Credit Suisse International

Annual Report 2018

Credit Suisse International

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Board of Directors as at 28 March 2019

Noreen Doyle (Chair and Independent Non-Executive)
David Mathers – Chief Executive Officer (CEO)
Alison Halsey (Independent Non-Executive)
Robert Endersby (Independent Non-Executive)
John Devine (Independent Non-Executive)
Andreas Gottschling (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	02500199

Noreen Doyle

Irish and US Citizen

Non-Executive

Board member since 2011

Chair of the Board

Professional history

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

Education

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

Other activities and functions

Newmont Mining Corporation, Chair of the Board of Directors, Chair of the Corporate Governance & Nominating Committee and the Executive Finance Committee, Member of the Safety & Sustainability Committee

St Mary's University, Twickenham, London, Member of the Board of Governors

Sarita Kenedy East Foundation, Trustee

David Mathers

British Citizen

Board member since 2016

Chief Executive Officer

Professional history

1998–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 Strategic Resolution Oversight Board (2015–present)
	Member of the Executive Board (2010–present)
	Chief Financial Officer (2010–present)
	Head of IT and Operations (2012–2015)
	Head of Finance and COO of Investment Banking (2007–2010)
	Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
Prior to 1998	HSBC
	Global head of equity research (1997–1998)
	Research analyst, HSBC James Capel (1987–1997)

Education

1991	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–present	Super Duper Family LLP
	Managing Partner
1977–2011	KPMG
	Global Lead Partner (2002–2011)
	UK Head of Financial Services (2001–2004)
	Audit Partner, Financial Services (1991–2001)
	Secondment, Assistant Commissioner, Building Societies Commission (1989–1991)
	Senior Manager, Specialist Banking Department (1986–1989)

Education

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

Other activities and functions

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

Robert Endersby

British Citizen

Non-Executive

Board member since 2016

Professional history

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

Education

1982	BA in Social Science (Economics), University of the West of England

Other activities and functions

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

John Devine

British Citizen

Non-Executive

Board member since 2017

Professional history

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

Education

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

Other activities and functions

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

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)
	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
	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

Caroline Waddington

British Citizen

Board member since 2017

Chief Financial Officer

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Credit Suisse EMEA Foundation, Trustee (2018-present)
	Executive Director (2017–present)
	CFO for UK Regulated Entities, Chair of the UK Pension Committee (2017-present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2017-present)
	Member of the Management Committee of Credit Suisse AG, London Branch (2017-present)
2013–2016	Deutsche Bank, London
	Global Co-Head of Markets and Non Core Product Control (2014–2016)
	Global Head of Markets and Non Core Risk and P&L (2013-2014)
2008–2012	Royal Bank of Scotland, 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

Roffey Park Institute Limited, Director, Member of Audit and Risk Committee

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 Dilorio

American 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
	Credit Suisse EMEA Foundation, Trustee (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 2018

Strategic Report
Credit Suisse International at a glance

Business Model

Entity Structure

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

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

CSG is a leading wealth manager with strong investment banking capabilities. Founded in 1856, CS group has a global reach today, with operations in over 50 countries and a team of more than 45,000 employees from approximately 150 different nations.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through three focused divisions: Swiss Universal Bank ('SUB'), International Wealth Management ('IWM') and Asia Pacific ('APAC'). These businesses are supported by two divisions specialising in investment banking: Global Markets ('GM') and Investment Banking & Capital Markets ('IBCM'). The Strategic Resolution Unit ('SRU') consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with CSG's strategic direction. CSi is one of the principal booking entities for the CSG's investment banking business.

Financial statements

The CSi Annual Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Bank and in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The Directors present their Annual Strategic Report, Directors' Report and the Annual Financial Statements for the year ended 31 December 2018. The Annual Financial Statements were authorised for issue by the Directors on 28 March 2019.

Strategy

Client focused, capital efficient strategy

CSi remains focused on strengthening its position in executing a client-focused, capital-efficient strategy to meet client needs and regulatory trends. CSi is progressing towards achieving specific goals of sustained profitability and maintaining its strong capital position. The CSi group continues to focus on businesses in which the Bank has a competitive advantage and is able to operate profitably with an attractive return on tangible equity.

Specifically, CSi is committed to profitably supporting CSG and its divisional ambitions, leveraging UK assets and infrastructure, to:

- Provide a competitively priced, resource-efficient securities booking platform, giving market, exchange and venue access across Europe, Middle East and Africa ('EMEA');
- Facilitate global client preference through derivatives capabilities;
- Be the primary booking entity supporting Dodd-Frank registered trading; and
- Provide underwriting and advisory services for EMEA corporates including mergers and acquisitions ('M&A') and equity, debt and derivative underwriting and arrangement.

Clients

CSi aims to provide its corporate, institutional and IWM clients with a broad range of financial solutions. To meet clients' evolving needs, CSi serves its clients through an integrated franchise and international presence. CSi is a global market leader in over-the-counter ('OTC') derivative products. CSi offers its clients a range of interest rate, currency, equity and credit-related OTC derivatives and securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment requirements of its worldwide client base. CSi also enters into derivative contracts in the normal course of business for market-making, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

For CSi's corporate clients, CSi provides a wide spectrum of banking products such as traditional and structured lending and investment solutions. In addition, CSi applies its investment banking capabilities to provide customised services in the areas of M&A, equity and debt syndications and structured finance.

Growth driven by principal divisions

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

Global Markets

Business Profile

GM provides a broad range of financial products and services to client-driven businesses and also supports the CS group's APAC, IWM and IBCM businesses and their clients. The suite of products and services includes global securities sales, trading and execution and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors as well as pension, hedge funds and IWM clients.

The business structure consists of equity sales and trading, fixed income sales and trading and underwriting. Equity sales and trading includes convertibles and equity derivatives. Fixed income sales and trading is comprised of yield businesses, including global credit products, securitised products and structured lending, foreign exchange and emerging markets businesses. Underwriting includes leveraged finance, investment grade and equity underwriting businesses. GM also provides centralised trading and sales services to private and institutional SUB and IWM clients, referred to as International Trading Solutions ('ITS'). These services are managed as a single business providing aligned market strategies, cost synergies and enhanced client focus.

Business Strategy

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

Investment Banking & Capital Markets

Business Profile

The IBCM division offers a broad range of services which includes advisory services relating to M&A, divestitures, takeover defence, business restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions relating to these activities are also offered. Clients include leading corporations and financial sponsors. Investment banking capabilities are delivered through regional and local teams based in developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CSG and helps clients to unlock capital and value in order to achieve their strategic goals.

Business Strategy

IBCM's strategy focuses on leveraging the Bank's structuring and execution expertise to develop innovative financing and advisory solutions for clients. The divisional strategy is designed to generate sustainable and profitable growth. IBCM's key strategic priorities include: achieving a balanced product mix, optimising the client coverage model and using the CS group's global platform to meet clients' needs for cross-border expertise in developed and emerging markets.

In the UK, IBCM is focused on a capital efficient product mix of activities which includes advisory and underwriting activities as well as its global corporate derivatives business. A key element of IBCM's strategy is rebalancing its product mix to generate stronger results in M&A, advisory and equity underwriting, while maintaining its leading leveraged finance franchise. Refocusing efforts on these products will not only allow better support to clients' strategic goals, but will also contribute to a revenue mix that is more diversified and less volatile through the cycle.

IBCM has also focused on its cost efficiency in the UK and on aligning its resource to market opportunities with the highest potential. IBCM continues to optimise client strategy in order to deliver efficient and effective client coverage. The strategic objective is to align and selectively invest in coverage and capital resources with the largest growth opportunities and where the CS group franchise is well-positioned.

Other divisions

CSi supports two other divisions:

- **APAC** delivers a range of financial products and services to corporate and institutional clients in the APAC region; and
- **SRU** was created to allow the right-sizing of CS group divisions. Within CSi, the SRU predominantly comprises derivative portfolios across interest rate and credit products. The primary focus of the SRU was on the wind-down of assets with high capital usage and costs in order to reduce the negative impact on CSG and legal entity performance. Beginning in 2019, the Strategic Resolution Unit has completed its active wind down and ceased to exist as a separate division of the CS group. The residual portfolio as of 31 December 2018 is managed in an Asset Resolution Unit ('ARU') and will be separately disclosed within the Corporate Centre. The ARU's core mandate has transitioned from accelerated risk reduction to active risk monitoring.

European Union ('EU') Exit Strategy

The United Kingdom is expected to formally withdraw its membership from the EU.

CSi has prepared for a 'Hard Exit' scenario. On exit CSi may be required to transfer, subject to certain exceptions, its EU client and EU venue facing businesses to entities in the EU27 as CSi may not be able to legally transact with EU clients after a UK exit. CS group executed a group-wide plan and has built out trading capabilities in locations in existing companies within CS group. In the event that these business transfers are necessary:

- CSi would transfer its EU client and EU venue facing broker-dealer business to a member of the CS group incorporated in Spain, Credit Suisse Securities Sociedad de Valores S.A. ('CSSSV'). Under these circumstances, new in scope business would be transacted and booked in CSSSV from the date that the UK leaves the EU and thereafter, and
- CSi would transfer its EU client lending business activities where required, to Credit Suisse (Deutschland) AG ('CSD'). Under these circumstances, most of the existing loans to EU domiciled clients would be transferred to CSD in a controlled migration.

CSi currently has branches in Amsterdam, Stockholm, Madrid and Milan. The businesses in the Amsterdam, Stockholm and Milan branches may be transferred to newly set up branches of CSSSV in the Netherlands, Sweden and Italy respectively. CSi Madrid branch may transfer its business to CSSSV.

Operating Environment

Economic environment

CSi is impacted by a range of political, macroeconomic, regulatory and accounting developments. The operating environment continues to evolve resulting in the need for CSi to continue evaluating, assessing and adapting its strategy.

The UK EU exit has dominated the news in 2018, with the political uncertainty giving rise to greater volatility. The concerns surrounding the UK's exit from the EU remain. The economic outlook of the UK will depend greatly on the nature of the EU withdrawal.

The Financial Times Stock Exchange 100 ('FTSE 100') bounced from 2-year lows to all-time highs in May, then retraced in the fourth quarter of 2018, closing the year down 12% year on year. 2018 proved to be the worst year for UK equities since 2008.

The Pound ('GBP') was subject to volatility over the year. GBP moved to a pre-EU Referendum high of $1.42 in April, then fell 10% to $1.27 (a 20-month low). A significant portion of FTSE 100 constituents benefited from the weaker GBP.

Throughout 2018, wages were rising at their highest rate since 2008, with average wages at their highest since 2011. The strength of wage growth, coupled with low unemployment, prompted the Bank of England to raise interest rates from 0.5% to 0.75% in August, the second rate hike in a decade. Despite strong GDP growth in the third quarter (increase of 0.6%), this masked worrying signs of a loss of momentum in industrial production and services. In the fourth quarter, continued uncertainty regarding the UK EU exit, coupled with a sharp decline in crude oil prices and heightened global macroeconomic worries resulted in significant selling pressure on UK equities.

Although interest rates increased, stocks of GBP non-financial investment-grade corporate bond purchases (financed by the issuance of central bank reserves) and stocks of UK government bond purchases (financed by the issuance of central bank reserves) were maintained at GBP 10 billion and GBP 435 billion, respectively.

Global GDP has fallen despite robust growth in the US which was offset by slowdowns elsewhere. In the United States ('US'), the Federal Reserve increased the rate by 1% to a range of 2.25% and 2.50%. The political environment remains tense. Tensions in international trade have escalated with the US and Chinese governments announcing tariffs to be imposed on steel and aluminum. Since August, the US also proposed further increases on tariffs on Chinese imports. This is coupled with instability in the Eurozone because of political developments within the UK preparing for its exit from the EU. CSi remains vigilant to these risks and their potential impact.

Accounting and regulatory environment

Accounting

The CSi group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers accounting standards on 1 January 2018. CSi group has adopted IFRS 16 Leases on 1 January 2019.

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

Recovery and Resolution Planning

CSi has developed capabilities in line with the regulatory Operational Continuity in Resolution ('OCIR') requirements, as set out in the Operational Continuity part of the PRA Rulebook and Supervisory Statement 9/16. CSi will continue to enhance its capabilities to ensure they are sufficiently robust to support critical services through the stablisation and restructuring phase, in the unlikely event of the bank failing.

Regulatory

Markets in Financial Instruments Directive II ('MiFID II') and the Markets in Financial Instruments Regulation ('MiFIR') have applied since 3 January 2018. MiFID II and MiFIR have introduced a number of significant changes to the regulatory framework established by the Markets in Financial Instruments Directive ('MiFID') and the European Commission has adopted a number of delegated and implementing measures, which supplement their requirements. In particular, MiFID II and MiFIR have introduced enhanced organisational and business conduct standards that apply to investment firms and changes to certain market structures and business operating models. CSi has substantively completed its MiFID II programme and is monitoring the impact of this regulation on clients and market behaviour.

The BCBS published the 'Principles for effective risk data aggregation and risk reporting' (BCBS 239) in 2013 in order to strengthen banks' risk data aggregation and risk reporting practices and enhance risk management and decision-making processes. CSi implemented these principles with respect to a defined scope of risk measures and risk reports.

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

Performance

Key Performance Indicators (‘KPI’s’)

The Bank uses a range of KPI’s to manage its financial position which are critical to the successful management of the business and to achieve the Bank’s objectives. Profitability and Risk Weighted Assets (‘RWA’) are regularly reviewed at the business line level to promote the drive towards maintaining a profitable and capital efficient businesses.

	2018	2017 [1]	2016	2015	2014
Earnings					
Net profit/(loss) before tax (USD million):					
Continuing operations	74	(142)	(227)	(237)	(407)
Discontinued operations	–	–	29	185	–
Total	74	(142)	(198)	(52)	(407)

	2018	2017 [1]	2016	2015	2014
Consolidated Statement of Financial Position (USD million):					
Total Assets	231,753	249,579	332,381	400,989	548,137
Total Asset reduction	(7.14)%	(24.91)%	(17.11)%	(26.85)%	6.28%
Return on Total Assets	0.03%	(0.06)%	(0.06)%	(0.01)%	(0.07)%

	2018	2017	2016	2015	2014
Capital (USD million):					
Risk Weighted Assets	103,983	104,871	126,723	163,722	180,941
Tier 1 capital	21,270	21,080	21,023	21,236	22,364
Return on Tier 1 capital	0.35%	(0.67)%	(0.94)%	(0.24)%	(1.82)%

	2018	2017	2016	2015	2014
Liquidity (USD million):					
Liquidity Buffer	15,685	17,892	20,240	30,604	28,518

[1] 2017 numbers have been restated due to prior period adjustments

Capital

In line with its strategy, CSi continues to maintain a strong capital position and as a result was able to repay USD 1.525 billion of capital in the form of subordinated debt during the year. CSi’s RWA has reduced significantly since 2014, in line with CSi’s business model. Over the past year, credit risk and regulatory Credit Valuation Adjustment (‘CVA’) RWA decreased further, partially offset by an increase in market risk and CS intra group entities concentration risk RWA.

Capital Resources

The Bank closely monitors its capital position to ensure ongoing stability and support of its business activities. This monitoring takes into account the requirements of the current regime and any forthcoming changes to the capital framework or to the Bank’s business models and includes reviewing potential opportunities to repay capital to shareholders.

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

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

→ Changes in senior and subordinated debt are set out in Note 29 – Debt in Issuance.

→ Changes in capital are set out in Note 32 – Share Capital and Share Premium.

Liquidity

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

The liquidity buffer reduced by USD 2 billion to USD 16 billion (2017: USD 18 billion) primarily due to Pillar 2 buffer reduction leading to a reduction of required High Quality Liquid Assets (‘HQLA’).

Consolidated Statement of Income

	2018	2017 [1, 2]	2016 [1]	2015 [1]	2014 [1]
Consolidated Statement of Income (USD million)					
Net revenues	2,197	1,401	1,494	1,745	1,144
Total operating expenses	(2,123)	(1,543)	(1,721)	(1,982)	(1,551)
Profit/(Loss) before tax from continuing operations	**74**	**(142)**	**(227)**	**(237)**	**(407)**
Profit/(Loss) before tax from discontinuing operations	**–**	**–**	**29**	**185**	**–**
Profit/(Loss) before tax	**74**	**(142)**	**(198)**	**(52)**	**(407)**
Income tax benefit/(expense) from continuing operations	(15)	(82)	2	(66)	(588)
Income tax benefit/(expense) from discontinuing operations	–	–	–	–	–
Profit/(Loss) after tax	**59**	**(224)**	**(196)**	**(118)**	**(995)**

[1] Comparatives have not been restated for the impact of IFRS 15
[2] 2017 numbers have been restated due to prior period adjustments

The CSi group has returned to profitability reporting a net gain attributable to shareholders of USD 59 million (2017: USD (224) million loss). Profit before tax for the CSi group was USD 74 million (2017: USD (142) million loss). The increase in Net revenues and Operating expenses compared with prior years is primarily due to IFRS 15 which required certain revenues and expenses to be reported on a gross basis.

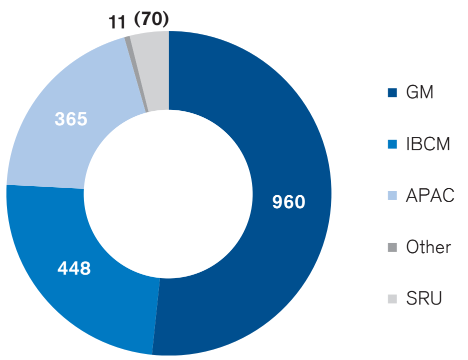
Net Revenues

	2018	2017 [1, 2]	Variance	% Variance
Reconciliation of reportable segment revenues (USD million)				
Total Revenues for reportable segments				
- GM	960	1,031	(71)	(7)%
- IBCM	448	410	38	9%
- APAC	365	330	35	11%
- Other	11	9	2	22%
- SRU	(70)	(167)	97	58%
Revenue sharing agreements	198	(315)	513	163%
Cross divisional revenue share	50	17	33	194%
Provision for credit losses	(8)	–	(8)	–
Treasury funding	336	96	240	250%
Other corporate items	31	(16)	47	294%
Shared services	36	(40)	76	190%
CSi group to primary reporting reconciliations	(160)	46	(206)	(448)%
Net revenues as per Consolidated Statement of Income	**2,197**	**1,401**	**796**	**57%**

[1] Comparatives have not been restated for the impact of IFRS 15
[2] 2017 numbers have been restated due to prior period adjustments

Revenues of each reporting segment are as below:

2018 (USD million)



In 2018, GM revenues decreased by 7% primarily from Fixed Income and Wealth Management ('FIWM') and GM Management. FIWM decreased by 27% primarily in Macro and EM Trading due to the challenging market environment with subdued client flows. This was offset by Equity Derivatives and Investor Products increasing by 87% primarily due to market volatility in flow equity derivatives. This was coupled with an increase in structured equity derivatives driven by strong trading activity. GM Credit remained stable year on year.

IBCM revenues increased by 9% primarily due to an increase in mergers and acquisitions activity during the year, this is in line with an increase in market share.

APAC revenues increased by 11%, primarily due to a correction of an error in a revenue sharing agreement where the cumulative effect was USD 100 million. This was offset by a decrease of 21% in APAC Markets compared with 2017 due to challenging market conditions.

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

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

- Increase of USD 513 million in revenue sharing agreements of which USD 503 million relates to the adoption of IFRS 15 Revenue from Contracts with Customers on 1 January 2018. Under the new accounting standard, revenues related to revenue sharing agreements are presented gross of offsetting expenses in contrast to prior periods in which these were presented on a net basis. The CSi group adopted the guidance in IFRS 15 and clarifications to IFRS 15 on 1 January 2018 using the cumulative effect transition approach with a transition adjustment recognised in retained earnings without restating comparatives;
- Increase in treasury income USD 240 million is due to higher global cost of carry rates on CSi equity coupled with reduction of NSFR funding requirements and repayment of subordinated debt and replacement with a cheaper source of funding; and
- Decrease of USD 206 million in "CSi group to primary reporting reconciliations" is primarily due to the accounting treatment on deferral of day 1 gains on transactions under IFRS which are not deferred under US GAAP and a prior year adjustment restated in IFRS in 2017 but not in 2018 in US GAAP as it related to an intra CS group transaction.

Expenses

	2018	2017 [1]	Variance	% Variance
Operating expenses (USD million)				
Compensation and Benefits	(604)	(672)	68	(10)%
General, administrative and trading expenses	(1,423)	(840)	(583)	69%
Restructuring expenses	(96)	(31)	(65)	210%
Total operating expenses	**(2,123)**	**(1,543)**	**(580)**	**38%**

[1] Comparatives have not been restated for the impact of IFRS 15

The CSi group's operating expenses increased by USD 580 million to USD 2,123 million (2017: USD 1,543 million).

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

General, administrative and trading expenses have increased by USD 583 million due to:

- Increase of USD 429 million in net overheads allocated from other CS group entities is primarily due to USD 503 million revenue share agreements expenses being booked as operating expenses due to the adoption of IFRS 15 Revenue recognition;
- Increase of USD 63 million on Single Global Currency due to the impact of adoption of IFRS 15 revenue recognition; and
- Increase in professional services of USD 87 million following a full year of recharges from Credit Suisse Services AG, London Branch. This was set up in June 2017. Services are charged back as professional fees which were previously reflected mainly in Compensation and benefits.

Restructuring expenses have increased by USD 65 million primarily due to an increase in the provisions on onerous leases for vacant space at One Cabot Square and Five Canada Square.

The effective tax rate of 20% for the period to December 2018 is in line with the UK Statutory tax rate. The effective tax rate for the period to December 2017 was higher than the UK statutory tax rate. In that period, the material items impacting the effective tax rate were permanent differences, non-recoverable foreign taxes, prior year adjustments and deferred tax not recognised.

The CSi group has incurred substantial taxes in the UK during 2018, including Bank Levy of USD 16 million (2017: USD 20 million), employer's national insurance of USD 73 million (2017: USD 81 million) and irrecoverable UK value added tax ('VAT') of USD 33 million (2017: USD 34 million). As disclosed in Note 47 – Country-by-Country Reporting, Corporation taxes paid in United Kingdom ('UK') for CSi are Nil (2017: USD 1 million). The CSi group has paid Nil (2017: Nil) in taxes in branches located outside the UK.

Consolidated Statement of Financial Position

As at 31 December 2018 the CSi group had total assets of USD 232 billion (31 December 2017: USD 250 billion) as shown in the Consolidated Statement of Financial Position on page 42.

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

- Trading financial assets mandatorily at fair value through profit or loss have decreased by USD 26 billion. The decrease was primarily due to reduction of trades in the SRU division due to trade compressions and asset sales. Additionally there was a decrease in GM on interest rate products driven by movement on rates curves in Euro and GBP amid the concern over the European Central Bank's monetary policy, increasing inflation within the Eurozone, Italian political uncertainty and continued global tensions in international trade. Additionally, USD Rates were sold-off over the fourth quarter as improved economic data, the confirmation of a new Fed Chair, and continued lower unemployment spurred risk-on sentiment. Similarly, there has been a decrease of USD 23 billion in Trading Financial Liabilities Mandatorily at Fair Value Through Profit or Loss;
- Associated with this, Other Assets have decreased by USD 3 billion primarily due to a decrease in cash collateral provided to external counterparties in line with the reduction in derivative exposures; and
- Non-Trading Financial Assets Mandatorily at Fair Value Through Profit and Loss and Financial Assets Designated at Fair Value Through Profit and Loss have increased by USD 7 billion, of which USD 5 billion relates to the change in sourcing of securities for HQLA from assets generated in the business with the offset in Securities purchased under resale agreements and securities borrowing transactions. Following the adoption of IFRS 9 during the year, the assets included within Financial assets designated at fair value through profit or loss are now classified as Non-trading financial assets mandatorily at fair value through profit or loss.

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

- An increase of USD 13 billion in interest-bearing deposits with banks due to a change in funding requirements to maintain overall liquidity and regulatory ratios;
- A reduction of USD 7 billion in securities purchased under resale agreements and securities borrowing transactions driven by the change in sourcing of HQLA from Treasury (other CS group entities) to being sourced from business assets as referred to previously in Financial assets designated at fair value through profit or loss;
- An increase in borrowings of USD 13 billion from CS group entities primarily due to higher cash usage of Euro and Japanese Yen within the business; and
- A reduction of USD 5 billion in debt in issuance driven by a change in funding requirements from 400 day to 120 day with CS AG, London Branch.

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

Total Level 3 assets increased to USD 5.4 billion as at 31 December 2018 (31 December 2017: USD 4.5 billion) mainly driven by a increase in equity/ index related products due to market moves and buying back of debt. This was equivalent to 2.3% of total assets (2017: 1.8%). Total Level 3 liabilities were USD 4.8 billion as at 31 December 2018 (31 December 2017: USD 5.5 billion) primarily driven by credit derivatives and structured notes. This was equivalent to 2.3% (2017: 2.4%) of total liabilities.

→ Fair Value disclosures are presented in Note 41 – Financial Instruments.

Principal risks and uncertainties

Significant Risks

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

Other Key Risks

UK EU Exit

CSi provides a comprehensive range of services to clients through both the London operations and a number of subsidiaries and branches across Continental Europe. CSi has been preparing for a hard exit. Please refer to the Strategy section for details of CSi's plans and the following Risk Exposure section for more detail on our country Credit exposures.

Litigation

The main litigation matters are set out in Note 39 – Guarantees and Commitments. CSi is the defendant in several legal cases, currently some of these have led to claims being made against the Bank. CSi is defending itself with regard to these claims.

Risk Exposures

Credit Risk

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

The main drivers of credit risk in CSi are trading in OTC derivatives and lending activity. Exposure in CSi decreased by $7bn in 2018 (on a Potential Exposure basis), the main drivers being the continuing disposal of legacy positions in the SRU and reduced lending exposure.

EU exit is a significant risk for both the UK and EU, with uncertainty remaining around the future relationship between the UK and the EU. On an industry basis, CSi has exposure to counterparties in the UK and across the European Union, with material exposures to banks, central counterparties, and funds. However, the Bank of England and the European Commission have indicated that cross-border recognition of CCPs will continue on a temporary basis in order to ensure continuity of clearing services in the event of no-deal being agreed between the UK and the EU. CSi has exposure to a small number of corporate counterparties which have been identified as having particular vulnerabilities associated with cross-EU business models or highly integrated supply chains, but exposure to these counterparties is relatively low in aggregate. CSi continues to undertake new business with UK and EU counterparties, but remains cautious, with approval provided on a name-by-name basis.

