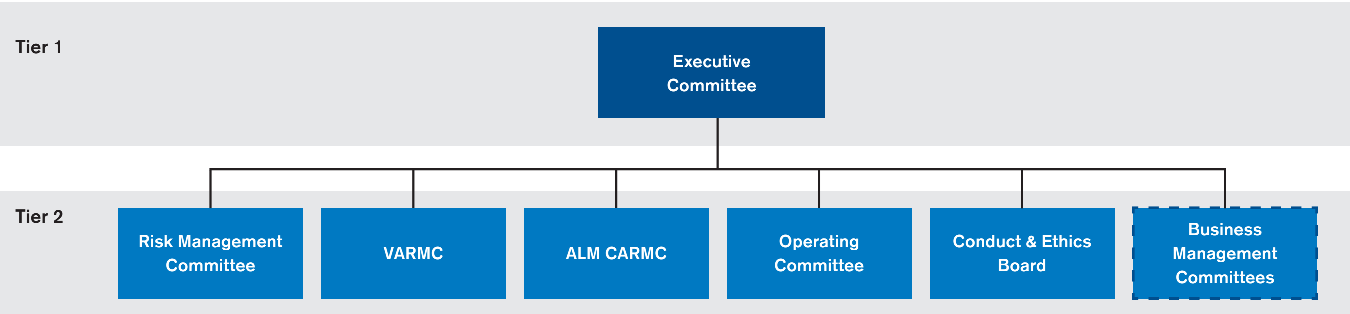
The duties of the Conflicts Committee are:

- 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).

Management committees overview

Tier 1 and Tier 2 committees support the Board.



Tier 1 comprises a single management committee, the CSS(E)L Executive Committee ('ExCo'). It is chaired by the CEO and members include the Deputy CEO, CFO, CRO, Head of Internal Audit, CCO, 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L.

Risk Management Committee ('RMC')
The RMC is chaired by the CRO of CSS(E)L. It is delegated authority from the ExCo to establish more granular limits within the bounds of CSS(E)L'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 the ILAAP and make recommendations to the CSS(E)L 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 CSS(E)L.

Valuation Risk Management Committee ('VARMC')
VARMC is the most senior decision making forum for valuation issues in CSS(E)L, 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 CSS(E)L. Its purpose is to:

- i monitor and challenge the capital and liquidity positions of CSS(E)L against internal and external regulatory limits;
- ii monitor and challenge the systems and controls related to the ALM management framework for CSS(E)L;
- iii manage CSS(E)L'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 CSS(E)L 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 CSS(E)L;

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 CSS(E)L. 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 Strategy and Key Account Management Governance Committee;

ii GM Equites and ITS, Equity Derivatives & Investor Products Governance Committee;

iii ITS Fixed Income & Wealth Management Products Management Oversight Committee;

iv IBCM EMEA Management 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

CSS(E)L 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 CSS(E)L 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 the company 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

CSS(E)L has a purpose to support economies through its activities and to play a constructive role within society while generating long-term sustainable returns. CSS(E)L aims to create value for its clients by providing services and products to help them succeed. CSS(E)L recognises the importance of its relationship and engages with its stakeholders; shareholders, employees, clients, suppliers and with the wider community. CSS(E)L 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 CSS(E)L strategy is to provide securities and non-securities sales, trading, risk management and settlement services for GM and IBCM clients in EMEA markets and to provide solutions for other divisions, and businesses, including wealth management clients.

Corporate Responsibility

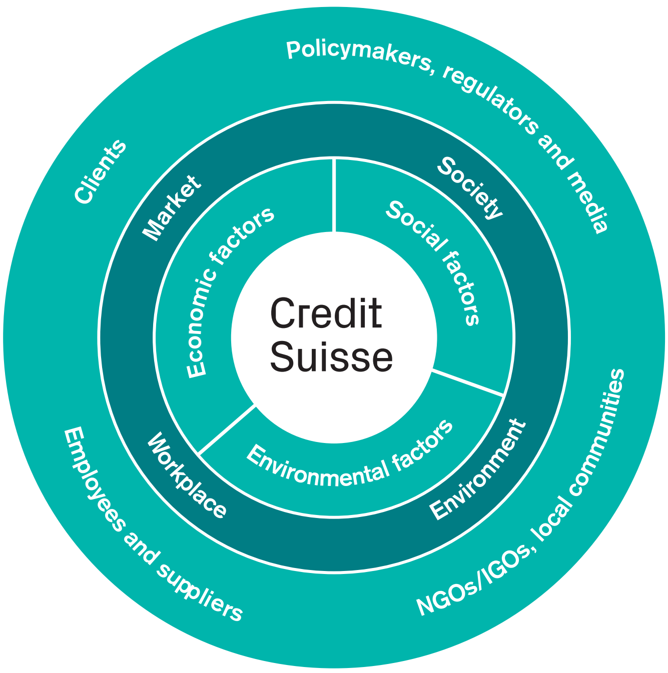
For CSS(E)L, corporate responsibility is about creating sustainable value for clients, shareholders, employees and other stakeholders. CSS(E)L strives to comply with the ethical values and professional standards set out in the Group Code of Conduct in every aspect of its work, including in the relationship with stakeholders. CSS(E)L 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 CSS(E)L commitment to protecting the environment.

The CSS(E)L approach to corporate responsibility is broad and considers respective responsibilities toward clients, shareholders, employees, the environment and society as a whole, which CSS(E)L 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. CSS(E)L sees itself as an integral part of the economy and society. Through its role as a financial intermediary, CSS(E)L 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. CSS(E)L also supports various organizations, projects and events. CSS(E)L 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

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

CSS(E)L 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 CSS(E)L involvement in initiatives, business associations, and forums, as well as through surveys, strengthens Company understanding of the different, and sometimes conflicting, perspectives of CSS(E)L stakeholders. This helps us to identify their interests and expectations at an early stage, to offer its own perspective and to contribute to the development of solutions in response to current challenges wherever possible. At the same time, this exchange allows us to further develop its understanding of corporate responsibilities.



Clients

The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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

CSS(E)L working with partner organisations strives to contribute to economic and social development. CSS(E)L cultivates a dialogue with policymakers, legislators and regulators, as well as members of the business community and other stakeholder groups. CSS(E)L contributes its expertise to discussions about economic, political, environmental and social issues through its involvement in initiatives, associations and forums. This provides us 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 CSS(E)L 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 CSS(E)L 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.

CSS(E)L is strongly anchored within its industry and the regulatory environment. This results in an extensive network of organizations and trade bodies, with which CSS(E)L maintains an intensive exchange of ideas and information. Key affiliations of CSS(E)L 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 CSS(E)L 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

CSS(E)L 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. CSS(E)L has an open and regular engagement with its regulators, ensuring clarity and transparency, and sharing views and expectations of CSS(E)L. Primary regulatory engagement for CSS(E)L 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 CSS(E)L employees to ensure the needs of its people are taken properly into account. CSS(E)L is also in dialogue with suppliers to ensure that they are in line with CSS(E)L requirements for responsible social and environmental conduct.

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

CSS(E)L 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

CSS(E)L as a material legal entity of CS group strives to maintain a fair and professional working relationship with its suppliers. CSS(E)L considers factors like quality and shared values when forming such relationships and strive to work with those who conduct their businesses responsibly. In addition, CSS(E)L has developed a framework to monitor these relationships. It is important for its business partners to know how CSS(E)L'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 CSS(E)L 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.

CSS(E)L as 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. CSS(E)L 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 CSS(E)L 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.

CSS(E)L relies upon services provided by other subsidiaries of CS group. CSS(E)L 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, CSS(E)L management has established a Service Management Framework ('SMF') to ensure that CSS(E)L 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 CSS(E)L. The UK Service Co reports into the Board of the Zurich based parent

Environment NGOs/IGOs

CSS(E)L as material legal entity of CS group, maintains a dialogue with NGOs, intergovernmental organizations ('IGO'), local organizations and other stakeholders to understand their concerns and to address social and environmental issues. CSS(E)L as material legal entity of CS group contributes to the public debate on these topics through its publications, initiatives and events. CSS(E)L 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 organizations, CSS(E)L strives to contribute to economic and social development. CSS(E)L 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

CSS(E)L cultivates constructive relationships with local organizations 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 CSS(E)L employee.

Grant partner St Giles Trust was selected UK 2019 Charity of the Year. The charity was hosted at a CSS(E)L CEO quarterly town hall where the Chair of CSS(E)L invited employees to continue their support. CSS(E)L 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 CSS(E)L Group and Company 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 Company. Directors of the Company 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, Strategic Report, the Directors' Report and the CSS(E)L Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the CSS(E)L Group and Company financial statements for each financial year. Under that law they have elected to prepare both the CSS(E)L Group and Company financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSS(E)L Group and Company and of their profit or loss for that period. In preparing each of the CSS(E)L Group and Company 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; and
- assess the CSS(E)L Group and Company'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 CSS(E)L Group or Company to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSS(E)L Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the CSS(E)L Group and Company and enable them to ensure that its Group and Company 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 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 CSS(E)L Group and Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the CSS(E)L group and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of CSS(E)L 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 42 – Financial Risk Management.

Changes made to the capital structure are set out in Note 30 – Share Capital and Share Premium.

Further Developments and Employees

Further developments impacting the Company and information in relation to employees is detailed in the Strategic Report.

Research and Development

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

Branches and Representative Offices

The details of the location of the Company'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 CSS(E)L 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 CSS(E)L Group's auditor is aware of that information.

Donations

During the year the CSS(E)L Group made USD 163,854 (2018: USD 184,669) of charitable donations. There were no political donations made by the CSS(E)L 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 CSS(E)L 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 CSS(E)L Audit Committee was consulted at each stage and contributed to the process.

The Board and shareholders proposed PwC as the new statutory auditor for CSS(E)L, effective for the fiscal year ending 31 December 2020.

Subsequent events

On 28 February 2020, the CSS(E)L group entered into a Business Transfer and Contribution Agreement with CSSSV whereby CSS(E)L London Business is sold to CSSSV on 01 March 2020 for a cash consideration of USD 1.

In addition, branch businesses located in Stockholm (USD 0.6 million consideration) and Paris (USD 21 million consideration) are transferred to CSSSV on 01 March 2020 and all such transfers are executed through issuance of ordinary shares of CSSSV to the CSS(E)L group.

The transfer arrangements are part of the CSS(E)L group's planning for a Hard Brexit since it is anticipated that the CSS(E)L 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, CSS(E)L sold its wholly owned subsidiary Credit Suisse First Boston Trustees Limited to CSi 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 3 million.

The COVID-19 is expected to have a significant impact on the global economy and is likely to affect CSS(E)L business performance and credit loss estimates, in at least the first half of 2020 and going forward. CSS(E)L has assessed its business continuity implications and has developed macro-economic scenarios for material risks to continue to monitor and manage these risks. CSS(E)L 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

C. Waddington

Caroline Waddington
Director

One Cabot Square
London E14 4QJ
25 March 2020

Independent Auditor's Report to the Members of Credit Suisse Securities (Europe) Limited

Opinion

We have audited the financial statements of Credit Suisse Securities (Europe) Limited ("the Group and company") for the year ended 31 December 2019 which comprise the Consolidated and Company Statements of Financial Position as at 31 December 2019, and the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated and Company Statements of Cash Flows for the year then ended, and notes to the financial statements, including the significant accounting policies set out in note 2.

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the 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 parent company 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company'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").

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. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements 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 group or the company will continue in operation.

Strategic Report and Directors' Report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Directors' responsibilities

As explained more fully in their statement set out on page 37, the directors are responsible for: the preparation of the financial statements and for 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 group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company 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 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 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

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

This report is made solely to the company'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 company'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 company and the company'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

Financial Statements for the year ended 31 December 2019

Consolidated Statement of Income for the year ended 31 December 2019

	Reference to note	2019	2018 [1]
Consolidated Statement of Income (USD million)			
Continuing Operations			
Interest income	4	113	94
- of which Interest income from instruments at amortised cost		113	94
Interest expense	4	(4)	(3)
- of which Interest expense on instruments at amortised cost		(4)	(3)
Net interest income		109	91
Commission and fee income	5	72	89
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	8	66	(12)
Other revenues	9	17	14
Net revenues		**264**	**182**
Compensation and benefits	10	(27)	(40)
General, administrative and trading expenses	11	(60)	(39)
Restructuring expenses	12	–	(1)
Total operating expenses		**(87)**	**(80)**
Profit before taxes from continuing operations		**177**	**102**
Income tax expense from continuing operations	13	(43)	(31)
Profit after taxes from continuing operations		**134**	**71**
Discontinued Operations			
Profit/(loss) before tax from discontinued operations	27	**21**	**(152)**
Income tax expense from discontinued operations	13,27	(81)	(32)
Loss after taxes from discontinued operations		**(60)**	**(184)**
Net profit/(loss) attributable to Credit Suisse Securities (Europe) Limited shareholders		**74**	**(113)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

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

CSS(E)L Group	2019	2018 [1]
Consolidated Statement of Comprehensive Income (USD million)		
Net Profit/ (loss)	**74**	**(113)**
Foreign currency translation	(16)	(23)
Net investment hedge – net gain	21	22
Cash flow hedges – effective portion of changes in fair value	2	(1)
Total items that may be reclassified to net income	**7**	**(2)**
Transfer of UK Pension Fund to Csi-reclass from AOCI to retained earnings	(577)	–
Transfer of UK Pension Fund to Csi-reclass of Tax from AOCI to retained earnings	168	–
Remeasurement of defined benefit pension assets	173	–
Related tax on re-measurement of defined benefit pension assets	(43)	–
Remeasurement of defined benefit liability	(9)	(20)
Total items that will not be reclassified to net income	**(288)**	**(20)**
Other comprehensive loss, net of tax	**(281)**	**(22)**
Total comprehensive loss	**(207)**	**(135)**
Attributable to Credit Suisse Securities (Europe) Limited shareholders	(207)	(135)

Refer to Note 28 Accumulated Other Comprehensive Income for details.
[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

The Company's profit after tax was USD 74 million for the year ended 31 December 2019 (2018: Loss USD 113 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Company.

The notes on pages 49 to 176 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2019

	Reference to note	2019	end of 2018
Assets (USD million)			
Cash and due from banks		2,744	2,615
Interest bearing deposits with banks		14,550	7,421
Securities purchased under resale agreements and securities borrowing transactions	15	8,329	16,272
Trading financial assets mandatorily at fair value through profit or loss	16	4,325	19,645
of which positive market values from derivative instruments	16	4,087	5,307
Non-trading financial assets mandatorily at fair value through profit or loss	17	17,151	37,537
Current tax assets		38	116
Deferred tax assets	14	44	8
Other assets	19	6,201	10,069
Property and equipment	21	2	1
Intangible assets	22	2	1
Assets held for sale	27	39,979	1,847
Total assets		**93,365**	**95,532**
Liabilities (USD million)			
Deposits	23	237	262
Securities sold under repurchase agreements and securities lending transactions	15	2,063	6,045
Trading financial liabilities mandatorily at fair value through profit or loss	16	5,270	17,841
of which negative market values from derivative instruments	16	3,812	5,589
Financial liabilities designated at fair value through profit or loss	18	16,652	29,296
Borrowings	24	3,663	2,832
Current tax liabilities		11	17
Deferred tax liabilities	14	–	145
Other liabilities	19	10,666	14,615
Provisions	25	33	1
Debt in issuance	26	15,239	12,837
Liabilities held for sale	27	32,462	4,056
Total liabilities		**86,296**	**87,947**
Shareholders' equity (USD million)			
Share capital	29	3,859	3,859
Capital contribution		156	–
Retained earnings		3,401	3,792
Accumulated other comprehensive income	28	(347)	(66)
Total shareholders' equity		**7,069**	**7,585**
Total liabilities and shareholders' equity		**93,365**	**95,532**

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 49 to 176 form an integral part of the Financial Statements.

Company Statement of Financial Position as at 31 December 2019

	Reference to note		end of
		2019	2018
Assets (USD million)			
Cash and due from banks		2,740	2,604
Interest bearing deposits with banks		14,550	7,421
Securities purchased under resale agreements and securities borrowing transactions	15	8,329	16,272
Trading financial assets mandatorily at fair value through profit or loss	16	4,333	19,651
of which positive market values from derivative instruments	16	4,094	5,313
Non-trading financial assets mandatorily at fair value through profit or loss	17	17,153	37,516
Current tax assets		38	116
Deferred tax assets	14	44	8
Other assets	19	6,169	10,054
Property and equipment	21	2	1
Intangible assets	22	2	1
Assets held for sale	27	39,979	1,847
Total assets		**93,339**	**95,491**
Liabilities (USD million)			
Deposits	23	237	262
Securities sold under repurchase agreements and securities lending transactions	15	2,063	6,045
Trading financial liabilities mandatorily at fair value through profit or loss	16	5,266	17,828
of which negative market values from derivative instruments	16	3,808	5,576
Financial liabilities designated at fair value through profit or loss	18	16,634	29,277
Borrowings	24	3,663	2,832
Current tax liabilities		11	17
Deferred tax liabilities	14	–	145
Other liabilities	19	10,666	14,610
Provisions	25	33	1
Debt in issuance	26	15,239	12,837
Liabilities held for sale	27	32,462	4,056
Total liabilities		**86,274**	**87,910**
Shareholders' equity			
Share capital	29	3,859	3,859
Capital contribution		156	–
Retained earnings		3,397	3,788
Accumulated other comprehensive income	28	(347)	(66)
Total shareholders' equity		**7,065**	**7,581**
Total liabilities and shareholders' equity		**93,339**	**95,491**

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 49 to 176 form an integral part of the Financial Statements.

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

	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI[1]	Total share-holders' equity
2019 Consolidated statement of changes in equity (USD million)						
Balance at 1 January 2019	**3,859**	**–**	**–**	**3,792**	**(66)**	**7,585**
Foreign exchange translation differences	–	–	–	–	(16)	(16)
Net gain on hedges of net investments in foreign entities taken to equity	–	–	–	–	21	21
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	2	2
Re-measurement of defined benefit asset	–	–	–	–	173	173
Related tax on Re-measurement of defined benefit pension assets	–	–	–	–	(43)	(43)
Transfer of UK Pension Fund to CSi	–	–	–	(1,165)	–	(1,165)
Tax on transfer of UK Pension Fund to CSi	–	–	–	291	–	291
Transfer of UK Pension fund to CSi – reclass from AOCI to retained earnings	–	–	–	577	(577)	–
Transfer of UK Pension fund to CSi – reclass of Tax from AOCI to retained earnings	–	–	–	(168)	168	–
Re-measurement of defined benefit pension liability	–	–	–	–	(9)	(9)
Net loss recognised directly in retained earnings and AOCI	**–**	**–**	**–**	**(465)**	**(281)**	**(746)**
Net profit for the year	–	–	–	74	–	74
Total comprehensive loss recognised for the year	**–**	**–**	**–**	**(391)**	**(281)**	**(672)**
Reduction of share capital	–	–	–	–	–	–
Transfer of Prime business to CS AG, Dublin Branch	–	–	156	–	–	156
Share premium reclassification to retained earnings	–	–	–	–	–	–
Balance at 31 December 2019	**3,859**	**–**	**156**	**3,401**	**(347)**	**7,069**
2018 Consolidated statement of changes in equity (USD million)						
Balance at 1 January 2018	**3,859**	**5,661**	**5,685**	**(7,474)**	**(9)**	**7,722**
Adjustment on initial application of IFRS 15 (net of tax)	**–**	**–**	**–**	**–**	**–**	**–**
Adjustment on initial application of IFRS 9 (net of tax)	**–**	**–**	**–**	33	(35)	(2)
Adjusted balance at 1 January 2018	**3,859**	**5,661**	**5,685**	**(7,441)**	**(44)**	**7,720**
Foreign exchange translation differences	–	–	–	–	(23)	(23)
Net gain on hedges of net investments in foreign entities taken to equity	–	–	–	–	22	22
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	(1)	(1)
Re-measurement of defined benefit asset	–	–	–	–	(20)	(20)
Net gain on available for sale securities taken to equity	–	–	–	–	–	–
Net loss recognised directly in retained earnings and AOCI	–	–	–	–	**(22)**	**(22)**
Net loss for the year	**–**	**–**	**–**	(113)		(113)
Total comprehensive loss recognised for the year	–	–	–	**(113)**	**(22)**	**(135)**
Reduction of share capital	–	–	(5,685)	5,685	**–**	**–**
Share premium reclassification to retained earnings	–	(5,661)	–	5,661	–	–
Balance at 31 December 2018	**3,859**	**–**	**–**	**3,792**	**(66)**	**7,585**

[1] AOCI refers to Accumulated Other Comprehensive Income.

The notes on pages 49 to 176 form an integral part of the Financial Statements.

Company Statement of Changes in Equity for the year ended 31 December 2019

	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI [1]	Total share-holders' equity
2019 Company statement of changes in equity (USD million)						
Balance at 1 January 2019	**3,859**	**–**	**–**	**3,788**	**(66)**	**7,581**
Foreign exchange translation differences	–	–	–	–	(16)	(16)
Net gain on hedges of net investments in foreign entities taken to equity	–	–	–	–	21	21
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	2	2
Re-measurement of defined benefit asset	–	–	–	–	173	173
Related tax on Re-measurement of defined benefit pension assets	–	–	–	–	(43)	(43)
Transfer of UK Pension Fund to CSi	–	–	–	(1,165)	–	(1,165)
Tax on transfer of UK Pension Fund to CSi	–	–	–	291	–	291
Transfer of UK Pension fund to CSi – reclass from AOCI to retained earnings	– –	–	–	577	(577)	–
Transfer of UK Pension fund to CSi – reclass of Tax from AOCI to retained earnings	– –	–	–	(168)	168	–
Re-measurement of defined benefit pension liability	– –	–	–	–	(9)	(9)
Net loss recognised directly in retained earnings and AOCI	**–**	**–**	**–**	**(465)**	**(281)**	**(746)**
Net profit for the year	–	–	–	74	–	74
Total comprehensive loss recognised for the year	**–**	**–**	**–**	**(391)**	**(281)**	**(672)**
Reduction of share capital	**–**	**–**	–	–	**–**	**–**
Transfer of Prime business to CS AG, Dublin Branch	**–**	**–**	156	–	**–**	156
Share premium reclassification to retained earnings	–	–	–	–	–	–
Balance at 31 December 2019	**3,859**	**–**	**156**	**3,397**	**(347)**	**7,065**
2018 Company statement of changes in equity (USD million)						
Balance at 1 January 2018	**3,859**	**5,661**	**5,685**	**(7,478)**	**(9)**	**7,718**
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–	–
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	33	(35)	(2)
Adjusted balance at 1 January 2018	**3,859**	**5,661**	**5,685**	**(7,445)**	**(44)**	**7,716**
Foreign exchange translation differences	–	–	–	–	(23)	(23)
Net gain on hedges of net investments in foreign entities taken to equity	–	–	–	–	22	22
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	(1)	(1)
Re-measurement of defined benefit asset	–	–	–	–	(20)	(20)
Net gain on available for sale securities taken to equity	–	–	–	–	–	–
Net loss recognised directly in retained earnings and AOCI	**–**	**–**	**–**	**–**	**(22)**	**(22)**
Net loss for the year	–	–	–	(113)	–	(113)
Total comprehensive loss recognised for the year	**–**	**–**	**–**	**(113)**	**(22)**	**(135)**
Reduction of share capital	–	–	(5,685)	5,685	–	–
Share premium reclassification to retained earnings	–	(5,661)	–	5,661	–	–
Balance at 31 December 2018	**3,859**	**–**	**–**	**3,788**	**(66)**	**7,581**

[1] AOCI refers to Accumulated Other Comprehensive Income.

The notes on pages 49 to 176 form an integral part of the Financial Statements.

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

	Reference to notes	**2019** [1]	2018 [1]
Cash flows from operating activities (USD million)			
Profit/(Loss) before tax for the period		198	(50)
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
Pension plan charge	31	(30)	(7)
Foreign exchange losses/(gains)		63	(222)
Accrued interest on debt in issuance		186	246
Share-based payment expense		(25)	3
Cash (used) before changes in operating assets and liabilities		**392**	**(30)**
Net decrease in operating assets:			
Interest bearing deposits with banks		(7,129)	12,851
Securities purchased under resale agreements and securities borrowing transactions	15,27	4,128	15,376
Trading financial assets mandatorily at fair value through profit or loss	16,27	(3,299)	9,300
Financial assets designated at fair value through profit or loss		na [3]	25,272
Non-Trading financial assets mandatorily at fair value through profit or loss	17,27	6,478	(37,498)
Other assets	19,27	1,155	2,772
Net decrease in operating assets:		**1,333**	**28,073**
Net (decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	15,27	1,958	(11,961)
Borrowings	24	831	(2,680)
Trading financial liabilities mandatorily at fair value through profit or loss	16,27	(5,726)	(1,293)
Financial liabilities designated at fair value through profit or loss	18,27	3,080	731
Accrued expenses and other liabilities	19,27	(4,201)	(4,534)
Provisions	25	32	(1)
Net (decrease) in operating liabilities:		**(4,026)**	**(19,738)**
Income taxes paid		(65)	(61)
Income tax refunded		49	4
Group relief received		31	68
Pension plan contribution	31	(3)	(5)
Net cash (used)/generated from operating activities		**(2,289)**	**8,311**
Cash flows from investing activities (USD million)			
Proceeds from sale of property, equipment and intangible assets	21,22	45	120
Capital expenditure for property, equipment and intangible assets	21,22	(47)	(120)
Net cash from investing activities		**(2)**	**–**
Cash flows from financing activities (USD million)			
Issuance of debt (including debt in issuance at fair value through profit or loss)	26	17,494	10,712
Repayment of debt in issuance	26	(15,208)	(19,164)
Increase In capital contribution due to sale of business to common control entity		156	–
Net cash generated/(used) in financing activities		**2,442**	**(8,452)**
Net increase/(decrease) in cash and cash equivalents		**151**	**(141)**
Cash and cash equivalents at beginning of period [2]		2,353	2,600
Effect of exchange rate fluctuations on cash and cash equivalents held		3	(106)
Cash and cash equivalents at end of period		**2,507**	**2,353**
Cash and due from banks		2,744	2,615
Deposits	23	(237)	(262)
Cash and cash equivalents at end of period		**2,507**	**2,353**

[1] The CSS(EL) Group has elected to present a 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 27.

[2] At 31 December 2019, USD Nil (2018: USD Nil) was not available for use by CSS(E)L relating to mandatory deposits at central banks.

[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.

The notes on pages 49 to 176 form an integral part of the Financial Statements.

Company Statement of Cash Flows for the year ended 31 December 2019

	Reference to notes	2019 [1]	2018 [1]
Cash flows from operating activities (USD million)			
Profit/(Loss) before tax for the period		198	(50)
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
Pension plan charge	31	(30)	(7)
Foreign exchange losses /(gains)		63	(222)
Accrued interest on debt in issuance		186	246
Share-based payment expense		(25)	3
Cash (used) before changes in operating assets and liabilities		**392**	**(30)**
Net decrease in operating assets:			
Interest bearing deposits with banks		(7,129)	12,851
Securities purchased under resale agreements and securities borrowing transactions	15,27	4,128	15,376
Trading financial assets mandatorily at fair value through profit or loss	16,27	(3,301)	9,305
Financial assets designated at fair value through profit or loss		na [3]	25,214
Non-Trading financial assets mandatorily at fair value through profit or loss	17,27	6,455	(37,477)
Other assets	19,27	1,172	2,799
Net decrease in operating assets:		**1,325**	**28,068**
Net (decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	15,27	1,958	(11,961)
Borrowings	24	831	(2,680)
Trading financial liabilities mandatorily at fair value through profit or loss	16,27	(5,717)	(1,277)
Financial liabilities designated at fair value through profit or loss	18,27	3,081	722
Accrued expenses and other liabilities	19,27	(4,196)	(4,525)
Provisions	25	32	(1)
Net (decrease) operating liabilities:		**(4,011)**	**(19,722)**
Income taxes paid		(65)	(61)
Income tax refunded		49	4
Group relief received		31	68
Pension plan contribution	31	(3)	(5)
Net cash (used)/generated from operating activities		**(2,282)**	**8,322**
Cash flows from investing activities (USD million)			
Proceeds from sale of property, equipment and intangible assets	21,22	45	120
Capital expenditure for property, equipment and intangible assets	21,22	(47)	(120)
Net cash from investing activities		**(2)**	**–**
Cash flows from financing activities (USD million)			
Issuances of debt in issuance (including debt in issuance at fair value through profit or loss)	26	17,494	10,712
Repayment of debt in issuance	26	(15,208)	(19,164)
Increase In capital contribution due to sale of business to common control entity		156	–
Net cash generated/(used) in financing activities		**2,442**	**(8,452)**
Net increase/(decrease) in cash and cash equivalents		**158**	**(130)**
Cash and cash equivalents at beginning of period [2]		2,342	2,578
Effect of exchange rate fluctuations on cash and cash equivalents held		3	(106)
Cash and cash equivalents at end of period		**2,503**	**2,342**
Cash and due from banks		2,740	2,604
Deposits	23	(237)	(262)
Cash and cash equivalents at end of period		**2,503**	**2,342**

1 The Company has elected to present a 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 27.
2 At 31 December 2019, USD Nil (2018: USD Nil) was not available for use by CSS(E)L relating to mandatory deposits at central banks.
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.

The notes on pages 49 to 176 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 Securities (Europe) Limited is domiciled in the United Kingdom. The address of the CSS(E)L Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2019 comprise Credit Suisse Securities (Europe) Limited and its subsidiaries (including structured entities). 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 Company financial statements and the CSS(E)L 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 CSS(E)L Group financial statements, the Company 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L has sufficient capital and liquidity buffers to withstand the current market conditions. In terms of capital, CSS(E)L 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, CSS(E)L continues to retain significant capital surplus after ICAAP buffers are applied. In terms of liquidity, CSS(E)L 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. CSS(E)L are reliant on funding from Credit Suisse AG and has received a letter of support to ensure CSS(E)L can meet its debt obligations. During the current market stress, CSG and CSS(E)L have activated their Contingency Funding Plans ('CFP'). CSG and CSS(E)L are taking steps to raise additional funding, limit new business usage of funding/liquidity and prepare for possible reduction of existing funding/liquidity usage.

CSS(E)L is reliant on funding from Credit Suisse AG and has received a letter of support to ensure CSS(E)L can meet its debt obligations.

Credit Suisse AG continues to provide confirmation that it will provide sufficient funding to the Company 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 Company 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 CSS(E)L Group has adopted the following new standards and amendments in the current year.

IFRS 16 Leases: 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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.

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 CSS(E)L Group adopted IFRIC 23 on 1 January 2019. The adoption did not have a material impact to the CSS(E)L 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 CSS(E)L Group adopted the Annual Improvements to IFRSs 2015-2017 Cycle on 1 January 2019. The adoption did not have a material impact to the CSS(E)L 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 CSS(E)L Group adopted the Amendments to IAS 19 on 1 January 2019. The adoption did not have a material impact to the CSS(E)L Group's financial position, results of operation or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective
The CSS(E)L Group is not yet required to adopt the following standards and interpretations which are issued by 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 CSS(E)L Group's financial position, results of operations or cash flows.

Standards and Interpretations not endorsed by the EU and not yet effective
The CSS(E)L Group is not yet required to adopt the following standard and interpretation which is issued by the IASB but not yet effective and has not yet been endorsed by the EU.

Amendments to the definition of Business (IFRS 3): In October 2018, the IASB '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 January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The adoption on 1 January 2020 did not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows.

The accounting policies have been applied consistently by the CSS(E)L Group entities. Certain reclassifications have been made to the prior year Consolidated Financial Statements of the CSS(E)L 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 CSS(E)L Group and its subsidiaries (which includes consolidated structured entities). Subsidiaries are entities controlled by the CSS(E)L Group. The CSS(E)L 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 CSS(E)L Group has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The CSS(E)L Group also determines whether another entity with decision-making rights is acting as an agent for the CSS(E)L 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 following factors, 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 CSS(E)L Group makes significant judgements and assumptions when determining if it has control of another entity. The CSS(E)L Group may control an entity even though it holds less than half of the voting rights of that entity, for example if the CSS(E)L 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 CSS(E)L Group may not control an entity even though it holds more than half of the voting rights of that entity, for example where the CSS(E)L 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 CSS(E)L Group reassesses consolidation status on at least a quarterly basis.

The CSS(E)L 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 CSS(E)L Group may hold interests in the structured entities. If the CSS(E)L Group controls the structured entity then that entity is included in the CSS(E)L 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 CSS(E)L 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.

CSS(E)L 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 CSS(E)L Group is the acquirer in the transaction, the difference is recorded as a reduction in retained earnings. If CSS(E)L 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 CSS(E)L Group is the acquirer in the transaction, the difference is recorded as an increase in Capital contribution. If CSS(E)L 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 CSS(E)L Group's interest(s) in an associate(s) is/are accounted for using the equity method. Associates are entities in which the CSS(E)L Group has significant influence, but not control (or joint control), over the operating and financial management policy decisions. This is generally demonstrated by the CSS(E)L Group holding in excess of 20%, but no more than 50%, of the voting rights. The CSS(E)L Group makes significant judgements and assumptions when determining if it has significant influence over another entity. The CSS(E)L 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 CSS(E)L Group has the power to participate in the financial and operating decisions by sitting on the Board. Conversely, the CSS(E)L 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 CSS(E)L 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 Company'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 CSS(E)L 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 these CSS(E)L 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 CSS(E)L 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 is 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 CSS(E)L 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 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 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, loans and precious metals. 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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.

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:
a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) 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;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) 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 CSS(E)L Group expects to receive. The CSS(E)L 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 CSS(E)L Group if the commitment is drawn down and the cash flows that the CSS(E)L Group expects to receive;
- Financial guarantee contracts apply the present value of the expected payments to reimburse the holder less any amounts that the CSS(E)L Group expects to recover.

The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L Group; and
- Based on data developed internally and obtained from external sources.

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

Forward looking information
The estimation and application of forward-looking information requires significant judgement. The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L Group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not expected credit losses. For detailed impairment guidance refer to 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 CSS(E)L Group collects and remits cash between its clients and various Central Counterparty Clearing Houses ('CCPs'), Brokers and Deposit Banks. Where the CSS(E)L Group obtains benefits from or controls the cash from its clients, the cash is an asset of the CSS(E)L 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 CSS(E)L Group has contractually agreed with the client that:
- The CSS(E)L Group will pass through to the client all interest paid by the CCP, Broker or Deposit Bank on cash deposits;
- The CSS(E)L Group is not permitted to transform cash balances into other assets; and
- The CSS(E)L 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 CSS(E)L Group's Consolidated Statement of Financial Position. Examples include initial margin where the CSS(E)L 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 are measured at amortised cost and are subject to impairment (refer note g).

j) Interest income and expense

Interest income and expense includes interest income and expense on the CSS(E)L 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 CSS(E)L 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 CSS(E)L to its customers. CSS(E)L recognises revenue when it satisfies a contractual performance obligation. CSS(E)L 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. CSS(E)L 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, CSS(E)L must determine whether the nature of its promise is a performance obligation to provide the specified good or services itself (that is, CSS(E)L is a principal) or to arrange for those goods or services to be provided by the other party (that is, CSS(E)L is an agent). CSS(E)L 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 CSS(E)L acts as principal in a transaction. Conversely, net presentation (revenue and expenses reported net) is appropriate when CSS(E)L acts as an agent in the transaction.

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

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 and floating rate assets or liabilities, 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 13 – Income Tax.

Tax contingencies
Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSS(E)L 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) 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 CSS(E)L 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.

q) Intangible assets

Intangible assets consist primarily of internally developed software. Expenditure on internally developed software are recognised as an asset when the CSS(E)L 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 CSS(E)L 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.

r) 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.

s) 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 CSS(E)L Group recognises any impairment loss on the assets associated with that contract.

t) 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 CSS(E)L 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.

u) 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 CSS(E)L 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 CSS(E)L 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.

v) Retirement benefit costs

The CSS(E)L Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CSG schemes of which the Company is the sponsor however the sponsorship of the UK Defined Benefit Plan ('UK DB Plan') was transferred during the year from the Company to the CSi, a related party also part of CS Group. At year end the Company was a participant in that plan. In accordance with the provisions of IAS 19, "Employee Benefits" for defined benefit plans that share risks between various entities under common control, no retirement benefit obligation is recognised in the Consolidated Statement of Financial Position of the Company for the UK DB Plan and defined contribution accounting is applied, as the Company has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost. The Company's share of the retirement benefit obligation is instead recognised in the Consolidated Statement of Financial Position of the sponsoring entity, CSi. Plans where the Company is the legal sponsor, are accounted for using defined benefit accounting where the Company´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.

w) Share-based compensation benefits

The Company grants shares in its ultimate parent, Credit Suisse Group ('CSG') to certain employees. The Company 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 vesting period, which generally range between 3 to 7 years. Certain awards vest at grant date and are therefore accrued fully at grant date. Special awards are accrued over the vesting period as per award terms.

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

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

x) Other compensation plans

The CSS(E)L 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.

y) 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'.

z) Leases

The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 amortised on straight-line basis over the lease term. Amortisation expense on ROU assets are recognised in general, administrative and trading expenses. Interest expense on lease liabilities are recognised in interest expense. ROU assets are subject to the same impairment guidance as property and equipment.

aa) 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.

ab) Recognition and derecognition

Recognition
The CSS(E)L Group recognises financial instruments on its Consolidated Statement of Financial Position when the CSS(E)L 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 CSS(E)L Group recognises regular-way purchases or sales of trading financial assets at the settlement date unless the instrument is a derivative.

Derecognition
The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSS(E)L Group has a financial asset or 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 is substantially modified, the old financial instrument is deemed to be extinguished and a new financial asset or 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 through earnings.

Securitisation
The CSS(E)L 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 CSS(E)L 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.

ac) Netting

The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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.

ad) 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. Judgments 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 allowances and impairment losses financial instruments subject to expected credit loss model, which are no longer seen as critical. No new judgements and estimates where 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 and disposal groups, and discontinued operations. 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 judgements 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 relate to deferred tax balance on employee benefit and other temporary differences.

→ Please see Note 14 – 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 CSS(E)L 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 14 – Deferred Taxes for more information.

Fair Value

A significant portion of the CSS(E)L 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.

Key Estimates

The CSS(E)L 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. These instruments that use valuation models that make use of unobservable inputs include certain OTC derivatives, including equity and credit derivatives, life settlement contracts, 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 see Note 38 – Financial Instruments for more information.

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.

Control processes are applied to ensure that the fair value of the financial instruments reported in the Company and the CSS(E)L Group Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. For further information related to the CSS(E)L Group's control and governance processes on the fair value of financial instruments please refer Note 38 – Financial Instruments.

Disposal Group and Discontinued Operations

The classification of assets and liabilities as a disposal group held for sale and the related presentation of discontinued operations requires a judgement by management, as to whether it is highly probable that the assets and liabilities will be recovered primarily through a sale, rather than through continuing use.

Key Judgements

For management to consider a sale to be highly probable, it must make the key judgement to determine if it is committed to a plan to sell the disposal group and an active programme to locate a buyer and complete the plan must have been initiated. Further, the disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value. The key judgement performed by management focuses on the timing of these plans within the wider strategic plan of the company and the reduction plans of the SRU. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Events or circumstances may extend the period to complete the sale beyond one year.

The estimate of the time period required until the transfer of a disposal group held for sale is recognised as a completed sale represents a critical accounting judgement. Note 27 – Discontinued Operations and Assets Held for Sale discloses those disposal groups for which management expects that a completed sale will be recognised within one year or for which events or circumstances have extended the period to complete the sale beyond one year.

Retirement Benefit Costs

The CSS(E)L Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes. During the year the Company ceased to be the sponsor of the UK DB Plan and is now a participant to the scheme. CSi, a related party also part of the CSG, is now the sponsor. The Company´s share of the retirement benefit obligation, main estimates and judgements of that plan lie with CSi which are described below.

Key Estimates

The calculation of the expense and liability associated with the defined benefit pension plans requires the judgement of key estimates, which include the discount rate and rate of future compensation increases as determined by the CSi. 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 CSi 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 benefit cost recorded in future years.

The discount rate used in determining the benefit obligation and the benefit cost is a critical accounting estimate that is based on yield curves, constructed from high-quality corporate bonds. 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.

→ Please see Note 31 – Retirement Benefit Obligations for more information.

Share-based payments

The CSS(E)L Group uses the liability method to account for its share-based payment plans, which requires the CSS(E)L 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 32 – Employee Share-based Compensation and Other Compensation Benefits for more information.

Litigation contingencies

The CSS(E)L 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 CSS(E)L Group's defences and its experience in similar cases or proceedings, as well as the CSS(E)L Group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

→ Please see Note 25 – Provisions for more information.

4 Net Interest Income

	2019	2018 [1]
Net interest income/(expense) (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	89	78
Other	24	16
Interest income	**113**	**94**
Other	(4)	(3)
Interest expense	**(4)**	**(3)**
Net interest income	**109**	**91**
of which		
Interest income of Financial assets measured at fair value through profit or loss	–	–
Interest income of Financial assets measured at amortised cost	113	94
Interest expenses of Financial liabilities measured at fair value through profit or loss	–	–
Interest expenses of Financial liabilities measured at amortised cost	(4)	(3)

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

For the securities purchased under resale agreements and securities borrowing transactions if the interest rate is negative the associated interest expense is recorded in interest expense.

For securities sold under repurchase agreements and securities lending transactions if the interest rate is negative the associated interest income is recorded in interest income.

5 Commission and Fee Income

Commission and fee income (USD million)	**2019**	2018 [1]
Brokerage	51	60
Other customer services	21	29
Commission and fee income	**72**	**89**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

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

6 Revenue from Contracts with Customers

Nature of services

The following is a description of the principal activities from which the CSS(E)L 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 CSS(E)L 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 CSS(E)L Group and other banks form a syndicate group to underwrite and place the securities for a customer. The CSS(E)L 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 CSS(E)L 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, the CSS(E)L Group typically earns a brokerage commission when the trade is executed. CSS(E)L 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. Research income is disclosed under 'other customer services'.

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

Type of Services (USD million)	**2019**	**2018** [1]
Brokerage	51	60
Other customer services	38	42
Total	**89**	**102**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

Contract Balances (USD million)	**2019**	2018 [1]
Receivables	19	13
Contract Liabilities	–	3
Revenue recognised in the reporting period included in the contract liabilities balance at the beginning of period	3	–

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

The CSS(E)L Group did not recognise any revenues in the reporting period from performance obligations satisfied in previous periods.

The CSS(E)L Group did not recognise a net impairment loss on contract receivables and did not recognise any contract assets during 2019.

Remaining performance obligations

The practical expedient allows the CSS(E)L 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 CSS(E)L Group determined that no material remaining performance obligations are in scope of the remaining performance obligations disclosure.

7 Release of provision for credit losses

There were no credit losses for the year 2019 and 2018.

8 Net Gains/(Losses) 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 from financial assets/liabilities mandatorily measured at fair value through profit or loss	131	110
Net losses from financial liabilities designated at fair value through profit or loss	(65)	(122)
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**66**	**(12)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

	2019	2018
Trading financial assets/ liabilities mandatorily measured at fair value through profit or loss (USD million)		
Interest rate	(186)	46
Foreign exchange	(23)	52
Equity	1	4
Credit	2	3
Other	125	121
Total (losses)/net gains from trading financial assets/liabilities mandatorily measured at fair value through profit or loss	**(81)**	**226**
Non-trading financial assets mandatorily measured at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	(1)	–
Other financial assets	213	(116)
Total net gains/(losses) from non-trading financial assets mandatorily measured at fair value through profit or loss	**212**	**(116)**
Total net gains from financial assets/liabilities mandatorily measured at fair value through profit or loss	**131**	**110**

	2019	2018
Net gains/(losses) from financial liabilities designated at fair value through profit or loss (USD million)		
Debt in issuance	(12)	6
Other financial liabilities designated at fair value through profit or loss	(53)	(128)
Total net losses from financial liabilities designated at fair value through profit or loss	**(65)**	**(122)**

9 Other revenues

	2019	2018 [1]
Other revenues (USD million)		
Transfer pricing arrangements	17	13
Other	–	1
Total other revenues	**17**	**14**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

The transfer pricing arrangements reflect the revenues allocated to the CSS(E)L Group from other companies in the CS group under transfer pricing policies.

10 Compensation and Benefits

	2019	2018 [1]
Compensation and benefits (USD million)		
Salaries and variable compensation	(23)	(35)
Social security	(2)	(2)
Pensions	(2)	(2)
Other	–	(1)
Total compensation and benefits	**(27)**	**(40)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

Included in the previous table are amounts relating to Directors' remuneration. Further details are disclosed in Note 33 – Related Parties. Staff costs and staff numbers do not differ between the CSS(E)L Group and Company.

Decrease in salaries and variable compensation is due to the movement of resources to other entities within the UK, mainly CSi. In the latter part of 2018 and in 2019, CSS(E)L transferred the majority of its employees to CSi decreasing compensation and benefit expenses with a corresponding offset in general, administrative and trading expenses.

The CSS(E)L Group incurs compensation and benefits costs which are recharged to the relevant CS group companies through 'Expenses payable to other Credit Suisse group companies' in Note 11 – General, Administrative and Trading Expenses.

11 General, Administrative and Trading Expenses

	Reference to note	2019	2018 [1]
General, administrative and trading expenses (USD million)			
Occupancy expenses		(1)	(2)
Provisions	25	(33)	–
Travel and entertainment		(2)	(2)
Professional services		(3)	(2)
Other		–	(7)
General,Administrative and trading expenses		**(39)**	**(13)**
Expenses payable to other Credit Suisse group companies		(21)	(26)
Total General, administrative and trading expenses		**(60)**	**(39)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

The CSS(E)L Group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses payable to other CS group companies'. The recharges comprise of compensation and benefit expenses and general administrative expenses. See Note 33- Related Parties. Credit Suisse Services AG, London Branch charge professional fees for these external services.

Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.4 million (2018: USD 1.06 million).
The following fees were payable by the CSS(E)L Group to the auditor, KPMG LLP.

CSS(E)L Auditor's Remuneration (USD '000)	**2019**	2018
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	(1,471)	(1,067)
Fees payable to CSS(E)L Group's auditor and its associates for other services	(83)	(53)
Audit-related assurance services	(558)	(652)
Other assurance services	(9)	(34)
Total Fees [1]	**(2,121)**	**(1,806)**

[1] Auditor's remuneration amounting to USD 2.45 million(2018: USD 1.98 million) is reported in note 27 – discontinued operations.

12 Restructuring Expenses

In connection with the strategic review of the CS group, restructuring expenses of USD Nil (2018: USD 28 million) were recognised during 2019. Restructuring expenses include termination costs, expenses in connection with the acceleration of certain deferred compensation awards.

	2019	2018 [1]
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	–	(1)
of which severance	–	(1)
of which accelerated deferred compensation	–	–
General and administrative-related expenses	–	–
Total Restructuring expenses by type	**–**	**(1)**

[1] 2018 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 27 for details.

Restructuring provision (USD million)	**2019**	2018
Severance expenses		
Balance at beginning of period	**3** [1]	**10**
Net additional charges	–	9
Utilisation	–	(16)
Reclassification from/to other liabilities	(3) [2]	–
Balance at end of period	**–**	**3**

[1] The restructuring liability as shown in the table above have been included in Note 19 – Other Assets and Other Liabilities.
[2] The CSSEL 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.

Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD Nil (2018 : USD (0.6) million) and unsettled cash based deferred compensation of USD Nil (2018:USD 0.8 million) have been included in 'Share-based compensation liability' and 'Others', respectively in Note 19 – Other Assets and Other Liabilities. The settlement date for the unsettled share-based compensation remains unchanged.

13 Income Tax

CSS(E)L Group and Company	**2019**	2018
Current and deferred taxes (USD million)		
Current tax expense for the period [1]	(70)	(41)
Adjustments in respect of previous periods	12	2
Income tax expense	**(58)**	**(39)**
Deferred tax		
Origination and reversal of temporary differences	2	(23)
Adjustments in respect of previous periods	1	(1)
Increase in Impairment of deferred tax asset	(69)	–
Deferred income tax expense	**(66)**	**(24)**
Income tax expense	**(124)**	**(63)**

[1] Withholding taxes are included within income taxes.

Income tax of USD 125 million(2018:USD 3 million) were credited to Other Comprehensive Income and USD 123 million(2018:USD Nil) were credited to Retained Earnings.

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 14 – Deferred Taxes.

Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	**2019**	2018
Reconciliation of taxes computed at the UK statutory rate (USD million)		
Profit/(Loss) before tax	198	(50)
(Loss)/Profit before tax multiplied by the UK statutory rate of corporation tax @ 19%	(38)	9
Other permanent differences	21	(16)
Impact of UK bank corporation tax surcharge	(7)	–
Non-recoverable foreign taxes including withholding taxes [1]	(50)	(59)
Adjustments to current tax in respect of previous periods	12	2
Adjustments to deferred tax in respect of previous periods	1	(1)
Other movements in deferred tax for current period	6	15
Effect of group relief surrendered for consideration at less than statutory rate	–	(13)
Net impact on deferred tax balances following transfer of pension to CSi	(69)	–
Income tax expense	**(124)**	**(63)**

[1] Withholding taxes are included within income taxes.

14 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%.

There are restrictions on the use of tax losses carried forward, although these are not expected to have a material impact on the recoverability of the net deferred tax asset.

CSS(E)L Group and Company	**2019**	2018
Deferred tax (USD million)		
Deferred tax assets	44	8
Deferred tax liabilities	–	(145)
Net position	**44**	**(137)**
Balance at 1 January, net position	**(137)**	**(117)**
Debit to income for the year	(66)	(23)
Tax booked to other comprehensive income	(43)	3
Tax impact of UK pension fund transferred to CSI	291	–
Adjustments related to the previous year	1	(1)
Other movements	(2)	1
Balance at 31 December, net position	**44**	**(137)**

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

Components of net deferred tax assets

CSS(E)L Group and Company	**2019**	2018
Components of net deferred tax assets (USD million)		
Employee Benefits	15	29
Other temporary differences	29	27
Tax losses	–	48
Deferred tax assets netted against deferred tax liabilities	–	(96)
Balance at 31 December	**44**	**8**

Components of net deferred tax liabilities

CSS(E)L Group and Company	**2019**	2018
Components of deferred tax liabilities (USD million)		
Pensions and other post-retirement benefits	–	(241)
Deferred tax liabilities netted against deferred tax assets	–	96
Balance at 31 December	**–**	**(145)**

Details of the deferred tax expense in the Statement of Income:

CSS(E)L Group and Company	**2019**	2018
Tax effect of temporary differences (USD million)		
Employee Benefits	(14)	(34)
Decelerated tax depreciation	–	(31)
Other temporary differences	2	(2)
Tax losses	(48)	32
Pensions and other post-retirement benefits	(6)	11
Total deferred tax expense in the Statement of Income	**(66)**	**(24)**

The Income tax benefit in Other Comprehensive Income related to:

CSS(E)L Group and Company	**2019**	2018
Income Tax benefit in Other Comprehensive Income (USD million)		
Pensions and other post-retirement benefits	(43)	3
Transfer UK Pension Fund to CSi – reclass of tax to retained earnings	168	–
Total income tax benefit in Other Comprehensive Income	125	3

The deferred tax benefit/(expenses) in Retained Earnings related to:

CSS(E)L Group and Company	**2019**	2018
Income Tax benefit in Retained Earning (USD million)		
Transfer UK Pension Fund to CSi – reclass of tax from AOCI	(168)	–
Tax impact of transfer of UK Pension Fund to CSi	291	–
Total income tax benefit in Retained Earnings	123	–

Following management's evaluation of the deferred tax asset recoverability as at the balance sheet date, deferred tax assets of USD 845 million (2018: USD 876 million) have not been recognised. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets ('DTA') may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

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

The following table summarises the financial assets resulting from the securities purchased under resale agreements, at their respective carrying values:

CSS(E)L Group and Company	**2019**	2018
Securities purchased under resale agreements and securities borrowing transactions (USD million)		
Securities purchased under resale agreements	5,326	6,963
Deposits paid for securities borrowed	3,003	9,309
Total Securities purchased under resale agreements and securities borrowing transactions	**8,329**	**16,272**

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

CSS(E)L Group and Company	**2019**	2018
Securities sold under repurchase agreements and securities lending transactions (USD million)		
Securities sold under repurchase agreements	23	–
Deposits received for securities lent	2,040	6,045
Total Securities sold under repurchase agreements and securities lending transactions	**2,063**	**6,045**

See Note 17 – Non Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss and Note 18 – Financial Liabilities Designated at Fair Value Through Profit or Loss for Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements that are measured at fair value.

Securities Borrowed, Lent and Purchased/Sold under Resale/ Repurchase Agreements are mainly due within one year.

Resale and repurchase 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 have terms ranging from overnight to a longer or unspecified period of maturity (generally maturing within one year). The CSS(E)L Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the CSS(E)L 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.

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

	CSS(E)L Group		Company	
	2019	2018	**2019**	2018
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	157	1,865	157	1,865
Equity securities	81	12,473	82	12,473
Derivative instruments	4,087	5,307	4,094	5,313
Total trading financial assets at fair value through profit or loss	**4,325**	**19,645**	**4,333**	**19,651**
Trading financial liabilities at fair value through profit or loss (USD million)				
Debt securities	162	1,636	162	1,636
Equity securities	1,296	10,616	1,296	10,616
Derivative instruments	3,812	5,589	3,808	5,576
Total trading financial liabilities at fair value through profit or loss	**5,270**	**17,841**	**5,266**	**17,828**

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 10,720 million (2018: USD 7,685 million) which are encumbered, representing debt and equity securities from both continued and discontinued operations. Refer Note 39 – Assets Pledged or Assigned. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

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

	CSS(E)L Group		Company	
	2019	**2018**	**2019**	**2018**
Non-trading financial assets mandatorily at fair value through profit or loss (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	15,951	36,405	15,951	36,405
Other non-trading financial assets mandatorily at fair value through profit or loss	1,200	1,132	1,202	1,111
Total non-trading financial assets mandatorily at fair value through profit or loss	**17,151**	**37,537**	**17,153**	**37,516**

For the change in fair value of reverse repurchase agreements, the CSS(E)L Group's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the CSS(E)L Group does not enter into hedges to mitigate credit exposure to the counterparties. Also, given that the credit exposure is eliminated to a large extent, the mark-to-market changes attributable to credit risk are insignificant.