Emerging Markets

CSi undertakes business in emerging markets in all regions, with the largest notional exposures in Turkey and Russia. In Turkey, the economy has slowed with increased NPLs expected in 2019. Overall exposure to Turkish counterparties is closely managed under a portfolio limit framework which is subject to regular review and challenge by the CSi Credit Risk Committee. In Russia, sanctions remain in place, and investment activity is constrained by economic uncertainty. CSi's portfolio in Russia consists mainly of short-term repo and derivatives, and traded debt held in inventory. CSi does not have significant concentrations to other emerging market countries.

Leveraged Finance

For the first nine months of 2018 EMEA Leverage Finance volumes were near-record levels; a function of global growth and monetary policies driving increased M&A activities, new issuance, and record CLO issuance. However during Q4'18 EMEA Leverage Finance volumes fell by ~20% due to deepening economic and political concerns across Europe and beyond. However, 2019 volumes are expected to remain robust, but below 2018 levels, and will likely be driven by M&A activity. As at year-end 2018 gross European non-investment grade exposure was 3.5% of total credit exposure in CSi on a Potential Exposure basis.

Selected Credit Risk Exposure Views by Country and Industry Segment

The following table shows selected exposures in CSi by country, including the three largest countries and risk focus countries/regions. The three largest country exposures are in large developed countries (United States, United Kingdom and France), and collectively these countries account for more than 50% of the total exposure. CSi undertakes business with counterparties across the European Union and the table includes the EU countries with the largest net exposures. With respect to emerging markets, the two largest portfolios are in Russia and Turkey, however on a net basis exposure is not material.

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 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 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**	AnnualΔ Gross Exposure	AnnualΔ Net Exposure	Net Exposure as % of All Country Exposures
United States	343	343	6,329	3,152	3,355	2,465	**10,027**	**5,960**	273	423	28%
United Kingdom	69	46	5,714	2,189	1,456	1,105	**7,239**	**3,340**	(1,444)	74	16%
European Union	2,271	823	10,976	3,242	4,383	3,724	**17,630**	**7,789**	(3,133)	(994)	37%
- of which France	380	354	3,047	928	1,530	1,270	**4,957**	**2,552**	(143)	(49)	12%
- of which Germany	490	49	2,177	575	530	393	**3,197**	**1,017**	(147)	451	5%
- of which Italy	1,126	313	788	320	173	93	**2,087**	**726**	(1,074)	123	3%
- of which Netherlands	0	0	1,290	744	626	580	**1,916**	**1,324**	(215)	(340)	6%
- of which Spain	4	4	598	91	930	920	**1,532**	**1,015**	(118)	214	5%
- of which Luxembourg	77	0	975	355	237	206	**1,289**	**561**	(94)	(345)	3%
Turkey	106	106	135	77	18	18	**259**	**201**	13	130	1%
Russia	101	101	49	8	16	6	**166**	**115**	(301)	(257)	1%
Total	**2,890**	**1,419**	**23,203**	**8,668**	**9,228**	**7,318**	**35,321**	**17,405**	**(4,592)**	**(624)**	**83%**

31 December 2017 (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**	AnnualΔ Gross Exposure	AnnualΔ Net Exposure	Net Exposure as % of All Country Exposures
United States	1,725	1,725	6,424	2,880	1,606	931	**9,755**	**5,536**	(7,847)	(5,638)	25%
United Kingdom	167	36	7,504	2,460	1,011	770	**8,682**	**3,266**	(1,848)	(1,157)	15%
European Union	3,084	682	12,503	3,614	5,177	4,487	**20,764**	**8,783**	(5,335)	(2,338)	40%
- of which France	154	137	3,343	1,112	1,603	1,351	**5,100**	**2,600**	(1,265)	(501)	12%
- of which Germany	546	49	2,394	248	404	268	**3,344**	**565**	(2,480)	(1,765)	3%
- of which Italy	2,190	349	842	180	129	75	**3,161**	**604**	(766)	(233)	3%
- of which Netherlands	3	3	1,444	1,032	685	628	**2,132**	**1,663**	(107)	(203)	8%
- of which Spain	5	5	969	221	676	574	**1,650**	**800**	42	170	4%
- of which Luxembourg	0	0	834	362	551	544	**1,385**	**906**	68	9	4%
Turkey	36	36	210	35	0	0	**246**	**71**	(487)	37	–
Russia	72	72	221	127	173	173	**466**	**372**	(147)	66	2%
Total	**5,084**	**2,551**	**26,862**	**9,116**	**7,967**	**6,361**	**39,913**	**18,028**	**(15,664)**	**(9,030)**	**82%**

The following table shows selected exposures in CSi by industry. The table also includes exposures to the Oil & Gas and Metals & Mining industries, which remain small relative to the size of the overall portfolio.

Industry Segments (USD millions)	**2018** Gross Exposure	**2018** Net Exposure	**2018** Net Exposure as % of All Industry Exposures	2017 Gross Exposure	2017 Net Exposure	Annual Δ Gross Exposure	Annual Δ Net Exposure
Sovereigns, Monetary Authorities, Central Banks	4,960	3,037	15%	6,797	3,953	(1,837)	(916)
Central Clearing Parties	4,044	4,034	20%	4,532	3,320	(488)	714
Commercial Banks	10,179	1,242	6%	12,835	1,681	(2,656)	(439)
Oil & Gas	700	503	3%	573	448	127	55
Metals & Mining	259	235	1%	384	370	(125)	(135)
Total	**20,142**	**9,051**	**45%**	**25,121**	**9,772**	**(4,979)**	**(721)**

The other risks are set out in Note 44 – Financial Risk Management.

Risk Management

Overview

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

Risk Governance

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

Risk Organisation

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

The Bank's independent risk management function is headed by the CSi CRO, who reports jointly to the Bank's CEO and the CRO of CS group. The CSi CRO is responsible for overseeing the Bank's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Bank has strengthened the risk management function to provide a more dedicated focus on the risks at the Bank level, in addition to the global risk management processes applied by CS group. The Risk Management department in 2018 comprised of:

- Market Risk Management ('MRM');
- Treasury & Liquidity Risk Management ('TLRM');
- Credit Risk Management ('CRM'); and
- Enterprise & Operational Risk Management ('EORM').

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:

- The MRM department is responsible for assessing, monitoring and managing the market risk profiles of the Bank and recommends corrective action where necessary;
- The TLRM department is responsible for assessing, monitoring and managing the liquidity risk profiles of the Bank and recommends corrective action where necessary;
- CRM is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances; and
- EORM provides 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, operational, model, reputational and CRO relevant regulatory risk management.

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

Risk Appetite

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

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

Market risk limit measures are typically based on Value at Risk ('VaR') and scenario analysis, although they also include risk sensitivities, notionals and other metrics. Liquidity risk limits include regulatory and internal metrics based on computing liquidity inflows and outflows under stress scenarios over different time horizons. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty, country, industry, product and scenario limits, which are used to mitigate concentration risks. These risk limits are generally set to ensure that any meaningful increase in risk exposures is promptly identified, analysed and, where necessary, escalated to more senior levels of management. In addition, the Bank has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (bank-wide statements linked to risk and control indicators) terms. Alignment to business strategy is a key requirement to ensure the Risk Appetite framework is effective in managing to the entities' acceptable risk profile and acting as an early warning indicator for material changes in risk profile. Capital Limits for each material risk type are determined by Enterprise Risk Management 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 (such as some credit portfolio limits) are monitored on a weekly or monthly basis.

→ The Bank's financial risk management objectives and policies and the exposure of the CSi group to market risk, credit risk, liquidity risk, currency risk and operational risk are outlined in Note 44 – Financial Risk Management.

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 assumes its various responsibilities towards society and the environment across CSG including CSi.

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

Environmental Matters

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

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

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

Further information:

→ Environmental and Social Risk Management:
www.credit-suisse.com/riskmanagement

→ Climate Change; the "Statement on Climate Change":
www.credit-suisse.com/climate

→ Biodiversity and Natural Capital:
www.credit-suisse.com/conservationfinance

→ Environmental Management (including CS group key performance indicators):
www.credit-suisse.com/environmentalmanagement

Climate Change

Following the publication of recommendations from the FSB's Task Force on Climate-related Financial Disclosures ('TCFD') in June 2017, climate risk is emerging as an important area of focus for the banking industry. In 2018, the UK's PRA's consulted on its expectations of the management of the financial risks of climate change, which are broadly aligned with the TCFD recommendations.

In response to the TCFD recommendations, CS group has established a climate change program with the overall goal to address recommendations related to external disclosures of climate-linked risks and opportunities. Key areas of focus in 2018 included updating key policies, developing a 2°C and a 4°C scenario as part of a plan to assess the resilience of the firm's strategy towards climate change and developing internal metrics for climate-related risks. 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.

CSi is in the process of developing a framework for climate risk, in line with the CS group's overall framework for TCFD implementation. CSi participated in the PRA's consultation through its industry association.

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. In this context, CS group performs functions that are viewed as systemically relevant, including deposit-taking and lending. CS group 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. CS group supplies businesses with the capital resources they need to expand their activities and finance innovation, thus helping to drive economic growth and job creation.

By assuming market and credit risks, banks make an important contribution to the efficient functioning of the economic system. Effective risk management is an important part of this process. In the credit business, for example, CS group analyses, measures and monitors key credit risk exposures and charge appropriate interest rates on loans. CS group's capital policy is intended to ensure that it is capable of absorbing potential credit losses in a variety of stress scenarios. CS group achieves this by supporting growth, partnering with entrepreneurs; by being an integral part of the economy and society, maintaining a constructive dialogues with various stakeholders and broader social commitments.

CSi, together with the Credit Suisse EMEA foundation, has focused locally on improving the educational attainment, aspiration and employability of disadvantaged young people. The Credit Suisse EMEA Foundation supports City Year UK, which provides teams of volunteers serving as mentors, role models and peer tutors in Birmingham, Manchester and London. Building on its history of supporting pioneering organisations, CS group launched in 2018 the Small Grants Programme, which identifies and invest in the next generation of innovative organisations. The selection of current partners – Brightside, Maths with Parents, Street League and the Difference – was guided by four priority themes: mental health, careers advice and access to high education, support to vulnerable groups and confidence; and by the potential for the grants to leverage the necessary support to test new models with high impact potential. The Small Grant Programme enhances CS group's existing charity partners portfolio and strengthen its role as a driver for innovation.

The Credit Suisse EMEA Foundation also lends its support to the charitable foundation Frontline, of which it is a founding partner. Frontline runs a two-year program to recruit and train high-potential university graduates to become social workers. It also deploys a series of measures such as raising the profile of careers in social work, developing the leadership skills of social workers, and establishing a community to provide support for people from disadvantaged backgrounds.

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

Employee Matters

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

CSi provides a wide range of opportunities for individuals who are starting careers post-graduation. Those hired into one of the bespoke graduate programmes receive specific training, mentoring and career advice, aiding their transition to a long term career with CS group. An example of such a programme is the award winning Steps to Success program, now in its fifth intake, which offers university scholarship funding for UK students from underprivileged and underrepresented backgrounds.

Corporate Employee Policy

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

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

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

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

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

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

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

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

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

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

In July 2018, CS group appointed a global Conduct & Ethics Ombudswoman who serves as a point of immediate escalation when sexual harassment claims arise to ensure appropriate senior management awareness of and attention to such claims. In addition, the Ombudswoman has been conducting an in-depth review of existing policies, protocols, practices and training programmes globally, with a view to enhancing them to promote awareness of and sensitivity to these issues.

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

Respect for Human Rights

CS group strives to assume responsibilities in the area of human rights in accordance with the International Bill of Human Rights as well as the corresponding principles on human and labour rights set out in the UN Global Compact. CS group takes account of these principles in its own policies and business activities. The "Statement on Human Rights" describes the foundations of the CS group's responsibility to respect human rights and the approaches, processes and tools used to implement it. Equally, CS group expects its business partners to recognise and uphold human rights.

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

Further information on the topic of human rights, including our Modern Slavery and Human Trafficking Transparency Statement, can be found at:

→ www.credit-suisse.com/humanrights

Modern Slavery and Human Trafficking

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

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

The complete statement, made pursuant to section 54, Part 6 of the Modern Slavery Act 2015, is publicly available and can be found at www.credit-suisse.com.

Anti-Bribery and Corruption Matters

CS group strives to prevent the improper use of products and service by third parties. As part of the efforts to fulfill its due diligence requirements, CS group uses strict internal control policies. The policies govern topics such as business relations with political 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.

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

Corporate Governance

Members of the Board and Board Committees

The CSi Board of Directors ('Board') is responsible for governance arrangements that ensure effective and prudent management of CSi, including the segregation of duties and the prevention of conflicts of interest. The board approves and oversees the implementation of strategic objectives, risk strategy and internal governance; ensures the integrity of the accounting and financial reporting systems; oversees disclosure and communications processes; provides effective oversight of senior management; and assesses the effectiveness of governance arrangements.

	Board member since	Independence	Audit Committee	Risk Committee	Nomination Committee	Advisory Remuneration Committee	Conflicts Committee
Noreen Doyle, Chair	2011	Independent	-	Member	Chair	Chair	-
David Mathers, CEO	2016	-	-	-	-	-	-
Alison Halsey	2015	Independent	Chair	Member	Member	Member	Chair
Robert Endersby	2016	Independent	Member	Chair	-	Member	Member
John Devine	2017	Independent	Member	-	Member	-	Member
Andreas Gottschling	2018	-	-	Member	-	Member	-
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 2018. Nicola Kane has been appointed as an Executive Director and Andreas Gottschling has been appointed as a Non-Executive Director. Andreas Gottschling is also a Non-Executive Director of Credit Suisse AG and CSG.

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 United Kingdom ('UK') Regulators;
- Identifying a set of functions that expose the in-scope legal entities to risk through their day-to-day activities and requiring that the staff performing these functions are captured as Certified Staff and confirmed annually as 'Fit & Proper'; and
- Implementing and enforcing a set of Conduct Rules that reflect the core standards expected of staff.

Internal Control and Financial Reporting

Board Responsibility

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

The key procedures that have been established are designed to provide effective internal control within the CSi group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the Bank have been in place throughout the year and up to 28 March 2019, the date of approval of the Credit Suisse International Annual Report for 2018.

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 strategy and oversee that the management of CSi is in line with the strategy of the CSG;
- Act in good faith in the best interests of CSi, exercise independent judgement and avoid conflicts of interest where possible;
- Act in accordance with the Management of Conflicts of Interest Memorandum;
- Ensure arrangements are made for CSi to fulfill statutory duties, operating within the rules and regulations of all applicable jurisdictions;
- Ensure that CS group policies applicable to CSi are in accordance with the law and with regulatory requirements/guidelines, appropriate for the entity and are being properly implemented at the entity level;
- Oversee CSi business within the overall business framework of CS group, delegating specific powers to Board Committees;
- Ensure that CSi subsidiaries, branches and representative offices are adequately controlled and governed;
- Review and approve the business strategy recommended by executive management, ensuring that it does not expose CSi to unacceptable risk;
- Provide direction for and challenge to management;
- Review CSi performance, and monitor the execution of business strategy;
- Ensure that CSi has adequate financial resources to meet its objectives and manage risk;
- Review material new business proposals;
- Review standard reporting, including CSi financials, risk exposures, capital, liquidity and funding; and
- Review reports by Board Committee Chairs on material issues.

Conduct, Ethics and Culture
- Review the programmes to support an appropriate culture, conduct and behaviour in business areas relevant to CSi;
- Review the decisions made by the CSi Executive Committee relating to the registration and de-registration of Senior Managers that are not members of the Board;
- Ensure that HR policies are in accordance with legal and regulatory requirements, are appropriate, and do not expose CSi to unacceptable risk and are properly implemented;
- Support the Whistleblower Champion to review and assess the integrity, independence, effectiveness and autonomy of CSi Reportable Concern Officier / Whistleblower policies and procedures; and
- Review reports prepared by Compliance on the operation and effectiveness of whistleblowing arrangements.

Risk Management
- Review and approve the risk policies, risk appetite framework and risk limits for CSi;
- Review CSi material credit, market, operational, conduct, and reputational risk exposures, liquidity and liability management, and the capital framework to ensure the safety and soundness of operations;
- Consider the risk systems and controls to ensure a reasonable level of assurance that the appetite of risk that CSi will incur is consistent with that which the Board considers it prudent for CSi to take; and
- Review risk limits or exceptions escalated from the Board Risk Committee.

Financial Reporting and Internal Control
- Review and approve Annual Financial Statements, including the Directors' Report;
- Review and approve the annual Strategy and Plan;
- Review and approve the control frameworks for all business booked into CSi and the framework for all CSi support functions;
- Consider reports relating to entity financials including Financial Accounting, Product Control, Tax, capital, liquidity and funding, internal control, regulatory, legal or compliance matters escalated from Divisional and Board committees; and
- Consider the adequacy of management information.

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.

In 2017 the Board mandated an external assessor to perform an evaluation of the performance and effectiveness of the Board (conducted during 2018). The evaluation included a comprehensive review of the work of the Board, its culture and composition, and its use of time, and was conducted through interviews, observation and a review of information. Strengths included the contribution of the Board to its work, an efficient use of time, and an effective governance structure. Looking forward, the Board's future priorities included balancing short term performance and long term health, and continued oversight of corporate culture and leadership. At the beginning of 2019, the Board performed a self evaluation of its own performance in 2018. The 2018 self-assessment also concluded that the Board and Board Committees are operating effectively. The Board has approved the Board and Board Committees objectives for 2019.

Board Training

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

Board Diversity Policy

CSi recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse board. The Board Diversity Policy sets out the approach to diversity on the Board of Directors. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Nominations Committee will consider these attributes in determining the optimum composition of the Board and when possible will be balanced appropriately. The Board has reached its initial target of at least 25% female representation on the board and will continue to monitor the composition in 2019 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 2018. 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.

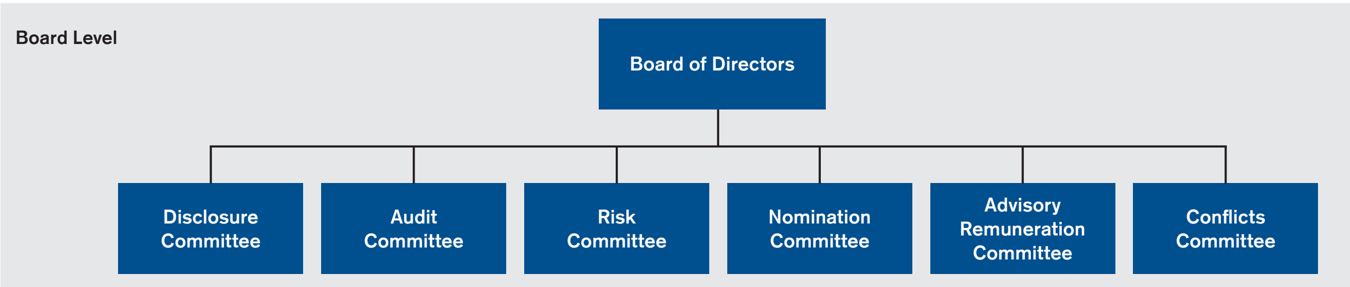
	Board of Directors [1]	Audit Committee [2]	Risk Committee [3]	Nomination Committee [4]	Advisory Remuneration Committee [5]	Conflicts Committee [6]
in 2018						
Total number of meetings held	7	7	5	5	6	4
Number of members who missed no meetings	11	3	4	2	3	3
Number of members who missed one meeting	1	–	–	1	–	–
Number of members who missed two or more meetings	–	–	–	–	1	–
Meeting attendance, in %	99	100	100	93	91	100

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

Committees

Board committees overview

Certain responsibilities are delegated to Board Committees, 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.



Audit Committee
The Audit Committee's primary function is to assist the Board in fulfilling its financial oversight and audit and internal control responsibilities defined by law, articles of association and internal regulations by:

- assessing the overall integrity of the financial statements and disclosures;
- reporting to the Board on the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting;
- monitoring the adequacy and integrity of the financial accounting process and the effectiveness of internal quality controls;
- monitoring relevant processes to ensure compliance with legal requirements;
- 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 of any non-audit services to CSi;
- monitoring the statutory audit of CSi financial statements, in particular its performance, taking into account any findings and conclusions by the competent authority; and
- reviewing the independence, integrity and adequacy of resourcing, and overseeing the performance of the Internal Audit Department, in particular its implementation of an audit plan to examine and evaluate the adequacy and effectiveness of systems, internal control and arrangements.

In reviewing the Credit Suisse International Annual Report 2018, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the deferred tax asset. 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 and Robert Endersby.

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

- providing advice to the Board on overall risk appetite and assisting the Board in overseeing the implementation of that strategy by management;
- reviewing and approving the strategies and policies for taking up, managing, monitoring and mitigating the risks CSi is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- reviewing the independence, integrity and adequacy of resourcing, and overseeing the performance of the risk management function 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 including processes and organisational structures to detect and monitor any risk of failure to comply with applicable regulatory requirements or that CSi may be used to further financial crime;
- reviewing the adequacy of CSi capital and its allocation to businesses; and group risk;
- reviewing risk limits and regular risk reports including Risk Appetite and making recommendations to the Board;

- reviewing the Internal Capital Adequacy Assessment Process ('ICAAP') and providing input into the range of scenarios and analyses that management should consider;
- reviewing the adequacy of the management of reputational risks;
- reviewing 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.

The Risk Committee members are Robert Endersby (Chair), Noreen Doyle, Andreas Gottschling (from 1 January 2018) 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 shareholder, 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 chair and member of the board committees;
- prepare a description of the roles 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 assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;
- periodically assess the knowledge, skills and experience of individual members of the Board 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 Chief Executive Officer and Chief Financial Officer;
- periodically review the Board and Senior Management strategy for leadership development, talent identification, retention, and diversity and specifically approve the Board Succession Plan; and
- 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 Noreen Doyle (Chair), John Devine and Alison Halsey. It complies with the requirements defined in the PRA Rulebook for 'General Organisational Requirements', chapter 6 (Nomination Committee).

Advisory Remuneration Committee
The purpose of the Advisory Remuneration Committee is to advise the CSG Compensation Committee in respect of matters relating to remuneration for the employees of CSi, in particular members of the CSi Executive Committee, Code Staff and Material Risk Takers.

Consistent with the requirements of the PRA Remuneration Code, the Bank has broadened the 'Malus clause' which is applicable to Code Staff, UK Managing Directors and certain other identified employees to comply with UK regulations.

The Advisory Remuneration Committee members are Noreen Doyle (Chair), Alison Halsey (from 15 June 2018), Robert Endersby and Andreas Gottschling (from 1 January 2018).

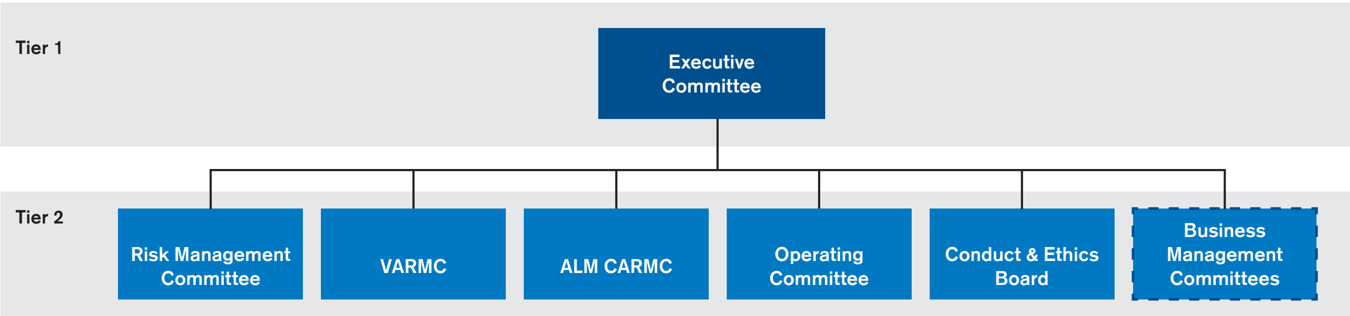
Conflicts Committee
The purpose of the Conflicts Committee is to assist the Board and Board Committees to manage conflicts of interest and where they arise to manage the conflicts. Committee duties are to conduct an annual assessment of the Board conflicts governance process and effectiveness of the Conflicts Management Framework and to confirm to the Board that the Framework remains fit for purpose. The Committee concluded that the Framework operated effectively in 2018. Duties are also to consider conflicts declared through the Conflicts Register including role conflicts and to review conflicts induction training received by Board Directors. The Conflicts Committee consists of three independent Non-executive Directors, Alison Halsey, (Chair), John Devine and Robert Endersby.

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

The Disclosure Committee Chair is Christopher Horne.

Management committees overview

Tier 1 and Tier 2 committees support the Board.



Tier 1 comprises a single management committee, the CSi Executive Committee ('ExCo'). It is chaired by the CEO and members include the Deputy CEO, CFO, CRO, Head of Internal Audit, Chief Compliance Officer ('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 CSi and, in particular, in the delivery of the strategy agreed by the Board. The ExCo facilitates the decision-making process which impacts all aspects of CSi including: culture, strategy, revenue, reporting, policy, regulatory compliance, risk and control, costs and people. The ExCo is also responsible for identifying and escalating issues to the Board or relevant Board committees for review, recommendation and/or approval as necessary.

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

Risk Management Committee ('RMC')
The RMC is chaired by the CRO of CSi. It is delegated authority from the ExCo to establish more granular limits within the bounds of CSi's overall risk limits and risk appetite. Its purpose is to:

- i ensure that proper standards for risk oversight and management are in place;
- ii make recommendations to the Board on risk appetite;
- iii review and challenge the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment Process ('ILAAP') and make recommendations to the CSi Board;
- iv define and establish risk limits for both individual businesses and at the portfolio level within authorities delegated by the Board; and
- v review and implement appropriate controls over remote booking risk relating to CSi.

Valuation Risk Management Committee ('VARMC')
VARMC is the most senior decision making forum for valuation issues in CSi, and is run as a sub-committee of CSG VARMC. Its purpose is to:

- i review, challenge and ratify/modify conclusions from Inventory Valuation Reviews; and
- ii direct resolution of significant inventory valuation issues. It also establishes non-actionable variance thresholds (both positive and negative) that are to be monitored on a monthly basis.

Asset and Liability Management & Capital Allocation and Risk Management Committee ('ALM and CARMC')
The ALM and CARMC is chaired by the CFO. It is responsible for assisting the Board in providing a robust governance and oversight function with respect to capital, liquidity and balance sheet management in relation to CSi. Its purpose is to:

- i monitor and challenge the capital and liquidity positions of CSi against internal and external regulatory limits;
- ii monitor and challenge the systems and controls related to the ALM management framework for CSi;
- iii manage CSi's leverage ratio; and
- iv assessing escalated items from subcommittees, which include Capital Governance Board, Pension Committee and Recovery and Resolution Planning 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 Client Assets Sourcebook ('CASS') regime;
- iii ensure the policy framework is fit for purpose, including the adoption of new policies, as appropriate;
- iv provide oversight over operational activities including remote booking activity, outsourcing activities and the governance of the legal entity branch, subsidiary and representative office network; and
- v provide oversight over projects, management initiatives and new business activities.

Conduct & Ethics Board ('CEB')

The CEB is chaired by the CEO, and is run as a sub-committee of the CS group CEB. Its purpose is to:

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

Business Management Committees ('BMC')

Divisional CEOs have established management committee structures to undertake the management of divisional operations. Certain of these committees have a key role to play in UK governance, with reporting requirements into the ExCo in relation to the activities of CSi. The ExCo establishes governance requirements appropriate to its UK specific remit and agrees with the relevant committee procedures for the on going 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 International Trading Solutions ('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 Investment Bank ('IB') Senior Manager Committee; and
- vi APAC UK IB Senior Manager Committee

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
28 March 2019

Directors' Report for the year ended 31 December 2018

International Financial Reporting Standards

The CSi group and Bank 2018 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 28 March 2019.

Dividends

No dividends were paid or are proposed for the year ended 31 December 2018 (2017: 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 2017 and up to the date of this report are as follows:

Appointment	
Andreas Gottschling	1 January 2018
Nicola Kane	7 June 2018

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

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the CSi group and Bank and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSi group and to prevent and detect fraud and other irregularities.

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

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

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

Risk and Capital

The way in which these risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 44 – Financial Risk Management.

Details of capital are set out in Note 32 – Share Capital and Share Premium.

Further Developments and Employees

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

Research and Development

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

Branches and Representative Offices

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

Disclosure of Information to Auditor

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

Donations

During the year the CSi group made USD 94,497 (2017: USD 69,419) of charitable donations. There were no political donations made by the CSi group during the year (2017: USD Nil).

Auditor

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

In view of EU rules with respect to mandatory auditor rotation for certain of CSG significant subsidiaries, including CSi group, the CSG Audit Committee has decided to pursue a rotation of the CSG auditor.

A tender of the CSG audit mandate was conducted in the second half of 2018. All critical aspects of the tender, including the selection of audit firms to invite, the nature and extent of information sharing with the participating firms, as well as the evaluation criteria and process, were determined by the CSG Audit Committee in consultation with the Audit Committee of CSi, at the outset of the tender and subject to CSG Audit Committee oversight during execution. The CSi Audit Committee was consulted at each stage and contributed to the process.

A structured approach to evaluating the participating firms' proposals was followed using a robust and objective set of assessment criteria that was shared with participating audit firms at the outset of the tendering process to provide transparency over how they would be evaluated.

At the conclusion of the evaluation, the CSG Audit Committee recommended to the CSG Board of Directors, and the CSG Board of Directors approved, that PricewaterhouseCoopers AG be proposed as the new statutory auditor to the CSG Annual General Meeting in April 2020. The CSi Audit Committee also recommended that PricewaterhouseCoopers LLP be proposed as the new statutory auditor. The appointment is proposed to be effective for the fiscal year ending 31 December, 2020 and is subject to CSG shareholder approval.

By Order of the Board

Caroline Waddington
Director

One Cabot Square
London E14 4QJ
28 March 2019

Independent Auditor's Report to the Members of Credit Suisse International

Independent auditor's report

to the members of Credit Suisse International

1. Our opinion is unmodified

We have audited the financial statements of Credit Suisse International ("CSi") for the year ended 31 December 2018 which comprise the

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

In our opinion:

— the financial statements give a true and fair view of the state of the CSi group's and of the Bank's affairs as at 31 December 2018 and of the CSi group's profit for the year then ended;

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

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

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

Basis for opinion

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

We were first appointed as auditor by the directors in 1990. The period of total uninterrupted engagement is for the 29 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the CSi group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: CSi group and the Bank financial statements as a whole	USD 105m (2017:USD 112.5m) 0.5% (2017: 0.5%) of shareholders' equity	
Key audit matters		**vs 2017**
Recurring risks	Valuation of financial instruments	◀▶
	Existence and accuracy of trading positions yet to be confirmed by a counterparty and not subject to external validation processes	◀▶
	Recoverability of deferred tax assets	◀▶
Event driven	**New:** The impact on our audit of uncertainties due to the UK exiting the European Union	
	New: Restatement in relation to intercompany transactions	
	New: Privileged IT access	

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

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

The risk	Our response
The impact on our audit of uncertainties due to the UK exiting the European Union **(CSi group & Bank)** All audits assess and challenge the reasonableness of estimates, in particular as described in **Valuation of financial instruments** and the **recoverability of the deferred tax asset** below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the CSi group's future prospects and performance. The EU exit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. *Refer to page 10 (Strategic Report)*	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from the EU exit in planning and performing our audits. Our procedures included: — **Our EU exit knowledge:** We considered the directors' assessment of EU exit related sources of risk for the CSi group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; — **Sensitivity analysis:** When addressing valuation of financial instruments; the recoverability of the deferred tax asset and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from the EU Exit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; — **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on valuation of financial instruments and the recoverability of the deferred tax asset, we considered all of the EU exit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** — As reported under valuation of financial instruments and the recoverability of the deferred tax asset, we found the resulting estimates and related disclosures of financial instruments and the deferred tax asset and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the UK's exit from the EU. (2017: not applicable)

KPMG

The risk	Our response
Valuation of Financial Instruments **(CSi group & Bank)** The majority of the CSi group's financial instruments are subject to significant observable inputs to the related valuation technique. In addition, the CSi group holds financial instruments for which significant unobservable inputs to the valuation exist. The valuation techniques noted above can involve the exercise of judgement including the use of assumptions and estimates. The level 2 and level 3 assets and liabilities are valued at USD 153,184m and USD 151,835m respectively (2017:USD 167,550m and USD 174,801m respectively). *Refer to page 28 (Corporate Governance), page 68 to 69 (accounting policy) and page 130 to 137 (financial disclosures)*	Our procedures included: — **Control testing:** We tested the design and operating effectiveness of the key controls over financial reporting with respect to the valuation of financial instruments reported at fair value. This included controls over independent price verification, valuation model approval and the calculation, validation and recording of adjustments to fair value; — **Comparing inputs:** For a sample of instruments with significant observable inputs we compared those inputs against externally available market data; — **Benchmarking assumptions:** For a sample of instruments which have significant unobservable inputs, we critically examined and challenged the assumptions used by management; — **Independent re-performance:** For a sample of the most significant and judgmental instruments, we performed an independent valuation assessment through our valuation specialists or by reference to what we considered to be available alternative methods and sensitivities to key factors; — **Methodology choice:** We also examined the appropriateness of models used within the valuation technique including utilising our valuation specialists to benchmark those models and assumptions to market practice. Where there are key judgmental adjustments to fair value, we further evaluated the methodology and inputs used by critically examining and challenging these assumptions and models, and performing recalculations of a sample of these adjustments. — **Assessing transparency:** We assessed the adequacy of the CSi group's financial statements disclosures in the context of the relevant accounting standards. **Our results** — We found the valuation of financial instruments to be acceptable (2017: acceptable)
Existence and accuracy of trading positions yet to be confirmed by a counterparty and not subject to external validation processes **(CSi group & Bank)** The CSi group trades over-the-counter derivatives which are not subject to external clearing processes. Where these trades remain unconfirmed by the counterparty, these may be indicative of potential fraudulent activities. This may be facilitated by the manipulation of post-trade processing controls. *Refer to page 28 (Corporate Governance)*	Our procedures included: — **Control testing:** We tested the design and operating effectiveness of the post-initiation controls over the transaction lifecycle, including the Front Office Back Office (FOBO) reconciliations, confirmations process, trade cancellation and amendment process and bank account reconciliations. In addition, we tested the design and operating effectiveness of the general and application controls over the key IT applications and reconciliation tools, as the aforementioned controls are heavily reliant on automated elements; — **External confirmations:** We sent statements of derivative positions related to transactions that were unconfirmed, over-the-counter and bilaterally traded, and not subject to external clearing processes, to a sample of the CSi group's counterparties and requested that they confirm the completeness and accuracy of the information provided. In instances where responses were not received by us from the counterparties, we obtained the confirmations that were received by the CSi group since the year end in the normal course of business. **Our results** — The results of our procedures were satisfactory (2017: satisfactory).

KPMG

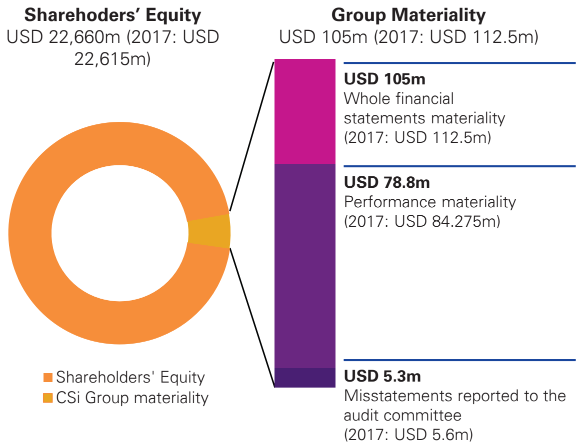
The risk	Our response
Recoverability of the deferred tax asset **(CSi group & Bank)** Significant judgement is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years Deferred tax asset: USD 330m; 2017: USD 349m *Refer to page 28 (Corporate Governance), page 63 (accounting policy) and page 82 to 83 (financial disclosures).*	Our procedures included: — **Control testing:** We tested the design and operating effectiveness of the key controls over financial reporting with respect to the deferred tax asset, including management's quarterly assessment over the recoverability which includes profitability forecasts and earn-out analysis; — **Assessing forecasts:** We challenged the CSi group's process over the recoverability of the deferred tax asset by critically examining the CSi group's legal entity profitability forecast including challenging the assumptions used by performing a stress test analysis on the sensitivity of inputs; — **Assessing transparency:** We assessed the adequacy of the CSi group's disclosures in respect of tax and uncertain tax positions in the context of the relevant accounting standards. **Our results** — We found the level of deferred tax asset recognised to be acceptable (2017: acceptable).
Restatement in relation to intercompany transactions **(CSi group & Bank)** In prior periods, transactions between the CSi group and other subsidiaries and branches of the Credit Suisse Group AG were determined on a basis that has now been identified to be erroneous. This resulted in a cumulative overpayment (additional expense) of USD 139m. The prior period comparatives in CSi group's 2018 financial statements have been restated and details of the nature and amount of the adjustment can be found in note 49. There is a risk that the impact of this restatement is not completely and accurately reflected in the financial statements. *Refer to page 14 (Performance) and page 188 to 191 (financial disclosures).*	Our procedures included: — **Quantifying the prior year restatement:** We assessed management's quantification of the prior period restatement by agreeing a sample of transactions to underlying contracts and revenue sharing agreements We inspected journal postings to evidence that the adjusted amounts agreed to the amounts recorded in prior periods. — **Assessing other revenue sharing arrangements:** For a sample of recurring revenue sharing arrangements, we obtained and inspected underlying contracts to evidence that revenue was being split in accordance with the revenue sharing arrangement. — **Assessing transparency**: We assessed the adequacy of the CSi group's disclosures of the prior period restatement in the context of relevant accounting standards. **Our results** — The results of our procedures were satisfactory (2017: not applicable)
Privileged IT access **(CSi group & Bank)** Effective general IT controls are integral to the operational stability of the CSi group's systems. Certain developers have privileged access to the production environment for a number of the CSi group's IT systems. There is a risk that this access can be used to intentionally or erroneously impact the financial reporting result. *Refer to page 28 (Corporate Governance)*	Our procedures included: — **Risk Assessment:** We obtained management's assessment of all potentially impacted systems, and performed a risk assessment to verify the completeness of the population and the steps taken by management to isolate the impacted systems. — **Control Testing:** We tested the design and operating effectiveness of a range of IT controls, including the access logs of impacted systems; and tested the design and operating effectiveness of manual compensating controls in the instances where no IT controls existed. **Our results** — The results of our procedures were satisfactory (2017: not applicable)

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

Materiality for the CSi group financial statements as a whole was set at USD 105m (2017: USD 112.5m), determined with reference to a benchmark of shareholders' equity (of which it represents 0.5% (2017: 0.5%)).

Materiality for the Bank financial statements was set at USD 105m (2017: USD 112.5m), determined with reference to a benchmark of shareholders' equity and chosen so as not to exceed materiality for the group financial statements as a whole. It represents 0.5% (2017: 0.5%) of the stated benchmark.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding USD 5.3m (2017:USD 5.6m), in addition to other identified misstatements that warranted reporting on qualitative grounds



Scope

The Bank represents the substantial majority of the CSi group comprising 99.9% (2017: 99.9%) of total CSi group assets. This also represents 117% of CSi group's profit after tax (2017: 86% of CSi group's loss after tax). The CSi group team performed a full scope audit for CSi group purposes of the Bank using the materiality levels set out above.

4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with 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 CSi group or the Bank will continue in operation.

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

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

— The underlying profitability of the CSi group;

— The impact of the EU exit on the CSi group's financial plan.

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

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

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

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

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

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

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 32, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the CSi group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the CSi group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

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

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

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

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

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

R. Faulkner

Richard Faulkner

(Senior Statutory Auditor)

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

15 Canada Square

London

E14 5GL

28 March 2019

KPMG

Financial Statements for the year ended 31 December 2018

Consolidated Statement of Income for the Year ended 31 December 2018

	Reference to note	2018	in Restated 2017 [1]
Consolidated Statement of Income (USD million)			
Interest income	5	1,446	818
- of which Interest income from instruments at amortised cost		1,130	621 [2]
Interest expense	5	(1,175)	(848)
- of which Interest expense on instruments at amortised cost		(947)	(758) [2]
Net interest income/(expense)		271	(30)
Commission and fee income	6	598	611
Commission and fee expense	6	–	(70) [1]
Net commission and fee income		598	541
Allowance for credit losses	8	(8)	(5)
Net gains from financial assets/liabilities at fair value through profit or loss	9	1,097	1,054
Other revenues/(expenses)	10	239	(159) [1]
Net revenues		**2,197**	**1,401**
Compensation and benefits	11	(604)	(672)
General, administrative and trading expenses	12	(1,423)	(840)
Restructuring expenses	13	(96)	(31)
Total operating expenses		**(2,123)**	**(1,543)**
Profit/(Loss) before taxes		**74**	**(142)**
Income tax expense	14	(15)	(82) [1]
Net Profit/(Loss)		**59**	**(224)**
Net Profit/(Loss) attributable to Credit Suisse International shareholders		59	(224)

[1] The CSi group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.
[2] 2017 numbers have been restated to conform to the current year's presentation.

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2018

	2018	in Restated 2017
Consolidated Statement of Comprehensive Income (USD million)		
Net Profit/(Loss)	**59**	**(224)**
Foreign currency translation differences	–	2
Cash flow hedges – effective portion of changes in fair value	(12)	–
Total items that may be reclassified to net income	**(12)**	**2**
Gains on designated financial liabilities relating to credit risk	1	–
Total items that will not be reclassified to net income	**1**	**–**
Total comprehensive profit/(loss)	**48**	**(222)**
Attributable to Credit Suisse International shareholders	48	(222)

The Bank's profit after tax was USD 69 million for the year ended 31 December 2018 (2017: Loss USD 193 million (Restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments)). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

The notes on pages 48 to 191 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2018

	Reference to note	end of 2018	Restated 2017 [1]
Assets (USD million)			
Cash and due from banks		2,229	4,971
Interest-bearing deposits with banks		17,859	4,187
Securities purchased under resale agreements and securities borrowing transactions	16	10,487	17,052
Trading financial assets mandatorily at fair value through profit or loss	17	148,674	174,555
of which positive market values from derivative instruments	17	124,434	144,364
Non-trading financial assets mandatorily at fair value through profit or loss	18	17,659	na [2]
Financial assets designated at fair value through profit or loss	19	–	11,130
Net loans	20	3,512	3,331 [3]
Investment property	21	18	131
Current tax assets		21	5
Deferred tax assets	15	330	349
Other assets	22	30,254	33,096 [1]
Property and equipment	24	234	157
Intangible assets	25	476	454
Assets held for sale	30	–	161
Total assets		**231,753**	**249,579**
Liabilities (USD million)			
Deposits	26	1,028	188
Securities sold under repurchase agreements and securities lending transactions	16	2,391	7,193
Trading financial liabilities mandatorily at fair value through profit or loss	17	126,414	149,505
of which negative market values from derivative instruments	17	123,455	146,102
Financial liabilities designated at fair value through profit or loss	19	24,164	22,899
Borrowings	27	19,555	5,940 [3]
Current tax liabilities		51	93 [1]
Other liabilities	22	23,339	24,176
Provisions	28	5	6
Debt in issuance	29	12,146	16,847 [3]
Liabilities held for sale	30	–	117
Total liabilities		**209,093**	**226,964**
Shareholders' equity (USD million)			
Share capital	32	12,366	12,366
Share premium	32	12,704	12,704
Retained earnings		(2,381)	(2,455) [1]
Accumulated other comprehensive income	31	(29)	–
Total shareholders' equity		**22,660**	**22,615**
Total liabilities and shareholders' equity		**231,753**	**249,579**

[1] The CSi group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

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

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

Approved by the Board of Directors on 28 March 2019 and signed on its behalf by:

Caroline Waddington
Director

The notes on pages 48 to 191 form an integral part of the Financial Statements.

Bank Statement of Financial Position as at 31 December 2018

	Reference to note	end of	
		2018	Restated 2017 [1]
Assets (USD million)			
Cash and due from banks		2,196	4,931
Interest-bearing deposits with banks		17,859	4,187
Securities purchased under resale agreements and securities borrowing transactions	16	10,487	17,052
Trading financial assets mandatorily at fair value through profit or loss	17	148,518	174,353
of which positive market values from derivative instruments	17	124,516	144,364
Non-trading financial assets mandatorily at fair value through profit or loss	18	17,712	na [2]
Financial assets designated at fair value through profit or loss	19	–	11,422
Net loans	20	3,512	3,331 [3]
Current tax assets		21	5
Deferred tax assets	15	330	349
Other assets	22	30,254	33,096 [1]
Property and equipment	24	234	157
Intangible assets	25	476	454
Assets held for sale	30	–	161
Total assets		**231,599**	**249,498**
Liabilities (USD million)			
Deposits	26	1,028	188
Securities sold under repurchase agreements and securities lending transactions	16	2,391	7,193
Trading financial liabilities mandatorily at fair value through profit or loss	17	126,414	149,506
of which negative market values from derivative instruments	17	123,456	146,103
Financial liabilities designated at fair value through profit or loss	19	24,103	22,899
Borrowings	27	19,555	5,940 [3]
Current tax liabilities		51	93
Other liabilities	22	23,339	24,176
Provisions	28	5	6
Debt in issuance	29	11,988	16,710 [3]
Liabilities held for sale	30	–	117
Total liabilities		**208,874**	**226,828**
Shareholders' equity (USD million)			
Share capital	32	12,366	12,366
Share premium	32	12,704	12,704
Retained earnings		(2,316)	(2,400) [1]
Accumulated other comprehensive income	31	(29)	–
Total shareholders' equity		**22,725**	**22,670**
Total liabilities and shareholders' equity		**231,599**	**249,498**

[1] The Bank has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.
[2] na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".
[3] Other loans and receivables, Short term borrowings and Long term debt were renamed to Net loans, Borrowings and Debt in issuance respectively to better describe the financial instruments under these headings.

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Caroline Waddington
Director

The notes on pages 48 to 191 form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity for the Year ended 31 December 2018

	Note	Share Capital	Share Premium	Retained Earnings	AOCI [1]	Total
Consolidated Statement of Changes in Equity (USD million)						
Balance at 1 January 2018		**12,366**	**12,704**	**(2,455)**	**–**	**22,615**
Adjustment on initial application of IFRS 15 (net of tax)		–	–	(10)	–	(10) [2]
Adjustment on initial application of IFRS 9 (net of tax)		–	–	25	(18)	7 [2]
Adjusted balance at 1 January 2018		**12,366**	**12,704**	**(2,440)**	**(18)**	**22,612**
Net profit for the period		–	–	59	–	59
Gains on designated financial liabilities relating to credit risk		–	–	–	1	1
Cash flow hedges – effective portion of changes in fair value		–	–	–	(12)	(12)
Total comprehensive gain for the period		**–**	**–**	**59**	**(11)**	**48**
Balance at 31 December 2018		**12,366**	**12,704**	**(2,381)**	**(29)**	**22,660**
Condensed Consolidated Statement of Changes in Equity (USD million)						
Balance at 1 January 2017		**12,366**	**12,704**	**(2,360)**	**(2)**	**22,708**
Adjustment for Impact of correction of errors (Net of Tax)		–	–	99	–	99
Restated balance at 1 January 2017		**12,366**	**12,704**	**(2,261)**	**(2)**	**22,807**
Net loss for the period		–	–	(224)	–	(224)
Foreign exchange translation differences		–	–	–	2	2
Total comprehensive loss for the period		**–**	**–**	**(224)**	**2**	**(222)**
Additional paid in capital		–	–	30	–	30
Balance at 31 December 2017		**12,366**	**12,704**	**(2,455)**	**–**	**22,615**

[1] AOCI refers to Accumulated Other Comprehensive Income

[2] The CSi group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

There were no dividends paid during 2018 (2017: Nil).

Bank Statement of Changes in Equity for the Year ended 31 December 2018

	Note	Share Capital	Share Premium	Retained Earnings	AOCI [1]	Total
Bank Statement of Changes in Equity (USD million)						
Balance at 1 January		**12,366**	**12,704**	**(2,400)**	**–**	**22,670**
Adjustment on initial application of IFRS 15 (net of tax)		–	–	(10)	–	(10) [2]
Adjustment on initial application of IFRS 9 (net of tax)		–	–	25	(18)	7 [2]
Adjusted balance at 1 January 2018		**12,366**	**12,704**	**(2,385)**	**(18)**	**22,667**
Net profit for the period		–	–	69	–	69
Gains on designated financial liabilities relating to credit risk		–	–	–	(12)	(12)
Cash flow hedges – effective portion of changes in fair value		–	–	–	1	1
Total comprehensive gain for the period		**–**	**–**	**69**	**(11)**	**58**
Balance at 31 December		**12,366**	**12,704**	**(2,316)**	**(29)**	**22,725**
Condensed Consolidated Statement of Changes in Equity (USD million)						
Balance at 1 January		**12,366**	**12,704**	**(2,336)**	**(2)**	**22,732**
Adjustment for Impact of correction of errors (Net of Tax)		–	–	99	–	99
Restated balance at 1 January 2017		**12,366**	**12,704**	**(2,237)**	**(2)**	**22,831**
Net loss for the period		–	–	(193)	–	(193)
Foreign exchange translation differences		–	–	–	2	2
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	–
Total comprehensive loss for the period		**–**	**–**	**(193)**	**2**	**(191)**
Additional paid in capital		–	–	30	–	**30**
Balance at 31 December 2017		**12,366**	**12,704**	**(2,400)**	**–**	**22,670**

[1] AOCI refers to Accumulated Other Comprehensive Income

[2] The Bank has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

There were no dividends paid during 2018 (2017: Nil).

The notes on pages 48 to 191 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows for the Year ended 31 December 2018

	Reference to note	2018	Restated 2017 [1]
Cash flows from operating activities (USD million)			
Profit/(Loss) before tax for the period		74	(142) [1]
Adjustments to reconcile net profit/(loss) to net cash generated from/(used in) operating activities (USD million)			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation	12,25	138	132
Depreciation and impairment on investment property	12	4	27
Gain on non current assets held for sale		–	(5)
Losses on long lived assets held for sale		–	4
Accrued interest on debt in issuance	5	315	329
Provision for credit losses	8	8	5
Foreign exchange (gain)/loss		28	808
Provisions		(1)	–
Total adjustments		**492**	**1,300**
Cash generated before changes in operating assets and liabilities		**566**	**1,158**
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		(13,672)	5,460
Securities purchased under resale agreements and securities borrowing transactions	16	6,565	(7,585)
Trading financial assets mandatorily at fair value through profit or loss	17	25,996	71,217
Non-trading financial assets mandatorily at fair value through profit or loss	18	(17,580)	na [2]
Financial assets designated at fair value through profit or loss	19	11,130	9,588
Net loans	20	(266)	(20)
Other assets	22	2,842	3,705 [1]
Net decrease in operating assets:		**15,015**	**82,365**
Net (decrease)/increase in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	16	(4,802)	4,372
Trading financial liabilities mandatorily at fair value through profit or loss	17	(23,208)	(64,334)
Financial liabilities designated at fair value through profit or loss	18	1,253	(3,226)
Borrowings	27	13,615	3,273
Share based compensation (Included in other liabilities & provisions)	22	(50)	35
Other liabilities and provisions		(1,106)	(7,670)
Net decrease in operating liabilities		**(14,298)**	**(67,550)**
Income taxes refunded		–	61
Income taxes paid		(21)	(11)
Group relief paid		(26)	–
Net cash /generated from operating activities		**1,236**	**16,023**
Cash flows from investing activities (USD million)			
Proceeds from property, equipment and intangible assets	21,24,25,30	166	103
Capital expenditures for property, plant equipment and intangible assets	24,25	(248)	(255)
Net cash used in investing activities		**(82)**	**(152)**
Cash flow from financing activities (USD million)			
Issuances of debt in Issuance	29	5,773	3,586
Repayments of debt in Issuance	29	(10,431)	(19,978)
Net cash flow generated used in financing activities		**(4,658)**	**(16,392)**
Net change in cash and cash equivalents		**(3,504)**	**(521)**
Cash and cash equivalents at beginning of period		4,783	5,033
Effect of exchange rate fluctuations on cash and cash equivalents		(78)	271
Cash and cash equivalents at end of period (USD million)		**1,201**	**4,783**
Cash and due from banks		2,229	4,971
Demand deposits	26	(1,028)	(188)
Cash and cash equivalents at end of period (USD million)		**1,201**	**4,783**

[1] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments. Further, 2017 numbers have been re-stated to conform to current years' presentation.