Other non-trading financial assets mandatorily at fair value through profit or loss are exposed to credit risk and the maximum fair value maximum exposure to credit risk as at 31 December 2019 for the CSS(E)L Group as well as the Company equals their fair value.

The movement in fair values that is attributable to changes in the credit risk of the financial assets mandatorily at fair value through profit or loss during the period ended 31 December 2019 was USD 1 million (2018 : USD 1 million) for the CSS(E)L Group and Company in the Statement of Income. The remaining changes in fair value are mainly due to movements in market risk.

Central to the calculation of fair value for life settlement contracts, included in 'Other non-trading financial assets mandatorily at fair value through profit or loss', is the estimate of mortality rates. Individual mortality rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organisation together with an individual-specific multiplier. Individual-specific multipliers are determined based on data obtained from third-party life expectancy data providers, which examine insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

18 Financial Liabilities Designated at Fair Value Through Profit or Loss

	CSS(E)L Group		Company	
	2019	2018	**2019**	2018
Financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	16,430	28,927	16,430	28,927
Debt in issuance	37	228	29	220
Other financial liabilities designated at fair value through profit or loss	185	141	175	130
Total financial liabilities designated at fair value through profit or loss	**16,652**	**29,296**	**16,634**	**29,277**

Of the financial liabilities designated at fair value through profit or loss, securities sold under repurchase agreements and securities lending transactions were elected to alleviate an accounting mismatch while debt in issuance were 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 CSS(E)L Group would issue similar instruments as of the reporting date.

The carrying amount of debt in issuance is USD 1 million lower than the principal amount that the CSS(E)L Group and Company would be contractually required to pay to the holder of these financial liabilities at maturity (2018: USD 6 million lower (CSS(E)L Group and Company).

19 Other Assets and Other Liabilities

	CSS(E)L Group		Company	
	2019	2018	**2019**	2018
Other assets (USD million)				
Brokerage receivables (refer to Note 20)	3,354	5,213	3,353	5,211
Interest and fees receivable	898	1,105	898	1,105
Cash collateral on derivative and non-derivative instruments	**1,524**	**2,387**	**1,524**	**2,387**
Banks	970	1,043	970	1,043
Customers	554	1,344	554	1,344
Prepaid expenses	6	11	6	11
Other	419	1,353	388	1,340
Total other assets	**6,201**	**10,069**	**6,169**	**10,054**

Other assets are mainly due within one year.

	CSS(E)L Group		Company	
	2019	2018	**2019**	2018
Other liabilities (USD million)				
Brokerage payables (refer to Note 20)	2,105	2,883	2,105	2,883
Interest and fees payable	971	1,090	971	1,090
Cash collateral on derivative and non-derivative instruments	**6,948**	**9,884**	**6,948**	**9,884**
Banks	3,873	6,165	3,873	6,165
Customers	3,075	3,719	3,075	3,719
Share-based compensation liability	82	108	82	108
Other	560	650	560	645
Total other liabilities	**10,666**	**14,615**	**10,666**	**14,610**

Cash collateral on non-derivatives for 2019 includes financial guarantees which have been cash collateralised of USD 2,960 million (2018: USD 4,087 million) provided by Credit Suisse AG London branch to reduce regulatory capital charges on related party exposures. Included in above are Other Loans and Receivables, none of which are past due. Other liabilities include liability towards restructuring cost of USD Nil (2018: USD 3 million).

→ Refer Note 12- Restructuring Expenses.

20 Brokerage Receivables and Brokerage Payables

The CSS(E)L Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The CSS(E)L Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold or purchased, in which case the CSS(E)L Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is considered to be reduced. The CSS(E)L Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

	CSS(E)L Group		Company	
	2019	2018	**2019**	2018
Brokerage receivables (USD million)				
Due from customers	814	1,549	813	1,547
Due from banks, brokers and dealers	2,540	3,664	2,540	3,664
Total brokerage receivables	**3,354**	**5,213**	**3,353**	**5,211**
Brokerage payables (USD million)				
Due to customers	840	960	840	960
Due to banks, brokers and dealers	1,265	1,923	1,265	1,923
Total brokerage payables	**2,105**	**2,883**	**2,105**	**2,883**

Brokerage receivables and payables include transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers which have not settled as at the reporting date (excluding debt and equity securities which have not reached their settlement date as these are recognised on settlement date of the transaction), receivables and payables from the Prime Brokerage business and cash collateral from futures trading.

Included within payables are liabilities identified in respect of either initial margin or client money received from clients, but only where it has been determined that the cash received represents an asset of the CSS(E)L Group. The CSS(E)L Group and Company held USD 706 million of client money as at 31 December 2019 (2018: USD 608 million), USD 163 million as of 31 December 2019 (2018: USD 189 million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSS(E)L Group and Company. This cash, when recognised on the Statement of Financial Position, is recorded under 'Cash and due from banks' and 'Other assets'.

21 Property and Equipment

CSS(E)L Group and Company	Leasehold Improvements	Equipment	**Total**
2019 (USD million)			
Cost			
Cost as at 1 January 2019	**3**	**14**	**17**
Additions	1	–	1
Cost as at 31 December 2019	**4**	**14**	**18**
Accumulated depreciation:			
Accumulated depreciation as at 1 January 2019	**(3)**	**(13)**	**(16)**
Other movements	–	–	–
Accumulated depreciation as at 31 December 2019	**(3)**	**(13)**	**(16)**
Net book value as at 1 January 2019	**–**	**1**	**1**
Net book value as at 31 December 2019	**1**	**1**	**2**
2018 (USD million)			
Cost			
Cost as at 1 January 2018	**3**	**15**	**18**
Other movements	–	(1)	(1)
Cost as at 31 December 2018	**3**	**14**	**17**
Accumulated depreciation:			
Accumulated depreciation as at 1 January 2018	**(3)**	**(14)**	**(17)**
Other movements	–	1	1
Accumulated depreciation as at 31 December 2018	**(3)**	**(13)**	**(16)**
Net book value as at 1 January 2018	**–**	**1**	**1**
Net book value as at 31 December 2018	**–**	**1**	**1**

Leasehold improvements relate to improvements to land and buildings that have been occupied on commercial lease terms by the CSS(E)L Group and other CS group companies.

No interest has been capitalised in the current year within property and equipment (2018: USD Nil).

No impairment charges were recorded in 2019 and 2018 for property and equipment.

22 Intangible Assets

CSS(E)L Group and Company	Right to Use Leisure Facility	Internally Developed Software	**Total**
2019 (USD million)			
Cost			
Cost as at 1 January 2019	**4**	**–**	**4**
Additions	–	46	46
Disposals	–	(45)	(45)
Cost as at 31 December 2019	**4**	**1**	**5**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2019	**(3)**	**–**	**(3)**
Amortisation for the year	–	–	–
Accumulated amortisation as at 31 December 2019	**(3)**	**–**	**(3)**
Net book value as at 1 January 2019	**1**	**–**	**1**
Net book value as at 31 December 2019	**1**	**1**	**2**
Net book value as at 1 January 2018 (USD million)			
Cost			
Cost as at 1 January 2018	**4**	**–**	**4**
Additions	–	120	120
Disposals	–	(120)	(120)
Cost as at 31 December 2018	**4**	**–**	**4**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2018	**(3)**	**–**	**(3)**
Amortisation for the year	–	–	–
Accumulated amortisation as at 31 December 2018	**(3)**	**–**	**(3)**
Net book value as at 1 January 2018	**1**	**–**	**1**
Net book value as at 31 December 2018	**1**	**–**	**1**

No interest has been capitalised within intangible assets (2018: USD Nil).

The internally developed software investment during 2019 was transferred from CSS(E)L to CSi as all CSS(E)L assets get capitalised in CSi except for cloud computing cost of USD 1 million which was capitalised in CSS(E)L. No impairment charges were recorded for internally developed software in 2019 and 2018.

The right to use leisure facility is held in the Seoul Branch. No impairment charges was recorded on right to use leisure facility. This asset was impaired in 2015. The assets' fair value was calculated based on an average from external price quotes and is level 2 of the fair value hierarchy. The fair value of the asset is also equal to its recoverable amount.

23 Deposits

CSS(E)L Group and Company	**2019**	2018
Deposits from banks (USD million)		
Interest-bearing demand deposits	192	260
Non-interest bearing demand deposits	43	2
Time deposits	2	–
Total deposits	**237**	**262**

24 Borrowings

CSS(E)L Group and Company	**2019**	2018
Borrowings (USD million)		
from banks	3,663	1,558
from customers	–	1,274
Total Borrowings	**3,663**	**2,832**

25 Provisions

CSS(E)L Group and Company	Property	Litigation	**Total**
Provisions (USD million)			
Balance at 1 January 2019	1	–	1
Charges during the year	–	47	47
Utilised during the year	–	(15)	(15)
Balance at 31 December 2019	**1**	**32**	**33**

CSS(E)L Group and Company	Property	Litigation	**Total**
Provisions (USD million)			
Balance at 1 January 2018	1	1	2
Charges during the year	–	15	15
Utilised during the year	–	(16)	(16)
Balance at 31 December 2018	**1**	**–**	**1**

Property provision

The property provision mainly relates to property (Hanwha Building, Seoul) reinstatement obligations that will be incurred when the leases expire.

Litigation provision

The CSS(E)L 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 estimated. 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. The litigation provision relates to legal cases that the Company is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2019.

26 Debt in Issuance

CSS(E)L Group and Company	2019	2018
Debt in issuance (USD million)		
Senior debt	13,989	10,587
Subordinated debt	1,250	2,250
Total Debt in issuance	**15,239**	**12,837**

Senior Debt

Senior debt as at 31 December 2019 comprises:

CSS(E)L Group and Company	Counterparty Name	Date of facility	
Outstanding as at December 2019			
EUR 7,656 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
GBP 2,495 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
JPY 231,500 million	Credit Suisse AG (London Branch)	22 February 2017	400 days call loans evergreen

Senior debt as at December 2018 comprises:

CSS(E)L Group and Company	Counterparty Name	Date of facility	
Outstanding as at December 2018			
EUR 1,145 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
GBP 2,380 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
USD 5,000 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
JPY 137,000 million	Credit Suisse AG (London Branch)	22 February 2017	400 days call loans evergreen

During 2019, 400 days call evergreen loans of USD 5,000 million from Credit Suisse AG (London Branch) were repaid. Further, the currency composition of these evergreen loans funding changed due to currency specific requirements resulting in further issuance of EUR, GBP and JPY denominated evergreen call loans with Credit Suisse AG (London Branch).

Subordinated Debt

At 31 December 2019, subordinated debt comprises an amount of USD 1,250 million (2018: USD 2,250 million) as advanced by Credit Suisse Investment UK Limited. Further, the entity has repaid USD 1,000 million with counterparty Credit Suisse Investment Holdings (UK).

On 15 April 2014 as part of restructuring of subordinated debt Company borrowed USD 1,500 million from Credit Suisse Investment UK Limited. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 342 basis points per annum. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and PRA. The earliest date at which the Company may make a repayment is 15 April 2019. The maturity of the loan is 15 April 2026. In addition to this, the Company borrowed additional USD 750 million under the subordinated loan facility dated 14th April 2014. The maturity of additional loan is 29 December 2025. Out of this, Company has repaid USD 1,000 million subordinated debt during the year 2019.

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

		Cash Flows		Non Cash Changes		
CSS(E)L Group and Company	Balance as at 1 January 2019	Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	Balance as at 31 December 2019
Debt in issuance (USD million)						
Debt in issuance	12,837	17,494	(15,208)	–	116	15,239
Total Debt in issuance	**12,837**	**17,494**	**(15,208)**	**–**	**116**	**15,239**

		Cash Flows		Non Cash Changes		
CSS(E)L Group and Company	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	21,683	10,712	(19,164)	–	(394)	12,837
Total Debt in issuance	**21,683**	**10,712**	**(19,164)**	**–**	**(394)**	**12,837**

27 Discontinued Operations and Assets Held for Sale

The CSS(E)L Group has been migrating part of the Prime business to Credit Suisse AG Dublin Branch, the residual business would be transferred in 2020. This residual balance is shown as "Prime Services" in the following table.

CSS(E)L is focused on materially reducing the business and financial footprint by the end of 2020. This will be achieved through the business migration mainly to Credit Suisse International (CSi). The Company has also prepared for the UK exit from the EU, CSS(E)L is transferring EU branches, EU client and EU venue facing broker- dealer business to CSSSV. The assets and liabilities relating to the above transfers are showing as "Other Migration" in the following table:

CSS(E)L Group and Company	Prime Services	Other Migration	Total
2019			
Statement of Financial Position for discontinued operations (USD million)			
Securities purchased under resale agreements and securities borrowing transactions	831	3,861	**4,692**
Trading financial assets at fair value through profit or loss	20	19,099	**19,119**
of which positive market values from derivative instruments	4	2,137	**2,141**
Non-trading financial assets mandatorily at fair value through profit or loss	–	13,908	**13,908**
Other Assets	929	1,331	**2,260**
Total assets held for sale	**1,780**	**38,199**	**39,979**
Securities sold under repurchase agreements and securities lending transactions	873	5,215	**6,088**
Trading financial liabilities at fair value through profit or loss	11	6,956	**6,967**
of which negative market values from derivative instruments	4	2,142	**2,146**
Financial liabilities designated at fair value through profit or loss	–	15,724	**15,724**
Debt in issuance	–	1	**1**
Other Liabilities	1,649	2,033	**3,682**
Total liabilities held for sale	**2,533**	**29,928**	**32,462**

CSS(E)L Group and Company	Prime Services	Other Migration	Total
2018			
Statement of Financial Position for discontinued operations (USD million)			
Securities purchased under resale agreements and securities borrowing transactions	877	–	**877**
Trading financial assets at fair value through profit or loss	500	–	**500**
of which positive market values from derivative instruments	118	–	**118**
Other Assets	470	–	**470**
Total assets held for sale	**1,847**	**–**	**1,847**
Securities sold under repurchase agreements and securities lending transactions	148	–	**148**
Trading financial liabilities at fair value through profit or loss	122	–	**122**
of which negative market values from derivative instruments	122	–	**122**
Financial liabilities designated at fair value through profit or loss	–	–	**–**
Debt in issuance	13	–	**13**
Other Liabilities	3,773	–	**3,773**
Total liabilities held for sale	**4,056**	**–**	**4,056**

CSS(E)L Group and Company	Other Migration	Prime Services	Branches Migration [1]	Total
2019				
Statement of Income for discontinued operations (USD million)				
Interest income	1,105	68	–	**1,173**
Interest expense	(1,413)	(65)	–	**(1,478)**
Net interest expense	**(308)**	**3**	**–**	**(305)**
Commission and fee income/(expense)	**321**	**1**	**4**	326
Net gains from financial assets/liabilities at FV through profit or loss	848	51	–	**899**
Other revenues/(expenses)	48	15	68	**131**
Net revenues	**909**	**70**	**72**	**1,051**
Compensation and benefits	12	–	(60)	**(48)**
General and administrative expenses	(931)	(37)	(14)	**(982)**
Restructuring Expenses	–	–	–	**–**
Total operating expense	**(919)**	**(37)**	**(74)**	**(1,030)**
Profit/(Loss) before tax	**(10)**	**33**	**(2)**	**21**
Income tax credit/(charge)	(78)	(1)	(2)	**(81)**
Net income attributed to discontinued operations	**(88)**	**32**	**(4)**	**(60)**

[1] Tax benefit relates to prior year true up.

2018				
Statement of Income for discontinued operations (USD million)				
Interest income	1,239	407	–	**1,646**
Interest expense	(1,472)	(437)	–	**(1,909)**
Net interest expense	**(233)**	**(30)**	**–**	**(263)**
Commission and fee income/(expense)	**354**	**–**	**–**	**354**
Allowances for credit losses	3	**–**	**–**	**3**
Net gains from financial assets/liabilities at FV through profit or loss	831	128	–	**959**
Other revenues/(expenses)	55	5	67	**127**
Net revenues	**1,010**	**103**	**67**	**1,180**
Compensation and benefits	(186)	(6)	(42)	**(234)**
General and administrative expenses	(979)	(81)	(10)	**(1,070)**
Restructuring Expenses	(22)	–	(6)	**(28)**
Total operating expense	**(1,187)**	**(87)**	**(58)**	**(1,332)**
Profit/(Loss) before tax	**(177)**	**16**	**9**	**(152)**
Income tax credit/(charge)	(27)	(5)	–	**(32)**
Net income attributed to discontinued operations	**(204)**	**11**	**9**	**(184)**

The post-tax profit or loss of this business has been classified as discontinued operations in the CSS(E)L Group's Consolidated Statement of Income. 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 relating to operational activities in 2019 were USD 9,705 million (2018: Cash inflow of USD 7,613 million).

28 Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Cumulative Translation Adjustment	Unrealised gain/(loss) on Pension Fund	Unrealised gains/(losses) on financial assets available for sale	Gains/ (losses) on cash flow hedges	**Accumulated other comprehensive income**
2019					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2019	**(332)**	**267**	**–**	**(1)**	**(66)**
Increase/(decrease):					
Foreign exchange translation differences	(16)	–	–	–	(16)
Cash flow hedges – effective portion of changes in fair value	–	–	–	2	2
Net gain on hedges of net investments in foreign entities taken to equity	21	–	–	–	21
Remeasurement of defined benefit pension assets	–	173	–	–	173
Related tax on defined benefit pension assets	–	(43)	–	–	(43)
Transfer of UK Pension fund to CSi – reclass from AOCI to retained earning	–	(577)	–	–	(577)
Transfer of UK Pension fund to CSi – reclass of Tax from AOCI to retained earning	–	168	–	–	168
Re-measurement of defined benefit liability	–	(9) [1]	–	–	(9)
Balance at 31 December 2019	**(327)**	**(21)**	**–**	**1**	**(347)**

[1] Disclosed net of tax

	Cumulative Translation Adjustment	Unrealised gain/(loss) on Pension Fund	Unrealised gains/(losses) on financial assets available for sale	Gains/ (losses) on cash flow hedges	**Accumulated other comprehensive income**
2018					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2018	**(331)**	**287**	**35**	**–**	**(9)**
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–
Adjustment on initial application of IFRS 9 (net of tax)	–	–	(35)	–	(35)
Adjusted Balance at 1 January 2018	**(331)**	**287**	**–**	**–**	**(44)**
Increase/(decrease):					
Foreign exchange translation differences	(23)	–	–	–	(23)
Cash flow hedges – effective portion of changes in fair value	–	–	–	(1)	(1)
Net gain on hedges of net investments in foreign entities taken to equity	22	–	–	–	22
Re-measurement of defined benefit liability/(asset)	–	(20) [1]	–	–	(20)
Balance at 31 December 2018	**(332)**	**267**	**–**	**(1)**	**(66)**

[1] Disclosed net of tax

29 Share Capital and Share Premium

CSS(E)L Group and Company	**2019**	2018
Share Capital (USD million)		
Opening balance	**3,859**	**3,859**
38,593,205,060 ordinary voting shares of USD 0.10 each	3,859	3,859
Total called-up share capital	**3,859**	**3,859**

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

30 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.

CSS(E)L Group and Company	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
Financial guarantees (USD million)								
Balance at 1 January 2019	**189**	**–**	**–**	**–**	**–**	**–**	**189**	**–**
Other changes	(6)	–	–	–	–	–	(6)	–
Foreign Exchange	5	–	–	–	–	–	5	–
Balance at 31 December 2019	**188**	**–**	**–**	**–**	**–**	**–**	**188**	**–**

CSS(E)L Group and Company	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
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)								
Balance at 1 January 2018	**206**	**–**	**–**	**–**	**–**	**–**	**206**	**–**
Other changes	(6)	–	–	–	–	–	(6)	–
Foreign Exchange	(11)	–	–	–	–	–	(11)	–
Balance at 31 December 2018	**189**	**–**	**–**	**–**	**–**	**–**	**189**	**–**

CSS(E)L Group and Company	**2019 12 Month ECL Amount**	2018 12 Month ECL Amount
Interest bearing deposits with banks (USD million)		
Opening balance	**–**	**2**
Net remeasurement of loss allowance	**–**	(2)
Foreign exchange	**–**	–
Closing balance	**–**	**–**

CSS(E)L Group and Company	**2019 12 Month ECL Amount**	2018 12 Month ECL Amount
Other assets (USD million)		
Opening balance	**1**	**2**
Net remeasurement of loss allowance	–	(1)
Foreign exchange	**–**	–
Closing balance	**1**	**1**

Inputs into measurement of ECL

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 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 CSS(E)L Group considers a longer period. The maximum contractual period extends to the date at which the CSS(E)L Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Scenario Design team within the CSS(E)L 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 IFRS 9 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 (CSS(E)L Group & Company) EMEA 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 %	
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 2019 (CSS(E)L Group & Company) 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 2019 (CSS(E)L Group & Company) 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 (CSS(E)L Group & Company) EMEA 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 %	
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 2018 (CSS(E)L Group & Company) 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 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	

As at 31 December 2018 (CSS(E)L Group & Company) 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	

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

SICR thresholds (back book)

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

In terms of the quantitative trigger for new originated financial instruments, the CSS(E)L 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

31 Retirement Benefit Obligations

The Company has several pension schemes covering substantially all employees, including defined benefit pension plans and defined contribution pension plans, mainly located in the UK. Smaller defined benefit pension plans are operated in other European and Asian locations consisting of unfunded plans in Germany and France and a funded plan in Korea.

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 CSS(E)L to 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" at CSS(E)L and as "Additional Paid in Capital" at CSi.

The assets of the UK DB Plan are held independently of the Company's assets in separate trustee administered funds. Responsibility for governance and running of the UK DB Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) 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 liabilities of the other plans in aggregate are broadly split 15% to current employees, 81% to former employees yet to retire and 4% to current pensioners and dependents of former members. The duration of the UK DB Plan is 22 years as per 31 December 2019 (22 years as per 31 December 2018).

Accounting for Defined Benefit Plans

Prior to the transfer of the UK DB Plan, the Company was the legal sponsor of the UK DB Plan and did not have contractual agreement or stated policy for charging the net defined benefit cost to the other participating entities. Therefore, as legal sponsor, the Company accounted 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.

Subsequent to the transfer of the UK DB Plan, the Company became one of the participating entities, who are all related parties under common control, in the UK DB plan and therefore accounts for its share of the plan using defined contribution accounting. No contributions have been made or expensed by the Company for the UK DB Plan subsequent to the plan transfer.

The other smaller plans in Germany, France, and Korea as also accounted for 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. CSS(E)L remains the plan sponsor of the international plans.

The following disclosures contain the entire balances for the UK DB Plan, and the entire balances for Germany, France, and Korea defined benefit plans on a combined basis ("International").

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 Company's defined benefit pension and other post-retirement defined benefit plans for 2019 and 2018.

Defined Benefit Pension Plans

	UK		International	
CSS(E)L Group and Company	**2019**	2018	**2019**	2018
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Operating Cost				
Current service costs on benefit obligation	1	1	1	1
Past service costs (including curtailments)	–	11	–	–
Administrative expense	2	2	–	–
Financing Cost				
Net Interest (credits)/costs	(25)	(25)	1	1
Defined benefit (credits)/costs	**(22)**	**(11)**	**2**	**2**

	UK		International	
CSS(E)L Group and Company	**2019**	2018	**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)	10	(1)
Actuarial (gains)/losses due to changes in demographic assumptions	(31)	(19)	–	–
Actuarial (gains)/losses due to liability experience	(3)	7	(1)	(2)
Adjustments due to the limit in para 64	–	–	–	–
Total amount recognised in OCI	**(19)**	**25**	**9**	**(3)**
Total amount recognised in profit and loss and OCI	**(41)**	**14**	**11**	**(1)**

During 2019, prior to the transfer of legal sponsorship, the Company recognised USD (16) million of the net defined benefit (credits)/costs from the UK DB Plan in its Consolidated Statement of Income. USD (11) million of the net defined benefit (credits)/costs from the UK DB Plan were recognised by the Company 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 the Company in OCI prior to the transfer. A remeasurement loss of USD 154 million, based on performance and market data from August through December and subsequent to the transfer, was recorded by CSi at year end.

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.

For the year ending 31 December 2018 a remeasurement loss of USD 25 million was recognised by the Company in OCI for the UK DB Plan mainly due to USD 158 million losses on the asset portfolio which were partially offset by USD 133 million gains on the benefit obligation due to changes in financial and demographic assumptions, primarily the discount rate and inflation.

After the remeasurement in Augusts 2019, the Company had an overall gain in accumulated other comprehensive income of USD 577 million associated with the UK DB Plan that was reclassed to retained earnings due to the transfer of the legal sponsorship of the plan to CSi.

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:

	UK		International	
CSS(E)L Group and Company	**2019**	2018	**2019**	2018
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Defined benefit obligation – 1 January	**1,635**	**1,972**	**58**	**71**
Current service cost	1	1	1	1
Interest cost	41	45	1	1
Actuarial losses/(gains) on assumptions	234	(140)	9	(1)
arising out of changes in demographic assumptions	(31)	(19)	–	–
arising out of changes in financial assumptions	265	(121)	9	(1)
Actuarial (gains)/losses – experience	(3)	7	(1)	(2)
Benefit payments	(73)	(159)	–	(3)
Past service costs (including curtailments)	–	11	–	–
Special termination benefits	–	–	–	–
Effect of business combinations and disposals	–	–	–	(6)
Settlement payments	–	–	–	–
Exchange rate losses/(gains)	68	(102)	(1)	(3)
Defined benefit obligation – 31 December	**1,903**	**1,635**	**67**	**58**
Fair value of plan assets – 1 January	**2,649**	**3,053**	**7**	**10**
Expected return on plan assets	66	–	–	–
Interest on plan assets	–	70	–	–
Actuarial gains/(losses) on plan assets	250	(158)	–	–
Actual return on plan assets	**316**	**(88)**	**–**	**–**
Employer contributions	2	5	1	1
Administrative expense	(2)	(2)	–	–
Benefit payments	(73)	(159)	–	(3)
Settlement payments	–	–	–	–
Exchange rate gains/(losses)	112	(160)	–	(1)
Fair value of plan assets – 31 December	**3,004**	**2,649**	**8**	**7**
Total funded status – 31 December				
Plan assets	3,004	2,649	8	7
Defined benefit obligation related to funded plans	(1,903)	(1,635)	(9)	(8)
Funded status for funded plans	**1,101**	**1,014**	**(1)**	**(1)**
Defined benefit obligation related to non-funded plans	–	–	(58)	(50)
Funded status recognised – 31 December	**1,101**	**1,014**	**(59)**	**(51)**

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.

Net Pension Asset/Liability

The following table shows the changes in the net asset position for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2019 and 2018 respectively:

Movement in the Pension Asset/Liability recognised in the Consolidated Statement of Financial Position:

	UK		International	
CSS(E)L Group and Company (USD million)	**2019**	2018	**2019**	2018
At 1 January	1,014	1,081	(51)	(61)
Total amount recognised in profit and loss and OCI (charge)/credit	41	(14)	(11)	1
Other economic events	–	–	–	7
Contributions paid	2	5	1	1
(Losses)/Gains due to changes in exchange rates	44	(58)	1	1
At 31 December	**1,101**	**1,014**	**(60)**	**(51)**

As of 31 December 2019, the Company no longer had any net pension asset recognised in its Consolidated Statement of Financial Positon for the UK DB plan due to the transfer of legal sponsorship and asset to CSi in August 2019. The net pension asset transferred from the Company to CSi was USD 1,165 million. As of 31 December 2018, the Company had the entire net pension asset of USD 1,014 million recognised in its Consolidated Statement of Financial Positon for the UK DB plan.