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

Refer to Note 32 – Share Capital and Share Premium for significant non-cash transactions.

The notes on pages 48 to 191 form an integral part of the Financial Statements.

Bank Statement of Cash Flows for the Year ended 31 December 2018

	Reference to notes	2018	Restated 2017 [1]
Cash flows from operating activities (USD million)			
Profit/(Loss) before tax for the period		84	(111) [1]
Adjustments to reconcile net loss to net cash used in operating activities			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation	12,25	138	132
Losses on long lived assets held for sale	30	–	4
Accrued interest on debt in issuance	5	315	329
Provision for credit losses	8	8	5
Foreign exchange (gain)/loss		8	891
Provisions		(1)	–
Total adjustments		468	1,361
Cash generated before changes in operating assets and liabilities		**552**	**1,250**
Net decrease/(increase) in operating assets:			
Interest bearing deposits with banks		(13,672)	5,460
Securities purchased under resale agreements and securities borrowing transactions	16	6,565	(7,585)
Trading financial assets mandatorily at fair value through profit or loss	17	25,950	71,247
Non-trading financial assets mandatorily at fair value through profit or loss	18	(17,633)	–
Financial assets designated at fair value through profit or loss	19	11,422	9,589
Net loans	20	(266)	(20)
Other assets	22	2,842	3,705 [1]
Net decrease in operating assets		**15,208**	**82,396**
Net (decrease)/increase in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	16	(4,802)	4,372
Trading financial liabilities at fair value through profit or loss	17	(23,209)	(64,341)
Financial liabilities designated at fair value through profit or loss	18	1,192	(3,220)
Borrowings	27	13,615	3,273
Share Based Compensation (Included in other liabilities & provisions)	22	(50)	35
Other liabilities and provisions		(1,106)	(7,670)
Net decrease in operating liabilities		**(14,360)**	**(67,551)**
Income taxes refunded		–	61
Income taxes paid		(21)	(11)
Group relief received/(paid)		(26)	–
Net cash generated from operating activities		**1,353**	**16,145**
Cash flows from investing activities (USD million)			
Proceeds from property, equipment and intangible assets	24,25,30	57	70
Capital expenditures for property, plant equipment and intangible assets	24,25	(248)	(255)
Net cash used in investing activities		**(191)**	**(185)**
Cash flows from financing activities (USD million)			
Issuances of debt in issuance	29	5,772	3,586
Repayments of debt in issuance	29	(10,431)	(19,978)
Net cash flow used in financing activities		**(4,659)**	**(16,392)**
Net decrease in cash and cash equivalents		**(3,497)**	**(432)**
Cash and cash equivalents at beginning of period		4,743	4,904
Effect of exchange rate fluctuations on cash and cash equivalents		(78)	271
Cash and cash equivalents at end of period (USD million)		**1,168**	**4,743**
Cash and due from banks		2,196	4,931
Demand deposits	26	(1,028)	(188)
Cash and cash equivalents at end of period (USD million)		**1,168**	**4,743**

[1] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.Further, 2017 numbers have been re-stated to conform to current years' presentation.

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

Refer to Note 32 – Share Capital and Share Premium for significant non-cash transactions.

The notes on pages 48 to 191 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 2018

1 General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2018 comprise CSi and its subsidiaries (together referred to as the 'CSi group'). The Consolidated Financial Statements were authorised for issue by the Directors on 28 March 2019.

2 Significant Accounting Policies

a) Statement of compliance

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

b) Basis of preparation

The Consolidated Financial Statements are presented in United States Dollars ('USD') rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, trading financial assets and liabilities mandatorily at fair value through profit or loss, non-trading financial assets mandatorily at fair value through profit or loss and financial instruments designated by the CSi group as at fair value through profit or 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.

Credit Suisse Group ('CSG') continues to provide confirmation that it will provide sufficient funding to the Bank to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

Standards effective in the current period

The CSi group has adopted the following new standards and amendments in the current year:

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

In October 2017, the IASB issued 'Prepayments Features with Negative Compensation' (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The CSi group early adopted this amendment as at 1 January 2018. Changes in accounting policies resulting from the adoption of IFRS 9 are generally applied retrospectively; however the CSi group has taken advantage of the exemption allowing it not to restate comparative information for prior periods. As a result, the Significant Accounting Policies and Critical Accounting Estimates and Judgements notes have both the 2018 and 2017 policies where applicable. For the impact of adoption of IFRS 9 on 1 January 2018, please refer to the following tables.

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

Group

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

Bank

Class of financial instrument	FVTPL	Held for trading
Financial assets (USD million)		
Cash and due from banks	–	–
Interest-bearing deposits with banks	–	–
Securities purchased under resale agreements and securities borrowing transactions	–	–
Trading financial assets at fair value through profit or loss	–	174,353
Financial assets designated at fair value through profit or loss	11,422	–
Net loans	–	–
Other assets	–	–
Assets held for sale	–	115
Total carrying value of financial assets	**11,422**	**174,468**
Financial liabilities (USD million)		
Deposits	–	–
Securities sold under repurchase agreements and securities lending transactions	–	–
Trading financial liabilities at fair value through profit or loss	–	149,506
Financial liabilities designated at fair value through profit or loss	22,899	–
Borrowings	–	–
Debt in issuance	–	–
Other liabilities	–	–
Liabilities held for sale	–	117
Total carrying value of financial liabilities	**22,899**	**149,623**

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

Measurement category at 31 December 2017 (IAS 39)					Measurement category at 1 January 2018 (IFRS 9)		
Loans and Receivable	Other Amortised Cost	Total Carrying Value	Reclassifications	Remeasurements	FVTPL	Amortised Cost	Total Carrying Value
–	4,931	4,931	–	–	–	4,931	4,931
–	4,187	4,187	–	–	–	4,187	4,187
–	17,052	17,052	–	–	–	17,052	17,052
–	–	174,353	–	–	174,353	–	174,353
–	–	11,422	83	(4)	11,501	–	11,501
3,331	–	3,331	(83)	6	–	3,254	3,254
–	32,957	32,957	–	–	–	32,957	32,957
–	–	115	–	–	115	–	115
3,331	**59,127**	**248,348**	**–**	**2**	**185,969**	**62,381**	**248,350**
–	188	188	–	–	–	188	188
–	7,193	7,193	–	–	–	7,193	7,193
–	–	149,506	–	–	149,506	–	149,506
–	–	22,899	–	–	22,899	–	22,899
–	5,940	5,940	–	–	–	5,940	5,940
–	16,847	16,847	–	–	–	16,847	16,847
–	24,176	24,176	–	(7)	–	24,169	24,169
–	–	117	–	–	117	–	117
–	**54,344**	**226,866**	**–**	**(7)**	**172,522**	**54,337**	**226,859**

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

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

[1] The impact of impairment is not included above. Please see the table below for impairment.

Bank Financial assets (USD million)	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements [1]	IFRS 9 carrying amount 1 January 2018	Retained earnings effect on 1 January 2018
Fair value through profit or loss	**185,890**	**83**	**(4)**	**185,969**	**(4)**
Additions:					
From amortised cost (IAS 39) – required reclassification	–	83	(4)	79	(4)
Total change to fair value through profit or loss	–	83	(4)	79	(4)
Amortised Cost	**62,458**	**(83)**	**–**	**62,375**	**–**
Subtractions:					
To fair value through profit or loss (IFRS 9) – at 1 January 2018	–	(83)	–	(83)	–
Total change to amortised cost	–	(83)	–	(83)	–
Total financial asset balances, reclassifications and remeasurements at 1 January 2018	**248,348**	**–**	**(4)**	**248,344**	**(4)**

[1] The impact of impairment is not included above. Please see the table below for impairment.

On adoption of IFRS 9, there was a transition loss recognised in retained earnings of USD 4 million. Under IAS 39, loans aggregating USD 83 million were accrual accounted in the Corporate Bank. The risks that affect the performance of the loans are managed on a fair value basis, hedged by credit default swaps and accordingly with the implementation of IFRS 9, these are now mandatorily fair valued through profit or loss.

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

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

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

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

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

The CSi group adopted the guidance in IFRS 15 and Clarifications to IFRS 15 on 1 January 2018 using the cumulative effect transition approach with a transition adjustment recognised in retained earnings without restating comparatives. As a result, the Significant Accounting Policies and Critical Accounting Estimates and Judgements notes have both the 2018 and 2017 policies where applicable. As a result of adoption, CSi group did not have any material changes due to timing of the recognition of certain fees. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs. As a result of the CSi group's assessment of performance obligations within advisory contracts, the CSi group identified changes in the timing of the recognition of certain fees in the IBCM business.

Additionally, the new guidance required the gross up of revenue and related expenses in underwriting, fund management and investment banking advisory, and under Revenue Share Agreements and Transfer Pricing Adjustments; this change in presentation from net to gross would have increased the revenues and expenses in 2017 by USD 494 million.

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

Standards and Interpretations endorsed by the EU and not yet effective

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

- **IFRS 16 Leases:** In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) superseding IAS 17 'Leases', IFRIC 4 'Determining whether and 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 compared to the current accounting guidance. Under the current lessee accounting model the CSi group is required to distinguish between finance leases, which are recognised on balance sheet, and operating leases, which are not. IFRS 16 introduces 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 for most leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption was permitted for entities that apply IFRS 15 at or before the initial application of IFRS 16.

The CSi group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach with the cumulative effect adjustment recognised in retained earnings without restating comparatives. The CSi group elected to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and practical expedient to use hindsight in determining the lease term.

As a result of adoption, CSi group recognised additional liabilities of USD 836 million based on the present value of the remaining rental payments and corresponding right-of-use assets (net of onerous lease provisions) of USD 598 million. No retained earnings impact was associated with this change in accounting.

- **IFRIC 23:** In June 2017, the IASB issued IFRIC 23 'Uncertainty over Income Tax Treatments' (IFRIC 23). IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The adoption of IFRIC 23 on 1 January 2019 did not have a material impact on the CSi group's financial position, results of operations and cash flows.
- **Annual Improvements to IFRSs 2015-2017 Cycle:** In December 2017, the IASB issued 'Annual Improvements to IFRSs 2015-2017 cycle' (Improvements to IFRSs 2015-2017). The Improvements to IFRSs 2015-2017 are effective

for annual periods beginning on or after 1 January 2019. The adoption of Annual Improvements to IFRSs 2015-2017 Cycle on 1 January 2019 did not have a material impact on the CSi group's financial position, results of operations and 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 are effective for annual periods beginning on or after 1 January 2019. The adoption of the Amendments to IAS 19 on 1 January 2019 did not have a material impact on the CSi group's financial position, results of operation or cash flows.

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

The CSi group is not yet required to adopt the following 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 issued 'Definition of a Business '(Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The CSi group is currently evaluating the impact of adopting the Amendments to IFRS 3.

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

c) Basis of consolidation

The consolidated financial statements include the results and positions of the CSi group and its subsidiaries (which includes consolidated structured entities). Subsidiaries are entities controlled by the CSi group. The CSi group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the CSi group has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The CSi group also determines whether another entity with decision-making rights is acting as an agent for the CSi group. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the 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 CSi group makes significant judgements and assumptions when determining if it has control of another entity. The CSi group may control an entity even though it holds less than half of the voting rights of that entity, for example if the CSi group has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the CSi group may not control an entity even though it holds more than half of the voting rights of that entity, for example where the CSi group holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control commences until the date on which control ceases. The CSi group reassesses consolidation status on at least a quarterly basis.

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

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

d) Equity method investments

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

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

e) Foreign currency

The Bank's functional currency is 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. Non-monetary assets and liabilities, denominated in foreign currencies at the reporting date unless revalued at fair value are not revalued for movements in foreign exchange rates.

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

f) Financial assets and liabilities (Accounting policy for 2018)

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

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

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

The 'Hold to Collect' business model is a model with the objective to hold a financial asset to collect contractual cash flows. Sales are incidental to the objective of this model. The 'Hold to Collect and Sell' business model is a model with the objective to both hold financial assets to collect contractual cash flows and to sell financial assets. This model has a greater frequency of sales than a 'Hold to Collect' business model. The CSi group does not have any financial assets which are under the 'Hold to Collect and Sell' business model.

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

Amortised Cost
Financial assets which have contractual cash flows which consist solely of payments of principal and interest and are held in a 'Hold to Collect' business model are subsequently measured at amortised cost and are subject to impairment (Refer note g).

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

Trading financial assets and liabilities mandatorily at Fair Value through Profit or Loss
Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments, 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 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 may be designated at fair value through profit or loss if the designation at fair value 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.

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

Financial liabilities are only designated as held at fair value through profit or loss if when doing so results in more relevant information, because either:
(i) it eliminates or significantly reduces an inconsistency in measurement or recognition (refer to the criteria mentioned in the above paragraph for Financial Assets) ; or
(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSi group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business; or
If a contract contains one or more embedded derivatives (irrespective as to whether the embedded derivative is not closely related to the contract), an entity may designate the entire hybrid (or combined) contract as a financial liability designated at fair value through profit or loss unless:
- the embedded derivatives do not significantly modify the cash flows that otherwise would be required by the Contract, or
- it is apparent with little or no analysis that bifurcation would be prohibited (e.g., prepayment option that triggers redemption at amortised cost).

Financial liabilities designated at fair value through profit and loss must present all changes in the fair value in the 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss' except for which changes in the own credit risk of the liability is recorded in OCI. Upon extinguishment of financial liability any amount of own credit remaining in OCI relating to the extinguished debt remains in equity but is reclassified to retained earnings.

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

Financial assets and liabilities at fair value through profit or loss (Accounting Policy for 2017)

The CSi group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of an instrument, the CSi group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Where the fair value is not determined using a quoted price in an active market for an identical asset or liability or a valuation technique that uses data from observable inputs, then reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable inputs becomes available. Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

Trading financial assets and financial liabilities 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.

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

(i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSi group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business.

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related financial assets and financial liabilities are presented as 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss'. Movements in 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss' are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Once designated this election is irrevocable.

g) Impairment of financial assets, loan commitments and financial guarantees (Accounting Policy for 2018)

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

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

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

The assessment of a significant increase in credit risk since initial recognition is based on different quantitative and qualitative factors that are relevant to the particular financial instrument in scope. If the financial assets are credit-impaired they are then moved to Stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

Measurement of ECLs

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

- Financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the CSi group expects to receive. The CSi group applies a PD/LGD approach under which term structures of point-in-time probability of defaults ('PDs'), point-in-time loss given defaults ('LGDs') and exposure at defaults ('EADs') are estimated;
- Financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments apply the present value of the difference between the contractual cash flows that are due to the CSi group if the commitment is drawn down and the cash flows that the CSi group expects to receive; and
- Financial guarantee contracts apply the present value of the expected payments to reimburse the holder less any amounts that the CSi group expects to recover.

The CSi group applies the simplified approach to providing for expected credit losses which permits the use of the lifetime expected loss provision for all fee receivables. To measure the expected credit losses, the CSi group will apply a provision matrix in the form of aging analysis, including relevant forward looking information. The fee receivables do not contain a significant financing component.

Definition of default

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

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

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

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

Forward looking information

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

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

Significant increases in credit risk ('SICR')

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

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

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

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

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

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

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

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

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

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

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

Expected life

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

Grouping financial assets measured on a collective basis

For Stage 1 and Stage 2 ECLs, financial assets are grouped based on shared credit risk characteristics, e.g. product type and geographic location. However, for each financial asset within the grouping an ECL is calculated based on the PD/LGD approach. Financial assets are grouped as follows:
- Financial institutions
- Corporates
- Fallback (assets not included in any of the above categories)

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

Write-off of loans

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

h) Net Loans (Accounting Policy for 2018)

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). Other loans and receivables in 2017 are renamed to Net loans in 2018 to better describe the financial instruments.

When calculating the effective interest on non-credit impaired loans measured at amortised cost, the CSi group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not expected credit losses.

→ For detailed impairment guidance, refer note g.

Net Loans (Accounting Policy for 2017)

Loans are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses.

Impairment on Net Loans

The CSi group assessed at Consolidated Statement of Financial Position date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Consolidated Statement of Financial Position date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

All individually significant loans are assessed for specific impairment. Individually significant loans found not to be impaired are then collectively assessed for impairment that has been incurred, but not yet been identified. Loans that are not individually significant are assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating. Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the group or economic conditions that correlate with defaults in the group.

Many factors can affect the CSi group's estimate of the impairment losses on loans, including volatility of default probabilities, rating migrations and loss severity. The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows discounted at the asset's original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral.

The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. The amount of the loss is recognised in the Consolidated Statement of Income within 'Allowances for credit losses'. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

Write-off of loans
When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSi group, the loan and any associated allowance is written off. Any repossessed collateral is initially measured at fair value. The subsequent measurement will depend on the nature of the collateral.

Renegotiated loans
Where possible, the CSi group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of modified loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Loan commitments
Certain loan commitments are classified as financial assets/liabilities at fair value through profit or loss in accordance with the policy discussed in note f under section 'Financial instruments designated as held at fair value through profit or loss'. All other loan commitments remain off-balance sheet. If such commitments are considered onerous, a provision is raised in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" (IAS 37) based upon management's best estimate of the expenditure required to settle the obligation.

i) Cash and due from banks

For the purpose of preparation and presentation of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management.

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

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

- The CSi group will pass through to the client all interest paid by the CCP, Broker or Deposit Bank on cash deposits;
- The CSi group is not permitted to transform cash balances into other assets; and
- The CSi group does not guarantee and is not liable to the client for the performance of the CCP, Broker or Deposit Bank, then cash collected from clients and remitted to the CCP, Broker or Deposit Bank is not reflected on the CSi group's Consolidated Statement of Financial Position. Examples include initial margin where the CSi group acts as Broker in an agency capacity and cash designated as client money under the Client Assets ('CASS') client money rules of the UK's Financial Conduct Authority ('FCA').

For 2018, cash and cash equivalents are measured at amortised cost and are subject to impairment (refer note g).

j) Interest income and expense (Accounting Policy for 2018)

Interest income and expense includes interest income and expense on the CSi group's loans, deposits, borrowings, debt in issuance, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSi group's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss which are included in 'Net gains/(losses) 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).

Interest income and expense (Accounting Policy for 2017)

Interest income and expense includes interest income and expense on the CSi group's loans, deposits, borrowings, debt in issuance, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSi group's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss which are included in 'Net gains/(losses) 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.

k) Commissions and fees (Accounting Policy for 2018)

Fee and commission revenue is recognised from a diverse range of services provided by CSi to its customers. CSi recognises revenue when it satisfies a performance obligation by transferring control over a service to a customer. Variable consideration is only included in the transaction price once it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Generally no significant judgements are applied when recording variable consideration. If a fee is a fixed percentage of a variable account value, at contract inception, the fee is constrained as the promised consideration is highly susceptible to change due to factors outside of the entity's influence. However, at each subsequent reporting date (i.e. daily, monthly, quarterly), the cumulative amount of the consideration from the fee to which the entity is entitled is not constrained because it is calculated based on the account value which is known. Therefore, the fee is not variable as at the point it is recognised.

Specifically for the entity's underwriting transactions, all expenses incurred in satisfying the performance obligation are deferred and recognised once the deal is complete. As 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.

Commissions and fees (Accounting Policy for 2017)

Fee and commission revenue is recognised from a diverse range of services provided to its customers and is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as fees from mergers and acquisitions and other corporate finance advisory services);
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio management, granting of loan commitments where it is not probable that the CSi group will enter into a specific lending arrangement, customer trading and custody services);
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees where it is probable that the CSi group will enter into a specific lending agreement) and recorded in 'Interest income'; and
- Performance-linked fees or fee components are recognised when the recognition criteria are fulfilled.

Incremental costs that are directly attributable to securing investment management contracts may be deferred to match the revenue recognised in relation to that transaction. These costs are recognised as and when the CSi group recognises the related revenue.

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 activity transactions on our own behalf 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 contracts that meet the definition of a derivative are not considered closely related to the host 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. From 2018 this policy is only applicable to financial liabilities and not financial assets.

Cash flow 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 variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the Consolidated Statement of Income or when the hedged item is disposed of). Hedge ineffectiveness is recorded in "Net gains/(losses) from financial assets/liabilities at fair value through profit or loss".

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

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

m) Securities purchased or sold under resale agreements or repurchase agreements (Accounting policy for 2018)

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase agreements ('repurchase agreements') do not constitute economic sales and are therefore treated as collateralised financing transactions.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The CSi group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.
In reverse repurchase agreements, the cash advanced, is recognised on the Consolidated Statement of Financial Position as an asset and is measured at either amortised cost or mandatorily at fair value through profit or loss (Refer note f). The reverse repurchase agreements that are measured at amortised cost are subject to impairment (Refer note g). In repurchase agreements, the cash received, is recognised on the Consolidated Statement of Financial Position as a liability and is measured at either amortised cost or designated at fair value through profit or loss.

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

Securities purchased or sold under resale agreements or repurchase agreements (Accounting policy for 2017)

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. In reverse repurchase agreements, the cash advanced, is recognised on the Consolidated Statement of Financial Position as an asset. In repurchase agreements, the cash received, is recognised on the Consolidated Statement of Financial Position as a liability.

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

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 (Accounting Policy for 2018)

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

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

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

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

Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

Securities borrowing and lending transactions (Accounting Policy for 2017)

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

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

Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

o) Income tax

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

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

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

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

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

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

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

Tax contingencies

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

p) Investment property

Investment property is initially measured at cost, and subsequent to initial recognition is measured using the cost model.

Investment property held under the cost model is subsequently measured at cost less depreciation and any provision for impairment unless held for sale. If held for sale it will be subsequently measured at the lower of carrying amount and fair value less costs to sell.

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

q) Property and equipment

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

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

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

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

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

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

r) Intangible assets

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

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

The carrying amounts of the CSi group's intangible assets are reviewed at each reporting date or when events or information indicate that the carrying value of the asset may no longer be appropriate to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Income.

s) Deposits

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

t) Provisions

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

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

u) Debt in issuance

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

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

The CSi group issues structured products with embedded derivatives. A structured product that contains an embedded derivative is designated at fair value through profit or loss. The embedded contract would likely meet the definition of a derivative. 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 must be treated as a financial instrument held at fair value. It cannot be accounted for at amortised cost.

v) Disposal Groups and Discontinued Operations

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

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

A discontinued operation is a component of CSi group that either has been disposed of or is classified as held for sale and:
(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

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

w) Retirement benefit costs

The CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, in which the Bank is not the sponsoring entity. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred.

In accordance with the provisions of IAS 19, "Employee Benefits" (IAS 19) 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 Bank and defined contribution accounting is applied, as the CSi group has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost. The CSi group's share of the retirement benefit obligation is instead recognised in the Consolidated Statement of Financial Position of the sponsoring entity, CSS(E)L which is external to the CSi group but is a related party due to both entities being owned by CSG.

x) Share-based payments

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

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

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

Phantom shares and Performance share awards are accrued over the 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.

Share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents during the vesting period, while share awards granted after January 1, 2016 include the right to receive dividend equivalents.

y) Other compensation plans

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

z) Financial guarantee contracts (Accounting Policy for 2018)

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 'Allowance for credit losses'.

Financial guarantee contracts (Accounting policy applicable for 2017)

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. Subsequent to initial recognition, the CSi group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required to settle any financial obligation arising as of the Statement of Financial Position date when it is probable that the financial obligation will occur. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate. Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Allowance for credit losses'.

aa) Operating leases

The leases entered into by the CSi group are exclusively operating leases. The total payments made under operating leases are charged to the Consolidated Statement of Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.
If leased premises are vacated before the minimum lease term ends, a provision for the remaining minimum lease payments, net of any expected sublease income, is recognised in the period in which the CSi group makes the decision to leave the property.

For lease incentive provided by the lessor, the CSi group, as lessee, recognises the aggregate benefit as a reduction of rental expense over the lease term on a straight-line basis.

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

Subleases
The subleases entered into by the CSi group are exclusively operating leases. Sublease payments received are recognised through 'General, Administrative and Trading expenses' in the Consolidated Statement of Income on a straight-line basis over the period of the lease.

ab) Contingent liabilities

A contingent liability is an existing condition involving uncertainty as to possible loss to the entity that will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability is not recognised as a liability but is disclosed (unless the possibility of an outflow of economic resources is remote), except for those acquired under business combinations, which are recognised at fair value.

ac) Recognition and derecognition

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

Regular-way securities transactions
A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The CSi group recognises regular-way purchases or sales of trading financial assets at the settlement date unless the instrument is a derivative.

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

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

The CSi group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSi group has a financial 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 CSi group securitises assets, which generally results in the sale of these assets to structured entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

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

ad) Netting

The CSi group only offsets financial assets and liabilities and presents the net amount on the Consolidated Statement of Financial Position where it:
- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

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

However, because such contracts are not currently enforceable in the normal course of business and the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 “Financial Instruments: Presentation” (IAS 32) to offset transactions falling under Master Netting Agreements. For certain derivative transactions cleared with a central clearing counterparty (CCP) , the offsetting criteria under IAS 32 are met because the CSi group has the current legally enforceable right to set off (based on the offsetting provisions in the CCP rulebook) and the intention to settle net or simultaneously (considering the daily payment process with the CCP). For securities purchased or sold under resale agreements or repurchase agreements, such legally enforceable agreements qualify for offsetting under IAS 32, if the gross settlement mechanism for these transactions has features that eliminate or result in insignificant credit and liquidity risk and that will process receivables and payables in a single settlement process or cycle and will therefore meet the net settlement criterion as an equivalent.

ae) Dividends

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU (‘Adopted IFRS’), management is required to make critical judgements. Also management makes certain accounting estimates to ascertain the value of assets and liabilities and determine the impact to the income statement. Judgements and estimates are based upon the information available at the time, and actual results may differ materially. The following critical judgements and, where applicable, estimations have the most 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. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly makes the key judgement to determine whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax asset established without impairment.

In making the key judgement to determine whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Bank. 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 CSi group’s estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

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

Fair Value

A significant portion of the CSi group’s financial instruments (trading financial assets and liabilities, derivative instruments and financial assets and liabilities designated at fair value) are carried at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group’s financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain commercial papers (‘CP’), most investment grade corporate debt, certain high grade debt securities, exchange-traded and certain over the counter (‘OTC’) derivative instruments and most listed equity securities.

In addition, the CSi group holds 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 key judgements to be made 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 key 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 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).

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. 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 or 'CVA') is considered when measuring the fair value of assets, the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments or 'DVA') is considered when measuring the fair value of its liabilities, and the funding cost (known as funding valuation adjustment for 'FVA') is considered for OTC derivatives.

For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swaps ('CDS') prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to a counterparty, such as collateral held and master netting agreements.

For hybrid debt instruments with embedded derivative features, a key judgement is made in regards to the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

As of the end of 2018, 71.77% and 72.02% of CSi group's total assets and total liabilities respectively, were measured at fair value (2017: 74.45% and 76.01%, respectively). Level 3 assets and Level 3 liabilities were USD 5.4 billion and USD 4.8 billion respectively as of the end of 2018 (2017: USD 4.5 billion and USD 5.6 billion). As of the end of 2018, these assets comprised 2.34% of total assets (2017: 1.8%) and 2.30% of total liabilities (2017: 2.47%).

→ For further information on the fair value hierarchy and a description of CSi group's valuation techniques, refer to Note 41 – Financial Instruments.

The CSi group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gains or losses is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data. The financial instrument is recognised at fair value with any profit or loss implied from the valuation technique at trade date is deferred and amortised over the life of the contract or over the period up to when the fair value is expected to become observable. For further information on the fair value hierarchy and a description of CSi group's valuation techniques, refer to Note 41 – Financial Instruments.

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

→ For further information to the CSi group's control and governance processes on the fair value of financial instruments, refer to Note 41 – Financial Instruments.

Allowance and impairment losses financial instruments subject to expected credit loss model (Applicable to 2018)

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

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

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

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

Allowances and impairment losses on other loans and receivables (Applicable to 2017)

As a normal part of its business, the CSi group is exposed to credit risks through its lending relationships, commitments and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the CSi group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The CSi group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the reporting date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. Loans are segregated by risk, industry or country rating in order to collectively estimate inherent losses. The loan valuation allowance for inherent loss is a critical account estimate that is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves key judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

The CSi group performs an in-depth review and analysis of impaired loans, considering key judgements such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate & Institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly and a key judgement is made to determine whether they should be moved to CSi group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSi group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

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

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. 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 bank 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 estimate. Note 30 –Assets and Liabilities 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 CSi group has both defined contribution and defined benefit pension plans. The defined benefit plans are CS group schemes, CSi being a participant to the scheme and CSS(E)L, a related party also owned by the CSG, as the sponsor. The CSi group's share of the retirement benefit obligation, main estimates and judgements lie with CSS(E)L which are described below:

The following relates to the assumptions CSS(E)L, the sponsor of the defined benefit plan, has made in arriving at the valuations of the various components of the defined benefit plan, of which the CSi group is a participant.

The calculation of the expense and liability associated with the defined benefit pension plans requires the use of key judgements, which include the discount rate and rate of future compensation increases as determined by CSS(E)L. Management determines these key judgements 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 CSS(E)L may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

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

→ Please see Note 34 – Retirement Benefit Obligations for more information.

Share-based payments

The CSi group uses the liability method to account for its share-based payment plans, which requires the CSi group's obligation under these plans to be recorded at its current estimated fair value. 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 35 – Employee Share-based Compensation and Other Compensation Benefits for more information.

Contingencies and loss provisions

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events.

→ Please see Note 13 – Restructuring expenses and Note 28 – Provisions for more information.

Litigation contingencies

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

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. A provision is recognised if, and only if a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event). In presenting the Consolidated Financial Statements, management makes critical accounting estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on key judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSi group's defences and its experience in similar cases or proceedings, as well as the CSi group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

→ Please see Note 28 – Provisions for more information.

Structured Entities

As part of normal business, the CSi group engages in various transactions that include entities which are considered structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSi group may hold interests in the structured entities. If the CSi group controls the structured entity then that entity is included in the CSi group's consolidated financial statements.

The CSi group discloses information about significant key judgements and assumptions made in determining whether the CSi group has (joint) control of, or significant influence over, another entity including structured entities. The CSi group also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity.

→ Please see Note 40 – Interests in Other Entities for more information.

4 Segmental Analysis

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

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

Global Markets:	The GM division consists of six sub divisions Credit, Equities, Fixed Income & Wealth Management Products, Equity Derivatives & Investor Products, International Trading Solutions Management and Global Markets Management. These sub divisions together offer trading in emerging markets, equity derivatives, global macro, global credit and securitised products.
Investment Banking & Capital Markets:	The Investment Banking & Capital Markets division service offering includes mergers and acquisitions, debt, equity and other capital raising activities.
APAC:	Investment banking capabilities in Asia Pacific, serving corporate and institutional clients.
Strategic Resolution Unit:	Operations include ongoing management and wind-down of legacy businesses in interest and credit derivatives, CDOs, Residential Mortgage Backed Securities ('RMBS') origination and Commercial Mortgage Backed Securities ('CMBS').

Segment performance is assessed by the Board based on the CEO report, which details revenues and pre-tax income by segment. CSi group assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CODM does assess the overall expense base for CSi group, it does not specifically manage the expenses at a CSi group segment level. Certain revenue items are also not directly allocated to the business segments at a CSi group level. These items include certain transfer pricing, credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi group may earn revenues. Transactions between reportable segments are held at an arm's length basis and are included in the segment results.

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

	2018	2017
Revenues (USD million)		
Global Markets	**960**	**1,031**
- Credit	190	193
- Equities	84	42
- Fixed Income & Wealth Management Products	318	437
- Equity Derivatives & Investor Products	435	229
- International Trading Solutions Management	(83)	(19)
- Global Markets Management	16	149
Investment Banking & Capital Markets	448	410
APAC	365	330
Other	11	9
Core Business	**1,784**	**1,780**
Strategic Resolution Unit	(70)	(167)
Total	**1,714**	**1,613**

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

	2018	2017 [1]
Consolidated Income/(loss) before taxes (USD million)		
Global Markets	**147**	**188**
- Credit	83	96
- Equities	36	–
- Fixed Income & Wealth Management Products	113	123
- Equity Derivatives & Investor Products	90	(82)
- International Trading Solutions Management	(106)	(43)
- Global Markets Management	(69)	94
Investment Banking & Capital Markets	20	5
APAC	291	112
Other	(19)	(7)
Core Business	**439**	**298**
Strategic Resolution Unit	(143)	(282)
Total	**296**	**16**

[1] 2017 numbers have been re-stated to conform to current period's presentation

CSi group Assets:

Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totalling USD 728 million (2017: USD 742 million).

Reconciliation of reportable segment revenues

	2018	2017 [2]
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments	1,714	1,613
Transfer pricing arrangements	198	(315)
Cross divisional revenue share	50	17
Treasury funding	336	96
Provision for credit losses	(8)	–
Other corporate items	31	(16)
Shared services	36	(40)
CSi group to primary reporting reconciliations [1]	(160)	46
Net revenues as per Consolidated Statement of Income	**2,197**	**1,401**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group accounts prepared in accordance with IFRS.
[2] 2017 numbers have been re-stated to conform to current period's presentation

	2018	2017 [2]
Reconciliation of reportable segment income before taxes (USD million)		
Income before taxes for reportable segments	296	16
Other corporate items	(8)	(92)
Shared services	(33)	(73)
CSi group to primary reporting reconciliations [1]	(181)	7
Profit/(Loss) before taxes as per Consolidated Statement of Income	**74**	**(142)**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi group accounts prepared in accordance with IFRS.
[2] 2017 numbers have been re-stated to conform to current period's presentation

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

5 Net Interest Income/(Expense)

	2018	2017
Net interest income (USD million)		
Loans	156	142
Securities purchased under resale agreements and securities borrowing transactions	412	221
Cash collateral paid on OTC derivatives transactions	433	326
Interest income on cash and cash equivalents	445	129
Interest income	**1,446**	**818**
Deposits	(6)	(9)
Borrowings	(86)	(76)
Securities sold under repurchase agreements and securities lending transactions	(352)	(134)
Debt in Issuance	(315)	(329)
Cash collateral received on OTC derivatives transactions	(416)	(300)
Interest expense	**(1,175)**	**(848)**
Net interest income/(expense)	**271**	**(30)**
of which		
Interest income of Financial assets measured at fair value through profit or loss	316	197 [1]
Interest income of Financial assets measured at amortised cost	1,130	621 [1]
Interest expenses of Financial liabilities measured at fair value through profit or loss	(228)	(90) [1]
Interest expenses of Financial liabilities measured at amortised cost	(947)	(758) [1]

[1] 2017 numbers have been restated to conform to the current year's presentation.

Interest income accrued on impaired financial assets during the year was USD Nil (2017: USD 0.6 million).

6 Net Commission and Fee Income

	2018	Restated 2017 [1]
Net Commission and fee income (USD million)		
Lending business	147	122
Brokerage	99	93
Underwriting	121	49
Other client services	231	347
Total commission and fee income	**598**	**611**
Brokerage	–	(16)
Other client services	–	(54)
Total commission and fee expense	**–**	**(70)**
Net commission and fee income	**598**	**541**

[1] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments. The impact of adoption of IFRS 15 resulted in an increase in net commission and fees revenues of USD 63 million.

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

The adoption of IFRS 15 resulted in certain brokerage fees paid in an agency capacity reclassified from brokerage commission and fee expenses to brokerage commission and fee income on a prospective basis from 1 January 2018. This primarily related to where the CSi group acts as an agent when buying or selling exchange traded securities, exchange traded derivatives or centrally cleared OTC derivatives on behalf of clients.

	2018 [1]
Fee income and expense from financial instruments (USD million)	
Origination fees and other services	33
Commitment fees	24
Total fee income	**57**
Total fee expense	**–**
Net fee income	**57**

[1] The disclosure is applicable under IFRS 9. The CSi group has taken advantage of the exemption allowing it not to present comparative information for the prior period.

7 Revenue from Contracts with Customers

Nature of services

The following is a description of the principal activities from which the CSi group generates its revenues from contracts with customers.

The performance obligations are typically satisfied as the services in the contract are rendered. The contract terms are generally such that they do not result in any contract assets. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. Any variable consideration is only included in the transaction price and recognised as revenue when it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the amount is subsequently resolved.

The CSi group's capital markets businesses underwrite and sell securities on behalf of customers. Typically, the fees in these businesses are recognised at a single point in time once the transaction is complete, i.e. when the securities have been placed with investors, and recognised as underwriting revenue. All expenses incurred in satisfying the performance obligation are deferred and recognised once the transaction is complete. Generally the CSi group and other banks form a syndicate group to underwrite and place the securities for a customer. The CSi group may act as the lead or a participating member in the syndicate group. Each member of the syndicate group, including the lead and participating underwriters, is acting as principal for their proportionate share of the syndication. As a result, the individual underwriters reflect their proportionate share of underwriting revenue and underwriting costs on a gross basis.

The CSi group also offers brokerage services in its investment banking businesses, including global securities sales, trading and execution and investment research. For the services provided, for example the execution of customer trades in securities or derivatives, CSi group typically earns a brokerage commission when the trade is executed. CSi group generally acts as an agent when buying or selling exchange-traded cash securities, exchange-traded derivatives or centrally cleared OTC derivatives on behalf of customers.

The CSi group's investment banking businesses provide services that include advisory services to customers in connection with corporate finance activities. The term 'advisory' includes any type of service the CSi group provides in an advisory capacity. For these types of services, the CSi group typically receives a non-refundable retainer fee and/or a success fee which usually represents a percentage of the transaction proceeds if and when the corporate finance activity is completed. Additionally, the contract may contain a milestone fee such as an 'announcement fee' that is payable upon the public announcement of the corporate finance activity. Typically the fees in the investment banking business are recognised at a specific point in time once it is determined that the performance obligation related to the transaction has been completed. A contract liability will be recorded if the CSi group receives a payment such as a retainer fee or announcement fee for an advisory service prior to satisfying the performance obligation. Advisory fees are recognised ratably over time in scenarios where the contracted service of the CSi group is to act as an advisor over a specified period not related to or dependent on the successful completion of a transaction.

Revenues recognised from these services are reflected in the line item 'Other Services' in the following table which explains disaggregation of the revenue from service contracts with customers into different categories:

	2018 [1]
Type of Services (USD million)	
Lending business	90 [2]
Other securities business	5
Brokerage	98
Underwriting	121
Transfer pricing arrangement and other services	424
Total	**738**

[1] The disclosure is applicable under IFRS 15. The CSi group has not presented comparative information for the prior period. The table above differs from note 6 – Commission and Fee income as it includes only those contracts with customers that are in scope of IFRS 15 – Revenue from contracts with customers.
[2] Lending fees include loan syndication fees received by the CSi group for arranging loans for which it retains no part of the loan package (or retains a part at the same effective interest rate for comparable risk as other participants).

The impact of adoption of IFRS 15 on the CSi group's consolidated statement of income for the period ended 31 December 2018 resulted in an increase in net commission and fee revenues of USD 63 million, an increase in other revenues of USD 503 million, an increase in brokerage charges and clearing house expenses of USD 63 million and increase in general and administrative expenses of USD 503 million. The impact of the adoption did not have a material impact on the CSi group's consolidated statement of financial position or the CSi group's consolidated statement of cash flows for the period ended 31 December 2018.

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

[1] The disclosure is applicable under IFRS 15. The CSi group has not presented comparative information for the prior period. The table above differs from note 6 – Commission and Fee income as it includes only those contracts with customers that are in scope of IFRS 15 – Revenue from contracts with customers.

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

The CSi group recognised a net impairment loss on contract receivables of USD 2 million. The CSi group did not recognise any contract assets during 2018.

Remaining performance obligations

The practical expedient allows the CSi group to exclude from its remaining performance obligations disclosure of any performance obligations which are part of a contract with an original expected duration of one year or less. Additionally any variable consideration, for which it is probable that a significant reversal in the amount of cumulative revenue recognised will occur when the uncertainty associated with the variable consideration is subsequently resolved, is not subject to the remaining performance obligations disclosure because such variable consideration is not included in the transaction price (e.g. investment management fees). Upon review, the CSi group determined that no material remaining performance obligations are in scope of the remaining performance obligations disclosure.

8 Allowance for Credit Losses

	2018	2017
(Additional)/Release of allowance for credit losses (USD million)		
Allowance for credit losses	(11)	(12)
Allowance for off-balance sheet exposures	(4)	(6)
Additional allowance for credit losses	**(15)**	**(18)**
Allowance for credit losses	4	11
Allowance for off-balance sheet exposures	3	2
Release of allowance for credit losses	**7**	**13**
(Additional)/Release of allowance for credit losses	**(8)**	**(5)**

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

	2018
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)	
Net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss	(494)
Net gains/(losses) from financial liabilities designated at fair value through profit or loss	1,591
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**1,097**

	2018
Trading financial assets/ liabilities mandatorily measured at fair value through profit or loss (USD million)	
Interest rate	2,305
Foreign exchange	(528)
Equity	(2,343)
Credit	346
Commodity	23
Other	(63)
Total net gains/(losses) from trading financial assets/liabilities mandatorily measured at fair value through profit or loss	**(260)**
Non-trading financial assets mandatorily measured at fair value through profit or loss (USD million)	
Securities purchased under resale agreements and securities borrowing transactions	(177)
Net loans	(25)
Other financial assets	(32)
Total net (losses)/gains from non-trading financial assets mandatorily measured at fair value through profit or loss	**(234)**
Total net gains/(losses) from financial assets/liabilities mandatorily measured at fair value through profit or loss	**(494)**

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

	2017
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)	
Interest rate	3,898
Foreign exchange	(108)
Equity	(2,551)
Commodity	42
Credit	(191)
Other	(36)
Total net gains from financial assets/liabilities at fair value through profit or loss	**1,054**

Of which:	
Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD million)	
Securities purchased under resale agreements and securities borrowing transactions	108
Net loans	(123)
Other financial assets designated at fair value through profit or loss	(91)
Securities sold under repurchase agreements and securities lending transactions	(28)
Borrowings	(352)
Debt in issuance	(1,115)
Other financial liabilities designated at fair value through profit or loss	(23)
Total net (losses) from financial assets/liabilities designated at fair value through profit or loss	**(1,624)**

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

10 Other Revenues

	2018	Restated 2017 [2]
Other revenues (USD million)		
Transfer pricing arrangements	198 [1]	(315)
Other	41	156
Total other revenues	**239**	**(159)**

[1] The impact of adoption of IFRS 15 resulted in an increase in other revenues of USD 503 million. Refer Note 7 for further details.
[2] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

The transfer pricing arrangements reflect the revenues allocated to CSi group from other companies in the CS group under transfer pricing policies. In prior periods both revenues and expenses related to transfer pricing arrangements had been presented in Other Revenues which resulted in a net expense for 2017.

11 Compensation and Benefits

	2018	2017
Compensation and benefits (USD million)		
Salaries and variable compensation	(497)	(562)
Social security	(73)	(81)
Pensions	(23)	(19)
Other	(11)	(10)
Total compensation and benefits	**(604)**	**(672)**

Included in the above table are amounts relating to Directors' remuneration, details of which are disclosed in Note 36 – Related Parties.

12 General, Administrative and Trading Expenses

	2018	2017
General, administrative and trading expenses (USD million)		
Brokerage charges and clearing house fees	(300) [1]	(223)
Insurance charges	(7)	(20)
Trading expenses	**(307)**	**(243)**
Occupancy expenses	(27)	(17)
Depreciation and amortisation expenses	(125)	(129)
Depreciation and impairment of investment property	(4)	(27)
Litigation	(15)	(7)
Auditor remuneration	(2)	(2)
Professional services	(257)	(169)
Impairment of intangible asset	(8)	(3)
CSG trademark	(3)	(3)
Net Overheads allocated from other CS group entities	(26)	(100)
Transfer pricing arrangements	(503) [1]	–
UK Bank Levy	(16)	(20)
Marketing data, publicity and subscription	(35)	(28)
Non income taxes	(38)	(44)
Other	(57)	(48)
General and administrative expenses	**(1,116)**	**(597)**
Total general, administrative and trading expenses	**(1,423)**	**(840)**

[1] The impact of adoption of IFRS 15 resulted in an increase in brokerage charges and clearing house expenses of USD 63 million and general and administrative expenses of USD 503 million. Refer Note 7 for further details.

The expenses incurred by other CS group companies under common control are recharged to CSi group through 'Net overheads allocated from other CS group entities'. The recharges comprise compensation and benefit expenses and general administrative expenses. The increase in Professional Services is due to the transfer of all corporate function staff who perform multiple material legal entity critical functions and critical service contracts into Credit Suisse Services AG, London Branch in June 2017. 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 1.5 million (2017: USD 1.6 million). The following fees were payable by the CSi group to the auditor, KPMG LLP.

CSi Auditor's remuneration (USD '000)	**2018**	2017
Fees payable to the Bank's auditor for the audit of the Bank's annual accounts	(1,494)	(1,579)
Fees payable to the CSi group's auditor and its associates for other services	(208)	(295)
Audit-related assurance services	(951)	(851)
Other assurance services	(173)	(31)
Total fees	**(2,826)**	**(2,756)**

13 Restructuring Expenses

In accordance with the CS group wide strategic review, restructuring expenses of USD 96 million (2017: USD 31 million) were recognised by CSi group during 2018. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and onerous lease arrangements.

	2018	2017
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	(17)	(12)
of which severance	(11)	(5)
of which accelerated deferred compensation	(6)	(7)
General and administrative-related expenses	(79)	(19)
Total Restructuring expenses by type	**(96)**	**(31)**

	2018			2017		
	Severance expenses	General and administrative-expenses	**Total**	Severance expenses	General and administrative-expenses	**Total**
Restructuring provision (USD million)						
Balance at beginning of the period/year	4	156	160	12	153	165
Net additional charges	11	66	77 [1]	5	15	20
Utilisation and foreign exchange fluctuations	(11)	(42)	(53)	(13)	(12)	(25)
Reclassification from other liabilities	–	12	12 [3]	–	–	–
Balance at end of the period/year	**4**	**192**	**196** [2]	**4**	**156**	**160**

[1] Liability arising on restructuring has been included in Note 22 – Other Assets and Other Liabilities as follows:
a) Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 3.5 million and unsettled cash based deferred compensation of USD 1.8 million, (not included in the table above) have been included in 'Share-based compensation liability' and 'Other', respectively. The settlement date for the unsettled share-based compensation remains unchanged.
b) Other general & administrative expenses related expenses of USD 13 million relates to other than property expenses and not included in table above.

[2] Liability relating to severance expenses and general and administrative expenses of USD 196 million have been included in 'Other Assets and Other Liabilities'.

[3] USD 12 million pertaining to onerous lease for 5 Canada Square was reclassified from "Other liabilities" to "Restructuring provision" in the above table.

14 Income Tax

	Group		Bank	
	2018	2017	**2018**	2017
Current and deferred taxes (USD million)				
Current tax				
Current tax benefit/(expense) for the period [1]	7	(4)	7	(4)
Adjustments in respect of previous periods	(5)	(89)	(5)	(89)
Current income tax benefit/(expense)	**2**	**(93)**	**2**	**(93)**
Deferred tax				
Origination and reversal of temporary differences	4	11	4	11
Impairment of deferred tax asset	(18)	–	(18)	–
Adjustments in respect of previous periods	(3)	–	(3)	–
Deferred income tax (benefit)/expense	**(17)**	**11**	**(17)**	**11**
Income tax expense	**(15)**	**(82)**	**(15)**	**(82)**

1 Withholding taxes are included within income taxes.

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

→ Further information about deferred income tax is presented in Note 15 – Deferred Taxes.

The income tax expense for the year can be reconciled to the loss per the statement of income as follows:

Reconciliation of taxes computed at the UK statutory rate

	Group		Bank	
	2018	2017 [2]	**2018**	2017 [2]
Reconciliation of taxes computed at the UK statutory rate (USD million)				
Profit/(Loss) before tax	74	(142)	84	(111)
Income tax (expense)/benefit computed at the statutory rate of 19% (2017: 19.25%)	(14)	27	(16)	21
(Increase)/decrease in income taxes resulting from:				
Other permanent differences	(15)	(14)	(13)	(8)
Effect of group relief surrendered for consideration at less than statutory rate	(8)	–	(8)	–
Impact of UK bank corporation tax surcharge	(11)	6	(11)	6
Non-recoverable foreign taxes including withholding taxes [1]	(5)	(5)	(5)	(5)
Other movements in deferred tax for current period	63	–	63	–
Deferred tax not recognised	–	(7)	–	(7)
Adjustments to current tax in respect of previous periods	(5)	(89)	(5)	(89)
Adjustments to deferred tax in respect of previous periods	(2)	–	(2)	–
Impairment of deferred tax asset	(18)	–	(18)	–
Income tax expense	**(15)**	**(82)**	**(15)**	**(82)**

1 Withholding taxes are included within income taxes.

2 2017 numbers have been restated to conform to the current year's presentation.

15 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2017: 25%). Deferred taxes are calculated on carry forward tax losses using effective tax rates of 17% or 25% (2017: 17% or 25%).

Legislation has been enacted which reduces the UK corporation tax rate to 17% with effect from 1 April 2020. There are restrictions on the use of tax losses carried forward. However, these are not expected to have a material impact on the recoverability of the net deferred tax asset.

	2018	2017
Deferred tax (USD million)		
Deferred tax assets	330	349
Net position	**330**	**349**
Balance at 1 January	**349**	**338**
(Debit)/credit to income for the period	(15)	11
Adjustments in respect of previous periods	(2)	–
Other	(2)	–
At end of the period	**330**	**349**

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

Group and Bank	**2018**	2017
Components of net deferred tax assets (USD million)		
Derivative financial instruments	1	–
Share-based compensation	47	35
Decelerated tax depreciation	184	190
Other provisions	21	44
Unpaid interest	77	80
At end of the year	**330**	**349**

Details of the tax effect of temporary differences

The deferred tax benefit/(expense) in the Statement of Income comprises the following temporary differences:

Group and Bank	**2018**	2017
Tax effect of temporary differences (USD million)		
Derivative financial instruments	1	–
Share-based compensation	12	8
Decelerated tax depreciation	(6)	10
Other provisions	(20)	(11)
Unpaid interest	(4)	4
Total deferred tax (expense)/benefit in the Statement of Income	**(17)**	**11**

Following management's evaluation of the deferred tax asset recoverability as at the balance sheet date, deferred tax assets of USD 920 million have not been recognised (2017: USD 974 million (Restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments). If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

From 1 April 2015, the use of tax losses carried forward by UK banks is restricted to a maximum of 50% of taxable profits in respect of losses incurred prior to 1 April 2015. From 1 April 2016, the use of tax losses carried forward by UK banks is further restricted to a maximum of 25% of taxable profits in respect of losses incurred prior to 1 April 2015. Furthermore, the UK budget announcement of 16 March 2016 included a 50% loss restriction in respect of post-April 2015 losses, with effect from 1 April 2017. This UK tax law change and the future enactment of the further loss restriction proposals is not expected to have a material impact on the recoverability of the net deferred tax asset.

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

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

Group and Bank	**2018**	2017
Securities purchased under resale agreements and securities borrowing transactions (USD million)		
Securities purchased under resale agreements	7,190	12,522
Deposits paid for securities borrowed	3,297	4,530
Total Securities purchased under resale agreements and securities borrowing transactions	**10,487**	**17,052**

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

Group and Bank	**2018**	2017
Securities sold under repurchase agreements and securities lending transactions (USD million)		
Securities sold under repurchase agreements	950	1,038
Deposits received for securities lent	1,441	6,155
Total Securities sold under repurchase agreements and securities lending transactions	**2,391**	**7,193**

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

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

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

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

	Group		Bank	
	2018	2017	**2018**	2017
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	16,845	22,722	16,742	22,567
Equity securities	6,816	6,831	6,681	6,788
Derivative instruments	124,434	144,364	124,516	144,364
Other	579	638	579	634
Trading financial assets at fair value through profit or loss	**148,674**	**174,555**	**148,518**	**174,353**
Trading financial liabilities at fair value through profit or loss (USD million)				
Short positions	2,959	3,400	2,959	3,400
Derivative instruments	123,455	146,102	123,455	146,103
Other	–	3	–	3
Trading financial liabilities at fair value through profit or loss	**126,414**	**149,505**	**126,414**	**149,506**

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 11 billion (2017: USD 18 billion) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, repurchase agreements or other collateralised borrowings.