Funding Requirements

UK legislation requires that pension schemes are funded prudently. The last 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. Contributions payments to the UK DB Plan were ceased in April 2019.

For additional Pension Fund security, the Company has pledged securities to an Ecrow 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.

Assumptions

The assumptions used in the measurement of the benefit obligation and defined benefit cost for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2019 and 2018 were as follows:

	UK		International	
CSS(E)L Group and Company (31 December in %)	**2019**	2018	**2019**	2018
Benefit obligation				
Discount rate	2.06%	2.84%	1.10%	2.10%
Retail Price Inflation	2.84%	3.07%	0.00%	0.00%
Consumer Price Inflation	1.84%	1.97%	1.80%	1.80%
Pension increases [1]	2.75%	2.95%	1.50%	1.50%
Salary increases	3.09%	3.22%	3.72%	3.70%
Defined benefit costs				
Discount rate – Service costs	2.84%	2.45%	2.10%	2.10%
Discount rate – Interest costs	2.69%	2.34%	2.10%	2.10%
Salary increases	3.22%	3.26%	3.50%	3.50%

[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 Company 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.

A full yield curve valuation was carried out to determine the DBO. The above assumptions are the equivalent flat-rate assumptions that would result in the same DBO being calculated.

For discounting expected future cash flows, Credit Suisse uses the "spot rate approach" for the valuation of the UK DB Plan whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service costs and interest costs.

Mortality Assumptions

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

The assumptions for life expectancy for the 2019 UK benefit obligation pursuant to IAS 19 are based on the 'SAPS 2 light' base table with improvements in mortality in line with 2018 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 for the UK DB Plan 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:

	UK				International			
2019	DBO (USD million)	Increase %	DBO (USD million)	Decrease %	DBO (USD million)	Increase %	DBO (USD million)	Decrease %
Benefit obligation								
One-percentage point change								
-1% / +1% Discount rate	2,383	25%	1,545	(19%)	80	19%	58	(14%)
+1% / -1% Inflation rate	2,191	15%	1,666	(12%)	72	7%	64	(5%)
+1% / -1% Salary increases rate	1,907	–	1,900	–	69	2%	66	(2%)
+1 / -1 year to life expectancy at 60	1,967	3%	1,839	(3%)	68	1%	67	(1%)

	UK				International			
2018	DBO (USD million)	Increase %	DBO (USD million)	Decrease %	DBO (USD million)	Increase %	DBO (USD million)	Decrease %
Benefit obligation								
One-percentage point change								
-1% / +1% Discount rate	2,041	25%	1,332	(19%)	68	17%	50	(14%)
+1% / -1% Inflation rate	1,869	14%	1,437	(12%)	61	5%	55	(5%)
+1% / -1% Salary increases rate	1,639	0%	1,632	0%	59	2%	57	(1%)
+1 / -1 year to life expectancy at 60	1,677	3%	1,593	(3%)	59	2%	57	(2%)

The sensitivity analysis has been derived using a number of additional full valuation runs that have been carried out using the same 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 DB Plan 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 Company) and contribution schedules (which requires the agreement of the Company) 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 Company, 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 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 Company 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 Plan	
	UK Plans	International Plans
Estimated future benefit payments (USD million)		
2020	22	1
2021	24	1
2022	27	1
2023	31	1
2024	35	1
For five years thereafter	239	12

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

Expected contributions to the Company's other post-retirement defined benefit plans for the year ending 31 December 2020 are USD 0.5 million for the International plans. 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

(USD Million)	Quoted	Unquoted	Total	% of total fair value of scheme assets	Quoted	Unquoted	Total	% of total fair value of scheme assets
				2019				2018
Cash and cash equivalents	–	113	113	3.8%	–	182	182	6.9%
Debt Securities	2,756	132	2,888	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	131	920	30.6%	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%**
Debt Securities	8	–	8	–	7	–	7	100.0%
Total plan assets International Plans	**8**	**–**	**8**	**–**	**7**	**–**	**7**	**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 Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2019 and 2018 were USD 4 million and USD 20 million respectively.

32 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 Company. It is the Company’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 (income)/expense for cash-settled share-based compensation plans recognised during 2019 and 2018 was USD 19 million and USD (9) million respectively. The total stock award liability recorded as at 31 December 2019 was USD 36 million (2018: USD 50 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 11.23 (2018: CHF 16.55). The intrinsic value of vested share based awards outstanding as at year end was USD 13 million (2018: USD 14 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.

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 granted from 2016 and onwards 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:

CSS(E)L Group and Company	**2019**	2018
Number of units (millions)		
As at 1 January	1.87	2.93
Granted	0.47	1.20
Shares transferred in/out	(0.07)	(0.62)
Delivered	(0.78)	(1.43)
Forfeited	(0.04)	(0.21)
As at 31 December	**1.45**	**1.87**

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 Credit Suisse Group ('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 Company, 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 upon vesting.

Movements in the number of Phantom Share outstanding were as follows:

CSS(E)L Group and Company	**2019**	2018
Number of units (millions)		
As at 1 January	2.49	5.00
Granted	0.89	2.02
Shares transferred in/out	(0.14)	(1.35)
Delivered	(1.68)	(2.89)
Forfeited	(0.09)	(0.29)
As at 31 December	**1.47**	**2.49**

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 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 2019, 2018, 2017, 2016, 2015 and 2014 CCA during the year ended 31 December 2019 was USD 5 million (2018: USD 4 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 in March 2014, 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

- **Contingent Capital Awards('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 0.4 million (2018: USD 1 million).

2008 Partner Asset Facility

As part of the 2008 annual compensation process, CSG granted certain employees the majority of the deferred compensation in the form of 2008 Partner Asset Facility ('PAF') awards, denominated in US dollars. The PAF awards were indexed to, and represented a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division.

In the final year of the contractual term, the PAF holders received a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

Total compensation expense recognised during the year ended 31 December 2019 was USD 0.04 million (2018: USD Nil).

Other deferred compensation

During 2017, CSG granted deferred cash retention awards relating to the reorganisation of the APAC business. These awards will be 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 Nil (2018: USD 0.3 million).

33 Related Parties

The Company is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The Company's parent company, Credit Suisse Investment Holdings (UK), which holds all of the voting rights in the undertaking, is incorporated in the UK. The registered address of CSG is Paradeplatz 8, 8070 Zurich, Switzerland and that of Credit Suisse Investment Holdings (UK) is One Cabot Square, London E14 4QJ.

The Company acts primarily in the investment banking sector as a financial intermediary for fellow CS group companies in providing investment banking and securities products and services for the Americas, European and Asian regions. The Company acts as one of the main booking entities in the European region for transacting in securities and derivatives. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties. The Company has extensive transfer pricing policies (revenue sharing and cost plus agreements) to govern its intercompany relationships.

The Company holds service contracts in the UK. The costs associated with these are allocated to fellow CS group companies (see 'Expenses payable to other CS group companies' in Note 11 – General, Administrative and Trading Expenses) based on detailed cost allocation statistics. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

Transactions with CS Investment Holdings (UK) have been reported as 'Parent' and with other CS group companies are under 'Fellow group companies'.

a) Related party assets and liabilities

	31 December 2019			31 December 2018		
CSS(E)L Group	Parent	Fellow group companies	**Total**	Parent	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	–	1,110	1,110	–	708	708
Interest bearing deposits with banks	–	14,550	14,550	–	7,421	7,421
Securities purchased under resale agreements and securities borrowing transactions	–	7,971	7,971	–	14,333	14,333
Trading financial assets mandatorily at fair value through profit or loss	–	2,330	2,330	–	2,916	2,916
Non-trading financial assets mandatorily at fair value through profit or loss	–	4,506	4,506	–	13,959	13,959
Other assets	4	3,180	3,184	3	3,271	3,274
Assets Held for sale	–	13,368	13,368	–	103	103
Total assets	**4**	**47,015**	**47,019**	**3**	**42,711**	**42,714**
Liabilities and Equity (USD million)						
Deposits	–	100	100	–	56	56
Securities sold under repurchase agreements and securities lending transactions	–	2,058	2,058	–	5,809	5,809
Trading financial liabilities designated at fair value through profit or loss	–	2,953	2,953	–	3,205	3,205
Financial liabilities designated at fair value through profit or loss	–	15,356	15,356	–	23,483	23,483
Borrowings	–	3,663	3,663	–	2,832	2,832
Other liabilities	103 [1]	5,173	5,276	100 [1]	7,971	8,071
Debt in issuance	–	15,239	15,239	–	12,837	12,837
Liabilities Held for sale	–	19,664	19,664	–	67	67
Share capital	3,859	–	3,859	3,859	–	3,859
Total liabilities and equity	**3,962**	**64,206**	**68,168**	**3,959**	**56,260**	**60,219**

[1] Above table includes other liabilities balances with CSG of USD 103 million (2018: USD 100 million)

CSS(E)L Company	31 December 2019 Parent	Fellow group companies	Subsidiaries and SPEs	Total	31 December 2018 Parent	Fellow group companies	Subsidiaries and SPEs	Total
Assets (USD million)								
Cash and due from banks	–	1,110	–	1,110	–	708	–	708
Interest bearing deposits with banks	–	14,550	–	14,550	–	7,421	–	7,421
Securities purchased under resale agreements and securities borrowing transactions	–	7,971	–	7,971	–	14,333	–	14,333
Trading financial assets mandatorily at fair value through profit or loss	–	2,329	8	2,337	–	2,915	8	2,923
Non-trading financial assets mandatorily at fair value through profit or loss	–	4,506	–	4,506	–	13,959	–	13,959
Other assets	4	3,179	1	3,184	3	3,271	2	3,276
Assets Held for sale	–	13,368	–	13,368	–	103	–	103
Total assets	**4**	**47,013**	**9**	**47,026**	**3**	**42,710**	**10**	**42,723**
Liabilities and Equity (USD million)								
Deposits	–	100	–	100	–	56	–	56
Securities sold under repurchase agreements and securities lending transactions	–	2,058	–	2,058	–	5,809	–	5,809
Trading financial liabilities designated at fair value through profit or loss	–	2,932	17	2,949	–	3,181	11	3,192
Financial liabilities designated at fair value through profit or loss	–	15,350	–	15,350	–	23,476	–	23,476
Borrowings	–	3,663	–	3,663	–	2,832	–	2,832
Other liabilities	103 [1]	5,173	–	5,276	100 [1]	7,966	–	8,066
Debt in issuance	–	15,239	–	15,239	–	12,837	–	12,837
Liabilities Held for sale	–	19,664	–	19,664	–	67	–	67
Share capital	3,859	–	–	3,859	3,859	–	–	3,859
Total liabilities and equity	**3,962**	**64,179**	**17**	**68,158**	**3,959**	**56,224**	**11**	**60,194**

[1] Above table includes other liabilities balances with CSG of USD 103 million (2018: USD 100 million)

Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	31 December 2019 Parent	Fellow group companies	Total	31 December 2018 Parent	Fellow group companies	Total
Credit guarantees	–	188	188	–	189	189
Commitments to purchase cash securities <1 year	–	2,463	2,463	–	2,890	2,890
Total	**–**	**2,651**	**2,651**	**–**	**3,079**	**3,079**

b) Related party revenues and expenses

CSS(E)L Group (USD million)	31 December 2019 [1] Parent [3]	Fellow group companies	Total	31 December 2018 Parent	Fellow group companies	Total
Interest income	–	749	749	–	1,018	1,018
Interest expense	–	(804)	(804)	–	(1,020)	(1,020)
Net interest expense	**–**	**(55)**	**(55)**	**–**	**(2)**	**(2)**
Commissions and fee income/(expense)	15	(61)	(46)	–	(60)	(60)
Transfer pricing arrangements	–	147	147	–	136	136
Other revenue	–	1	1	–	3	3
Total non-interest revenues	**15**	**87**	**102**	**–**	**79**	**79**
Net revenue	**15**	**32**	**47**	**–**	**77**	**77**
Total operating expenses [2]	**(2)**	**(838)**	**(840)**	**–**	**(711)**	**(711)**

[1] Above table shows revenues and expenses of continued and discontinued operations.
[2] Net overheads allocated from other CS group entities of USD 21 million (2018:USD 26 million) are not included in the Total operating expenses
[3] Above table includes operating expenses balances with CSG of USD 2 million.

c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

(USD '000)	2019	2018
Emoluments	4,336	3,930
Long term incentive schemes:		
Amounts paid under Deferred Cash Awards	346	795
Amounts delivered under Share Based Awards	847	1,650
Total	**5,529**	**6,375**
Compensation for loss of office	–	–
Bank's contributions to defined contribution plan	63	58
Total	**5,592**	**6,433**

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 1,547,000 (2018: USD 2,287,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 8,000 (2018: USD 8,000). 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 Company's accounts for directors in accordance with IFRS requirements for 2019 was USD 8,196,000 (2018: USD 8,700,000).

Number of Directors and Benefits	**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 schemes	7	7

Remuneration of Key Management Personnel

	2019	2018
Remuneration of Key Management Personnel (USD' 000)		
Emoluments	7,007	6,369
Long term incentive schemes	6,340	2,209
Total	**13,347**	**8,578**
Compensation for loss of office	–	–
Bank's contributions to defined contribution plan	131	128
Bank's contributions to defined benefits sum plan	–	–
Total	**13,478**	**8,706**

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 CSS(E)L Group, directly or indirectly, including any director of the CSS(E)L Group.

Key management personnel include Directors and the members of the CSS(E)L Executive Committee.

CSG Shares awarded to Key Management Personnel

	2019	2018
Number of shares	589,993	319,935

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.

d) Loans and Advances to Directors and Key Management Personnel

Loans outstanding to or due from Directors or Key management personnel of the CSS(E)L Group at 31 December 2019 were USD 2,000 (2018: USD 4,000), of which loans to Directors were USD 2,000 (2018: USD 2,000).

34 Employees

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

CSS(E)L Group and Company (Number)	**2019**	2018
Business Functions	140	607
Corporate Functions	49	790
Total	**189**	**1,397**

The CSS(E)L Group receives a range of services from related CS group companies. The headcount related to these services received is not included in the numbers. Additionally CSS(E)L used to be the main CS employing company in the UK and provided a number of services to other related CS group companies, but the majority of staff have now been transferred to Credit Suisse International as part of the UK strategy.

35 Derivatives and Hedging Activities

Derivatives are generally either bilateral OTC contracts or standard contracts transacted through regulated exchanges. The CSS(E)L Group'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 CSS(E)L Group enters into contracts that are not considered derivatives in their entirety but include embedded derivatives 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 CSS(E)L Group designates the derivative as belonging to one of the following categories:

- trading activities; or
- 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; or
- a hedge of a net investment in a foreign operation.

The following table sets forth details of trading and hedging derivatives instruments:

CSS(E)L Group	31 December 2019 [1] Trading		Hedging		31 December 2018 [1] Trading		Hedging	
	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	–	–	–	–	12	6	–	–
Swaps	1,091	1,338	–	–	863	918	–	–
Options bought and sold (OTC)	–	6	–	–	–	5	–	–
Interest rate products	**1,091**	**1,344**	**–**	**–**	**875**	**929**	**–**	**–**
Forwards and forward rate agreements	59	70	1	6	73	52	5	3
Swaps	212	160	–	–	405	343	–	–
Options bought and sold (OTC)	–	–	–	–	2	2	–	–
Foreign exchange products	**271**	**230**	**1**	**6**	**480**	**397**	**5**	**3**
Forwards and forward rate agreements	1	7	–	–	10	4	–	–
Swaps	3,730	3,682	–	–	3,036	3,661	–	–
Options bought and sold (OTC)	–	–	–	–	1	1	–	–
Options bought and sold (traded)	–	–	–	–	–	–	–	–
Equity/indexed-related products	**3,731**	**3,689**	**–**	**–**	**3,047**	**3,666**	**–**	**–**
Credit Swaps	**33**	**35**	**–**	**–**	**5**	**3**	**–**	**–**
Life finance related mortality swaps and others	1,102	660	–	–	1,018	716	–	–
Other products	**1,102**	**660**	**–**	**–**	**1,018**	**716**	**–**	**–**
Total derivative instruments	**6,228**	**5,958**	**1**	**6**	**5,425**	**5,711**	**5**	**3**

[1] Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations in 2019 are USD 2,141 million (2018: USD 118 million) and USD 2,146 million (2018 : USD: 122 million) respectively. Refer to Note 27- Discontinued Operations and Assets Held for Sale. Replacement value indicates Fair value.

CSS(E)L 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	6,229	5,964	5,430	5,714
Replacement values (trading and hedging) after netting	6,229	5,964	5,430	5,714

[1] Replacement value indicates Fair value.

Company	31 December 2019[1] Trading Positive replacement value	Trading Negative replacement value	Hedging Positive replacement value	Hedging Negative replacement value	31 December 2018[1] Trading Positive replacement value	Trading Negative replacement value	Hedging Positive replacement value	Hedging Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	–	–	–	–	12	6	–	–
Swaps	1,091	1,338	–	–	863	918	–	–
Options bought and sold (OTC)	–	6	–	–	–	5	–	–
Interest rate products	**1,091**	**1,344**	**–**	**–**	**875**	**929**	**–**	**–**
Forwards and forward rate agreements	59	70	1	6	73	52	5	3
Swaps	212	160	–	–	405	343	–	–
Options bought and sold (OTC)	–	–	–	–	2	2	–	–
Foreign exchange products	**271**	**230**	**1**	**6**	**480**	**397**	**5**	**3**
Forwards and forward rate agreements	1	7	–	–	10	4	–	–
Swaps	3,755	3,707	–	–	3,055	3,680	–	–
Options bought and sold (OTC)	–	–	–	–	1	1	–	–
Options bought and sold (traded)	–	–	–	–	–	–	–	–
Equity/indexed-related products	**3,756**	**3,714**	**–**	**–**	**3,066**	**3,685**	**–**	**–**
Credit Swaps	**33**	**35**	**–**	**–**	**5**	**3**	**–**	**–**
Life finance related mortality swaps and others	1,084	631	–	–	1,005	684	–	–
Other products	**1,084**	**631**	**–**	**–**	**1,005**	**684**	**–**	**–**
Total derivative instruments	**6,235**	**5,954**	**1**	**6**	**5,431**	**5,698**	**5**	**3**

[1] Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations in 2019 are USD 2,141 million (2018: USD 118 million) and USD 2,146 million (2018 : USD: 122 million) respectively. Refer to Note 27- Discontinued Operations and Assets Held for Sale. Replacement value indicates Fair value.

Company	2019[1] Positive replacement value	2019 Negative replacement value	2018[1] Positive replacement value	2018 Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	6,236	5,960	5,436	5,701
Replacement values (trading and hedging) after netting	6,236	5,960	5,436	5,701

[1] Replacement value indicates Fair value.

Trading Activities

The CSS(E)L Group 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 CSS(E)L Group's derivatives held as at 31 December 2019 were used for trading activities.

Economic Hedges

Economic hedges arise when the CSS(E)L 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; and
- 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.

Cash Flow Hedges

The CSS(E)L 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 foreign exchange 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 trades. By investing in foreign exchange forward contracts, the CSS(E)L 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.

Net Investment Hedges

The CSS(E)L Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The following table sets forth details of cash flow and net investment hedging instruments:

CSS(E)L Group and Company	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
As at 31 December 2019 (USD million)		Assets	Liabilities		
Foreign exchange price risk					
Cash Flow Hedges					
Forward contracts	17	1	1	Other Assets/ Other liabilities	2
Net Investment hedges					
Forward contracts	451	–	6	Other liabilities	–

CSS(E)L Group and Company	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
As at 31 December 2018 (USD million)		Assets	Liabilities		
Foreign exchange price risk					
Cash Flow Hedges					
Forward contracts	64	–	1	Other liabilities	1
Net Investment hedges					
Forward contracts	498	5	2	Other liabilities/ Other Assets	–

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

CSS(E)L Group and Company	2019 < 6 months	2019 < 1 year	2018 < 6 months	2018 < 1 year
Foreign exchange price risk (USD million)				
Cash Flow Hedges				
Forward contracts	14	3	33	31
Average exchange rate – (GBP/USD)	1.32	1.27	1.31	1.31
Net Investment Hedges				
Forward contracts	451	–	498	–
Average exchange rate (USD/KWR)	1,170	NA	1,106	NA

The following table sets forth the details of hedged items:

CSS(E)L Group and Company	2019 Change in value of the hedged item	2019 Cash flow hedge reserve	2018 Change in value of the hedged item	2018 Cash flow hedge reserve
Foreign exchange price risk (USD million)				
Cash Flow Hedges				
Forward contracts	–	1	–	(1)
Net Investment hedges				
Forward contracts	(16)	(238)	(23)	(259)

Hedge effectiveness assessment

The CSS(E)L 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 CSS(E)L 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 CSS(E)L Group to determine whether or not the hedging relationship has actually been effective. If the CSS(E)L 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.

Foreign exchange price risk	2019 Cash flow hedges	2019 Net Investment hedges	2018 Cash flow hedges	2018 Net Investment hedges
Forward contract (USD millions)				
Hedging gain/(loss) recognised in OCI	1	21	(1)	22
Amount reclassified to profit or loss because hedged item has affected profit or loss	(1.48)	–	–	–

CSS(E)L Group and Company	**2019**	2018
Cash flow hedge reserve (USD million)		
Opening balance	**(1)**	**–**
Cash flow hedges		
Effective portion of changes in fair value:		
Foreign Exchange Currency risk	1	(1)
Net amount reclassified to profit or loss:		
Foreign Exchange Currency risk	1	–
Net gain on hedge of net investment in foreign operations		
Closing balance	**1**	**(1)**

Disclosures relating to contingent credit risk

Certain of the Company'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 long-term debt ratings are considered in the stress assumptions used to determine the liquidity and funding profile of the Company. The Company holds a liquidity pool made up of 'high quality liquid assets' ('HQLA') to meet any additional collateral calls as a result of a downgrade. The assessment takes into consideration a two-notch downgrade in credit rating of CSG.

36 Guarantees and Commitments

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

	Maturity						
CSS(E)L Group and Company	<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	–	–	–	188	188	–	188
Total guarantees	**–**	**–**	**–**	**188**	**188**	**–**	**188**

	Maturity						
CSS(E)L Group and Company	<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)							
Forward reverse repurchase agreements with maturity <1 year	1	–	–	–	1	–	1
Commitments to purchase cash securities <1 year	5,841	–	–	–	5,841	–	5,841
Total other commitments	**5,842**	**–**	**–**	**–**	**5,842**	**–**	**5,842**

CSS(E)L Group and Company	Maturity <1 year	1-3 years	3-5 years	>5 years	**Total gross amount**	Collateral received	Net of collateral
31 December 2018							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	189	189	–	189
Total guarantees	**–**	**–**	**–**	**189**	**189**	**–**	**189**

CSS(E)L Group and Company	Maturity <1 year	1-3 years	3-5 years	>5 years	**Total gross amount**	Collateral received	Net of collateral
31 December 2018							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	31	–	–	–	31	31	–
Commitments to purchase cash securities <1 year	7,832	–	–	–	7,832	–	7,832
Total other commitments	**7,863**	**–**	**–**	**–**	**7,863**	**31**	**7,832**

Forward reverse repo agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates.

Credit guarantees are contracts that require the CSS(E)L 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 CSS(E)L Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfil its obligation under a borrowing arrangement or other contractual obligation.

Commitments to purchase cash securities represents the value of debt and equity cash security contracts which requires the CSS(E)L Group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

Contingent Liabilities and Other Commitments

The Company is party to various legal proceedings as part of its normal course of business. The Directors of the Company believe that the aggregate liabilities, if any, resulting from these proceedings will not significantly prejudice the financial position of the Company and have been provided for where deemed necessary in accordance with accounting policy.

In late 2014, the Monte dei Paschi di Siena Foundation ('Foundation') filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from CSS(E)L, Banca Leonardo & Co S.p.A. and former members of the Foundation's management committee. The lawsuit relates to the fairness opinions CSS(E)L and Banca Leonardo & Co S.p.A. delivered to the Foundation in connection with the EUR 9 billion acquisition of Banca Antonveneta S.p.A. by Banca Monte dei Paschi di Siena S.p.A. (BMPS) in 2008. BMPS funded the acquisition by a EUR 5 billion rights offer and the issuance of irredeemable securities convertible into BMPS shares, in which the Foundation invested EUR 2.9 billion and EUR 490 million respectively. The Foundation alleges that the fairness opinions were issued in the absence of key financial information. CSS(E)L believes that the claim lacks merit and is not supported by the available evidence. In November 2017, the Civil Court of Milan rejected the Foundation's claims, ruling in favour of CSS(E)L. In January 2018, the Foundation filed an appeal against this ruling. On 11 June 2019, following a settlement, the Civil Court of Milan dismissed all claims.

On 26 July 2018, CSS(E)L, Credit Suisse Group AG and Credit Suisse AG received a Statement of Objections from the European Commission ('Commission'), alleging that Credit Suisse entities engaged in anticompetitive practices in connection with its foreign exchange trading business. The Statement of Objections sets out the Commission's preliminary views and does not prejudge the final outcome of its investigation.

On 20 December 2018, CSS(E)L and Credit Suisse Group AG received a Statement of Objections from the Commission, alleging that Credit Suisse entities engaged in anticompetitive practices in connection with its supranational, sub-sovereign, and agency (SSA) bonds trading business. The Statement of Objections sets out the Commission's preliminary views and does not prejudge the final outcome of its investigation.

Credit Suisse 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, Credit Suisse filed its 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 a Credit Suisse subsidiary is void and also seeks unspecified damages alleged to have arisen in connection with the transactions involving ProIndicus and EMATUM, and a transaction in which Credit Suisse had no involvement with Mozambique Asset Management S.A.

37 Interests in Other Entities

Subsidiaries

Composition of the Group

Subsidiaries are entities (including structured entities) controlled by the CSS(E)L Group. The CSS(E)L 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. The financial statements of subsidiaries 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 all the subsidiaries the CSS(E)L Group owns, directly or indirectly.

Composition of the Group

Entity	Domicile	Currency	**Percentage of ownership held 2019** [1]	Percentage of ownership held 2018
Credit Suisse Client Nominees (UK) Limited	United Kingdom	USD	100%	100%
Credit Suisse First Boston Trustees Limited	United Kingdom	GBP	100%	100%
Credit Suisse Guernsey AF Trust	Guernsey	USD	100%	100%
CSSEL Guernsey Bare Trust	Guernsey	USD	100%	100%
Redwood Guernsey I Funding Trust	Guernsey	USD	100%	100%
Redwood Guernsey I Master Trust	Guernsey	USD	100%	100%
Redwood Guernsey I SPIA Trust	Guernsey	USD	100%	100%
Redwood Guernsey II Funding Trust	Guernsey	USD	100%	100%
Redwood Guernsey II Master Trust	Guernsey	USD	100%	100%
Redwood Guernsey II SPIA Trust	Guernsey	USD	100%	100%
Sail Guernsey I Funding Trust	Guernsey	USD	100%	100%
Sail Guernsey I Master Trust	Guernsey	USD	100%	100%
Sail Guernsey I SPIA Trust	Guernsey	USD	100%	100%
Sail Guernsey II Funding Trust	Guernsey	USD	100%	100%
Sail Guernsey II Master Trust	Guernsey	USD	100%	100%
Sail Guernsey II SPIA Trust	Guernsey	USD	100%	100%
Morstan Investments B.V. – 2019-01	Netherlands	USD	100%	-

[1] Detailed Registered Office Address mentioned in Note-45 CSS(E)L's Subsidiaries and Associates

There are no material differences between the date of the end of the reporting period of the financial statements of the CSS(E)L Group and those of any of its subsidiaries (including any consolidated structured entities).