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

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

For loans mandatorily at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2018 was USD 1,045 million. To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 225 million have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2018, this fair value movement was a decrease of USD 10 million. The cumulative effect at the year-end was a decrease of USD 11 million. The corresponding decrease in fair value of the swaps and securities in place to mitigate this risk was USD 11 million. The cumulative effect at the year-end was a decrease of USD 11 million.

For securities purchased under resale agreements, the Bank's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the Bank does not enter into hedges to mitigate credit exposure to its counterparties. Also, given that the credit exposure is almost eliminated, the fair value changes attributable to credit risk is insignificant.

19 Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

	Group	Bank
	2017	2017
Financial Assets designated at fair value through profit or loss (USD million)		
Loans	1,320	1,612
Securities purchased under resale agreements and securities borrowing transactions	8,489	8,489
Other	1,321	1,321
Total financial assets designated at fair value through profit or loss	**11,130**	**11,422**

Of the financial assets designated at fair value through profit or loss, loans and reverse repurchase agreements were elected to alleviate an accounting mismatch while other financial assets designated at fair value through profit or loss (primarily include failed purchases) were elected because they are managed on a fair value basis.

For loans designated at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2017 was USD 1,320 million. To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 593 million have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2017, this fair value movement was a decrease of USD 30 million. The cumulative effect at the year-end was a decrease of USD 27 million. The corresponding decrease in fair value of the swaps and securities in place to mitigate this risk was USD 12 million. The cumulative effect at the year-end was a decrease of USD 12 million.

	Group		Bank	
	2018	2017	**2018**	2017
Financial Liabilities designated at fair value through profit or loss (USD million)				
Subordinated Debt	60	77	60	77
Structured notes (includes debt in issuance and borrowings)	8,849	10,599	8,787	10,599
Securities sold under repurchase agreement and securities lending transactions	14,927	11,831	14,928	11,831
Other	328	392	328	392
Total financial liabilities designated at fair value through profit or loss	**24,164**	**22,899**	**24,103**	**22,899**

Of the financial liabilities designated at fair value through profit or loss, subordinated debt and repurchase agreements were primarily elected to alleviate an accounting mismatch, while structured notes were mainly elected because they are managed on a fair value basis.

The fair value of a financial liability incorporates the credit risk of that financial liability. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the CSi group would issue similar instruments as of the reporting date.

The fair value of subordinated debt and structured notes is calculated using a yield curve which reflects the CSi group's credit rating in the market. This is achieved by adjusting the relevant yield curve by the CSi group's credit spread, dependent on the tier of the debt, at each point in the curve to provide an own credit adjusted valuation.

The carrying amount is USD 4.5 billion lower than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity (2017: USD 2.4 billion lower).

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

20 Net Loans

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

	2018	2017
Group and Bank **Net Loans (USD million)**		
Real estate	8	59
Commercial and industrial loans	3,401	2,769
Financial institutions	115	512
Gross loans	**3,524**	**3,340**
of which domestic	2,902	3,056
of which foreign	622	284
Net unearned income	(3)	(1)
Allowance for credit losses	(9)	(8)
Net loans	**3,512**	**3,331**
Gross impaired loans	**8**	**9**
of which loans with an individual allowance	8	9

Net loans due within one year for the CSi group and Bank, amount to USD Nil (2017: USD 551 million).

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

	Banks	Customers	**Total**
Group and Bank **Allowance for credit losses (USD million)**			
Balance at 1 January 2018	(1)	(7)	(8)
Transition impact of IFRS 9	–	6	6
Adjusted balance at 1 January 2018	(1)	(1)	(2)
Additional allowances for credit losses	–	(11)	(11)
Reversal of allowances for credit losses	–	4	4
Movement recognised in Consolidated Statement of Income	–	(7)	(7)
Balance at 31 December 2018	**(1)**	**(8)**	**(9)**
Balance at 1 January 2017	(3)	–	(3)
Additional allowances for impairment losses	–	(8)	(8)
Reversal of allowances for impairment losses	2	1	3
Movement recognised in Consolidated Statement of Income	2	(7)	(5)
Balance at 31 December 2017	**(1)**	**(7)**	**(8)**

21 Investment Property

The CSi group consolidates a number of structured entities which hold property. Investment properties are currently held at cost less depreciation and provision for impairment. An impairment charge of USD Nil (2017: USD 22 million) was taken to the Consolidated Statement of Income for the year. The fair value and carrying value amount were the same as at 31 December 2018.

Group	2018	2017
Investment property (USD million)		
Balance at the beginning of the year	131	169
Reclassification to real estate held-for-sale	(109)	(28)
Depreciation charge for the year	(4)	(5)
Impairment charge for the year	–	(22)
Foreign Currency Translation	–	17
Balance at the end of year	**18**	**131**

The recoverable amount of investment property is estimated based on its value-in-use. Based on the assessment in 2018, the carrying amount of the unit was determined to be equal to its recoverable amount of USD 18 million with no material impairments recognised for the year ended 31 December 2018. The value-in-use is based on an externally obtained appraisal which calculates the Net Present Value using the 'Business Plan Assessment' approach (which assumes a sell off of each property over the next 3 years).

22 Other Assets and Other Liabilities

Group and Bank	2018	2017
Other Assets (USD million)		
Brokerage receivables (refer to Note 23)	5,584	4,937
Interest and fees receivable	464	426 [1]
Cash collateral on derivative instruments		
Banks	12,069	12,778
Customers	11,866	14,754
Other	271	201 [1]
Total other assets	**30,254**	**33,096**

[1] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

Other assets are mainly due within one year.

Group and Bank	2018	2017
Other Liabilities (USD million)		
Brokerage payables (refer to Note 23)	1,613	1,817
Interest and fees payable	1,116	929
Cash collateral on derivative instruments		
Banks	14,367	15,053
Customers	5,229	5,379
Share-based compensation liability	110	160
Other	904	838
Total other liabilities	**23,339**	**24,176**

Other liabilities are mainly due within one year. Other liabilities include liability towards restructuring cost of USD 196 million (2017: USD 160 million). Refer Note 13 – Restructuring Expenses.

23 Brokerage Receivables and Brokerage Payables

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

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

Group and Bank	**2018**	2017
Brokerage receivable (USD million)		
Due from customers	1,433	1,300
Due from banks, brokers and dealers	4,151	3,637
Total brokerage receivables	**5,584**	**4,937**
Brokerage payable (USD million)		
Due to customers	564	782
Due to banks, brokers and dealers	1,049	1,035
Total brokerage payables	**1,613**	**1,817**

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

Included within payables are liabilities identified in respect of client money received from clients, but only where it has been determined that the cash received represents an asset of the CSi group. The CSi group and Bank held USD 4,598 million of client money as at 31 December 2018 (2017: USD 4,936 million), USD 3,934 million as of 31 December 2018 (2017: USD 4,643 million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSi group. This cash, when recognised on the balance sheet, is recorded under 'Cash and due from banks' and 'Other assets'.

24 Property and Equipment

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

	Leasehold Improvements	Equipment	Total
2017			
Group and Bank			
Property and equipment (USD million)			
Cost:			
Cost as at 1 January 2017	**398**	**283**	**681**
Additions	87	17	104
Acquisitions during the year	–	–	–
Disposals	(15)	(193)	(208)
Reclassification to real estate held-for-sale	(117)	–	(117)
Cost as at 31 December 2017	**353**	**107**	**460**
Accumulated depreciation:			
Accumulated depreciation as at 1 January 2017	(268)	(220)	(488)
Charge for the year	(20)	(15)	(35)
Disposals	15	138	153
Reclassification to real estate held-for-sale	67	–	67
Accumulated depreciation as at 31 December 2017	**(206)**	**(97)**	**(303)**
Net book value as at 1 January 2017	**130**	**63**	**193**
Net book value as at 31 December 2017	**147**	**10**	**157**

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

No interest has been capitalised within property and equipment (2017: USD Nil).

25 Intangible Assets

Group and Bank	Total
2018	
Intangible Assets (USD million)	
Cost:	
Cost as at 1 January 2018	**1,186**
Additions	144
Disposals	(98)
Cost as at 31 December 2018	**1,232**
Accumulated amortisation:	
Accumulated amortisation as at 1 January 2018	**(732)**
Amortisation for the year	(108)
Impairment	(13)
Disposals	97
Accumulated amortisation as at 31 December 2018	**(756)**
Net book value as at 1 January 2018	**454**
Net book value as at 31 December 2018	**476**
2017 (USD million)	
Cost:	
Cost as at 1 January 2017	**1,389**
Additions	151
Disposals	(354)
Cost as at 31 December 2017	**1,186**
Accumulated amortisation:	
Accumulated amortisation as at 1 January 2017	**(985)**
Amortisation for the year	(94)
Impairment	(3)
Disposals	350
Accumulated amortisation as at 31 December 2017	**(732)**
Net book value as at 1 January 2017	**404**
Net book value as at 31 December 2017	**454**

[1] USD 5 million has been accounted under restructuring expenses.

The recoverable amount of CSi's intangible assets is estimated based on their value-in-use. An assessment was performed in 2018, and the carrying amount of certain intangible assets was determined to be higher than their recoverable amount and an impairment loss of USD 13 million was recognised for the year ended 31 December 2018 (2017: USD 3 million). The value-in-use is calculated based on detailed reviews and specific information regarding the individual projects and their capitalisation. Semi-annual assessments are performed to calculate any required impairment.

26 Deposits

Group and Bank	2018	2017
Deposits (USD million)		
Non-interest bearing demand deposits	83	21
Interest-bearing demand deposits	945	167
Total deposits	**1,028**	**188**
of which due to banks	1,028	188

27 Borrowings

Group and Bank	2018	2017
Borrowings (USD million)		
from banks	19,555	5,940
Total Borrowings	**19,555**	**5,940**

28 Provisions

Group and Bank	Property	Litigation	Total
2018			
Provisions (USD million)			
Balance at 1 January 2018	4	2	6
Charges during the year	–	17	17
Released during the year	–	(2)	(2)
Utilised during the year	–	(16)	(16)
Balance at 31 December 2018	**4**	**1**	**5**
2017			
Provisions (USD million)			
Balance at 1 January 2016	3	24	27
Charges during the year	1	15	16
Released during the year	–	(8)	(8)
Utilised during the year	–	(29)	(29)
Balance at 31 December 2016	**4**	**2**	**6**

Property provision

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

Building	Provision	Utilisation period
17 Columbus Courtyard, London	USD 1 million	31 December 2024
5 Canada Square, London	USD 2 million	31 December 2027
Pall Mall, London	USD 1 million	31 March 2028

Onerous lease provisions are recorded in other liabilities.

→ Refer Note 13 – Restructuring Expenses.

Litigation provision

The CSi group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are more likely than not and can be reasonably estimable. General Counsel in consultation with the business reviews CS group's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant. Legal cases are disclosed in the contingent liabilities and other commitments note.

→ Refer Note 39 – Guarantees and Commitments.

29 Debt In Issuance

	Group 2018	Group 2017	Bank 2018	Bank 2017
Debt in issuance (USD million)				
Senior debt	10,652	13,840	10,494	13,703
Subordinated debt	1,494	3,007	1,494	3,007
Total debt in issuance [1]	**12,146**	**16,847**	**11,988**	**16,710**

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

The decrease is principally due to a net repayment of EUR, GBP and USD denominated debt of USD 4.7 billion.

During the year, USD 1.5 billion of subordinated debt was repaid to DLJ UK Holdings. In its place, the Bank issued USD 1.5 billion of gone concern capital in the form of MREL to Credit Suisse AG, London Branch.

Total debt in issuance is principally comprised of debt issuances managed by Treasury which do not contain derivative features (vanilla debt), which are issued as part of the CSi group's structured activities.

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

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

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

		Cash Flows		Non Cash Changes		
Group	Balance as at 1 January 2017	Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	Balance as at 31 December 2017
Debt in issuance (USD million)						
Debt in issuance	32,140	3,586	(19,978)	–	1,099	16,847
Total debt in issuance	**32,140**	**3,586**	**(19,978)**	**–**	**1,099**	**16,847**

Bank	Balance as at 1 January 2017	Cash Flows: Issuances	Cash Flows: Repayments and other movements	Non Cash Changes: Acquisition	Non Cash Changes: Translation FX and Interest movements	Balance as at 31 December 2017
Debt in issuance (USD million)						
Debt in issuance	31,937	3,586	(19,978)	–	1,165	16,710
Total debt in issuance	**31,937**	**3,586**	**(19,978)**	**–**	**1,165**	**16,710**

30 Assets and Liabilities Held for Sale

During 2017, the CSi group entered into transactions which qualify as Held for Sale as noted below. Impairment losses of USD 4 million were required to be recognised on premises and equipment as a result of having to measure Assets/Liabilities held for sale at fair value less cost to sell.

Group and Bank	Held for Sale – CDS Portfolio	Held for Sale – Premises and equipment	**Total**
2018			
Statement of Financial Position for assets and liabilities held for sale (USD million)			
Trading financial assets mandatorily at fair value through profit or loss	–	–	**–**
of which positive market values from derivative instruments	–	–	**–**
Property and Equipment	–	–	**–**
Total assets held for sale	**–**	**–**	**–**
Trading financial liabilities mandatorily at fair value through profit or loss	–	–	**–**
of which negative market values from derivative instruments	–	–	**–**
Total liabilities held for sale	**–**	**–**	**–**

Group and Bank	Held for Sale – CDS Portfolio	Held for Sale – Premises and equipment	**Total**
2017			
Statement of Financial Position for assets and liabilities held for sale (USD million)			
Trading financial assets mandatorily at fair value through profit or loss	115	–	**115**
of which positive market values from derivative instruments	115	–	**115**
Property and Equipment	–	46	**46**
Total assets held for sale	**115**	**46**	**161**
Trading financial liabilities mandatorily at fair value through profit or loss	117	–	**117**
of which negative market values from derivative instruments	117	–	**117**
Total liabilities held for sale	**117**	**–**	**117**

31 Accumulated Other Comprehensive Income

Group and Bank	Cumulative Translation Adjustment	Cash flow hedges	Gains/(losses) on designated financial liabilities relating to credit risk	Accumulated other comprehensive income
2018				
Accumulated other comprehensive income (USD million)				
Balance at 1 January 2018	**–**	**–**	**–**	**–**
Adjustment on initial application of IFRS 9 (net of tax)	–	–	(18)	(18)
Adjusted Balance at 1 January 2018	**–**	**–**	**(18)**	**(18)**
(Increase)/decrease:				
Cash flow hedges – effective portion of changes in fair value	–	(12)	–	(12)
Financial liabilities relating to credit risk	–	–	1	1
Balance at 31 December 2018	**–**	**(12)**	**(17)**	**(29)**
2017				
Accumulated other comprehensive income (USD million)				
Balance at 1 January 2017	**2**	**–**	**–**	**2**
(Increase)/decrease:				
Foreign exchange translation differences	(2)	–	–	(2)
Balance at 31 December 2017	**–**	**–**	**–**	**–**

32 Share Capital and Share Premium

Group and Bank	**2018**	2017
Share Capital **Allotted called-up and fully paid (USD million)**		
Opening Balance		
131,158,070,611 Ordinary shares of USD 0.09 each	12,366	12,366
Total allotted called-up and fully paid capital	**12,366**	**12,366**
Share Premium (USD million)		
Share Premium	**12,704**	**12,704**

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

33 Expected Credit Loss Measurement

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as well as reconciliations of the gross carrying amounts.

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

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

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

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

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

The key inputs into the measurement of ECLs (Stage 1 and Stage 2) are the term structures of the following variables:

- Probability of Default ('PD');
- Loss given default ('LGD'); and
- Exposure at default ('EAD').

These parameters derive from internally developed statistical models and historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described below to derive point-in-time, forward-looking term structures.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this leads to a change in the estimate of the associated PD. Lifelong PDs are estimated considering the contractual maturities of exposures and estimates prepayment rates.

LGD is the magnitude of the expected loss if there is a default. The CSi group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, geography, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The CSi group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations. For some financial assets, the CSi group determines EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

Where a relationship to macroeconomic indicators is statistically sound and in line with economic expectations, the parameters are modelled accordingly and, thus, incorporate the CSi group's forward looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the CSi group measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the CSi group considers a longer period. The maximum contractual period extends to the date at which the CSi group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

The following tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios of the geographical segments for the ECL calculations. The figures for 'Subsequent years' represent a long-term average and so are the same for each scenario.

EMEA Macroeconomic Factors (MEF)	Function-Corporates/ Financial Institutions	ECL Scenario	Assigned Probabilities	Latest data	End Period Projections						Impact on ECL from an increase in MEF
			%	December 18 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	
UK Nominal GDP Growth Rate (%YoY)											↓
	Financial Institutions	Downside	40	3.6	2.6	0.5	0.7	1.7	3.2	3.7	
	Financial Institutions	Baseline	50	3.6	3.4	3.3	3.5	2.9	3.4	3.7	
	Financial Institutions	Upside	10	3.6	3.5	3.8	4.0	3.2	3.4	3.7	
Eurozone Unemployment Rate (%)											↑
	Corporates	Downside	40	8.1	8.6	10.5	12.0	12.5	11.5	10.5	
	Corporates	Baseline	50	8.1	8.1	7.8	7.6	7.3	7.1	7.1	
	Corporates	Upside	10	8.1	8.0	7.5	7.2	7.2	7.1	7.1	
Eurozone House Price Index (%YoY)											↓
	Both	Downside	40	3.2	2.1	-1.3	-1.7	-0.2	2.1	3.0	
	Both	Baseline	50	3.2	3.1	2.4	1.8	2.6	2.9	3.0	
	Both	Upside	10	3.2	3.3	3.3	2.5	2.9	2.9	3.0	
UK 1Y Government Bond Yield (%)											↓
	Financial Institutions	Downside	40	0.8	0.6	0.8	1.4	1.5	1.7	1.8	
	Financial Institutions	Baseline	50	0.8	0.8	1.3	1.4	1.5	1.7	1.8	
	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	

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

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	4.3	4.3	4.5	4.9	4.9	4.9	5.0	
	Corporates	Baseline	50	4.3	4.6	5.0	4.9	4.9	4.9	5.0	
	Corporates	Upside	10	4.3	4.6	5.0	4.9	4.9	4.9	5.0	

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

SICR thresholds (back book)

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

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

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

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

SICR thresholds (forward book)

Global Corporates

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

SICR thresholds (forward book)

Financial Institutions and Fallback

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

34 Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by CSS(E)L ('UK Plan'), of which the Bank is one of the participants, who are all related parties under common control. The Bank has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost, therefore as the Bank is not the legal sponsor it accounts for its share of the plan using defined contribution accounting. During 2018 the Bank expensed USD 1 million (2017: USD 2 million) in respect of its contributions to the UK Plan.

Profile of the defined benefit plans

Approximately 3% of the UK Plan's obligations are attributable to current employees, 75% to former employees yet to retire and 22% to current pensioners and dependants of former members currently in receipt of benefits.

The UK Plan duration is an indicator of the weighted-average time until benefits payments are made. For the UK plan as a whole the duration is around 22 years reflecting the approximate split of the defined benefit obligation between current employees

(duration of 25 years), deferred members (duration of 24 years) and current pensioners (duration of 15 years).
The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2018 and 2017, and the amounts included in CSS(E)L's consolidated financial statements for the defined benefit pension plan as at 31 December 2018 and 2017 respectively:

Group and Bank	**2018**	2017
Defined benefit pension plans (USD million)		
Defined benefit obligation – 1 January	1,972	1,869
Current service cost	1	5
Interest cost	45	50
Actuarial losses/ (gains) on assumptions	(140)	34
arising out of changes in demographic assumptions	(19)	(16)
arising out of changes in financial assumptions	(121)	50
Actuarial (gains)/ losses – experience	7	58
Benefit payments	(159)	(211)
Past service costs (including curtailments)	11	(10)
Exchange rate (gains)/losses	(102)	177
Defined benefit obligation – 31 December	**1,635**	**1,972**
Fair value of plan assets – 1 January	3,053	2,841
Interest on plan assets	70	76
Actuarial (losses)/ gains	(158)	71
Actual return on plan assets	**(88)**	**147**
Employer Contributions	5	5
Administrative expense	(2)	(2)
Benefit payments	(159)	(211)
Exchange rate (losses)/gain	(160)	273
Fair value of plan assets – 31 December	**2,649**	**3,053**

During 2017 there was a curtailment in relation to active members in the UK switching to a new defined contribution pension plan. The DBO was reduced by USD 10 million as a result of members breaking the salary link on their benefits.

Benefit payments include USD 140 million (2017: USD 193 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.

Funding requirements
UK legislation requires that pension schemes are funded prudently. The latest funding valuation of the UK plan was carried out by a qualified actuary as at 31 December 2014 and showed a surplus of GBP 39.1 million, calculated based on the technical provisions. The next funding valuation will be measured as at 31 December 2017, and is expected to be finalised on 31 March 2019.

Contributions will be paid to cover administrative expenses, administration rebates and death in service pensions. Expected regular contributions to be paid to the UK defined benefit plan for all participating entities for the year ending 31 December 2019 is approximately USD 5 million.

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

Group and Bank	**2018**	2017
Benefit obligation (%)		
Discount rate	2.84%	2.45%
Retail Price Inflation	3.07%	3.11%
Consumer Price Inflation	1.97%	2.01%
Pension increases [1]	2.95%	2.97%
Salary increases	3.22%	3.26%
Defined benefit cost (%)		
Discount rate – Service cost	2.45%	2.65%
Discount rate – Interest cost	2.34%	2.51%
Salary increases	3.26%	3.30%

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

For discounting expected future cash flows in the UK, Credit Suisse adopted the "spot rate approach" for the valuation as of 31 December 2016, 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. Under the previous methodology, a single weighted average discount rate derived from the yield curve was applied to each cash flow.

Mortality Assumptions

The life expectancy assumptions for 2018 have been updated from those used for 2017.

The assumptions for life expectancy for the 2018 UK benefit obligation pursuant to IAS 19 are based on the "SAPS 2 light" base table with improvements in mortality in line with 2017 CMI model with S=7.5, and a scaling factor of 95%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.50% p.a.

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

	2018	2017
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28.5	28.6
Females	29.6	29.7
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	30.3	30.4
Females	31.5	31.5

Sensitivity Analysis

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

	Defined Benefit Obligation USD million	Increase %	Defined Benefit Obligation USD million	Decrease %
Defined Benefit obligation				
One-percentage point change				
- 1%/ +1% Discount rate	2,041	25	1,332	(19)
+1% / -1% Inflation rate	1,869	14	1,437	(12)
+1% / -1% Salary increases rate	1,639	0	1,632	0
+1 / -1 year to life expectancy at 60	1,677	3	1,593	(3)

The sensitivity analysis has been derived using a number of additional full valuation runs that have been carried out using the data used for calculating the 31 December 2018 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being partially matched to the obligations.

The methodology used to calculate the sensitivities is consistent with previous years.

Plan assets and investment strategy

Responsibility for governance and running of the UK Plan – including investment decisions (after consultation with CSS(E)L) and contribution schedules (which requires the agreement of CSS(E)L) lies with the board of trustees. The trustees in administration of the UK 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 CSS(E)L, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funding status and financial market condition.

The Fund has a hedging target of around 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.

Equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. 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 Plan

The UK Plan exposes the Bank to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus. The UK 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 Plan's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the UK 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 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 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.

	Defined Benefit Pension Plans UK Plans 2018
Estimated future benefit payments (USD million)	
2019	18
2020	20
2021	24
2022	27
2023	31
For five years thereafter	218

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.

Plan assets measured at fair value

				2018				2017
	Quoted	Unquoted	**Total**	% of total fair value of scheme assets	Quoted	Unquoted	**Total**	% of total fair value of scheme assets
Plan assets measured at fair value (USD million)								
Cash and cash equivalents	–	182	182	6.9%	–	182	182	6.0%
Debt Securities	2,304	86	2,390	90.2%	2,457	234	2,691	88.2%
of which governments	1,594	–	1,594	60.2%	1,664	–	1,664	54.6%
of which corporates	710	86	796	30.0%	793	234	1,027	33.6%
Equity Securities	–	–	–	–	–	50	50	1.6%
Derivatives	–	19	19	0.7%	–	34	34	1.1%
Alternative investments	–	58	58	2.2%	–	96	96	3.1%
of which hedge funds	–	13	13	0.5%	–	28	28	0.9%
of which other	–	45	45	1.7%	–	68	68	2.2%
Total plan assets UK Plans	**2,304**	**345**	**2,649**	**100.0%**	**2,457**	**596**	**3,053**	**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').

Equities include shares of separately managed funds, which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, and are measured at fair value using their 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 primarily consist of investments in hedge funds and real estate investments. Alternative investments that are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured using their NAV.

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2018 were USD 22 million (2017: USD 17 million).

35 Employee Share-based Compensation and Other Compensation Benefits

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of Compensation Committee and senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees for forfeited awards from previous employers upon joining the Bank. It is the Bank's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognised in accordance with the specific terms and conditions of each respective award and is primarily recognised over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to restricted covenants, which generally include non-compete and non-solicit provisions. Compensation expense for share based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2018 and 2017 was USD 32 million and USD 121 million respectively. The total stock award liability recorded as at 31 December 2018 was USD117 million (2017: USD169 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2018 CHF 10.80 (2017: CHF 17.40). The average weighted fair value of awards granted in 2018 was CHF 16.43 (2017: CHF 14.35). The intrinsic value of vested share based awards outstanding as at year end was USD 18 million (2017: USD 27 million).

The recognition of compensation expense for the deferred compensation awards granted in February 2019 began in 2019 and thus had no impact on the 2018 financial statements.

Phantom Share Awards

Share awards granted in February 2019 are similar to those granted in February 2018. 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 Bank, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as shares by the average price of CSG share over the ten business days ended 28 February 2019. The fair value of each share award was CHF 11.75, the CSG share price on the grant date.

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

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

Group and Bank	**2018**	2017
Number of units (millions)		
As at 1 January	7.73	8.03
Granted	4.05	4.84
Shares transferred in/out	1.32	(0.19)
Delivered	(4.10)	(4.64)
Forfeited	(0.35)	(0.31)
As at 31 December	**8.65**	**7.73**

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 onward 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 2018, or a negative CSG ROE, whichever results in a larger adjustment. For employees in Corporate Functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

The number of performance share awards 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 2019. The fair value of each performance share award was CHF 11.75, the CSG share price on the grant date.

The majority of performance share awards granted include the right to receive dividend equivalents upon vesting

There was no negative adjustment applied to performance share awards granted in 2018 or in previous years as the 2018 divisional adjusted results and adjusted ROE of CSG were both positive.

Movements in the number of PSA outstanding were as follows:

Group and Bank	**2018**	2017
Number of units (millions)		
As at 1 January	4.71	3.70
Granted	2.72	2.87
Shares transferred in/out	0.62	(0.07)
Delivered	(2.09)	(1.74)
Forfeited	(0.20)	(0.05)
As at 31 December	**5.76**	**4.71**

Contingent Capital Share Awards

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

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

Group and Bank	**2018**	2017
Number of units (millions)		
As at 1 January	0.30	0.44
Granted	–	0.01
Delivered	(0.17)	(0.15)
As at 31 December	**0.13**	**0.30**

Contingent Capital Awards

Contingent Capital Awards (CCA) were granted in February 2019, 2018, 2017, January 2016, 2015 and 2014 to certain employees as part of the 2018, 2017, 2016, 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted certain employees, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination:

CCA granted in 2019, 2018, 2017, 2016, 2015 and 2014 that are denominated in US dollars receive interest equivalents at a rate of 4.46%, 3.05%, 4.27%, 5.41%, 5.75% and 5.33%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR) and vest three years from the date of grant;

CCA granted in 2018, 2017, 2016, 2015 and 2014 that are denominated in Swiss francs receive interest equivalents of 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 February18, February 17, January 16, January 15 and January14 CCA during the year ended 31 December 2018 was USD 17 million (2017: USD 26 million).

Capital Opportunity Facility awards

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

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

i) 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

ii) 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 2018 was USD 0.6 million (2017: 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 are 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. During 2017, the final settlement of the outstanding PAF awards was made.

Total compensation expense recognised during the year ended 31 December 2018 was USD Nil (2017: USD 1 million).

Other Cash Awards

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.

In 2016, CSG granted deferred cash retention awards relating to the reorganisation of the GM and IBCM businesses. These awards will be expensed over a period of up to seven years from the grant date. Amortisation of these awards was recognised in the Corporate Center.

Total compensation expense recognised for APAC retention during the year ended 31 December 2018 was USD 0.2 million (2017: USD Nil).

Total compensation expense recognised for GM and IBCM retention award during the year ended 31 December 2018 was USD Nil (2017: USD 2 million).

36 Related Parties

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

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, reverse repurchase or repurchase agreements. In addition, the ordinary shares are issued to CSG and subsidiaries of CSG, as outlined in Note 32 – Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

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

a) Related party assets and liabilities

	31 December 2018			31 December 2017 [2]		
Group	Parent [1]	Fellow group companies	Total	Parent [1]	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	169	21	190	3,865	271	4,136
Interest-bearing deposits with banks	17,859	–	17,859	4,187	–	4,187
Securities purchased under resale agreements and securities borrowing transactions	5,608	4,844	10,452	10,324	6,665	16,989
Trading financial assets mandatorily at fair value through profit or loss	21,421	5,458	26,879	11,214	9,066	20,280
Non-trading financial assets mandatorily at fair value through profit or loss	179	9,326	9,505	na	na	na [3]
Financial assets designated at fair value through profit or loss	–	–	–	69	6,700	6,769
Net loans	–	2,504	2,504	512	2,504	3,016
Other assets	967	3,034	4,001	1,590	4,234	5,824 [2]
Total assets	**46,203**	**25,187**	**71,390**	**31,761**	**29,440**	**61,201**
Liabilities and Equity (USD million)						
Deposits	26	2	28	–	6	6
Securities sold under repurchase agreements and securities lending transactions	536	1,855	2,391	752	6,441	7,193
Trading financial liabilities at fair value through profit or loss	16,385	5,472	21,857	11,838	5,957	17,795
Financial liabilities designated at fair value through profit or loss	7,558	8,911	16,469	2,079	10,943	13,022
Borrowings	19,292	263	19,555	5,677	263	5,940
Debt in issuance	9,120	2,808	11,928	11,226	5,421	16,647
Other liabilities	5,223	911	6,134	540	3,902	4,442
Share capital	9,535	2,831	12,366	9,535	2,831	12,366
Share premium	4,110	8,594	12,704	4,110	8,594	12,704
Total liabilities and equity	**71,785**	**31,647**	**103,432**	**45,757**	**44,358**	**90,115**

1 Above table includes other liabilities balances with CSG of USD 121 million (2017: USD 118 million)
2 2017 numbers have been restated due to prior period adjustments and to conform the current year's presentation. Details are included in Note 49 – Prior Period Adjustments.
3 na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

Bank	31 December 2018 Parent [1]	Fellow group companies	Subsidiaries	Total	31 December 2017 Parent [1]	Fellow group companies	Subsidiaries	Total
Assets (USD million)								
Cash and due from banks	169	21	–	190	3,865	271	–	4,136
Interest-bearing deposits with banks	17,859	–	–	17,859	4,187	–	–	4,187
Securities purchased under resale agreements and securities borrowing transactions	5,608	4,844	–	10,452	10,324	6,665	–	16,989
Trading financial assets mandatorily at fair value through profit or loss	21,421	5,458	86	26,965	11,214	9,066	25	20,305
Non-trading financial assets mandatorily at fair value through profit or loss	179	9,326	173	9,678	na	na	na	na [3]
Financial assets designated at fair value through profit or loss	–	–	–	–	69	6,700	291	7,060
Net loans	–	2,504	–	2,504	512	2,504	–	3,016
Other assets	967	3,034	–	4,001	1,590	4,233	–	5,823 [2]
Total assets	**46,203**	**25,187**	**259**	**71,649**	**31,761**	**29,439**	**316**	**61,516**
Liabilities and Equity (USD million)								
Deposits	26	2	–	28	–	6	–	6
Securities sold under repurchase agreements and securities lending transactions	536	1,855	–	2,391	752	6,441	–	7,193
Trading financial liabilities at fair value through profit or loss	16,385	5,472	1	21,858	11,838	5,957	1	17,796
Financial liabilities designated at fair value through profit or loss	7,558	8,911	1	16,470	2,079	10,943	–	13,022
Borrowings	19,292	263	–	19,555	5,677	263	–	5,940
Debt in issuance	9,120	2,808	60	11,988	11,226	5,421	63	16,710
Other liabilities	5,223	911	–	6,134	540	3,902	–	4,442
Share capital	9,535	2,831	–	12,366	9,535	2,831	–	12,366
Share premium	4,110	8,594	–	12,704	4,110	8,594	–	12,704
Total liabilities and equity	**71,785**	**31,647**	**62**	**103,494**	**45,757**	**44,358**	**64**	**90,179**

[1] Above table includes other liabilities balances with CSG of USD 121 million (2017: USD 118 million)
[2] 2017 numbers have been restated due to prior period adjustments and to conform to the current year's presentation. Details are included in Note 49 – Prior Period Adjustments.
[3] na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

Related party off-balance sheet transactions

Guarantees and Commitments	31 December 2018 Parent	Fellow group companies	Total	31 December 2017 Parent	Fellow group companies	Total
Other credit guarantees	105	50	155	105	50	155
Other indemnifications	–	401	401	–	412	412
Irrevocable loan commitments	–	173	173	–	173	173
Total	**105**	**624**	**729**	**105**	**635**	**740**

b) Related party revenues and expenses

Group (USD million)	31 December 2018 Parent [3]	Fellow group companies	Total	31 December 2017 Parent [3]	Fellow group companies	Total
Interest income	491	312	803	148	162	310
Interest expense	(414)	(392)	(806)	(172)	(339)	(511)
Net interest expense	**77**	**(80)**	**(3)**	**(24)**	**(177)**	**(201)** [1]
Commissions and fees	11	130	141	(8)	168	160
Transfer pricing arrangements	38	160	198	(18)	(298)	(316) [1]
Other revenue	50	–	50	146	–	146
Total non-interest revenues	**99**	**290**	**389**	**120**	**(130)**	**(10)**
Net operating income	**176**	**210**	**386**	**96**	**(307)**	**(211)**
Total operating expenses [2]	**(272)**	**(479)**	**(751)**	**(96)**	**(50)**	**(146)**

[1] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.
[2] Net overheads allocated from other CS group entities of USD 26 million (2017: USD 100 million) are not included in the Total operating expenses.
[3] Above table includes operating expenses balances with CSG of USD 3.1million (2017: USD 3.3million)

c) Remuneration

Remuneration of Directors

(USD '000)	2018	2017
Emoluments	5,699	3,946
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	1,040	1,254
Amounts Delivered under Share Based Awards	2,502	1,853
Total	**9,241**	**7,053**
Compensation for loss of office	–	2
Bank's contributions to defined contribution	97	86
Total	**9,338**	**7,141**

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards and are only given to Executive Directors. The Non-Executive Directors only receive a fixed fee. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

Where directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that director.

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 2,941,000 (2017: USD 1,786,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 10,000 (2017: USD 1,000). There were no contributions made for defined benefit lump sum (2017: USD Nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Bank's accounts for directors in accordance with IFRS requirements for 2018 was USD 15,345,000 (2017: USD 14,706,000).

d) Number of Directors and Benefits

(Number of Directors)	2018	2017
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	7	9
No scheme	4	4
Both defined contribution and defined benefit	–	–
Both defined contribution and defined benefit lump sum	–	–
Directors in respect of whom services were received or receivable under long term incentive scheme	7	8

e) Remuneration of Key Management Personnel

(USD' 000)	2018	2017
Remuneration of Key Management Personnel		
Emoluments	11,644	8,095
Long term incentive schemes	3,515	6,718
Total	**15,159**	**14,813**
Compensation for loss of office	–	12
Bank's contributions to defined contribution plan	190	162
Bank's contributions to defined benefit lump sum	–	–
Total	**15,349**	**14,987**

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts accrued in the financial statements for all emoluments and long term incentive schemes.

Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration payable to each key management person has been apportioned to the respective entities based on a time spent per company allocation for that key management person.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSi group, directly or indirectly, including any director of the CSi group.

Key management personnel include Directors and the members of the CSi Executive Committee.

CSG Shares awarded to Key Management Personnel

	2018	2017
Number of shares	668,117	473,840

The shares included in the table are the shares accrued in the period under the requirements of IFRS 2. These numbers differ from the share awards included in the Company's Act disclosures above, which are disclosed in the period in which they vest and are delivered.

f) Loans and Advances to Directors and Key Management Personnel

Loans outstanding to or due from Directors or key management personnel of the CSi group as at 31 December 2018 were USD 6,000 (2017: USD 6,000), of which loans to Directors were USD 3,000 (2017: USD 3,000).

37 Employees

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

Group and Bank (Number)	**2018**	2017
Business functions	1,213	1,110
Corporate functions	394	217
Total	**1,607**	**1,327**

The CSi group receives a range of services from related companies, in particular from CSS(E)L and Credit Suisse Services AG, London Branch. The headcount related to these services is not included in the above numbers. Staff costs and staff numbers do not differ between Bank and CSi group. In 2018, the majority of employees were transferred from CSS(E)L to CSi.

38 Derivatives and Hedging Activities

Derivatives are generally either bilateral OTC contracts or standard contracts transacted through regulated exchanges. The Bank's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, equity, cross currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts, and foreign currency and interest rate futures.

Furthermore, the Bank enters into contracts that are not considered derivatives in their entirety but include embedded derivative features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or third-party credit risk or that have non-standard or foreign currency terms.

On the date the derivative contract is entered into, the Bank designates the derivative as belonging to one of the following categories:

- a trading activity;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability or a forecasted transaction.

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

Group	31 December 2018 Trading [1] Positive replacement value	31 December 2018 Trading [1] Negative replacement value	31 December 2018 Hedging [1] Positive replacement value	31 December 2018 Hedging [1] Negative replacement value	31 December 2017 Trading [1] Positive replacement value	31 December 2017 Trading [1] Negative replacement value	31 December 2017 Hedging [1] Positive replacement value	31 December 2017 Hedging [1] Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	111	82	–	–	79	78	–	–
Swaps	59,178	54,566	–	–	67,528	63,197	–	–
Options bought and sold (OTC)	18,302	18,615	–	–	25,492	24,130	–	–
Options bought and sold (Exchange traded)	212	221	–	–	90	219	–	–
Interest rate products	**77,803**	**73,484**	**–**	**–**	**93,189**	**87,624**	**–**	**–**
Forwards and forward rate agreements	4,614	4,781	–	12	6,155	6,162	–	–
Swaps	15,742	18,634	–	–	15,701	20,346	–	–
Options bought and sold (OTC)	2,711	3,201	–	–	4,002	4,202	–	–
Foreign exchange products	**23,067**	**26,616**	**–**	**12**	**25,858**	**30,710**	**–**	**–**
Forwards and forward rate agreements	1	1	–	–	1	6	–	–
Swaps	5,893	4,546	–	–	4,618	5,499	–	–
Options bought and sold (OTC)	6,669	5,881	–	–	7,814	7,785	–	–
Options bought and sold (Exchange traded)	10,624	12,470	–	–	8,671	8,813	–	–
Equity/indexed-related products	**23,187**	**22,898**	**–**	**–**	**21,104**	**22,103**	**–**	**–**
Swaps	6,910	7,353	–	–	9,452	10,366	–	–
Options bought and sold (OTC)	100	84	–	–	36	30	–	–
Credit products	**7,010**	**7,437**	**–**	**–**	**9,488**	**10,396**	**–**	**–**
Forwards and forward rate agreements	9	9	–	–	25	25	–	–
Swaps	531	16	–	–	27	334	–	–
Options bought and sold (OTC)	65	64	–	–	84	83	–	–
Options bought and sold (Exchange traded)	36	45	–	–	2	12	–	–
Other products	**641**	**134**	**–**	**–**	**138**	**454**	**–**	**–**
Total derivative instruments	**131,708**	**130,569**	**–**	**12**	**149,777**	**151,287**	**–**	**–**

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note – 30 Assets and Liabilities held for sale.

Group	2018 [1] Positive replacement value	2018 [1] Negative replacement value	2017 [1] Positive replacement value	2017 [1] Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	131,708	130,581	149,777	151,287
Replacement values (trading and hedging) after netting	124,434	123,467	144,479	146,219

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note- 30 Assets and Liabilities held for sale.

Bank	31 December 2018 Trading[1] Positive replacement value	Trading[1] Negative replacement value	Hedging[1] Positive replacement value	Hedging[1] Negative replacement value	31 December 2017 Trading[1] Positive replacement value	Trading[1] Negative replacement value	Hedging[1] Positive replacement value	Hedging[1] Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	111	82	–	–	79	78	–	–
Swaps	59,260	54,565	–	–	67,528	63,197	–	–
Options bought and sold (OTC)	18,302	18,615	–	–	25,492	24,130	–	–
Options bought and sold (Exchange traded)	212	221	–	–	90	219	–	–
Interest rate products	**77,885**	**73,483**	**–**	**–**	**93,189**	**87,624**	**–**	**–**
Forwards and forward rate agreements	4,614	4,781	–	12	6,155	6,162	–	–
Swaps	15,742	18,634	–	–	15,701	20,346	–	–
Options bought and sold (OTC)	2,711	3,201	–	–	4,002	4,202	–	–
Foreign exchange products	**23,067**	**26,616**	**–**	**12**	**25,858**	**30,710**	**–**	**–**
Forwards and forward rate agreements	1	1	–	–	1	6	–	–
Swaps	5,893	4,546	–	–	4,618	5,499	–	–
Options bought and sold (OTC)	6,669	5,881	–	–	7,814	7,785	–	–
Options bought and sold (Exchange traded)	10,624	12,470	–	–	8,671	8,813	–	–
Equity/indexed-related products	**23,187**	**22,898**	**–**	**–**	**21,104**	**22,103**	**–**	**–**
Swaps	6,910	7,355	–	–	9,452	10,367	–	–
Options bought and sold (OTC)	100	84	–	–	36	30	–	–
Credit products	**7,010**	**7,439**	**–**	**–**	**9,488**	**10,397**	**–**	**–**
Forwards and forward rate agreements	9	9	–	–	25	25	–	–
Swaps	531	16	–	–	27	334	–	–
Options bought and sold (OTC)	65	64	–	–	84	83	–	–
Options bought and sold (Exchange traded)	36	45	–	–	2	12	–	–
Other products	**641**	**134**	**–**	**–**	**138**	**454**	**–**	**–**
Total derivative instruments	**131,790**	**130,570**	**–**	**12**	**149,777**	**151,288**	**–**	**–**

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note – 30 Assets and Liabilities held for sale.

Bank	2018[1] Positive replacement value	2018[1] Negative replacement value	2017[1] Positive replacement value	2017[1] Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	131,790	130,582	149,777	151,288
Replacement values (trading and hedging) after netting	124,516	123,468	144,479	146,220

[1] Replacement value indicates Fair value. Above table includes Assets and Liabilities held for sale. Details are included in Note- 30 Assets and Liabilities held for sale.

Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market making and customer based trading. The majority of the Bank's derivatives held as at 31 December 2018 were used for trading activities.

Economic Hedges

Economic hedges arise when the CSi group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under IFRS. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios; and
- economic hedges are accounted for and presented in the same way as trading derivatives, since hedge accounting is not applied.

Cash Flow Hedges

The CSi group designates cash flow hedges as part of its strategy to mitigate its risk to variability of foreign currency denominated professional services and salaries and payroll taxes by using foreign exchange forwards. The strategy is to enter into a strip of foreign exchange forward trades to hedge the risk associated with these expenses to recognise the gain or loss on these hedges in the profit and loss line of the hedged item. The strip of foreign exchange forward trades mature on the last business day of the respective month.

The objective of the strategy is to lock in the USD equivalent of certain GBP professional services and salaries and payroll taxes at the rates prevailing at the time of executing the hedge trade(s). By investing in foreign exchange forward contracts, the CSi group has secured the GBP/USD exchange rate, at which rate the expenses will be recorded at in the financial statements.

The nature of the risk being hedged is the impact of forward foreign exchange rate movements on the moment of GBP expense recognition in the financial statements. Hence, the forward points within the foreign exchange forward trades are included in the hedge relationship. The GBP expenses are remeasured into USD at the time when recognised in the financial statements. The GBP denominated payments are referred to as the hedged item. The remeasurement of GBP expenses into USD is performed using the foreign exchange rate set on the last business day of that month. Hence, there is no timing mismatch between the hedging instrument and the hedged item, as the maturity date of a foreign exchange forward trade is always a last business day of a month.

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

Group and Bank	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is recorded	Changes in fair value used for calculating hedge ineffectiveness during the period
		Assets	Liabilities		
Cash flow hedges (USD million)					
Foreign exchange risk					
Forward contracts	477	-	12	Other liabilities	12

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

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

The following table sets forth the details of hedged item:

Cash flow hedges (USD million)	Change in value of the hedged item	Cash flow hedge reserve
Foreign exchange price risk		
Forward contracts	-	12

Hedge effectiveness assessment

The CSi group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis and requires the CSi group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the CSi group to determine whether or not the hedging relationship has actually been effective. If the CSi group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognised in earnings.

	Foreign exchange price risk
Cash flow hedges (USD million)	Forward contract
Hedging loss recognised in OCI	(17)
Amount reclassified to profit or loss because hedged item has affected profit or loss	5
Line item that includes the reclassification adjustments	Total Operating expenses: a. General, administrative and trading expenses b. Compensation and benefits

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

Disclosures relating to contingent credit risk

Certain of the Bank's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either CSG or the counterparty, at the existing mark to market replacement value of the derivative contract.

On a daily basis, the level of incremental collateral that would be required by derivative counterparties in the event of a CSG ratings downgrade is monitored. Collateral triggers are maintained by the Collateral Management department and vary by counterparty.

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

39 Guarantees and Commitments

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

			Maturity				
Group and Bank	<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	190	50	–	–	240	36	204
Performance guarantees and similar instruments	133	185	99	–	417	–	417
Other guarantees	401	–	–	–	401	–	401
Total guarantees	**724**	**235**	**99**	**–**	**1,058**	**36**	**1,022**

			Maturity				
Group and Bank	<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)							
Loan commitments	152	1,405	2,228	575	4,360	1,208	3,151
Other commitments – commitments to purchase cash securities <1 year	2,369	–	–	–	2,369	–	2,369
Total other commitments	**2,521**	**1,405**	**2,228**	**575**	**6,729**	**1,208**	**5,520**

			Maturity				
Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2017							
Guarantees (USD million)							
Credit guarantees and similar instruments	14	50	–	–	64	–	64
Performance guarantees and similar instruments	246	280	75	–	601	–	601
Other guarantees	412	–	–	–	412	–	412
Total guarantees	**672**	**330**	**75**	**–**	**1,077**	**–**	**1,077**

			Maturity				
Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2017							
Other commitments (USD million)							
Loan commitments	1,691	1,165	2,302	1,580	6,738	3,135	3,603
Other commitments – commitments to purchase cash securities <1 year	939	–	–	–	939	–	939
Total other commitments	**2,630**	**1,165**	**2,302**	**1,580**	**7,677**	**3,135**	**4,542**

Credit guarantees are contracts that require the CSi group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the CSi group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Other Guarantees consist of an indemnity that CSi has provided to CSS(E)L with respect to potential funding requests up to a maximum of USD 391 million in relation to the UK Pension Fund for the period starting 01 June 2016 and ending 31 March 2019. CSi is receiving an annual fee of USD 63 million in monthly instalments for this indemnity.

Loan commitments include unused credit facilities that cannot be revoked at any time without prior notice.

Commitments to purchase cash securities represents the value of debt and equity cash security contracts which requires CSi group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

Lease Commitments

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

Group and Bank	**2018**	2017
Operating lease commitments (USD million)		
Up to 1 year	87	99
From 1 year and no later than 5 years	332	350
From 5 years and over	592	606
Future operating lease commitments	**1,011**	**1,055**
Less minimum non-cancellable sublease rentals	(389)	(153)
Total net future minimum operating lease commitments	**622**	**902**

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

Group and Bank	**2018**	2017
Net rental expense (USD million)		
Minimum rentals	86	99
Sublease rental income	(15)	(10)
Total net rental expenses	**71**	**89**

Contingent Liabilities and Other Commitments

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

CSi is the defendant in a lawsuit brought by the German public utility company Stadtwerke München GmbH in a German court, in connection with a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the swaps at inception. On 22 March 2019, the trial court (the Regional Court of Frankfurt am Main) dismissed these claims in their entirety.

CS group including CSi is responding to requests from regulatory and enforcement authorities related to certain CS group 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 CS group entities' subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. On January 3, 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 CS group employees. CS group is cooperating with the authorities on this matter. On February 27, 2019, certain CS group entities, the same three former employees, and several other unrelated entities were sued in the English High Court by the Republic of Mozambique. CS group has not yet been served. CS group is aware of statements made by the Attorney General of Mozambique and notes that it had no involvement in the transaction with Mozambique Asset Management.

40 Interests in Other Entities

Composition of the CSi group

CSi has interests in a number of entities where it has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of these entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The following table sets forth the full list of related undertakings (which is not limited to subsidiary undertakings) the CSi group owns, directly or indirectly.

Composition of the Group

Entity Name	Domicile	Currency	**Percentage of ownership held 2018**	Percentage of ownership held 2017
31 December 2018				
AI3 Segregated Portfolio	Cayman Islands [1]	USD	100	100
Ajanta Limited	Gibraltar [1]	EUR	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 EUR	Jersey [1]	EUR	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	Jersey [1]	USD	100	100
Andrea Investments (Jersey) PCC	Jersey [1]	GBP	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey [1]	USD	100	100
Argentum Capital Series 2015-5	Luxembourg [1]	USD	100	100
Argentum Capital Series 2015-51,2016-20,2018-64	Luxembourg [1]	USD	100	–
Argentum Netherlands Series 2018-15,2018-17	Netherlands [1]	USD	100	–
Arundel (International) Limited	Gibraltar [1]	EUR	100	100
Bellingham Properties Limited	Gibraltar [1]	EUR	100	100
Boats Investments (Jersey) Ltd Series 551,564,565,592,612	Jersey [1]	USD	–	100
Boats Investments (Jersey) Ltd Series 557,562,567,568,577,587,590,600,603,605,608,613	Jersey [1]	USD	100	100
Boats Investments (Jersey) Ltd Series 618,619,620,621,624,627,628,630,631,632,633,634,637	Jersey [1]	USD	100	–
Bondstreet 2 GmbH	Germany [1]	USD	100	100
CARMF Alternative 1	France [1]	USD	100	100
Carmil Properties Limited	Gibraltar [1]	EUR	100	100
Cepheus Holdings Limited	Gibraltar [1]	EUR	100	100
AHL Investment Strategies PCC – Class K1 AHL Global Futures 7 EUR Shares	Guernsey [1]	EUR	100	100
AHL Investment Strategies PCC – Class L1 AHL Global Futures 8 EUR Shares	Guernsey [1]	EUR	100	100
Coxaro Holdings Limited	Cyprus [1]	USD	100	100
Credit Suisse Backwardation Fund	Ireland, Republic of [1]	USD	–	100
Credit Suisse Bond Fund	Ireland, Republic of [1]	EUR	–	100
Credit Suisse Global Carry selector Fund II	Ireland, Republic of [1]	USD	–	100
Custom Markets QIF PLC	Ireland, Republic of [1]	USD	100	100
Dutch Holding Rembrandt B.V.	Netherlands [1]	EUR	100	100
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands [1]	EUR	100	100
Global Bond Fund	Ireland, Republic of [1]	USD	100	100
HOLT Emerging Markets Equity Fund	Ireland, Republic of [1]	USD	100	100
Interleuvenlaan 15 Real Estate Ltd	Gibraltar [1]	EUR	100	100
Kaylen Properties Limited	Gibraltar [1]	EUR	100	100
Mistral SPC	Cayman Islands [1]	USD	100	100
Mistral SPC – Long/Short Equity	Cayman Islands [1]	USD	100	100
New Jersey S.A.	Luxembourg [1]	EUR	100	100
Ramper Investments (Jersey) Limited – Series 11 Class A,11 Class B,12,13	Jersey [1]	USD	100	–
RPM SPC – Global Futures Selection Enhanced Risk Segregated Portfolio	Cayman Islands [1]	USD	–	100
SAPIC Global Macro Master Fund Ltd.	Cayman Islands [1]	USD	100	100
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands [1]	USD	100	100
SAPIC-98 Master Fund	Cayman Islands [1]	USD	100	100
Silver Hake Limited	Gibraltar [1]	EUR	100	100
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands [1]	EUR	100	100
Sontex (International) Limited	Gibraltar [1]	EUR	100	100
Weiveldlaan 41 Real Estate Ltd	Gibraltar [1]	EUR	100	100
Westwood S.A	Portugal [1]	USD	100	100

Composition of the Group (Continued)

31 December 2018				
YI Active Spezial ESPA Fund.	Austria [1]	EUR	100	100
Zephyros Limited	Cayman Islands [1]	USD	100	100

[1] Detailed Registered Office address mentioned in Note 48 (Table 2)

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

Restrictions

The CSi group and its subsidiaries have certain restrictions which may restrict the ability of the CSi group to access or use the assets and settle the liabilities of the CSi group. These restrictions may be statutory, contractual or regulatory in nature.