There were no significant changes in ownership during the year ended 31 December 2019 in relation to the CSS(E)L Group's subsidiaries that resulted in a loss of control. Various trusts were closed during the year.

There were no significant changes in ownership during the year ended 31 December 2019 that resulted in a change in the consolidation conclusion.

The CSS(E)L Group has not provided financial or other support to consolidated structured entities that it was not contractually required to provide.

The CSS(E)L Group does not have the intention to provide financial or other support to consolidated structured entities that it is not contractually required to provide.

Restrictions

The CSS(E)L Group and its subsidiaries have certain restrictions which may restrict the ability of the CSS(E)L Group to access or use the assets and settle the liabilities of the CSS(E)L Group. These restrictions may be statutory, contractual or regulatory in nature.

The Company 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 Company has put into place processes and controls to monitor and manage its capital adequacy. For more information regarding the Company's capital adequacy and how the capital resources are managed and monitored please refer to Note 43 – Capital Adequacy.

CSS(E)L is required to maintain minimum levels of capital in the form of equity shares and reserves to meet PRA requirements.

Restricted assets include those assets protected under client segregation rules. Please refer to Note 20 – Brokerage Receivables and Brokerage Payables for further information.

The CSS(E)L 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 16 – 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 CSS(E)L Group has interests in structured entities which are not consolidated. An interest is either a contractual or non-contractual involvement that exposes the CSS(E)L 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 support, credit enhancement and guarantees. The CSS(E)L 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

Securitisations
Securitisations are primarily Commercial Mortgage Backed Securities ('CMBS'), Residential Mortgage Backed Securities ('RMBS') and Asset Backed Securities ('ABS') vehicles. The CSS(E)L 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 CSS(E)L Group provided. The CSS(E)L Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the structured entities.

Loans
Loans are single-financing vehicles where the CSS(E)L 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 CSS(E)L 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 CSS(E)L Group's exposure. The CSS(E)L Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the CSS(E)L Group's risk mitigation efforts which includes over-collateralisation and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

Collateralised Debt Obligations ('CDO')
The CSS(E)L Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The CSS(E)L 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 CSS(E)L 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 CSS(E)L Group.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the CSS(E)L 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

2019					Type of Structured entity
Balance sheet line item (USD millions)	Securitisations	CDO	Loans	Other Financial Intermediation	**Total**
Other liabilities	12	–	–	–	12
Maximum exposure to loss	**–**	**–**	**–**	**–**	**–**
Unconsolidated structured entity assets	**18,836**	**771**	**55**	**–**	**19,662**

2018					Type of Structured entity
Balance sheet line item (USD millions)	Securitisations	CDO	Loans	Other Financial Intermediation	**Total**
Other liabilities	10	–	–	–	10
Maximum exposure to loss	**–**	**–**	**–**	**–**	**–**
Unconsolidated structured entity assets	**20,663**	**449**	**63**	**510**	**21,685**

The unconsolidated structured entity assets relate to where the CSS(E)L 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 CSS(E)L Group has with the entity and thus are not amounts that are considered for risk management purposes.

Income from interests in unconsolidated structured entities

2019				Income earned
Structured entity type (USD millions)	Fair value gain/(loss)	Interest income	Commission and fees	**Total**
Securitisations	–	–	1	1
Total	**–**	**–**	**1**	**1**

2018				Income earned
Structured entity type (USD millions)	Fair value gain/(loss)	Interest income	Commission and fees	**Total**
Securitisations	–	1	3	4
Total	**–**	**1**	**3**	**4**

The table above shows the income earned from unconsolidated structured entities during the reporting period. Income from unconsolidated structured entities comprises changes in the fair value, interest income, commission and fees income of interests held with the unconsolidated structured entities.

The CSS(E)L 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 CSS(E)L Group is associated with the structured entity or the CSS(E)L 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 unconsolidated structured entities sponsored by the CSS(E)L Group where no interest is held by the CSS(E)L Group.

Sponsored unconsolidated structured entities

2019	Income/(losses)			
Structured entity type (USD millions)	Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	**Total**
Loans	–	(56)	–	(56)
Total	**–**	**(56)**	**–**	**(56)**

2018	Income/(losses)			
Structured entity type (USD millions)	Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	**Total**
Loans	–	(246)	–	(246)
Total	**–**	**(246)**	**–**	**(246)**

The previous table shows the income earned from the unconsolidated structured entities during the reporting period. Income from unconsolidated structured entities includes, but is not limited to recurring and non-recurring fees, interest and dividends income, gains or losses from the transfer of assets and liabilities and changes in the fair value of derivative instruments and other instruments held at fair value.

The CSS(E)L Group has not provided financial or other support to unconsolidated structured entities that it was not contractually required to provide.

The CSS(E)L Group does not have the intention to provide financial or other support to unconsolidated structured entities that it is not contractually required to provide.

38 Financial Instruments

The following disclosure of the CSS(E)L Group's financial instruments 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); and
- 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 CSS(E)L Group's financial instruments.

Financial assets and liabilities by categories

		Carrying amount			**Total fair value**
31 December 2019 CSS(E)L Group	Total carrying value	Mandatorily at FVTPL	Designated at fair value	Other amortised cost	
Financial Assets (USD million)					
Cash and due from banks	**2,744**	–	–	2,744	**2,744**
Interest-bearing deposits with banks	**14,550**	–	–	14,550	**14,550**
Securities purchased under resale agreements and securities borrowing transactions	**8,329**	–	–	8,329	**8,329**
Trading financial assets mandatorily at fair value through profit or loss	**4,325**	4,325	–	–	**4,325**
Non-trading financial assets mandatorily at fair value through profit or loss	**17,151**	17,151	–	–	**17,151**
Other assets	**6,201**	1	–	6,200	**6,201**
Assets held for sale	**39,979**	33,027	–	6,952	**39,979**
Total financial assets	**93,279**	**54,504**	**–**	**38,775**	**93,279**

31 December 2019 CSS(E)L Group	Total carrying value	Carrying Amount Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
Financial Liabilities (USD million)					
Deposits	**237**	–	–	237	**237**
Securities sold under repurchase agreements and securities lending transactions	**2,063**	–	–	2,063	**2,063**
Trading financial liabilities mandatorily at fair value through profit or loss	**5,270**	5,270	–	–	**5,270**
Financial liabilities designated at fair value through profit or loss	**16,652**	–	16,652	–	**16,652**
Borrowings	**3,663**	–	–	3,663	**3,663**
Other liabilities	**10,666**	6	–	10,660	**10,666**
Debt in issuance	**15,239**	–	–	15,239	**15,480**
Liabilities held for sale	**32,462**	6,967	15,725	9,770	**32,462**
Total financial liabilities	**86,252**	**12,243**	**32,377**	**41,632**	**86,493**

Financial assets and liabilities by categories

31 December 2018 CSS(E)L Group	Total carrying value	Carrying amount Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
Financial Assets (USD million)					
Cash and due from banks	**2,615**	–	–	2,615	**2,615**
Interest-bearing deposits with banks	**7,421**	–	–	7,421	**7,421**
Securities purchased under resale agreements and securities borrowing transactions	**16,272**	–	–	16,272	**16,272**
Trading financial assets mandatorily at fair value through profit or loss	**19,645**	19,645	–	–	**19,645**
Non-trading financial assets mandatorily at fair value through profit or loss	**37,537**	37,537	–	–	**37,537**
Other assets	**10,069**	5	–	10,064	**10,069**
Assets held for sale	**1,847**	500	–	1,347	**1,847**
Total financial assets	**95,406**	**57,687**	**–**	**37,719**	**95,406**

31 December 2018 CSS(E)L Group	Total carrying value	Carrying Amount Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
Financial Liabilities (USD million)					
Deposits	**262**	–	–	262	**262**
Securities sold under repurchase agreements and securities lending transactions	**6,045**	–	–	6,045	**6,045**
Trading financial liabilities mandatorily at fair value through profit or loss	**17,841**	17,841	–	–	**17,841**
Financial liabilities designated at fair value through profit or loss	**29,296**	–	29,296	–	**29,296**
Borrowings	**2,832**	–	–	2,832	**2,832**
Other liabilities	**14,615**	3	–	14,612	**14,615**
Debt in issuance	**12,837**	–	–	12,837	**13,294**
Liabilities held for sale	**4,056**	122	13	3,921	**4,056**
Total financial liabilities	**87,784**	**17,966**	**29,309**	**40,509**	**88,241**

Financial assets and liabilities by categories

31 December 2019 Company	Total carrying value	Carrying amount Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
Financial Assets (USD million)					
Cash and due from banks	**2,740**	–	–	2,740	**2,740**
Interest-bearing deposits with banks	**14,550**	–	–	14,550	**14,550**
Securities purchased under resale agreements and securities borrowing transactions	**8,329**	–	–	8,329	**8,329**
Trading financial assets mandatorily at fair value through profit or loss	**4,333**	4,333	–	–	**4,333**
Non-trading financial assets mandatorily at fair value through profit or loss	**17,153**	17,153	–	–	**17,153**
Other assets	**6,169**	1	–	6,168	**6,169**
Assets held for sale	**39,979**	33,027	–	6,952	**39,979**
Total financial assets	**93,253**	**54,514**	**–**	**38,739**	**93,253**

31 December 2019 Company	Total carrying value	Carrying Amount Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
Financial Liabilities (USD million)					
Deposits	**237**	–	–	237	**237**
Securities sold under repurchase agreements and securities lending transactions	**2,063**	–	–	2,063	**2,063**
Trading financial liabilities mandatorily at fair value through profit or loss	**5,266**	5,266	–	–	**5,266**
Financial liabilities designated at fair value through profit or loss	**16,634**	–	16,634	–	**16,634**
Borrowings	**3,663**	–	–	3,663	**3,663**
Other liabilities	**10,666**	6	–	10,660	**10,666**
Debt in issuance	**15,239**	–	–	15,239	**15,480**
Liabilities held for sale	**32462**	6,967	15,725	9,770	**32462**
Total financial liabilities	**86,230**	**12,239**	**32,359**	**41,632**	**86,471**

Financial assets and liabilities by categories

31 December 2018 Company	Total carrying value	Carrying amount Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
Financial Assets (USD million)					
Cash and due from banks	**2,604**	–	–	2,604	**2,604**
Interest-bearing deposits with banks	**7,421**	–	–	7,421	**7,421**
Securities purchased under resale agreements and securities borrowing transactions	**16,272**	–	–	16,272	**16,272**
Trading financial assets mandatorily at fair value through profit or loss	**19,651**	19,651	–	–	**19,651**
Non-trading financial assets mandatorily at fair value through profit or loss	**37,516**	37,516	–	–	**37,516**
Other assets	**10,054**	5	–	10,049	**10,054**
Assets held for sale	**1,847**	500	–	1,347	**1,847**
Total financial assets	**95,365**	**57,672**	**–**	**37,693**	**95,365**

31 December 2018 Company	Total carrying value	Mandatorily at FVTPL	Designated at fair value	Other amortised cost	Total fair value
				Carrying Amount	
Financial Liabilities (USD million)					
Deposits	**262**	–	–	262	**262**
Securities sold under repurchase agreements and securities lending transactions	**6,045**	–	–	6,045	**6,045**
Trading financial liabilities mandatorily at fair value through profit or loss	**17,828**	17,828	–	–	**17,828**
Financial liabilities designated at fair value through profit or loss	**29,277**	–	29,277	–	**29,277**
Borrowings	**2,832**	–	–	2,832	**2,832**
Other liabilities	**14,610**	3	–	14,607	**14,610**
Debt in issuance	**12,837**	–	–	12,837	**13,294**
Liabilities held for sale	**4,056**	122	13	3,921	**4,056**
Total financial liabilities	**87,747**	**17,953**	**29,290**	**40,504**	**88,204**

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 CSS(E)L 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 CSS(E)L Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, most investment grade corporate debt, certain high grade debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSS(E)L 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 judgement, depending on liquidity, 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 judgements 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 securities, private equity investments, certain loans and credit products including leveraged finance and certain high yield bonds, and life finance instruments.

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 CSS(E)L 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 CSS(E)L 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 CSS(E)L Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSS(E)L 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 CSS(E)L 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 CSS(E)L Group reflects the net maximum exposure to credit risk for its derivative instruments where the CSS(E)L 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 CSS(E)L Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) input other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These inputs reflect the CSS(E)L 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 include the CSS(E)L Group's own data. The CSS(E)L 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

31 December 2019 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	**Total at fair value**
Assets (USD million)					
Debt securities	**44**	**111**	**2**	**–**	**157**
Of which UK governments	22	–	–	–	22
Of which foreign governments	22	28	–	–	50
Of which corporates	–	83	2	–	85
Equity securities	**81**	**–**	**–**	**–**	**81**
Derivatives	**–**	**2,985**	**1,102**	**–**	**4,087**
Of which interest rate products	–	1,079	–	–	1,079
Of which foreign exchange products	–	269	–	–	269
Of which equity/index-related products	–	1,604	–	–	1,604
Of which credit derivatives	–	33	–	–	33
Of which other derivatives	–	–	1,102	–	1,102
Trading financial assets mandatorily at fair value through profit or loss	**125**	**3,096**	**1,104**	**–**	**4,325**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**20,932**	**–**	**(4,981)** [1]	**15,951**
Loans	**–**	**–**	**8**	**–**	**8**
Of which loans to financial institutions	–	–	8	–	8
Other Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**–**	**1,192**	**–**	**1,192**
Of which life finance instruments	–	–	1,192	–	1,192
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**20,932**	**1,200**	**(4,981)**	**17,151**
Debt securities	**34**	**1,881**	**16**	**–**	**1,931**
Of which UK governments	22	–	–	–	22
Of which foreign governments	12	150	–	–	162
Of which corporates	–	1,731	16	–	1,747
Equity securities	**14,856**	**146**	**45**	**–**	**15,047**
Derivatives	**–**	**2,139**	**2**	**–**	**2,141**
Of which interest rate products	–	12	–	–	12
Of which foreign exchange products	–	2	–	–	2
Of which equity/index-related products	–	2,125	2	–	2,127
Trading financial assets mandatorily at fair value through profit or loss	**14,890**	**4,166**	**63**	**–**	**19,119**
Securities purchased under resale agreements and securities borrowing tranascations	**–**	**14,133**	**–**	**(225)**	**13,908**
Assets Held for Sale	**14,890**	**18,299**	**63**	**(225)**	**33,027**
Total assets at fair value	**15,015**	**42,327**	**2,367**	**(5,206)**	**54,503**

Fair value of hedging derivatives of USD 1 million is included in 'Other assets'. These are level 2 instruments.

1 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

31 December 2019 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**27**	**135**	**–**	**–**	**162**
Of which UK governments	7	–	–	–	7
Of which foreign governments	20	33	–	–	53
Of which corporates	–	102	–	–	102
Equity securities	**1,293**	**1**	**2**	**–**	**1,296**
Derivatives	**–**	**3,145**	**667**	**–**	**3,812**
Of which interest rate products	–	1,343	–	–	1,343
Of which foreign exchange products	–	226	–	–	226
Of which equity/index-related products	–	1,541	7	–	1,548
Of which credit derivatives	–	35	–	–	35
Of which other derivatives	–	–	660	–	660
Trading financial liabilities mandatorily at fair value through profit or loss	**1,320**	**3,281**	**669**	**–**	**5,270**
Securities sold under resale agreements and securities borrowing transactions	**–**	**21,411**	**–**	**(4,981)** [1]	**16,430**
Debt in Issuance	**–**	**–**	**37**	**–**	**37**
Of which other debt instruments over two years	–	–	37	–	37
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**185**	**–**	**185**
Of which life finance instruments	–	–	185	–	185
Financial liabilities designated at fair value through profit or loss	**–**	**21,411**	**222**	**(4,981)**	**16,652**
Debt securities	**186**	**1,293**	**–**	**–**	**1,479**
Of which UK governments	68	–	–	–	68
Of which foreign governments	118	396	–	–	514
Of which corporates	–	897	–	–	897
Equity securities	**3,273**	**60**	**9**	**–**	**3,342**
Derivatives	**1**	**2,128**	**17**	**–**	**2,146**
Of which interest rate products	1	–	–	–	1
Of which foreign exchange products	–	4	–	–	4
Of which equity/index-related products	–	2,124	17	–	2,141
Securities sold under repurchase agreements and securities lending transactions	**–**	**15,489**	**–**	**(225)**	**15,264**
Debt in Issuance	**–**	**461**	**–**	**–**	**461**
Of which other debt instruments between one and two years	–	1	–	–	1
Of which other debt instruments over two years	–	460	–	–	460
Liabilities held for sale	**3,460**	**19,431**	**26**	**(225)**	**22,692**
Total liabilities at fair value	**4,780**	**44,123**	**917**	**(5,206)**	**44,614**
Net assets/liabilities at fair value	**10,235**	**(1,796)**	**1,450**	**–**	**9,889**

Fair value of hedging derivatives of USD 6 million is included in 'Other liabilities'. These are level 2 instruments.

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

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

31 December 2019 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**44**	**111**	**2**	**–**	**157**
Of which UK governments	22	–	–	–	22
Of which foreign governments	22	28	–	–	50
Of which corporates	–	83	2	–	85
Equity securities	**82**	**–**	**–**	**–**	**82**
Derivatives	**–**	**3,010**	**1,084**	**–**	**4,094**
Of which interest rate products	–	1,079	–	–	1,079
Of which foreign exchange products	–	269	–	–	269
Of which equity/index-related products	–	1,629	–	–	1,629
Of which credit derivatives	–	33	–	–	33
Of which other derivatives	–	–	1,084	–	1,084
Trading financial assets mandatorily at fair value through profit or loss	**126**	**3,121**	**1,086**	**–**	**4,333**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**20,932**	**–**	**(4,981)** [1]	**15,951**
Loans	**–**	**–**	**8**	**–**	**8**
Of which loans to financial institutions	–	–	8	–	8
Other Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**–**	**1,194**	**–**	**1,194**
Of which life finance instruments	–	–	1,194	–	1,194
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**20,932**	**1,202**	**(4,981)**	**17,153**
Debt securities	**34**	**1,881**	**16**	**–**	**1,931**
Of which UK governments	22	–	–	–	22
Of which foreign governments	12	150	–	–	162
Of which corporates	–	1,731	16	–	1,747
Equity securities	**14,856**	**146**	**45**	**–**	**15,047**
Derivatives	**–**	**2,139**	**2**	**–**	**2,141**
Of which interest rate products	–	12	–	–	12
Of which foreign exchange products	–	2	–	–	2
Of which equity/index-related products	–	2,125	2	–	2,127
Securities purchased under resale agreements and securities borrowing transactions	**–**	**14,133**	**–**	**(225)**	**13,908**
Assets Held for Sale	**14,890**	**18,299**	**63**	**(225)**	**33,027**
Total assets at fair value	**15,016**	**42,352**	**2,351**	**(5,206)**	**54,513**

Fair value of hedging derivatives of USD 1 million is included in 'Other assets'. These are level 2 instruments.

[1] 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

31 December 2019 Company	Level 1	Level 2	Level 3	Impact of netting	**Total at fair value**
Liabilities (USD million)					
Debt securities	**27**	**135**	**–**	**–**	**162**
Of which UK governments	7	–	–	–	7
Of which foreign governments	20	33	–	–	53
Of which corporates	–	102	–	–	102
Equity securities	**1,293**	**1**	**2**	**–**	**1,296**
Derivatives	**–**	**3,170**	**638**	**–**	**3,808**
Of which interest rate products	–	1,343	–	–	1,343
Of which foreign exchange products	–	226	–	–	226
Of which equity/index-related products	–	1,566	7	–	1,573
Of which credit derivatives	–	35	–	–	35
Of which other derivatives	–	–	631	–	631
Trading financial liabilities mandatorily at fair value through profit or loss	**1,320**	**3,306**	**640**	**–**	**5,266**
Securities sold under resale agreements and securities borrowing transactions	**–**	**21,411**	**–**	**(4,981)** [1]	**16,430**
Debt In Issuance	**–**	**–**	**29**	**–**	**29**
Of which other debt instruments over two years	–	–	29	–	29
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**175**	**–**	**175**
Of which life finance instruments	–	–	175	–	175
Financial liabilities designated at fair value through profit or loss	**–**	**21,411**	**204**	**(4,981)**	**16,634**
Debt securities	**186**	**1,293**	**–**	**–**	**1,479**
Of which UK governments	68	–	–	–	68
Of which foreign governments	118	396	–	–	514
Of which corporates	–	897	–	–	897
Equity securities	**3,273**	**60**	**9**	**–**	**3,342**
Derivatives	**1**	**2,128**	**17**	**–**	**2,146**
Of which interest rate products	1	–	–	–	1
Of which foreign exchange products	–	4	–	–	4
Of which equity/index-related products	–	2,124	17	–	2,141
Securities sold under resale agreements and securities borrowing transactions	**–**	**15,489**	**–**	**(225)**	**15,264**
Debt In Issuance	**–**	**461**	**–**	**–**	**461**
Of which other debt instruments between one and two years	–	1	–	–	1
Of which other debt instruments over two years	–	460	–	–	460
Liabilities held for sale	**3,460**	**19,431**	**26**	**(225)**	**22,692**
Total liabilities at fair value	**4,780**	**44,148**	**870**	**(5,206)**	**44,592**
Net assets/liabilities at fair value	**10,236**	**(1,796)**	**1,481**	**–**	**9,921**

Fair value of hedging derivatives of USD 6 million is included in 'Other liabilities'. These are level 2 instruments.

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

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

31 December 2018 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**140**	**1,696**	**29**	**–**	**1,865**
Of which UK governments	47	–	–	–	47
Of which foreign governments	93	198	–	–	291
Of which corporates	–	1,498	29	–	1,527
Equity securities	**12,317**	**134**	**22**	**–**	**12,473**
Derivatives	**10**	**4,254**	**1,043**	**–**	**5,307**
Of which interest rate products	6	870	–	–	876
Of which foreign exchange products	–	480	–	–	480
Of which equity/index-related products	4	2,899	25	–	2,928
Of which credit derivatives	–	5	–	–	5
Of which other derivatives	–	–	1,018	–	1,018
Trading financial assets mandatorily at fair value through profit or loss	**12,467**	**6,084**	**1,094**	**–**	**19,645**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**44,569**	**–**	**(8,164)** [1]	**36,405**
Loans	**–**	**–**	**3**	**–**	**3**
Of which loans to financial institutions	–	–	3	–	3
Other Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**–**	**1,129**	**–**	**1,129**
Of which life finance instruments	–	–	1,129	–	1,129
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**44,569**	**1,132**	**(8,164)**	**37,537**
Debt securities	**–**	**–**	**–**	**–**	**–**
Of which foreign governments	–	–	–	–	–
Of which corporates	–	–	–	–	–
Equity securities	**382**	**–**	**–**	**–**	**382**
Derivatives	**–**	**118**	**–**	**–**	**118**
Of which interest rate products	–	–	–	–	–
Of which foreign exchange products	–	–	–	–	–
Of which equity/index-related products	–	118	–	–	118
Trading financial assets mandatorily at fair value through profit or loss	**382**	**118**	**–**	**–**	**500**
Securities purchased under resale agreements and securities borrowing tranascations	**–**	**–**	**–**	**–**	**–**
Assets Held for Sale	**382**	**118**	**–**	**–**	**500**
Total assets at fair value	**12,849**	**50,771**	**2,226**	**(8,164)**	**57,682**

Fair value of hedging derivatives of USD 5 million is included in 'Other assets'. These are level 2 instruments.

1 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

31 December 2018 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	**Total at fair value**
Liabilities (USD million)					
Debt securities	**276**	**1,359**	**1**	**–**	**1,636**
Of which UK governments	149	–	–	–	149
Of which foreign governments	127	204	–	–	331
Of which corporates	–	1,155	1	–	1,156
Equity securities	**10,542**	**71**	**3**	**–**	**10,616**
Derivatives	**3**	**4,837**	**749**	**–**	**5,589**
Of which interest rate products	2	872	–	–	874
Of which foreign exchange products	–	397	–	–	397
Of which equity/index-related products	1	3,565	33	–	3,599
Of which credit derivatives	–	3	–	–	3
Of which other derivatives	–	–	716	–	716
Trading financial liabilities mandatorily at fair value through profit or loss	**10,821**	**6,267**	**753**	**–**	**17,841**
Securities sold under resale agreements and securities borrowing transactions	**–**	**37,091**	**–**	**(8,164)** [1]	**28,927**
Debt in Issuance	**–**	**190**	**38**	**–**	**228**
Of which other debt instruments over two years	–	190	38	–	228
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**141**	**–**	**141**
Of which life finance instruments	–	–	141	–	141
Financial liabilities designated at fair value through profit or loss	**–**	**37,281**	**179**	**(8,164)**	**29,296**
Debt securities	**–**	**–**	**–**	**–**	**–**
Of which foreign governments	–	–	–	–	–
Of which corporates	–	–	–	–	–
Derivatives	**–**	**122**	**–**	**–**	**122**
Of which interest rate products	–	54	–	–	54
Of which foreign exchange products	–	–	–	–	–
Of which equity/index-related products	–	68	–	–	68
Securities sold under resale agreements and securities borrowing tranascations	**–**	**–**	**–**	**–**	**–**
Debt In Issuance	**–**	**13**	**–**	**–**	**13**
Of which other debt instruments over two years	–	13	–	–	13
Liabilities held for sale	**–**	**135**	**–**	**–**	**135**
Total liabilities at fair value	**10,821**	**43,683**	**932**	**(8,164)**	**47,272**
Net assets/liabilities at fair value	**2,028**	**7,088**	**1,294**	**–**	**10,410**

Fair value of hedging derivatives of USD 3 million is included in 'Other liabilities'. These are level 2 instruments.

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

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

31 December 2018 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**140**	**1,696**	**29**	**–**	**1,865**
Of which UK governments	47	–	–	–	47
Of which foreign governments	93	198	–	–	291
Of which corporates	–	1,498	29	–	1,527
Equity securities	**12,317**	**134**	**22**	**–**	**12,473**
Derivatives	**10**	**4,273**	**1,030**	**–**	**5,313**
Of which interest rate products	6	870	–	–	876
Of which foreign exchange products	–	480	–	–	480
Of which equity/index-related products	4	2,918	25	–	2,947
Of which credit derivatives	–	5	–	–	5
Of which other derivatives	–	–	1,005	–	1,005
Trading financial assets mandatorily at fair value through profit or loss	**12,467**	**6,103**	**1,081**	**–**	**19,651**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**44,569**	**–**	**(8,164)** [1]	**36,405**
Loans	**–**	**–**	**3**	**–**	**3**
Of which loans to financial institutions	–	–	3	–	3
Other Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**–**	**1,108**	**–**	**1,108**
Of which life finance instruments	–	–	1,108	–	1,108
Non-trading financial assets mandatorily at fair value through profit or loss	**–**	**44,569**	**1,111**	**(8,164)**	**37,516**
Debt securities	**–**	**–**	**–**	**–**	**–**
Of which corporates	–	–	–	–	–
Equity securities	**382**	**–**	**–**	**–**	**382**
Derivatives	**–**	**118**	**–**	**–**	**118**
Of which interest rate products	–	–	–	–	–
Of which foreign exchange products	–	–	–	–	–
Of which equity/index-related products	–	118	–	–	118
Assets Held for Sale	**382**	**118**	**–**	**–**	**500**
Total assets at fair value	**12,849**	**50,790**	**2,192**	**(8,164)**	**57,667**

Fair value of hedging derivatives of USD 5 million is included in 'Other assets'. These are level 2 instruments.

[1] 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

31 December 2018 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**276**	**1,359**	**1**	**–**	**1,636**
Of which UK governments	149	–	–	–	149
Of which foreign governments	127	204	–	–	331
Of which corporates	–	1,155	1	–	1,156
Equity securities	**10,542**	**71**	**3**		**10,616**
Derivatives	**3**	**4,856**	**717**	**–**	**5,576**
Of which interest rate products	2	872	–	–	874
Of which foreign exchange products	–	397	–	–	397
Of which equity/index-related products	1	3,584	33	–	3,618
Of which credit derivatives	–	3	–	–	3
Of which other derivatives	–	–	684	–	684
Trading financial liabilities mandatorily at fair value through profit or loss	**10,821**	**6,286**	**721**	**–**	**17,828**
Securities sold under resale agreements and securities borrowing transactions		**37,091**	**–**	**(8,164)** [1]	**28,927**
Debt In Issuance	**–**	**190**	**30**	**–**	**220**
Of which other debt instruments over two years	–	190	30	–	220
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**130**	**–**	**130**
Of which life finance instruments	–	–	130	–	130
Financial liabilities designated at fair value through profit or loss	**–**	**37,281**	**160**	**(8,164)**	**29,277**
Debt securities	**–**	**–**	**–**	**–**	**–**
Of which foreign governments	–	–	–	–	–
Of which corporates	–	–	–	–	–
Equity securities	**–**	**–**	**–**	**–**	**–**
Derivatives	**–**	**122**	**–**	**–**	**122**
Of which interest rate products	–	54	–	–	54
Of which foreign exchange products	–	–	–	–	–
Of which equity/index-related products	–	68	–	–	68
Debt In Issuance	**–**	**13**	**–**	**–**	**13**
Of which other debt instruments over two years	–	13	–	–	13
Liabilities held for sale	**–**	**135**	**–**	**–**	**135**
Total liabilities at fair value	**10,821**	**43,702**	**881**	**(8,164)**	**47,240**
Net assets/liabilities at fair value	**2,028**	**7,088**	**1,311**	**–**	**10,427**

[2] Fair value of hedging derivatives of USD 3 million is included in 'Other liabilities'. These are level 2 instruments.

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

Transfers between level 1 and level 2

Transfers out of level 1 to level 2 are primarily driven by debt and equity securities where there is lack of activity in market or low trading volume. Transfers to level 1 out of level 2 are primarily driven by debt and equity securities where the values become observable or higher trading volume and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

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

	2019 [1]		2018 [1]	
CSS(E)L Group and Company	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 (USD million)				
Trading financial assets mandatorily at fair value through profit or loss	2,904	3,366	180	413
Total transfers in assets at fair value	**2,904**	**3,366**	**180**	**413**
Liabilities (USD million)				
Trading financial liabilities mandatorily at fair value through profit or loss	919	1,283	89	107
Total transfers in liabilities at fair value	**919**	**1,283**	**89**	**107**

[1] Amounts in the above table includes both continued and discontinued operations.

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

As at December 2019	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**29**	**16**	**(158)**	**163**	**(33)**	**–**	**–**	**(2)**	**(13)**	**–**	**2**
Of which corporates	29	16	(158)	163	(33)	–	–	(2)	(13)	–	2
Equity securities	**22**	**36**	**(49)**	**7**	**(4)**	**–**	**–**	**(3)**	**(9)**	**–**	**–**
Derivatives	**1,043**	**–**	**(20)**	**–**	**–**	**311**	**(363)**	**(7)**	**138**	**–**	**1,102**
Of which equity/index-related products	25	–	(20)	–	–	–	(9)	(7)	11	–	–
Of which other derivatives	1,018	–	–	–	–	311	(354)	–	127	–	1,102
Trading financial assets mandatorily at fair value through profit or loss	**1,094**	**52**	**(227)**	**170**	**(37)**	**311**	**(363)**	**(12)**	**116**	**–**	**1,104**
Loans	**3**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**4**	**–**	**8**
Of which loans to financial institutions	3	–	–	1	–	–	–	–	4	–	8
Other Non-trading financial assets mandatorily at fair value through profit or loss	**1,129**	**–**	**–**	**99**	**(246)**	**–**	**–**	**–**	**210**	**–**	**1,192**
Of which life finance instruments	1,129	–	–	99	(246)	–	–	–	210	–	1,192
Non-trading financial assets mandatorily at fair value through profit or loss	**1,132**	**–**	**–**	**100**	**(246)**	**–**	**–**	**–**	**214**	**–**	**1,200**
Debt securities	**–**	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16**
Of which corporates	–	16	–	–	–	–	–	–	–	–	16
Equity securities	**–**	**45**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**45**
Derivatives	**–**	**2**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**	**2**
Of which equity/index-related products	–	2	–	–	–	1	(1)	–	–	–	2
Assets held for sale	**–**	**63**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**	**63**
Total assets at fair value	**2,226**	**115**	**(227)**	**270**	**(283)**	**312**	**(364)**	**(12)**	**330**	**–**	**2,367**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2019	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**1**	**5**	**–**	**–**	**(5)**	**–**	**–**	**–**	**(1)**	**–**	**–**
Of which corporates	1	5	–	–	(5)	–	–	–	(1)	–	–
Equity securities	**3**	**9**	**(10)**	**11**	**(11)**	**–**	**–**	**–**	**–**	**–**	**2**
Derivatives	**749**	**4**	**(26)**	**–**	**–**	**257**	**(296)**	**5**	**(26)**	**–**	**667**
Of which equity/index-related products	33	4	(26)	–	–	–	(14)	5	5	–	7
Of which other derivatives	716	–	–	–	–	257	(282)	–	(31)	–	660
Trading financial liabilities mandatorily at fair value through profit or loss	**753**	**18**	**(36)**	**11**	**(16)**	**257**	**(296)**	**5**	**(27)**	**–**	**669**
Debt In Issuance	**38**	**–**	**(70)**	**–**	**–**	**72**	**(3)**	**–**	**–**	**–**	**37**
Of which other debt instruments over two years	38	–	(70)	–	–	72	(3)	–	–	–	**37**
Other financial liabilities designated at fair value through profit or loss	**141**	**–**	**–**	**113**	**(122)**	**–**	**–**	**–**	**53**	**–**	**185**
Of which life finance instruments	141	–	–	113	(122)	–	–	–	53	–	185
Financial liabilities designated at fair value through profit or loss	**179**	**–**	**(70)**	**113**	**(122)**	**72**	**(3)**	**–**	**53**	**–**	**222**
Debt securities	**–**	**3**	**(4)**	**3**	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**
Of which corporates	–	3	(4)	3	–	–		–	(2)	–	–
Equity securities	**–**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**
Derivatives	**–**	**1**	**–**	**–**	**–**	**7**	**–**	**(2)**	**11**	**–**	**17**
Of which equity/index-related products	–	1	–	–	–	7	–	(2)	11	–	17
Trading financial liabilities mandatorily at fair value through profit or loss	**–**	**13**	**(4)**	**3**	**–**	**7**	**–**	**(2)**	**9**	**–**	**26**
Liabilities held for sale	**–**	**13**	**(4)**	**3**	**–**	**7**	**–**	**(2)**	**9**	**–**	**26**
Total liabilities at fair value	**932**	**31**	**(110)**	**127**	**(138)**	**336**	**(299)**	**3**	**35**	**–**	**917**
Net asset/liabilities at fair value	**1,294**	**84**	**(117)**	**143**	**(145)**	**(24)**	**(65)**	**(15)**	**295**	**–**	**1,450**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2019	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua- nces	Settle- ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**29**	**16**	**(158)**	**163**	**(33)**	**–**	**–**	**(2)**	**(13)**	**–**	**2**
Of which corporates	29	16	(158)	163	(33)	–	–	(2)	(13)	–	2
Equity securities	**22**	**36**	**(49)**	**7**	**(4)**	**–**	**–**	**(3)**	**(9)**	**–**	**–**
Derivatives	**1,030**	**–**	**(13)**	**–**	**–**	**310**	**(370)**	**(7)**	**134**	**–**	**1,084**
Of which equity/index-related products	25	–	(13)	–	–	–	(16)	(7)	11	–	–
Of which other derivatives	1,005	–	–	–	–	310	(354)	–	123	–	1,084
Trading financial assets mandatorily at fair value through profit or loss	**1,081**	**52**	**(220)**	**170**	**(37)**	**310**	**(370)**	**(12)**	**112**	**–**	**1,086**
Loans	**3**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**4**	**–**	**8**
Of which loans to financial institutions	3	–	–	1	–	–	–	–	4	–	8
Other Non-trading financial assets mandatorily at fair value through profit or loss	**1,108**	**–**	**–**	**44**	**–**	**–**	**–**	**–**	**42**	**–**	**1,194**
Of which life finance instruments	1,108	–	–	44	–	–	–	–	42	–	1,194
Non-trading financial assets mandatorily at fair value through profit or loss	**1,111**	**–**	**–**	**45**	**–**	**–**	**–**	**–**	**46**	**–**	**1,202**
Debt securities	**–**	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		16
Of which corporates	–	16	–	–	–	–	–	–	–		16
Equity securities	**–**	**45**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**45**
Derivatives	**–**	**2**	**–**	**–**	**–**	**1**	**(2)**	**1**	**–**	**–**	**2**
Of which equity/index-related products	–	2	–	–	–	1	(2)	1	–	–	2
Assets held for sale	**–**	**63**	**–**	**–**	**–**	**1**	**(2)**	**1**	**–**	**–**	**63**
Total assets at fair value	**2,192**	**115**	**(220)**	**215**	**(37)**	**311**	**(372)**	**(11)**	**158**	**–**	**2,351**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2019	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**1**	**5**	**–**	**–**	**(5)**	**–**	**–**	**–**	**(1)**	**–**	**–**
Of which corporates	1	5	–	–	(5)	–	–	–	(1)	–	–
Equity securities	**3**	**9**	**(10)**	**11**	**(11)**	**–**	**–**	**–**	**–**	**–**	**2**
Derivatives	**717**	**4**	**(27)**	**–**	**–**	**252**	**(294)**	**11**	**(25)**	**–**	**638**
Of which equity/index-related products	33	4	(27)	–	–	–	(19)	11	5	–	7
Of which other derivatives	684	–	–	–	–	252	(275)	–	(30)	–	631
Trading financial liabilities mandatorily at fair value through profit or loss	**721**	**18**	**(37)**	**11**	**(16)**	**252**	**(294)**	**11**	**(26)**	**–**	**640**
Debt in issuance	**30**	**–**	**(70)**	**–**	**–**	**71**	**(2)**	**–**	**–**	**–**	**29**
Of which other debt instruments over two years	30	–	(70)	–	–	71	(2)	–	–	–	29
Other financial liabilities designated at fair value through profit or loss	**130**	**–**	**–**	**114**	**(122)**	**–**	**–**	**53**	**–**	**–**	**175**
Of which life finance instruments	130	–	–	114	(122)	–	–	53	–	–	175
Financial liabilities designated at fair value through profit or loss	**160**	**–**	**(70)**	**114**	**(122)**	**71**	**(2)**	**53**	**–**	**–**	**204**
Debt securities	**–**	**3**	**(4)**	**3**	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**
Of which corporates	–	3	(4)	3	–	–	–	–	(2)	–	–
Equity securities	**–**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**
Derivatives	**–**	**1**	**–**	**–**	**–**	**1**	**6**	**(2)**	**11**	**–**	**17**
Of which equity/index-related products	–	1	–	–	–	1	6	(2)	11	–	17
Liabilities held for sale	**–**	**13**	**(4)**	**3**	**–**	**1**	**6**	**(2)**	**9**	**–**	**26**
Total liabilities at fair value	**881**	**31**	**(111)**	**128**	**(138)**	**324**	**(290)**	**62**	**(17)**	**–**	**870**
Net asset/liabilities at fair value	**1,311**	**84**	**(109)**	**87**	**101**	**(13)**	**(82)**	**(73)**	**175**	**–**	**1,481**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2018	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua- nces	Settle- ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**73**	**22**	**(27)**	**4**	**(54)**	**–**	**–**	**(1)**	**12**	**–**	**29**
Of which foreign governments	3	–	–	–	(3)	–	–	–	–	–	–
Of which corporates	69	22	(27)	4	(51)	–	–	(1)	13	–	29
Of which residential mortgage backed securities	1	–	–	–	–	–	–	–	(1)	–	–
Equity securities	**10**	**38**	**(30)**	**14**	**(76)**	**–**	**–**	**(1)**	**67**	**–**	**22**
Derivatives	**1,009**	**24**	**(11)**	**–**	**–**	**344**	**(417)**	**21**	**73**	**–**	**1,043**
Of which interest rate products	2	–	(2)	–	–	–	–	–	–	–	–
Of which equity/index-related products	–	24	(9)	–	–	–	(15)	21	4	–	25
Of which other derivatives	1,007	–	–	–	–	344	(402)	–	69	–	1,018
Trading financial assets mandatorily at fair value through profit or loss	**1,092**	**84**	**(68)**	**18**	**(130)**	**344**	**(417)**	**19**	**152**	**–**	**1,094**
Loans	**10**	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**–**	**–**	**3**
Of which loans to financial institutions	10	–	–	–	–	–	(7)	–	–	–	3
Other Non-trading financial assets designated at fair value through profit or loss	**1,513**	**–**	**–**	**212**	**(479)**	**–**	**–**	**–**	**(117)**	**–**	**1,129**
Of which life finance instruments	1,513	–	–	212	(479)	–	–	–	(117)	–	1,129
Equity securities	**39**	**–**	**–**	**–**	**(39)**	**–**	**–**	**–**	**–**	**–**	**–**
Non-trading financial assets designated at fair value through profit or loss	**1,562**	**–**	**–**	**212**	**(518)**	**–**	**(7)**	**–**	**(117)**	**–**	**1,132**
Equity securities	**11**	**–**	**(11)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**79**	**–**	**–**	**–**	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**
Of which equity/index-related products	79	–	–	–	–	–	(79)	–	–	–	–
Assets held for sale	**90**	**–**	**(11)**	**–**	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**
Total assets at fair value	**2,744**	**84**	**(79)**	**230**	**(648)**	**344**	**(503)**	**19**	**35**	**–**	**2,226**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2018	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**–**	**1**	**–**	**5**	**–**	**–**	**–**	**–**	**(5)**	**–**	**1**
Of which corporates	–	1	–	5	–	–	–	–	(5)	–	1
Equity securities	**–**	**34**	**(3)**	**–**	**(21)**	**–**	**–**	**(3)**	**(4)**	**–**	**3**
Derivatives	**679**	**25**	**(7)**	**–**	**–**	**287**	**(280)**	**42**	**3**	**–**	**749**
Of which interest rate products	2	–	(2)	–	–	–	–	–	–	–	–
Of which equity/index-related products	–	25	(5)	–	–	–	(37)	42	8	–	33
Of which credit derivatives	–	–	–	–	–	–	–	–	–	–	–
Of which other derivatives	677	–	–	–	–	287	(243)	–	(5)	–	716
Trading financial liabilities mandatorily at fair value through profit or loss	**679**	**60**	**(10)**	**5**	**(21)**	**287**	**(280)**	**39**	**(6)**	**–**	**753**
Debt In Issuance	**77**	**–**	**–**	**–**	**–**	**80**	**(80)**	**–**	**(39)**	**–**	**38**
Of which non recourse liabilities	–	–	–	–	–	–	–	–	–	–	–
Of which other debt instruments over two years	77	–	–	–	–	80	(80)	–	(39)	–	38
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**35**	**(22)**	**–**	**–**	**–**	**128**	**–**	**141**
Of which life finance instruments	–	–	–	35	(22)	–	–	–	128	–	141
Financial liabilities designated at fair value through profit or loss	**77**	**–**	**–**	**35**	**(22)**	**80**	**(80)**	**–**	**89**	**–**	**179**
Equity securities	**19**	**–**	**(19)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**78**	**–**	**–**	**–**	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**
Of which equity/index-related products	78	–	–	–	–	–	(78)	–	–	–	–
Liabilities held for sale	**97**	**–**	**(19)**	**–**	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**
Total liabilities at fair value	**853**	**60**	**(29)**	**40**	**(43)**	**367**	**(438)**	**39**	**83**	**–**	**932**
Net asset/liabilities at fair value	**1,891**	**24**	**(50)**	**190**	**(605)**	**(23)**	**(65)**	**(20)**	**(48)**	**–**	**1,294**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2018	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**73**	**22**	**(27)**	**4**	**(54)**	**–**	**–**	**(1)**	**12**	**–**	**29**
Of which foreign governments	3	–	–	–	(3)	–	–	–	–	–	–
Of which corporates	69	22	(27)	4	(51)	–	–	(1)	13	–	29
Of which residential mortgage backed securities	1	–	–	–	–	–	–	–	(1)	–	–
Equity securities	**10**	**38**	**(30)**	**14**	**(76)**	**–**	**–**	**(1)**	**67**	**–**	**22**
Derivatives	**1,001**	**24**	**(11)**	**–**	**–**	**344**	**(417)**	**21**	**68**	**–**	**1,030**
Of Which interest rate products	2	–	(2)	–	–	–	–	–	–	–	–
Of which equity/index-related products	–	24	(9)	–	–	–	(15)	21	4	–	25
Of which credit derivatives	–	–	–	–	–	–		–	–	–	–
Of which other derivatives	999	–	–	–	–	344	(402)	–	64	–	1,005
Trading financial assets mandatorily at fair value through profit or loss	**1,084**	**84**	**(68)**	**18**	**(130)**	**344**	**(417)**	**19**	**147**	**–**	**1,081**
Loans	**10**	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**–**	**–**	**3**
Of which loans to financial institutions	10	–	–	–	–	–	(7)	–	–	–	3
Other Non-trading financial assets mandatorily at fair value through profit or loss	**1,455**	**–**	**–**	**111**	**(340)**	**–**	**–**	**–**	**(118)**	**–**	**1,108**
Of which life finance instruments	1,455	–	–	111	(340)	–	–	–	(118)	–	1,108
Equity securities	**39**	**–**	**–**	**–**	**(39)**	**–**	**–**	**–**	**–**	**–**	**–**
Non-trading financial assets mandatorily at fair value through profit or loss	**1,504**	**–**	**–**	**111**	**(379)**	**–**	**(7)**	**–**	**(118)**	**–**	**1,111**
Equity securities	**11**	**–**	**(11)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**79**	**–**	**–**	**–**	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**
Of which equity/index-related products	79	–	–	–	–	–	(79)	–	–	–	–
Assets held for sale	**90**	**–**	**(11)**	**–**	**–**	**–**	**(79)**	**–**	**–**	**–**	**–**
Total assets at fair value	**2,678**	**84**	**(79)**	**129**	**(509)**	**344**	**(503)**	**19**	**29**	**–**	**2,192**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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

As at December 2018	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**–**	**1**	**–**	**5**	**–**	**–**	**–**	**–**	**(5)**	**–**	**1**
Of which corporates	–	1	–	5	–	–	–	–	(5)	–	1
Equity securities	**–**	**34**	**(3)**		**(21)**	**–**	**–**	**(3)**	**(4)**	**–**	**3**
Derivatives	**631**	**25**	**(7)**	**–**	**–**	**282**	**(266)**	**42**	**10**	**–**	**717**
Of which interest rate products	2	–	(2)	–	–	–	–	–	–	–	–
Of which equity/index-related products	–	25	(5)	–	–	–	(37)	42	8	–	33
Of which credit derivatives	–	–	–	–	–	–	–	–	–	–	–
Of which other derivatives	629	–	–	–	–	282	(229)	–	2	–	684
Trading financial liabilities mandatorily at fair value through profit or loss	**631**	**60**	**(10)**	**5**	**(21)**	**282**	**(266)**	**39**	**1**	**–**	**721**
Borrowings	**69**	**–**	**–**	**–**	**–**	**80**	**(80)**	**–**	**(39)**	**–**	**30**
Of which structured notes over two years	–	–	–	–	–	–	–	–	–	–	–
Of which other debt instruments	69	–	–	–	–	80	(80)	–	(39)	–	30
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**21**	**(21)**	**–**	**–**	**–**	**130**	**–**	**130**
Of which life finance instruments	–	–	–	21	(21)	–	–	–	130	–	130
Financial liabilities designated at fair value through profit or loss	**69**	**–**	**–**	**21**	**(21)**	**80**	**(80)**	**–**	**91**	**–**	**160**
Equity securities	**19**	**–**	**(19)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**78**	**–**	**–**	**–**	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**
Of which equity/index-related products	78	–	–	–	–	–	(78)	–	–	–	–
Liabilities held for sale	**97**	**–**	**(19)**	**–**	**–**	**–**	**(78)**	**–**	**–**	**–**	**–**
Total liabilities at fair value	**797**	**60**	**(29)**	**26**	**(42)**	**362**	**(424)**	**39**	**92**	**–**	**881**
Net asset/liabilities at fair value	**1,881**	**24**	**(50)**	**103**	**(467)**	**(18)**	**(79)**	**(20)**	**(63)**	**–**	**1,311**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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)

	As at 31 December 2019		As at 31 December 2018	
Trading revenues (USD million)	**CSS(E)L Group**	**Company**	**CSS(E)L Group**	**Company**
Net realised/unrealised gains/(losses) included in net revenues	**280**	**102**	**(68)**	**(83)**
Whereof:				
Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date				
Trading financial assets mandatorily at fair value through profit or loss	250	249	80	75
Non-trading financial assets mandatorily at fair value through profit or loss	125	10	24	–
Financial assets designated at fair value through profit or loss	–	–	–	–
Trading financial liabilities mandatorily at fair value through profit or loss	105	106	(50)	(57)
Financial liabilities designated at fair value through profit or loss	(49)	(46)	(205)	(205)
Changes in unrealised gains/(losses) relating to assets and liabilities held for sale as of the reporting date	**431**	**319**	**(151)**	**(187)**
Financial assets held for sale	6	1	–	–
Financial liabilities held for sale	10	10	–	–
Net realised/unrealised gains/(losses) included in OCI	**–**	**–**	**–**	**–**
Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	–	–	–	–
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**447**	**330**	**(151)**	**(187)**

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 CSS(E)L 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 in 2019 amounted to USD 52 million for both Group and Company and USD 227 million and USD 220 million respectively for Group and Company. USD16 million of transfers into level 3 was related to debt securities, USD 36 million of transfer into level 3 related to equity securities due to limited observability of pricing data and reduced pricing information from external providers. USD158 million of transfers out of level 3 largely comprises of debt securities, USD 49 million was related to equity securities due to improved observability of pricing data and increased availability of pricing information from external providers, USD 20 million and USD 13 million respectively for Group and Company was related to derivatives due to improved observability of pricing data and increased availability of pricing information from external providers.

Assets held for sale transferred into and out of level 3 in 2019 amounted to 63 million and USD NIL, respectively for Group and Company. USD 16 million of assets held for sale transfers into level 3 was related to debt securities due to limited observability of pricing data and reduced pricing information from external providers, USD 45 million of assets held for sale transfers into level 3 was related to equity securities due to limited observability of pricing data and reduced pricing information from external providers, USD 2 million of assets held for sale transfers into level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

Trading financial assets transferred into and out of level 3 in 2018 amounted to USD 84 million and USD 68 million respectively for Group and Company. USD 22 million of transfers into level 3 was related to debt securities, USD 38 million of transfer into level 3 related to equity securities due to limited observability of pricing data and reduced pricing information from external providers and USD 24 million of transfers into level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers. USD 27 million of transfers out of level 3 largely comprises of debt securities, USD 30 million was related to equity securities due to improved observability of pricing data and increased availability of pricing information from external providers.

Assets held for sale transferred into and out of level 3 in 2018 amounted to Nil and USD 11 million, respectively for Group and Company. USD 11 million of assets held for sale transfers into level 3 was related to equity securities due to limited observability of pricing data and reduced pricing information from external providers.

Trading financial liabilities mandatorily at fair value through profit or Loss
Trading financial liabilities transferred into and out of level 3 in 2019 amounted to USD 18 million for both Group and Company and USD 36 million and USD 37 million respectively for Group and Company. USD 5 million of transfers into level 3 was related to debt securities, USD 9 million of transfer into level 3 related to equity securities due to limited observability of pricing data and reduced pricing information from external providers and USD 4 million of transfers into level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

USD 10 million of transfers out of level 3 largely comprises of equity securities due to improved observability of pricing data and increased availability of pricing information from external providers and USD 26 million and USD 27 million of transfers out of level 3 for Group and Company respectively was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

Liabilities held for sale transferred into and out of level 3 in 2019 amounted to 13 million and USD 4 million, respectively for Group and Company. USD 3 million of liabilities held for sale transfers into level 3 was related to debt securities due to limited observability of pricing data and reduced pricing information from external providers, USD 9 million of liabilities held for sale transfers into level 3 was related to equity securities due to limited observability of pricing data and reduced pricing information from external providers, USD 1 million of liabilities held for sale transfers into level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

USD 4 million of transfers out of level 3 comprises of debt securities due to improved observability of pricing data and increased availability of pricing information from external providers for Group and Company.

Trading financial liabilities transferred into and out of level 3 in 2018 amounted to USD 60 million and USD 10 million for Group and Company both. USD 1 million of transfers into level 3 was related to debt securities, USD 34 million of transfer into level 3 related to equity securities due to limited observability of pricing data and reduced pricing information from external providers and USD 25 million of transfers into level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

USD 3 million of transfers out of level 3 largely comprises of equity securities due to improved observability of pricing data and increased availability of pricing information from external providers and USD 7 million of transfers out of level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

Financial Liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss transferred into and out of level 3 in 2019 amounted to USD NIL and USD 70 million respectively for Group and Company. Transfers out of level 3 largely comprises of debt in issuance due to improved observability of pricing data and increased availability of pricing information from external providers.

Qualitative disclosures of valuation techniques

The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 Financial Accounting 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 run as a sub-committee of CSG VARMC and is comprised of Credit Suisse Group AG's Executive Board members, CEO CSS(E)L, CFO CSS(E)L, CRO CSS(E)L and the UK heads of the business and control functions meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSS(E)L Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive 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 CSS(E)L 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. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable inputs for those classified as level 3 are funding spread and general collateral rate.

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 CSS(E)L Group with the right to liquidate the collateral held.

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 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. The significant unobservable input is price. 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).

Equity securities
The majority of the CSS(E)L 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, convertible bonds or equity securities with restrictions that are not traded in active markets. The significant unobservable input is price.

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 marketplace, 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.

The CSS(E)L Group's valuation of derivatives includes an adjustment for the cost of funding uncollateralised OTC derivatives. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or 'CVA') is considered when measuring the fair value of assets and the impact of changes in the CSS(E)L Group's own credit spreads (known as debit valuation adjustments or 'DVA') is considered when measuring the fair value of its liabilities.

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, volatility skew, prepayment rate, credit spread, basis spread 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 and correlation.

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 price, correlation, volatility, skew, buyback probability and gap risk.

Credit derivatives

Credit derivatives include index and single name CDS 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 and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

Other derivatives

Other derivatives include longevity swaps where the CSS(E)L Group enters into longevity and mortality swap transactions with institutional investors to transfer mortality risk. Generally, in a longevity swap, counterparty 'A' pays life contingent premiums to counterparty 'B' and in return receive death benefit at maturity of the underlying life. Longevity swaps are also structured to exchange fixed vs life contingent cash flows without any referenced death benefits. The longevity swaps cash flows may also be credit linked to underlying insurance carriers. Longevity swaps are valued using the discounted cash flow model and the primary unobservable input is market implied remaining life expectancy.

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

Life Finance Instruments

Life finance instruments include Single Premium Immediate Annuities ('SPIA'), life settlement and premium finance instruments. SPIAS are valued using discounted cash flow models and are purchased with an upfront payment to receive life contingent annuity income stream. Annuity streams are fixed and received until the individual matures. SPIAS annuity helps finance ongoing premium obligation on the underlying policies and also acts as mortality hedge. Life settlement and premium finance instruments are valued using proprietary models with the primary input being market implied remaining life expectancy. Life settlement policies are life insurance policies issued by insurance companies and pay a lump sum death benefit upon insured's death to beneficiaries in return for premiums paid over the life of an individual. Premium finance is where the CSS(E)L Group finances policy premiums for the insured / borrower set up as an Irrevocable Life Insurance Trust in return for receiving the majority of the insured's death benefit at maturity. The primary unobservable input for SPIAs, life settlement and premium finance instruments is market implied remaining life expectancy.

Loans

Loans include fully funded swaps, which are valued using discounted cash flow models. The primary unobservable input is market implied remaining life expectancy.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the Statement of Financial Position, but a fair value has been disclosed in the table 'Analysis of financial instruments by categories' above on pages 146 to 147. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realisation, as well as the minimal credit risk inherent in these instruments.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets instruments with a significant unobservable input of price, funding spread, general collateral rate and market implied remaining life expectancy (for life finance instruments), in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of market implied remaining life expectancy (for life settlement instruments and premium finance instruments), in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value.

Interrelationships between significant unobservable inputs
There are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

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

Quantitative information about level 3 assets and liabilities at fair value

As at 31 December 2019 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1,2]
Assets						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	**18**					
Of which corporates	2	Market comparable	Price, in %	–	100	–
Equity securities	**45**					
Of which	42	Vendor price	Price in actuals	–	575	18
Derivatives	**1,104**					
Of which equity/ index-related products	2					
Of which	2	Vendor price	Price in actuals	–	128	10
Of which other derivatives	1,102					
Of which	350	Discounted cash flow	Market implied life expectancy, in years	2	15	6
Of which	751	Discounted cash flow	Mortality Rate, in %	71	134	97
Other Non-trading financial assets designated at fair value through profit or loss	**1,200**					
Of which life finance instruments	691			2	16	6
Of which	463	Discounted cash flows	Market implied remaining life expectancy, in years	2	15	7
Liabilities						
Trading financial liabilities mandatorily at fair value through profit or loss						
Equity securities	**11**					
Of which	1	Vendor price	Price in actuals	–	4,109	–
Derivatives	**684**					
Of which equity/ index-related products	24					
Of which	18	Vendor price	Price in actuals	–	469	23
Of which other derivatives	660					
Of which	603	Discounted cash flows	Market implied remaining life expectancy, in years	2	18	6
Debt in Issuance	**35**					
Of which other debt instruments	35	Discounted cash flows	Market implied remaining life expectancy, in years	2	12	6
Other Liabilities	**175**					
Of which miscellaneous	175	Discounted cash flows	Mortality Rate, in %	71	134	99

1 Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.
2 Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations.

As at 31 December 2018 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1,2]
Assets						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	**29**					
Of which corporates	29					
Of which	26	Market comparable	Price, in %	–	102	34
Equity securities	**22**					
Of which	22	Vendor price	Price in actuals	–	750	32
Derivatives	**1,043**					
Of which equity/ index-related products	25					
Of which	23	Vendor price	Price in actuals	–	11	–
Of which other derivatives	1,018					
Of which	287	Discounted cash flow	Market implied life expectancy, in years	2	16	5
Of which	486	Discounted cash flow	Mortality Rate, in %	87	106	100
Other Non-trading financial assets designated at fair value through profit or loss	**1,129**					
Of which life finance instruments	1,129					
Of which	1,126	Discounted cash flows	Market implied remaining life expectancy, in years	2	17	6
Liabilities						
Trading financial liabilities mandatorily at fair value through profit or loss						
Equity securities	**3**					
Of which	3	Vendor price	Price in actuals	–	3,770	–
Derivatives	**749**					
Of which equity/ index-related products	33					
Of which	12	Vendor price	Price in actuals	–	355	–
Of which other derivatives	716					
Of which	590	Discounted cash flows	Market implied remaining life expectancy, in years	2	19	6
Debt in Issuance	**38**					
Of which other debt instruments	38	Discounted cash flows	Market implied remaining life expectancy, in years	2	13	6
Other Non-trading financial assets mandatorily at fair value through profit or loss	141					

[1] Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.
[2] Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations.

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.

Market implied remaining life expectancy

The CSS(E)L Group's market implied remaining life expectancy determines an individual's mortality curve and is the primary unobservable input used on various longevity instruments including life settlements, premium finance, SPIAS and longevity swaps. Market implied remaining life expectancy is determined based on individual's gender, age, and health status. It is calibrated to the market data when transaction data is available.

Mortality Rate

Mortality rate is the primary significant unobservable input for pension swaps. The expected present value of future cash flow of the trades depend on the mortality of individuals in the pension fund who are grouped into categories such as gender, age, pension amount, and other factors. In some cases mortality rates include a 'scaler' (also referred to as a loading or multiplier) that align mortality projections with historical experience and calibrate to exit level.

Price

Bond equivalent price is a primary significant unobservable input for bonds and equities. 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.

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:

	As at 31 December 2019		As at 31 December 2018	
CSS(E)L Group and Company	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
Impact on net income/(loss)(USD million)				
Life insurance products	137	(146)	150	(163)
Derivative assets and liabilities	7	(7)	8	(8)
Debt and equity securities	4	(4)	10	(5)
Total	**148**	**(157)**	**168**	**(176)**

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.

Life insurance products, both physical and synthetic, are sensitive to mortality assumption. Sensitivity analysis is carried out by stressing market life expectancy of each underlying product in months between 2 to 9 months.

Debt and equity securities include corporate bonds. The parameter subjected to sensitivity for corporate debt is price. Corporate debt positions are generally subjected to movements up and down of 3% to 4% of the price of the security.

The sensitivities applied to the unobservable parameters are in all cases dependent upon management judgement and derived from multiple sources including historical and statistical information as well as analysing the range of bids and offers on observable market information as a proxy for the unobservable portion of the market.

Recognition of trade date profit/loss

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

The following table sets out the aggregate difference yet to be recognised in Statement of Income at the beginning of the year and end of the year with a reconciliation of the changes of the balance during the year.

CSS(E)L Group and Company	**2019**	2018
Deferred trade date profit and loss (USD million)		
Balance at 1 January	49	63
Reduction due to passage of time	(9)	(14)
Balance at 31 December	**40**	**49**

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.

As at 31 December 2019 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets (USD million)					
Cash and due from banks	2,744	–	–	–	2,744
Interest-bearing deposits with banks	–	14,550	–	–	14,550
Securities purchased under resale agreements and securities borrowing transactions	–	8,332	–	(3)	8,329
Other assets	–	6,200	–	–	6,200
Assets held for sale	–	6,952	–	–	6,952
Total fair value of financial assets	**2,744**	**36,034**	**–**	**(3)**	**38,775**
Liabilities (USD million)					
Deposits	237	–	–	–	237
Securities sold under repurchase agreements and securities lending transactions	–	2,066	–	(3)	2,063
Borrowings	–	3,663	–	–	3,663
Debt in issuance	–	15,480	–	–	15,480
Other financial liabilities	–	10,660	–	–	10,660
Liabilities held for sale	–	9,770	–	–	9,770
Total fair value of financial liabilities	**237**	**41,639**	**–**	**(3)**	**41,873**

As at 31 December 2019 Company	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets (USD million)					
Cash and due from banks	2,740	–	–	–	2,740
Interest-bearing deposits with banks	–	14,550	–	–	14,550
Securities purchased under resale agreements and securities borrowing transactions	–	8,332	–	(3)	8,329
Other assets	–	6,168	–	–	6,168
Assets held for sale	–	6,952	–	–	6,952
Total fair value of financial assets	**2,740**	**36,002**	**–**	**(3)**	**38,739**
Liabilities (USD million)					
Deposits	237	–	–	–	237
Securities sold under repurchase agreements and securities lending transactions	–	2,066	–	(3)	2,063
Borrowings	–	3,663	–	–	3,663
Debt in issuance	–	15,480	–	–	15,480
Other financial liabilities	–	10,660	–	–	10,660
Liabilities held for sale	–	9,770	–	–	9,770
Total fair value of financial liabilities	**237**	**41,639**	**–**	**(3)**	**41,873**

As at 31 December 2018 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets (USD million)					
Cash and due from banks	2,615	–	–	–	2,615
Interest-bearing deposits with banks	–	7,421	–	–	7,421
Securities purchased under resale agreements and securities borrowing transactions	–	16,290	–	(18)	16,272
Other assets	–	10,064	–	–	10,064
Assets held for sale	–	1,347	–	–	1,347
Total fair value of financial assets	**2,615**	**35,122**	**–**	**(18)**	**37,719**
Liabilities (USD million)					
Deposits	262	–	–	–	262
Securities sold under repurchase agreements and securities lending transactions	–	6,063	–	(18)	6,045
Borrowings	–	2,832	–	–	2,832
Debt in issuance	–	13,294	–	–	13,294
Other financial liabilities	–	14,612	–	–	14,612
Liabilities held for sale	–	3,921	–	–	3,921
Total fair value of financial liabilities	**262**	**40,722**	**–**	**(18)**	**40,966**

As at 31 December 2018 Company	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets (USD million)					
Cash and due from banks	2,604	–	–	–	2,604
Interest-bearing deposits with banks	–	7,421	–	–	7,421
Securities purchased under resale agreements and securities borrowing transactions	–	16,290	–	(18)	16,272
Other assets	–	10,049	–	–	10,049
Assets held for sale	–	1,347	–	–	1,347
Total fair value of financial assets	**2,604**	**35,107**	**–**	**(18)**	**37,693**
Liabilities (USD million)					
Deposits	262	–	–	–	262
Securities sold under repurchase agreements and securities lending transactions	–	6,063	–	(18)	6,045
Borrowings	–	2,832	–	–	2,832
Debt in issuance	–	13,294	–	–	13,294
Other financial liabilities	–	14,607	–	–	14,607
Liabilities held for sale	–	3,921	–	–	3,921
Total fair value of financial liabilities	**262**	**40,717**	**–**	**(18)**	**40,961**

39 Assets Pledged or Assigned

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

CSS(E)L Group and Company	**2019**	2018
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	10,720	7,685
Collateral received		
Fair value of collateral received with the right to resell or repledge	117,959	126,243
Of which sold or repledged	97,884	99,846

Assets pledged or assigned represents the Statements of Financial Position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivative instruments. Refer to Note 16 – 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 CSS(E)L 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 CSS(E)L Group, as the secured party, has the right to sell or repledge such collateral, subject to the CSS(E)L Group returning equivalent securities upon completion of the transaction.

The CSS(E)L Group enters into agreements with counterparties where collateral or security interests in positions which the CSS(E)L Group holds, has been provided. This includes situations where the CSS(E)L Group has registered charges to certain counterparties over the CSS(E)L Group's assets in connection with its normal operating activities.

40 Derecognition of Financial Assets

In the normal course of business, the CSS(E)L Group enters into transactions where it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSS(E)L Group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 – Significant Accounting Policies.

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 CSS(E)L 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 CSS(E)L Group's statement of financial position with a corresponding liability established to represent an obligation to the counterparty. As part of the CSS(E)L 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

	2019		2018	
CSS(E)L Group and Company (USD million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase agreements and Securities lending agreements	10,720	10,720	7,685	7,685

The CSS(E)L Group also participates in securities lending agreements where the counterparty provides security as collateral. The carrying amount of the assets not derecognised in such transactions is equal to USD 2,237 million (2018: USD 1,739 million).

Where the CSS(E)L 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 included above, have full recourse to the CSS(E)L Group.

Assets not derecognised are included in Note 16 – Trading Financial Assets and Liabilities Mandatorily at Fair Value Through Profit or Loss and corresponding liabilities in Note 15 – Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements and Note 17 – Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss.

41 Financial Risk Management

Risks Detail

i) Market risk

Overview

Market risk is the risk of loss arising from fair-valued financial instruments in response to adverse changes in interest rates, credit spreads, foreign currency exchange rates, equity and commodity prices and other relevant parameters, such as market volatilities and correlations. A typical transaction or position in financial instruments may be exposed to a number of different market risks.

The Company 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 postions up to the overall risk positions at the Company level. The Company 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 Company'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 Company level. The Company 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 Company 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 the 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 Company 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 Company 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 Company 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 Company'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 calculation 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 Company 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 Company's positions, capital, or profitability. The scenarios used within the Company are reviewed at the relevant risk committees as well as by a dedicated scenario design forum. The scenarios used within the Company 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 Company's level across a broad range of markets, products and asset classes.

VaR, stress testing and sensitivity analysis are fundamental elements of the Company's risk control framework. Their results are used in risk appetite discussions and strategic business planning, and support the Company'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 Company's trading portfolios primarily through its trading activities.

For the purposes of this disclosure, the aggregated market risks assoicaited with the Company's trading book protfolios 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 Company's market risk exposure, not for financial reporting purposes.

The Company 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 Company'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 CSS(E)L Group, as measured by regulatory 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

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
2019 (USD million)						
Average	**18**	**1**	**–**	**5**	**(5)**	**19**
Minimum	8	1	–	3	–	9
Maximum	30	3	1	14	–	30
End of period	17	2	–	7	(7)	19
2018 (USD million)						
Average	**13**	**1**	**–**	**6**	**(5)**	**15**
Minimum	8	–	–	3	– [2]	9
Maximum	21	2	1	13	– [2]	23
End of period	16	2	–	4	(5)	17

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 CSS(E)L Group's ten-day, 99% regulatory VaR as of 31 December 2019 increased by 12% to USD 19 million compared to 31 December 2018 (USD 17 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 Company'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 generally small, 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 non-trading 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 have amounted to USD 0.4 million as at 31 December 2019 compared to USD (0.06) 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 2019 the fair value impacts of a 200-basis-point move in yield curves (no flooring at zero) were:
- A fair value loss of USD 3 million (2018 loss of USD 21 million) for a +200bps move.
- A fair value gain of USD 20 million (2018 gain of USD 3 million) for a -200bps move.

Macro-Economic Environment
CSS(E)L's performance is dependent on the market environment. This could be materially affected by certain events such as COVID-19. Due to COVID-19, CSS(E)L has invoked its business continuity plans following Government advice with staff safety paramount. CSS(E)L 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 company 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 Company 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 Company'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 CSS(E)L 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 October 1, 2015 with an increase to 90% from January 1, 2017 and full compliance by January 1, 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 Board is responsible for setting the liquidity risk appetite. Some of key characteristics determining the liquidity risk management approach in CSS(E)L 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; and
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

CSS(E)L 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 CSS(E)L'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 CSS(E)L's ExCo which has appointed the CSS(E)L CRO as the Accountable Executive; operating limits are approved through CSS(E)L 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 CSS(E)L's unsecured funding sources from CS, CSS(E)L 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:

		Current			Noncurrent			**Total**
CSS(E)L Group	On Demand	Due within 3 months	Between 3 and 12 months	**Total**	Between 1 and 5 years	Due after 5 years	**Total**	
2019 Contractual maturity of Financial Liabilities (USD million)								
Deposits	237	–	–	237	–	–	–	237
Securities sold under repurchase agreements and securities lending transactions	11	14	2,038	2,063	–	–	–	2,063
Trading financial liabilities mandatorily at fair value through profit or loss	5,270	–	–	5,270	–	–	–	5,270
Financial liabilities designated at fair value through profit or loss	12,858	3,757	–	16,615	–	37	37	16,652
Borrowings	–	720	2,943	3,663	–	–	–	3,663
Other liabilities	7,706	–	2,960	10,666	–	–	–	10,666
Debt in issuance	–	2	6	8	13,965	1,275	15,240	15,248
Liabilities held for sale	32,002	–	228	32,230	232	–	232	32,462
Total financial liabilities	**58,084**	**4,493**	**8,175**	**70,752**	**14,197**	**1,312**	**15,509**	**86,261**
2018 Contractual maturity of Financial Liabilities (USD million)								
Deposits	262	–	–	262	–	–	–	262
Securities sold under repurchase agreements and securities lending transactions	6,039	–	6	6,045	–	–	–	6,045
Trading financial liabilities mandatorily at fair value through profit or loss	17,841	–	–	17,841	–	–	–	17,841
Financial liabilities designated at fair value through profit or loss	24,474	4,596	226	29,296	–	–	–	29,296
Borrowings	–	540	2,292	2,832	–	–	–	2,832
Other liabilities	10,528	–	4,087	14,615	–	–	–	14,615
Debt in issuance	–	76	228	304	11,166	2,570	13,736	14,040
Liabilities held for sale	4,056	–	-	4,056	–	–	–	4,056
Total financial liabilities	**63,200**	**5,212**	**6,839**	**75,251**	**11,166**	**2,570**	**13,736**	**88,987**

Company	On Demand	Current			Noncurrent			Total
		Due within 3 months	Between 3 and 12 months	**Total**	Between 1 and 5 years	Due after 5 years	**Total**	
2019 Contractual maturity of Financial Liabilities (USD million)								
Deposits	237	–	–	237	–	–	–	237
Securities sold under repurchase agreements and securities lending transactions	11	14	2,038	2,063	–	–	–	2,063
Trading financial liabilities mandatorily at fair value through profit or loss	5,266	–	–	5,266	–	–	–	5,266
Financial liabilities designated at fair value through profit or loss	12,848	3,757	–	16,605	–	29	29	16,634
Borrowings	–	720	2,943	3,663	–	–	–	3,663
Other liabilities	7,706	–	2,960	10,666	–	–	–	10,666
Debt in issuance	–	2	6	8	13,965	1,275	15,240	15,248
Liabilities held for sale	32,002	–	228	32,230	232	–	232	32,462
Total financial liabilities	**58,070**	**4,493**	**8,175**	**70,738**	**14,197**	**1,304**	**15,501**	**86,239**
2018 Contractual maturity of Financial Liabilities (USD million)								
Deposits	262	–	–	262	–	–	–	262
Securities sold under repurchase agreements and securities lending transactions	6,039	–	6	6,045	–	–	–	6,045
Trading financial liabilities mandatorily at fair value through profit or loss	17,828	–	–	17,828	–	–	–	17,828
Financial liabilities designated at fair value through profit or loss	24,463	4,596	218	29,277	–	–	–	29,277
Borrowings	–	540	2,292	2,832	–	–	–	2,832
Other liabilities	10,523	–	4,087	14,610	–	–	–	14,610
Debt in issuance	–	76	228	304	11,166	2,570	13,736	14,040
Liabilities held for sale	4,056	–	-	4,056	–	–	–	4,056
Total financial liabilities	**63,171**	**5,212**	**6,831**	**75,214**	**11,166**	**2,570**	**13,736**	**88,950**

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 Company to put or call the positions at short notice.

iii) Currency Risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company has approval to manage its own trading profit and loss related foreign exchange risk through a formal trading mandate and has defined risk limits using the VaR methodology. Its currency exposure within the non-trading portfolios is managed through the CS group levelling 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 CSS(E)L total expenses is operational expenses in GBP which are subject to currency risk when converted into USD, the functional currency of the entity. This exposure is reduced through hedging. The Company has also an investment in the Korea Seoul Branch, whose impact on capital ratios is hedged.

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 company 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 the CSS(E)L Group is managed by the CSS(E)L Credit Risk Management ('CSS(E)L CRM') department, which is headed by the CSS(E)L Chief Credit Officer ('CSS(E)L CCO'), who in turn reports to the CSS(E)L Chief Risk Officer ('CRO'). CSS(E)L Credit Risk Management ('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 CS group. All credit limits in the CSS(E)L group are subject to approval by CSS(E)L 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

CSS(E)L 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 CSS(E)L Group's internal ratings may differ from counterparties external ratings where present. 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 historic default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

The CSS(E)L 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. The CSS(E)L 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. The CSS(E)L Group has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ('A-IRB') approach for the majority of credit exposures in the CSS(E)L Group. Exposures which are not covered by A-IRB treatment are subject to the standardised approach.

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of a counterparty to meet an obligation 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 the CSS(E)L Group 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:

	Group			Company		
	Gross	Collateral	**Net**	Gross	Collateral	**Net**
2019 Maximum exposure to credit risk (USD million)1						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	2,087	–	2,087	2,087	–	2,087
Derivative trading positions	6,228	6,093	135	6,235	6,093	142
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	29,859	29,824	35	29,859	29,824	35
Other	1,200	–	1,200	1,203	–	1,203
Maximum exposure to credit risk – total assets	**39,374**	**35,917**	**3,457**	**39,384**	**35,917**	**3,467**
Maximum exposure to credit risk – total off-balance sheet	**–**	**–**	**–**	**–**	**–**	**–**
Maximum exposure to credit risk	**39,374**	**35,917**	**3,457**	**39,384**	**35,917**	**3,467**

[1] Above table includes both continued and discontinued operations.

	Group			Company		
	Gross	Collateral	**Net**	Gross	Collateral	**Net**
2018 Maximum exposure to credit risk (USD million)1						
Debt securities	1,865	–	1,865	1,865	–	1,865
Derivative trading positions	5,425	5,143	282	5,431	5,143	288
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	36,405	36,196	209	36,405	36,196	209
Other	1,132	–	1,132	1,111	–	1,111
Maximum exposure to credit risk – total assets	**44,827**	**41,339**	**3,488**	**44,812**	**41,339**	**3,473**
Maximum exposure to credit risk – total off-balance sheet	**–**	**–**	**–**	**–**	**–**	**–**
Maximum exposure to credit risk	**44,827**	**41,339**	**3,488**	**44,812**	**41,339**	**3,473**

[1] Above table includes both continued and discontinued operations.

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

					2019
CSS(E)L Group (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	**Total**
AAA		–	–	–	**–**
AA+ to AA-	259 [1]	–	–	–	**259**
A+ to A-	2,041	–	–	–	**2,041**
BBB+ to BBB-	333	–	–	–	**333**
BB+ to BB-	12	–	–	–	**12**
B+ and below	99	–	–	–	**99**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**2,744**	**–**	**–**	**–**	**2,744**

[1] The above table applies to Company with the exception of rating grade AA+ to AA- for which the 12-month ECL (Stage 1) balance is USD 256 million.

CSS(E)L Group (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
AAA		–	–	–	**–**
AA+ to AA-	389 [1]	–	–	–	**389**
A+ to A-	2,111	–	–	–	**2,111**
BBB+ to BBB-	70	–	–	–	**70**
BB+ to BB-	27	–	–	–	**27**
B+ and below	18	–	–	–	**18**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**2,615**	**–**	**–**	**–**	**2,615**

[1] The above table applies to Company with the exception of rating grade AA+ to AA- for which the 12-month ECL (Stage 1) balance is USD 378 million.

Interest bearing deposits with Bank credit risk exposures by rating grades

CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2019 Total
AAA	–	–	–	–	**–**
AA+ to AA-	–	–	–	–	**–**
A+ to A-	14,550	–	–	–	**14,550**
BBB+ to BBB-	–	–	–	–	**–**
BB+ to BB-	–	–	–	–	**–**
B+ and below	–	–	–	–	**–**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**14,550**	**–**	**–**	**–**	**14,550**

CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
AAA	–	–	–	–	**–**
AA+ to AA-	–	–	–	–	**–**
A+ to A-	7,421	–	–	–	**7,421**
BBB+ to BBB-	–	–	–	–	**–**
BB+ to BB-	–	–	–	–	**–**
B+ and below	–	–	–	–	**–**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**7,421**	**–**	**–**	**–**	**7,421**

Securities purchased under resale agreements and securities borrowing transactions credit risk exposures by rating grades

CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2019 Total
AAA	–	–	–	–	**–**
AA+ to AA-	5	–	–	–	**5**
A+ to A-	7,947	–	–	–	**7,947**
BBB+ to BBB-	27	–	–	–	**27**
BB+ to BB-	–	–	–	–	**–**
B+ and below	350	–	–	–	**350**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**8,329**	**–**	**–**	**–**	**8,329**

					2018
CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	**Total**
AAA		–	–	–	**–**
AA+ to AA-	340	–	–	–	**340**
A+ to A-	15,361	–	–	–	**15,361**
BBB+ to BBB-	19	–	–	–	**19**
BB+ to BB-	132	–	–	–	**132**
B+ and below	420	–	–	–	**420**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**16,272**	**–**	**–**	**–**	**16,272**

[1] Rating grade for discontinued operations of USD 877 million pertain to rating grade A+ to A-

Other assets credit risk exposures by rating grades

					2019
CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	**Total**
AAA	–	–	–	–	**–**
AA+ to AA-	8	–	–	–	**8**
A+ to A-	1,106	–	–	–	**1,106**
BBB+ to BBB-	–	–	–	–	**–**
BB+ to BB-	–	–	–	–	**–**
B+ and below	91	–	–	–	**91**
Loss allowance	**1**	**–**	**–**	**–**	**1**
Carrying amount	**1,204**	**–**	**–**	**–**	**1,204**

					2018
CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	**Total**
AAA	–	–	–	–	**–**
AA+ to AA-	3	–	–	–	**3**
A+ to A-	1,422	–	–	–	**1,422**
BBB+ to BBB-	76	–	–	–	**76**
BB+ to BB-	39	–	–	–	**39**
B+ and below	6	–	–	–	**6**
Loss allowance	**1**	**–**	**–**	**–**	**1**
Carrying amount	**1,546**	**–**	**–**	**–**	**1,546**

Financial Guarantee credit risk exposures by rating grades

					2019
CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	**Total**
AAA	–	–	–	–	**–**
AA+ to AA-	–	–	–	–	**–**
A+ to A-	188	–	–	–	**188**
BBB+ to BBB-	–	–	–	–	**–**
BB+ to BB-	–	–	–	–	**–**
B+ and below	–	–	–	–	**–**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**188**	**–**	**–**	**–**	**188**

CSS(E)L Group and Company (USD million)	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
					2018
AAA	–	–	–	–	**–**
AA+ to AA-	–	–	–	–	**–**
A+ to A-	189	–	–	–	**189**
BBB+ to BBB-	–	–	–	–	**–**
BB+ to BB-	–	–	–	–	**–**
B+ and below	–	–	–	–	**–**
Loss allowance	**–**	**–**	**–**	**–**	**–**
Carrying amount	**189**	**–**	**–**	**–**	**189**

The CSS(E)L 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 CSS(E)L Group typically enters into master netting arrangements ('MNAs') with over the counter ('OTC') derivative counterparties. The MNAs allow the CSS(E)L 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 CSS(E)L 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 CSS(E)L Group holds against loans in the form of guarantees, cash and marketable securities. The CSS(E)L 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 17 – Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSS(E)L Group the right to liquidate the collateral held. Reverse repos are included either within Securities purchased under resale agreements or Non-trading financial assets mandatorily at fair value through profit or loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSS(E)L 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 15 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

Included within Other (Financial assets designated 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 CSS(E)L 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 36 – Guarantees and Commitments.

For further information on collateral held as security that the CSS(E)L 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

The CSS(E)L Group 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. The CSS(E)L Group also actively enters into collateral arrangements for OTC derivatives and other traded products, which allows us 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.

Counterparty Exposure before Collateral by Rating

Company	2019		2018	
	USD million	%	USD million	%
AAA	71	1	49	1
AA+ to AA-	2,823	38	2,119	30
A+ to A-	3,544	47	2,973	43
BBB+ to BBB-	744	10	996	14
BB+ to BB-	241	3	223	3
B+ and below	87	1	602	9
	7,510	**100**	**6,962**	**100**

Unsecured Exposure by Counterparty Rating

Company	2019		2018	
	USD million	%	**USD million**	%
AAA	71	1	49	1
AA+ to AA-	2,032	33	1,372	33
A+ to A-	3,398	54	2,185	53
BBB+ to BBB-	491	8	383	9
BB+ to BB-	184	3	101	2
B+ and below	72	1	71	2
	6,248	**100**	**4,161**	**100**

The previous tables include all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades on a net counterparty exposure basis for the Company. 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 ongoing review of the creditworthiness of the client. Part of the review and approval process involves consideration of the motivation of the client and to identify 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')

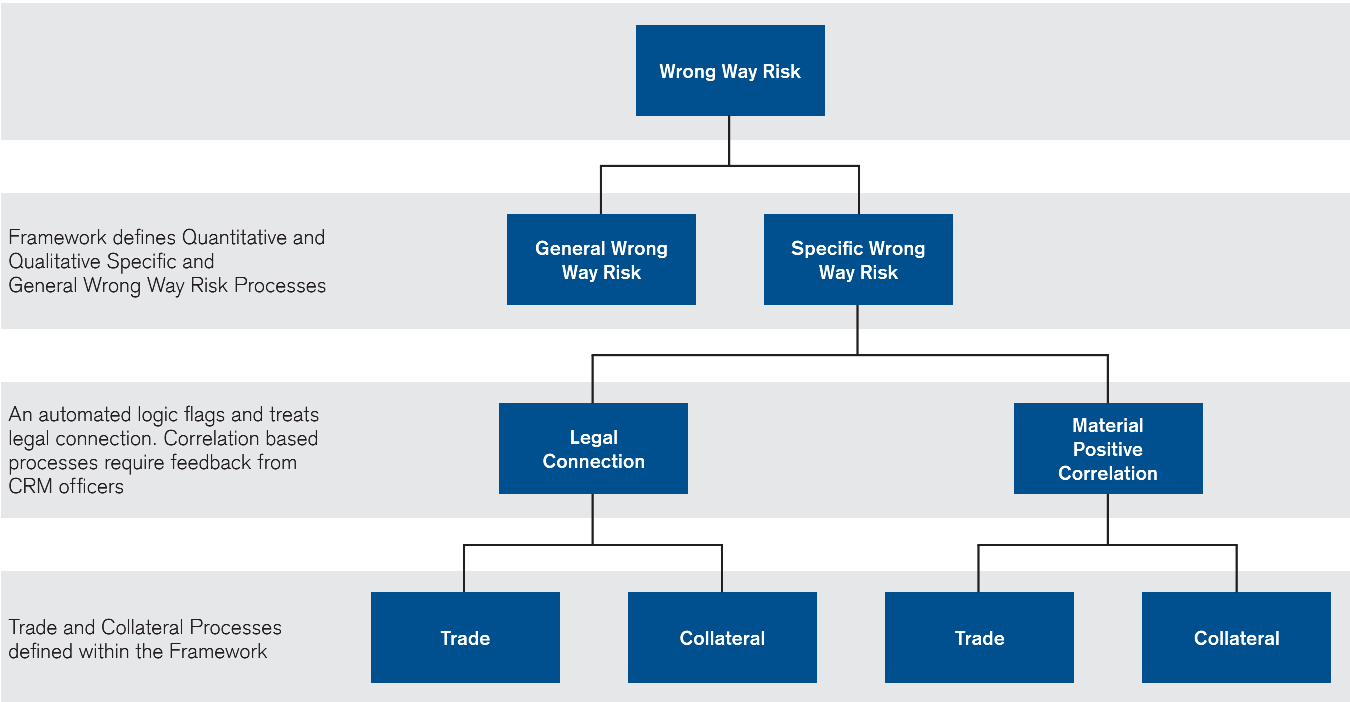
Wrong-way exposures

In a wrong-way trading situation, the Company'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 Company 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 specific WWR types as per the distinction in the following table.



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.

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. General WWR and transactions containing specific WWR due to legal connection are automatically flagged and included in regular reporting. Transactions containing WWR due to correlation are flagged to CRM officers for confirmation and then included in regular reporting. The outcome of the WWR identification process is subject to regular review by the CSS(E)L 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 CSS(E)L Group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSS(E)L Group leverages clearing houses, central counterparties and central settlement services, and will also net gross cash flows with a given counterparty where possible. It proactively seeks to manage the timing of settlement instructions to its 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. CSS(E)L has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in the CSS(E)L Group.

For the CSS(E)L Group, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Upon CSS(E)L CRM recommendation, maximum appetite and operational limits are calibrated and approved by the CSS(E)L Risk Management Committee (CSS(E)L RMC) on an annual basis or more frequently if warranted by a fundamental change in strategy or market conditions. The measurement of exposures against country limits is reported to CSS(E)L CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provides independent oversight to ensure that businesses operate within their limits.

vi) Legal and 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 CS group which the CS group 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 CS group to be compliant with such obligations also. These regulations may increase the costs of doing existing business for both the CS group 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 CS group 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 CS group.

vii) Non-financial Risk

Definition and sources of non-financial risk
Non-financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance and regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Examples include the risk of damage to physical assets, business disruption, failures relating to third-party processes, data integrity and trade processing, cyber attacks, internal or external fraudulent or unauthorised transactions, inappropriate cross-border activities, money laundering, improper handling of confidential information, conflicts of interest, improper gifts and entertainment and failure in duties to clients.

Non-financial risk can arise from a wide variety of internal and external forces, including human error, inappropriate conduct, failures in systems, processes and controls, deliberate attack or natural and man-made disasters. Outsourcing and external third parties may also create risks around maintaining business processes, system stability, data loss, data management, reputation and regulatory compliance. The main categories and sources of non-financial risk are described below.

Operational risk
Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. Operational risk does not include strategic and reputational risks. However, some operational risks can lead to reputational issues and as such operational and reputational 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

To effectively manage operational and compliance risks, the CS group 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, CSS(E)L 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 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 CSS(E)L while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet CS group 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. CSS(E)L 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 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, CSS(E)L 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 CSS(E)L 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. CSS(E)L 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 CSS(E)L understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CS group focus 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 collect and utilise available data on incidents at relevant peer CS group 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 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 review and mitigating actions are identified as appropriate. The results of the compliance risk assessment are presented to the Group Board of Directors and Audit Committee, and the CSS(E)L Board of Directors.
- **Legal risk assessment** is a sub-assessment of the Group's RCSA with the objective to conduct an enhanced assessment of legal risks across the 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 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 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 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 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, CSS(E)L also transfer 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.

CSS(E)L apply conduct risk across the Company Enterprise Risk and Control Framework ('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.

CSS(E)L 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 CSS(E)L'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 CSS(E)L'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. CSS(E)L seek to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. CSS(E)L require our critical IT systems to be identified, secure, resilient and available and support our ongoing operations, decision-making, communications and reporting. Our 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 CSS(E)L 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. CSS(E)L could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

CSS(E)L recognise 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 actively monitors external incidents and threats and assesses and responds accordingly to any potential vulnerabilities that this may reveal. CS is also an active participant in industry forums and information exchange initiatives and engages in regulatory consultation on this subject.

CSS(E)L has an enterprise-wide Cybersecurity Strategy to provide strategic guidance as part of our efforts to achieve an optimised end-to-end security and risk competence that enables a secure and innovative business environment, aligned with the Groups risk appetite. CSS(E)L's 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.

CSS(E)L regularly assesses the effectiveness of our key controls and conducts 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 CSS(E)L risk management committee are given updates on the broader technology risk exposure.

Senior management, including the CSS(EL) 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

CSS(E)L 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 CS group approach to Conduct and Ethics.

CSS(E)L 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.

CSS(E)L 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, CSS(E)L accepts reputational risk only where we 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.

CSS(E)L has no appetite for engaging in activity that exposes the CS group to reputational risk where these conditions are not met.

CSS(E)L has adopted the CS 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 CSS(E)L Board has delegated reputational risk issues to be reviewed via the Company'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 CSS(E)L's 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 Company's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the CSS(E)L Reputational Risk Committee ('the Committee') for further discussion, review and final decision. The Committee is comprised of senior Company 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.

42 Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the following tables include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other financial assets and financial liabilities that:
- are offset in the CSS(E)L 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 CSS(E)L 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 CSS(E)L Group transacts bilateral 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 Consolidated 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 CSS(E)L Group or the counterparties or following other predetermined events. In addition, the CSS(E)L 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, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges respectively central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

To meet criterion (1), 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 (2) 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.

Under IFRS, the CSS(E)L Group has elected to account for substantially all hybrid 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 Offsetting of 'Funded Derivatives' on the following pages.

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

			2019			2018
CSS(E)L Group	Gross	Offsetting	Net [2]	Gross	Offsetting	Net [2]
Derivative Assets (USD million)						
Derivative instruments subject to enforceable master netting agreements	6,198	–	6,198	5,364	–	5,364
Derivative instruments not subject to enforceable master netting agreements [1]	31	–	31	66	–	66
Total derivative instruments presented in the Consolidated Statement of Financial Position	**6,229**	**–**	**6,229**	**5,430**	**–**	**5,430**
of which recorded in trading financial assets at fair value through profit or loss	6,228	–	6,228	5,425	–	5,425
of which recorded in other assets	1	–	1	5	–	5
Derivative Liabilities (USD million)						
Derivative instruments subject to enforceable master netting agreements	5,867	–	5,867	5,565	–	5,565
Derivative instruments not subject to enforceable master netting agreements [1]	97	–	97	149	–	149
Total derivative instruments presented in the Consolidated Statement of Financial Position	**5,964**	**–**	**5,964**	**5,714**	**–**	**5,714**
of which recorded in trading financial liabilities at fair value through profit or loss	5,958	–	5,958	5,711	–	5,711
of which recorded in other liabilities	6	–	6	3	–	3

[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 both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,141 million and USD 2,146 million respectively

Company	2019 Gross	Offsetting	Net [2]	2018 Gross	Offsetting	Net [2]
Derivative Assets (USD million)						
Derivative instruments subject to enforceable master netting agreements	6,197	–	6,197	5,364	–	5,364
Derivative instruments not subject to enforceable master netting agreements [1]	39	–	39	72	–	72
Total derivative instruments presented in the Company Statement of Financial Position	**6,236**	**–**	**6,236**	**5,436**	**–**	**5,436**
of which recorded in trading financial assets at fair value through profit or loss	6,235	–	6,235	5,431	–	5,431
of which recorded in other assets	1	–	1	5	–	5
Derivative Liabilities (USD million)						
Derivative instruments subject to enforceable master netting agreements	5,846	–	5,846	5,566	–	5,566
Derivative instruments not subject to enforceable master netting agreements [1]	114	–	114	135	–	135
Total derivative instruments presented in the Company Statement of Financial Position	**5,960**	**–**	**5,960**	**5,701**	**–**	**5,701**
of which recorded in trading financial liabilities at fair value through profit or loss	5,954	–	5,954	5,698	–	5,698
of which recorded in other liabilities	6	–	6	3	–	3

[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 both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,141 million and USD 2,146 million respectively

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.

Reverse repurchase and repurchase agreements may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations.

Bilateral as well as centrally cleared reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements respectively the terms of the rules and regulations governing the central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

The net settlement criterion in (2) will also be met, if the CSS(E)L 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. Securities lending and borrowing transactions may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Position 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 Position 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 the CSS(E)L Group with the right to liquidate the collateral held. As is the case in the CSS(E)L Group's normal course of business, substantially all of the 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

			2019			2018
CSS(E)L Group and Company	Gross	Offsetting	Net [3]	Gross	Offsetting	Net [3]
Securities purchased under resale agreements and securities borrowing transactions (USD million)						
Securities purchased under resale agreements	38,881	(5,209)	33,672	50,503	(8,182)	42,321
Securities borrowing transactions	8,201	–	8,201	10,028	–	10,028
Total subject to enforceable master netting agreements	**47,082**	**(5,209)**	**41,873**	**60,531**	**(8,182)**	**52,349**
Total not subject to enforceable master netting agreements [1]	**1,007**	**–**	**1,007**	**1,205**	**–**	**1,205**
Total [2]	**48,089**	**(5,209)**	**42,880**	**61,736**	**(8,182)**	**53,554**

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.
2 USD 35,065 million (2018: USD 44,569 million) of the total gross amount are reported at fair value.
3 Above table includes both continued and discontinued operations.

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

			2019			2018
CSS(E)L Group and Company	Gross	Offsetting	Net [3]	Gross	Offsetting	Net [3]
Securities sold under repurchase agreements and securities lending transactions (USD million)						
Securities sold under repurchase agreements	36,850	(5,209)	31,641	36,909	(8,182)	28,727
Securities lending transactions	8,128	–	8,128	6,193	–	6,193
Total subject to enforceable master netting agreements	**44,978**	**(5,209)**	**39,769**	**43,102**	**(8,182)**	**34,920**
Total not subject to enforceable master netting agreements [1]	**76**	**–**	**76**	**200**	**–**	**200**
Total [2]	**45,054**	**(5,209)**	**39,845**	**43,302**	**(8,182)**	**35,120**

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.
2 USD 36,900 million (2018: USD 37,091 million) of the total gross amount are reported at fair value.
3 Above table includes both continued and discontinued operations.

The following table presents the gross amount of Prime Brokerage Receivables and Funded Derivative Assets subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Assets not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of prime brokerage receivables and funded derivative assets

			2019			2018
CSS(E)L Group and Company	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets (USD million)						
Prime brokerage receivables subject to enforceable master netting agreements	922	–	922	463	–	463
Total subject to enforceable master netting agreements	**922**	**–**	**922**	**463**	**–**	**463**
Total not subject to enforceable master netting agreements [1]	**7**	**–**	**7**	**7**	**–**	**7**
Total	**929**	**–**	**929**	**470**	**–**	**470**

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

Funded Derivative Assets are recorded in Non-Trading Financial Assets Mandatorily at Fair Value Through Profit and Loss and Prime Brokerage Receivables are recorded in Other Assets in the Consolidated Statement of Financial Position.

The following table presents the gross amount of Prime Brokerage Payables and Funded Derivative Liabilities subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Liabilities not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of prime brokerage payables and funded derivative liabilities

CSS(E)L Group and Company	Gross	Offsetting	2019 Net	Gross	Offsetting	2018 Net
Prime brokerage payables and funded derivative liabilities (USD million)						
Prime brokerage payables subject to enforceable master netting agreements	1,617	–	1,617	3,724	–	3,724
Funded derivative liabilities subject to enforceable master netting agreements	230	–	230	203	–	203
Total subject to enforceable master netting agreements	**1,847**	**–**	**1,847**	**3,927**	**–**	**3,927**
Total not subject to enforceable master netting agreements [1]	**33**	**–**	**33**	**49**	**–**	**49**
Total	**1,880**	**–**	**1,880**	**3,976**	**–**	**3,976**

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

Funded Derivative Liabilities are recorded in Financial Liabilities Designated at Fair Value Through Profit and Loss and Prime Brokerage Payables are recorded in Other liabilities in the Consolidated Statement of Financial Position.

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 funded derivatives 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

CSS(E)L Group	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	2019 Net exposure	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	2018 Net exposure
Financial assets subject to enforceable master netting agreements (USD million)								
Derivative instruments	6,198	(5,010)	(1,083)	**105**	5,364	(4,202)	(940)	**222**
Securities purchased under resale agreements	33,672	(33,625)	(47)	**–**	42,321	(42,294)	(27)	**–**
Securities borrowing transactions	8,201	(7,259)	–	**942**	10,028	(9,584)	–	**444**
Prime brokerage receivables	922	–	(922)	**–**	463	–	(463)	**–**
Total financial assets subject to enforceable master netting agreements	**48,993**	**(45,894)**	**(2,052)**	**1,047**	**58,176**	**(56,080)**	**(1,430)**	**666**
Financial liabilities subject to enforceable master netting agreements (USD million)								
Derivative instruments	5,867	(4,245)	(301)	**1,321**	5,565	(3,666)	(524)	**1,375**
Securities sold under repurchase agreements	31,641	(31,539)	(102)	**–**	28,727	(28,675)	(52)	**–**
Securities lending transactions	8,128	(7,889)	–	**239**	6,193	(6,193)	–	**–**
Prime brokerage payables	1,617	–	–	**1,617**	3,724	–	–	**3,724**
Funded derivative instruments	230	–	–	**230**	203	–	–	**203**
Total financial liabilities subject to enforceable master netting agreements	**47,483**	**(43,673)**	**(403)**	**3,407**	**44,412**	**(38,534)**	**(576)**	**5,302**

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.

Amounts not offset in the Company Statement of Financial Position

Company	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure
				2019				2018
Financial assets subject to enforceable master netting agreements (USD million)								
Derivative instruments	6,197	(5,010)	(1,083)	**104**	5,364	(4,202)	(940)	**222**
Securities purchased under resale agreements	33,672	(33,625)	(47)	**–**	42,321	(42,294)	(27)	**–**
Securities borrowing transactions	8,201	(7,259)	–	**942**	10,028	(9,584)	–	**444**
Prime brokerage receivables	922	–	–	**922**	463	–	–	**463**
Funded derivative instruments	–	–	–	**–**	–	–	–	**–**
Total financial assets subject to enforceable master netting agreements	**48,992**	**(45,894)**	**(1,130)**	**1,968**	**58,176**	**(56,080)**	**(967)**	**1,129**
Financial liabilities subject to enforceable master netting agreements (USD million)								
Derivative instruments	5,846	(4,245)	(301)	**1,300**	5,566	(3,666)	(524)	**1,376**
Securities sold under repurchase agreements	31,641	(31,539)	(102)	**–**	28,727	(28,675)	(52)	**–**
Securities lending transactions	8,128	(7,889)	–	**239**	6,193	(6,193)	–	**–**
Prime brokerage payables	1,617	–	–	**1,617**	3,724	–	–	**3,724**
Funded derivative instruments	230	–	–	**230**	203	–	–	**203**
Total financial liabilities subject to enforceable master netting agreements	**47,462**	**(43,673)**	**(403)**	**3,386**	**44,413**	**(38,534)**	**(576)**	**5,303**

[1] Net amount presented in the Company 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 Company 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 CDSs. Therefore the net exposure presented in the table is not representative for the CSS(E)L Group's counterparty exposure.

43 Capital Adequacy

The Company'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 Company 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 Company's business model. CS group continues to provide confirmation that it will ensure that the Company 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 the Company, 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 Supervisory Review and Evaluation Process ('SREP') review 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 Company'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, Tier 2 Sub debts worth USD 0.2 m repatriated to CSPSL and USD 1,000 m repatriated to CSIUK. During 2018, there was no repayment of subordinated debt or shareholders' equity repatriation.

Overall movements in own funds were as follows:

Company	2019	2018
Own Funds (USD million)		
Own Funds at 1 January	**8,886**	**8,947**
Change in Tier 1 Instruments:	–	–
Change in Tier 2 Instruments:		
Subordinated Debt Issued	–	–
Subordinated Debt Repayment	(1,000)	–
Net movement on Tier 2 capital	3	1
Profit and loss and movements in other comprehensive income	(516)	(137)
Net movement in regulatory deductions and prudential filters	791	75
Own Funds at 31 December	**8,164**	**8,886**

Under the BCBS guidelines, an institution must have a ratio of total eligible capital to aggregate RWA of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a CET1 ratio of 6% in 2019 and 2018. The RWA reflect the credit, market, operational and other risks of the Company calculated using methodologies set out in the CRR.

The Company must at all times monitor and demonstrate compliance with the relevant own funds requirements of the CRR. The Company 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 the Company's own funds at 31 December 2019 and 2018.

Company	2019	2018
Own Funds (USD million)		
Total shareholders' equity	7,065	7,581
Other deductions:		
Regulatory deductions	(2)	(1)
Excess of expected loss amounts over credit risk adjustments	(28)	(29)
Defined benefit pension fund assets	–	(761)
Securitisation positions	–	–
DTA on non-temporary differences	–	(51)
Free deliveries	(7)	–
Prudential filters	(118)	(104)
Total Tier 1 capital	**6,910**	**6,635**
Tier 2 capital		
Subordinated debt	1,250	2,250
Standardised General Credit Risk Adjustments	4	1
Total Tier 2 capital	**1,254**	**2,251**
Total Tier 1 and Tier 2 capital	**8,164**	**8,886**
Own Funds	**8,164**	**8,886**

44 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, pre-tax profit or loss, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2019.

Basis of preparation

- **Country:** The geographical location of CSS(E)L, its material branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The countries are listed in the table below.
- **Entity details:** the name of the entity, the following entity type, and the nature of activity is defined in these elements. CSS(E)L including its branches, is an investment firm whose activities include arranging finance for clients in the international capital markets, providing financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis. CSS(E)L's material subsidiaries are disclosed separately.
- **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 CSS(E)L'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.
- **Pre Tax Profit/(Loss):** Definition of profit/(loss) before tax is consistent with that within CSS(E)L's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSS(E)L in each country and does not include taxes refunded back to CSS(E)L on account of tax overpayments in prior years during 2019 or 2018. 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 CSS(E)L in 2019 (2018 : Nil).

Country-by-Country report for the year ended 31 December 2019

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Corporation Taxes Paid USD Million [2]	Public Subsidies Received
United Kingdom							
Credit Suisse Securities (Europe) Limited	Parent	Investment firm	31	1,129	124	–	–
Credit Suisse First Boston Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
Sweden							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	1	–	–	–	–
France							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	75	71	(1)	3	–
Poland							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	–	–	–	–	–
Germany							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	–	1	–	1	–
South Korea							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	82	114	75	23	–
Credit Suisse Securities (Europe) Limited	Consolidated [1]		189	1,315	198	27	–

[1] Variable Interest entities are not included in the above reporting for a full list please see Note 37.
[2] The Corporation taxes paid above do not include taxes refunded during 2019. Taxes refunded during 2019 for CSS(E)L amounted to USD 49 million.

Although no Corporation Taxes were paid in the UK, the Company incurred Bank Levy of USD 10 million, employees social security of USD 2 million and irrecoverable UK value added tax of USD 28 million.

Country-by-Country report for the year ended 31 December 2018

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Corporation Taxes Paid USD Million [2]	Public Subsidies Received
United Kingdom							
Credit Suisse Securities (Europe) Limited	Parent	Investment firm	1,237	1,159	(147)	–	–
Credit Suisse First Boston Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
Sweden							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	1	1	–	–	–
France							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	68	64	8	1	–
Poland							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	–	–	–	–	–
Germany							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	1	2	–	1	–
The Netherlands							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	–	–	–	2	
South Korea							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	90	135	89	16	–
Credit Suisse Securities (Europe) Limited	Consolidated [1]		1,397	1,361	(50)	20	–

[1] Variable Interest entities are not included in the above reporting for a full list please see Note 37.
[2] The Corporation taxes paid above do not include taxes refunded during 2018. Taxes refunded during 2018 for CSS(E)L amounted to USD 4.8 million.

Although no Corporation Taxes were paid in the UK, the Company incurred Bank Levy of USD 21 million, employees social security of USD 42 million and irrecoverable UK value added tax of USD 41 million.

45 CSS(E)L's Subsidiaries and Associates

In accordance with Section 409 of the Companies Act 2006 a list of CSS(E)L's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2019 is disclosed below.

	Country [1]	Security	Immediate parent	Total (%)
31 December 2019				
Subsidiaries				
Credit Suisse Client Nominees (UK) Limited	United Kingdom	Ordinary Shares	CSS(E)L	100
Credit Suisse First Boston Trustees Limited	United Kingdom	Ordinary Shares	CSS(E)L	100
Credit Suisse Guernsey AF Trust	Guernsey	Beneficiary	CSS(E)L	100
CSSEL Guernsey Bare Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey I Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey I Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey I SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey II Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey II Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey II SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey I Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey I Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey I SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey II Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey II Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey II SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Morstan Investments B.V. – 2019-01	Netherlands	Beneficiary	CSS(E)L	100

[1] Detailed Registered Office Address mentioned in next table.

CSG is the ultimate parent for the above subsidiaries.

31 December 2019		
Subsidiaries	Country	Registered Office
Credit Suisse Client Nominees (UK) Limited	United Kingdom	One Cabot Square London E14 4QJ -United Kingdom
Credit Suisse First Boston Trustees Limited	United Kingdom	One Cabot Square London E14 4QJ -United Kingdom
Credit Suisse Guernsey AF Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
CSSEL Guernsey Bare Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Redwood Guernsey I Funding Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Redwood Guernsey I Master Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Redwood Guernsey I SPIA Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Redwood Guernsey II Funding Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Redwood Guernsey II Master Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Redwood Guernsey II SPIA Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Sail Guernsey I Funding Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Sail Guernsey I Master Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Sail Guernsey I SPIA Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Sail Guernsey II Funding Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Sail Guernsey II Master Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Sail Guernsey II SPIA Trust	Guernsey	De Catapan House 1 Grange Terrace St. Peter Port GY1 2QG – Guernsey
Morstan Investments B.V. – 2019-01	Netherlands	Prins Hendriklaan 26, 1075BD Amsterdam

46 Subsequent Events

On 28 February 2020, the CSS(E)L group entered into a Business Transfer and Contribution Agreement with CSSSV whereby CSS(E)L London Business is sold to CSSSV on 01 March 2020 for a nominal cash consideration of USD 1. In addition, branch businesses located in Stockholm (USD 0.6 million consideration) and Paris (USD 21 million consideration) are transferred to CSSSV on 01 March 2020 and all such transfers are executed through issuance of ordinary shares of CSSSV to the CSS(E)L group. The transfer arrangements are part of the CSS(E)L group's planning for a Hard Brexit since it is anticipated that the CSS(E)L group would be unable to continue with such businesses due to lack of regulatory approvals once UK withdraws its membership from the EU.

On 30 January 2020, CSS(E)L sold its wholly owned subsidiary Credit Suisse First Boston Trustees Limited to CSi 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 3 million.

The spread of COVID-19 is expected to have a significant impact on the global economy and is likely to affect the CSS(E)L business performance and credit loss estimates, in at least the first half of 2020 and going forward. CSS(E)L has assessed its business continuity implications and has developed macro-economic scenarios for material risks to continue to monitor and manage these risks. CSS(E)L 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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