The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements set out in the EU Capital Requirements Regulation ('CRR') and additionally as laid down by the PRA. The Bank has put into place processes and controls to monitor and manage its capital adequacy. For more information regarding the Bank's capital adequacy and how the capital resources are managed and monitored please refer to Note 46 – Capital Adequacy.

The Bank is required to maintain minimum levels of capital in the form of equity shares and reserves to meet PRA requirements.

Restricted assets also include those assets protected under client segregation rules. Please refer to Note 23 – Brokerage Receivables and Brokerage Payables for further information.

The CSi group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning the counterparty has the right to resell or repledge the pledged asset. Please refer to Note 17 – Trading Financial Assets and Liabilities Mandatorily at Fair Value Through Profit or Loss for more information on encumbered assets.

Other restrictions include those that prevent some subsidiaries from making any distributions to the parent such as restrictions on redemption or the payments of dividends.

Unconsolidated structured entities

The CSi group has interests in structured entities which are not consolidated. An interest is either a contractual or non-contractual involvement that exposes the CSi group to variability in returns from the performance of another entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity, credit enhancement and guarantees.

The CSi group does not have an interest in another entity solely because of a typical customer supplier relationship such as fees other than management and performance fees that are passively earned and are typically one-off in nature.

Type of structured entity

Collateralised Debt Obligations
The CSi group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The CSi group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the CSi group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitisation. The loans and other debt obligations are sold to structured entities, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSi group.

Financial Intermediation
The CSi group has significant involvement with structured entities in its role as a financial intermediary on behalf of clients. Financial intermediation consists of securitisations, funds, loans and other vehicles.

Securitisations
Securitisations are primarily CMBS, RMBS and Asset Backed Securities ('ABS') vehicles. The CSi group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to structured entities related to certain securitisation transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable returns if any, plus the exposure arising from any credit enhancements the CSi group provided. The CSi group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the structured entities.

Funds
Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products, where the investors' interest is typically in the form of debt rather than equity, thereby making them structured entities. The CSi group may have various relationships with such structured entities in the form of structurer, investment advisor, investment manager,

administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of structured entities in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a structured entity holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSi group. The investors typically retain the risk of loss on such transactions, but for certain fund types, the CSi group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The CSi group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the structured entities.

Loans

Loans are single-financing vehicles where the CSi group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the CSi group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the CSi group's exposure. The CSi group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the CSi group's risk mitigation efforts which includes over-collateralisation and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the CSi group's Consolidated Statement of Financial Position, the maximum exposure to loss and the total assets of the unconsolidated structured entities.

Interests in unconsolidated structured entities

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

End of 2017	CDO	Securiti-sations	Funds	Loans	Other	Total
	Type of structured entity					
		Financial intermediation				
Balance sheet line item (USD million)						
Trading financial assets at fair value through profit or loss						
Debt securities	–	–	63	10	–	73
Equity securities	–	–	1,457	–	–	1,457
Derivative instruments	83	182	12	–	–	277
Other	–	–	–	3	–	3
Financial assets designated at fair value through profit or loss						
Loans	–	–	–	–	–	0
Total assets	**83**	**182**	**1,532**	**13**	**–**	**1,810**
Trading financial liabilities at fair value through profit or loss						
Equity securities	–	–	–	–	–	–
Derivative instruments	–	(26)	(28)	–	–	(54)
Financial liabilities designated at fair value through profit or loss						
Debt in issuance	–	–	–	–	–	–
Total liabilities	**–**	**(26)**	**(28)**	**–**	**–**	**(54)**
Maximum exposure to loss	**83**	**182**	**1,532**	**13**	**–**	**1,810**
Unconsolidated structured entity assets	**420**	**21,933**	**597,979**	**206**	**–**	**620,538**

The unconsolidated structured entity assets relate to where the CSi group has an interest in the unconsolidated structured entity. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the CSi group has with the entity and thus are not amounts that are considered for risk management purposes.

Income and losses from unconsolidated structured entities

31 December 2018	Derivative Gain/(Loss)	Other Fair Value Gain/(Loss)	Gain/(Loss) on Sale of Assets	Interest Income/ (Expense)	Other Income/ (Other Losses)	Commission and Fees/ (Other Expenses)	Total
	Income/(Losses)						
Structured entity type (USD million)							
Securitisations	(24)	(4)	–	5	–	5	(18)
Funds	2	(12)	(35)	–	5	–	(40)
Loans	1	3	–	–	–	–	4
Other	19	(5)	–	2	5	4	25
Total	**(2)**	**(18)**	**(35)**	**7**	**10**	**9**	**(29)**

31 December 2017	Derivative Gain/(Loss)	Other Fair Value Gain/(Loss)	Gain/(Loss) on Sale of Assets	Interest Income/ (Expense)	Other Income/ (Other Losses)	Commission and Fees/ (Other Expenses)	Total
	Income/(Losses)						
Structured entity type (USD million)							
Securitisations	155	39	(7)	7	–	2	196
Funds	3	77	4	–	–	9	93
Loans	(10)	1	–	10	–	–	1
Other	(4)	(14)	–	2	1	6	(9)
Total	**144**	**103**	**(3)**	**19**	**1**	**17**	**281**

The previous table shows the income earned from unconsolidated structured entities during the reporting period. Income from an unconsolidated structured entity includes, but is not limited to recurring and non-recurring fees, interest and commission received, gains or losses from the transfer of assets and liabilities and changes in the fair value of instruments, including derivatives.

The CSi group considers itself the sponsor of a structured entity when either its name appears in the name of the structured entity or in products issued by it or there is a general expectation from the market that the CSi group is associated with the structured entity or the CSi group was involved in the design or set up of the structured entity and has a form of involvement with the structured entity.

The following table shows information about the unconsolidated structured entities sponsored by the CSi group where no interest is held by the CSi group.

Sponsored unconsolidated structured entities

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

	Income/(Losses)				
Structured entity type	Derivative Gain/(Loss)	Gain/(Loss) on Sale of Assets	Other Income/ (Other Losses)	**Total**	Carrying Value of Assets transferred
31 December 2017 (USD million)					
Securitisations	66	12	(3)	75	1,073
Funds	–	–	–	–	–
Loans	7	1	–	8	81
Other	5	1	18	24	195
Total	**78**	**14**	**15**	**107**	**1,349**

The previous table shows the income earned from sponsored unconsolidated structured entities during the reporting period and the carrying amount of any assets transferred to those structured entities during the reporting period. Income from an unconsolidated structured entity includes, but is not limited to gains or losses from the transfer of assets and liabilities and changes in the fair value of derivative instruments.

For some funds, the CSi group is contractually obliged to fund certain minimal operating expenses.

41 Financial Instruments

The following disclosure of the CSi group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; Level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit);
- Fair value of financial instruments not carried at fair value.

Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSi group's financial instruments.

Financial assets and liabilities by categories

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

Financial assets and liabilities by categories

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

Financial assets and liabilities by categories

As at 31 December 2017 Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Carrying value Other amortised cost	Total fair value
Financial assets (USD million)						
Cash and due from banks	4,971	–	–	–	4,971	4,971
Interest-bearing deposits with banks	4,187	–	–	–	4,187	4,187
Securities purchased under resale agreements and securities borrowing transactions	17,052	–	–	–	17,052	17,052
Trading financial assets at fair value through profit or loss	174,555	174,555	–	–	–	174,555
Financial assets designated at fair value through profit or loss	11,130	–	11,130	–	–	11,130
Net loans	3,331	–	–	3,331	–	3,334
Other assets	33,096 [1]	–	–	–	33,096	33,096
Assets held for sale	115 [1]	115	–	–	–	115
Total financial assets	**248,437**	**174,670**	**11,130**	**3,331**	**59,306**	**248,440**
Financial liabilities (USD million)						
Deposits	188	–	–	–	188	188
Securities sold under repurchase agreements and securities lending transactions	7,193	–	–	–	7,193	7,193
Trading financial liabilities at fair value through profit or loss	149,505	149,505	–	–	–	149,505
Financial liabilities designated at fair value through profit or loss	22,899	–	22,899	–	–	22,899
Borrowings	5,940	–	–	–	5,940	5,940
Other liabilities	24,176	–	–	–	24,176	24,176
Debt in issuance	16,847	–	–	–	16,847	16,875
Liabilities held for sale	117	117	–	–	–	117
Total financial liabilities	**226,865**	**149,622**	**22,899**	**–**	**54,344**	**226,893**

[1] Assets held for sale does not include USD 46 million Premises and equipment as these are out of scope of the Financial instruments disclosure. Further, 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

Financial assets and liabilities by categories

As at 31 December 2017 Bank (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Carrying value Other amortised cost	Total fair value
Financial assets (USD million)						
Cash and due from banks	4,931	–	–	–	4,931	4,931
Interest-bearing deposits with banks	4,187	–	–	–	4,187	4,187
Securities purchased under resale agreements and securities borrowing transactions	17,052	–	–	–	17,052	17,052
Trading financial assets at fair value through profit or loss	174,353	174,353	–	–	–	174,353
Financial assets designated at fair value through profit or loss	11,422	–	11,422	–	–	11,422
Other loans and receivables	3,331	–	–	3,331	–	3,334
Other assets	33,096 [1]	–	–	–	33,096	33,096
Assets held for Sale	115 [1]	115	–	–	–	115
Total financial assets	**248,487**	**174,468**	**11,422**	**3,331**	**59,266**	**248,490**
Financial liabilities (USD million)						
Deposits	188	–	–	–	188	188
Securities sold under repurchase agreements and securities lending transactions	7,193	–	–	–	7,193	7,193
Trading financial liabilities at fair value through profit or loss	149,506	149,506	–	–	–	149,506
Financial liabilities designated at fair value through profit or loss	22,899	–	22,899	–	–	22,899
Borrowings	5,940	–	–	–	5,940	5,940
Other liabilities	24,176	–	–	–	24,176	24,176
Debt in issuance	16,710	–	–	–	16,710	16,737
Liabilities held for sale	117	117	–	–	–	117
Total financial liabilities	**226,729**	**149,623**	**22,899**	**–**	**54,207**	**226,756**

[1] Assets held for sale does not include USD 46 million Premises and equipment as these are out of scope of the Financial instruments disclosure. Further, 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSi group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSi group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high yield debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgement, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds. The fair value measurement disclosures exclude derivative transactions that are daily settled.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSi group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realised under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSi group reflects the net exposure to credit risk for its derivative instruments where the CSi group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the fair value hierarchy as follows:

- **Level 1:** Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSi group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- **Level 2:** Inputs to valuation models/techniques, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3:** Inputs to valuation models/techniques, for the asset or liability that are not based on observable market data (significant unobservable inputs). These inputs reflect the CSi group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which includes the CSi group's own data. The CSi group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2017 (Group)	Level 1	Level 2	Level 3	Impact of netting [1]	**Total at fair value**
Liabilities (USD million)					
Debt securities	**1,672**	**480**	**–**	**–**	**2,152**
of which UK government	367	–	–	–	367
of which foreign governments	1,268	373	–	–	1,641
of which corporates	37	107	–	–	144
Equity securities	**1,240**	**8**	**–**	**–**	**1,248**
Other securities	**–**	**3**	**–**	**–**	**3**
Derivatives	**2,229**	**146,452**	**2,489**	**(5,068)**	**146,102**
of which interest rate products	176	87,161	287	(865)	86,759
of which foreign exchange products	26	30,588	96	–	30,710
of which equity/index-related products	2,026	18,896	1,181	(4,203)	17,900
of which credit derivatives	–	9,354	925	–	10,279
of which other derivative products	1	453	–	–	454
Trading financial liabilities at fair value through profit or loss	**5,141**	**146,943**	**2,489**	**(5,068)**	**149,505**
Securities sold under resale agreements and securities borrowing transactions	**–**	**14,184**	**–**	**(2,353)**	**11,831**
Borrowings	**–**	**2,340**	**106**	**–**	**2,446**
Debt in issuance	**–**	**5,352**	**2,878**	**–**	**8,230**
of which structured notes between one and two years	–	939	43	–	982
of which other debt instruments between one and two years	–	22	–	–	22
of which treasury debt over two years	–	77	–	–	77
of which structured notes over two years	–	2,518	2,500	–	5,018
of which other debt instruments over two years	–	1,796	335	–	2,131
Other financial liabilities designated at fair value through profit or loss	**–**	**293**	**99**	**–**	**392**
of which failed sales	–	282	97	–	379
of which other	–	11	2	–	13
Financial liabilities designated at fair value through profit or loss	**–**	**22,169**	**3,083**	**(2,353)**	**22,899**
Derivatives	**–**	**117**	**–**	**–**	**117**
of which credit derivatives	–	117	–	–	117
Trading financial liabilities at fair value through profit or loss	**–**	**117**	**–**	**–**	**117**
Liabilities held for sale	**–** [2]	**117**	**–**	**–**	**117**
Total liabilities at fair value	**5,141**	**169,229**	**5,572**	**(7,421)**	**172,521**
Net assets/liabilities at fair value	**20,760**	**(6,134)**	**(1,117)**	**(230)**	**13,279**

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

2 Liabilities held for sale does not include USD 54 million Day 1 gain/loss as it is out of purview of the Financial instruments disclosure.

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

As at 31 December 2017 (Bank)	Level 1	Level 2	Level 3	Impact of netting [1]	**Total at fair value**
Assets (USD million)					
Debt securities	**18,628**	**3,038**	**901**	**–**	**22,567**
of which UK government	9,939	–	–	–	9,939
of which foreign governments	8,561	467	53	–	9,081
of which corporates	128	2,195	809	–	3,132
of which residential mortgage backed securities	–	138	29	–	167
of which commercial mortgage backed securities	–	238	10	–	248
Equity securities	**4,944**	**1,133**	**711**	**–**	**6,788**
Derivatives	**2,280**	**144,982**	**2,400**	**(5,298)**	**144,364**
of which interest rate products	116	92,550	523	(1,096)	92,093
of which foreign exchange products	41	25,655	162	–	25,858
of which equity/index-related products	2,122	17,865	1,117	(4,202)	16,902
of which credit derivatives	–	8,775	598	–	9,373
of which other derivative products	1	137	–	–	138
Other	**–**	**454**	**180**	**–**	**634**
Trading financial assets at fair value through profit or loss	**25,852**	**149,607**	**4,192**	**(5,298)**	**174,353**
Securities purchased under resale agreements and securities borrowing transactions	**50**	**10,792**	**–**	**(2,353)**	**8,489**
Loans	**–**	**1,125**	**487**	**–**	**1,612**
of which commercial and industrial loans	–	387	132	–	519
of which loans to financial institutions	–	537	355	–	892
of which government and public institutions	–	201	–	–	201
Other financial assets designated at fair value through profit or loss	**–**	**1,287**	**34**	**–**	**1,321**
of which failed purchases	–	1,223	33	–	1,256
of which other	–	64	1	–	65
Financial assets designated at fair value through profit or loss	**50**	**13,204**	**521**	**(2,353)**	**11,422**
Derivatives	**–**	**115**	**–**	**–**	**115**
of which credit derivatives	–	115	–	–	115
Trading financial assets at fair value through profit or loss	**–**	**115**	**–**	**–**	**115**
Assets held for sale	**–**	**115**	**–**	**–**	**115**
Total assets at fair value	**25,902**	**162,926**	**4,713**	**(7,651)**	**185,890**

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

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

As at 31 December 2017 (Bank)	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**1,672**	**480**	**–**	**–**	**2,152**
of which UK government	367	–	–	–	367
of which foreign governments	1,268	373	–	–	1,641
of which corporates	37	107	–	–	144
Equity securities	**1,240**	**8**	**–**	**–**	**1,248**
Other securities	**–**	**3**	**–**	**–**	**3**
Derivatives	**2,229**	**146,453**	**2,489**	**(5,068)**	**146,103**
of which interest rate products	176	87,161	287	(865)	86,759
of which foreign exchange products	26	30,588	96	–	30,710
of which equity/index-related products	2,026	18,896	1,181	(4,203)	17,900
of which credit derivatives	–	9,355	925	–	10,280
of which other derivative products	1	453	–	–	454
Trading financial liabilities at fair value through profit or loss	**5,141**	**146,944**	**2,489**	**(5,068)**	**149,506**
Securities sold under resale agreements and securities borrowing transactions	**–**	**14,184**	**–**	**(2,353)**	**11,831**
Borrowings	**–**	**2,340**	**106**	**–**	**2,446**
Debt in issuance	**–**	**5,352**	**2,878**	**–**	**8,230**
of which structured notes between one and two years	–	939	43	–	982
of which other debt instruments between one and two years	–	22	–	–	22
of which treasury debt over two years	–	77	–	–	77
of which structured notes over two years	–	2,518	2,500	–	5,018
of which other debt instruments over two years	–	1,796	335	–	2,131
Other financial liabilities designated at fair value through profit or loss	**–**	**293**	**99**	**–**	**392**
of which failed sales	–	282	97	–	379
of which other	–	11	2	–	13
Financial liabilities designated at fair value through profit or loss	**–**	**22,169**	**3,083**	**(2,353)**	**22,899**
Derivatives	**–**	**117**	**–**	**–**	**117**
of which credit derivatives	–	117	–	–	117
Trading financial liabilities at fair value through profit or loss	**–**	**117**	**–**	**–**	**117**
Liabilities held for sale	**–** [2]	**117**	**–**	**–**	**117**
Total liabilities at fair value	**5,141**	**169,230**	**5,572**	**(7,421)**	**172,522**
Net assets/liabilities at fair value	**20,761**	**(6,304)**	**(859)**	**(230)**	**13,368**

[1] Derivative contracts/Securities sold under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.
[2] Liabilities held for sale does not include USD 54 million Day 1 gain/loss as it is out of purview of the Financial instruments disclosure.

Transfers between Level 1 and Level 2

	2018		2017	
Group and Bank (USD million)	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2
Assets				
Trading financial assets mandatorily at fair value through profit or loss	109	3,413	141	2,866
Total transfers in assets at fair value	**109**	**3,413**	**141**	**2,866**
Liabilities				
Trading financial liabilities mandatorily at fair value through profit or loss	8	3,584	3	3,142
Total transfers in liabilities at fair value	**8**	**3,584**	**3**	**3,142**

The transfers from Level 1 to Level 2 were mainly driven by debt and equity securities where the liquidity had decreased and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

The transfers from Level 2 to Level 1 are mainly driven by the transfer of exchange traded options as they moved closer to maturity and inputs become observable. All transfers were reported at the end of the reporting period.

Movements of Level 3 instruments

The following table presents a reconciliation of financial instruments categorised in Level 3 of the fair value hierarchy.

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

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

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

[2] Certain loans aggregating USD 61 million were accrual accounted under IAS 39. The risks are managed on a fair value basis and accordingly, with the implementation of IFRS 9, these are now fair valued.

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

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

[1] For all transfers to Level 3 or out of Level 3, the CSi group determines and discloses as Level 3 events only gains or losses through the last day of the reporting period.
[2] Certain loans aggregating USD 61 million were accrual accounted under IAS 39. The risks are managed on a fair value basis and accordingly, with the implementation of IFRS 9, these are now fair valued.

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

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

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

[2] Certain loans aggregating USD 61 million were accrual accounted under IAS 39. The risks are managed on a fair value basis and accordingly, with the implementation of IFRS 9, these are now fair valued.

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

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

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

[2] Certain loans aggregating USD 61 million were accrual accounted under IAS 39. The risks are managed on a fair value basis and accordingly, with the implementation of IFRS 9, these are now fair valued.

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

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

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

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

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

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

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

Bank	Balance as at 1 January 2017	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues: On transfers in/out [1]	Trading revenues: On all other	Balance as at 31 December 2017
Assets at fair value (USD million)										
Debt securities	**1,551**	**154**	**(303)**	**1,232**	**(1,745)**	**–**	**–**	**(5)**	**17**	**901**
of which foreign governments	45	6	(9)	169	(167)	–	–	–	9	53
of which corporates	1,451	148	(294)	1,063	(1,578)	–	–	(5)	24	809
of which commercial mortgage backed securities	26	–	–	–	–	–	–	–	(16)	10
of which Residential Mortgage-Backed Securities	29	–	–	–	–	–	–	–	–	29
Equity securities	**24**	**575**	**–**	**187**	**(68)**	**–**	**–**	**–**	**(7)**	**711**
Derivatives	**3,274**	**520**	**(561)**	**–**	**–**	**2,276**	**(1,645)**	**72**	**(1,536)**	**2,400**
of which interest rate products	577	92	(49)	–	–	879	(256)	3	(723)	523
of which foreign exchange products	343	–	(47)	–	–	12	(91)	2	(57)	162
of which equity/index-related products	1,444	152	(162)	–	–	1,214	(951)	30	(610)	1,117
of which credit derivatives	910	276	(303)	–	–	171	(347)	37	(146)	598
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Other	**519**	**127**	**(106)**	**139**	**(344)**	**11**	**(243)**	**3**	**74**	**180**
Trading financial assets at fair value through profit or loss	**5,368**	**1,376**	**(970)**	**1,558**	**(2,157)**	**2,287**	**(1,888)**	**70**	**(1,452)**	**4,192**
Loans	**999**	**–**	**(31)**	**–**	**(119)**	**118**	**(488)**	**(2)**	**10**	**487**
of which commercial and industrial loans	158	–	–	–	(4)	51	(63)	–	(10)	132
of which loans to financial institutions	805	–	–	–	(115)	67	(420)	(2)	20	355
of which government and public institutions	36	–	(31)	–	–	–	(5)	–	–	–
of which real estate	–	–	–	–	–	–	–	–	–	–
Other financial assets designated at fair value through profit or loss	**126**	**–**	**–**	**26**	**(69)**	**4**	**(26)**	**–**	**(27)**	**34**
of which failed purchases	102	–	–	1	(43)	–	–	–	(27)	33
of which other	24	–	–	25	(26)	4	(26)	–	–	1
Financial assets designated at fair value through profit or loss	**1,125**	**–**	**(31)**	**26**	**(188)**	**122**	**(514)**	**(2)**	**(17)**	**521**
Total assets at fair value	**6,493**	**1,376**	**(1,001)**	**1,584**	**(2,345)**	**2,409**	**(2,402)**	**68**	**(1,469)**	**4,713**

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

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

Bank	Balance as at 1 January 2017	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues On transfers in/out [1]	Trading revenues On all other	Balance as at 31 December 2017
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of which corporates	–	–	–	–	–	–	–	–	–	–
Derivatives	**2,704**	**431**	**(694)**	**–**	**–**	**931**	**(1,930)**	**85**	**962**	**2,489**
of which interest rate products	310	49	(32)	–	–	61	(172)	6	65	287
of which foreign exchange products	112	9	–	–	–	3	(60)	–	32	96
of which equity/index-related products	1,167	71	(260)	–	–	563	(1,230)	21	849	1,181
of which credit derivatives	1,115	302	(402)	–	–	304	(468)	58	16	925
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Trading financial liabilities at fair value through profit or loss	**2,704**	**431**	**(694)**	**–**	**–**	**931**	**(1,930)**	**85**	**962**	**2,489**
Borrowings	**119**	**14**	**(25)**	**–**	**–**	**252**	**(231)**	**–**	**(23)**	**106**
Debt in issuance	**2,542**	**1,126**	**(222)**	**–**	**–**	**594**	**(1,542)**	**11**	**369**	**2,878**
of which structured notes between one and two years	66	79	(33)	–	–	288	(373)	1	15	43
of which other debt instruments between one and two years	6	–	–	–	–	(3)	–	–	(3)	–
of which structured notes over two years	1,463	1,039	(110)	–	–	261	(450)	6	291	2,500
of which other debt instruments over two years	1,007	8	(79)	–	–	48	(719)	4	66	335
Other financial liabilities designated at fair value through profit or loss	**314**	**8**	**(16)**	**81**	**(279)**	**–**	**–**	**1**	**(10)**	**99**
of which failed sales	311	4	(9)	84	(300)	–	–	–	7	97
of which others	3	4	(7)	(3)	21	–	–	1	(17)	2
Financial liabilities designated at fair value through profit or loss	**2,975**	**1,148**	**(263)**	**81**	**(279)**	**846**	**(1,773)**	**12**	**336**	**3,083**
Total liabilities at fair value	**5,679**	**1,579**	**(957)**	**81**	**(279)**	**1,777**	**(3,703)**	**97**	**1,298**	**5,572**
Net assets/liabilities at fair value	**814**	**(203)**	**(44)**	**1,503**	**(2,066)**	**632**	**1,301**	**(29)**	**(2,767)**	**(859)**

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

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

Group and Bank	2018	2017
Trading revenues (USD million)		
Net realised/unrealised (losses)/gains included in net revenues	86 [1]	(2,918) [1]
Whereof:		
Trading financial assets mandatorily at fair value through profit or loss	1,061	(25)
Non-trading financial assets mandatorily at fair value through profit or loss	(9)	na [2]
Financial assets designated at fair value through profit or loss	–	(7)
Trading financial liabilities mandatorily at fair value through profit or loss	(357)	(528)
Financial liabilities designated at fair value through profit or loss	64	(138)
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**759**	**(698)**

[1] Bank profit of USD 97 million (2017: Loss of USD 2,796 million)
[2] na – not applicable. These financial statements captions or disclosures apply under IFRS 9 adopted in the current year, and were not applicable under IAS 39 "Financial Instruments".

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the previous table may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSi group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the previous table do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

Transfers in and out of Level 3

Trading financial assets mandatorily at fair value through profit or loss

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

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

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

Non-trading financial assets mandatorily at fair value through profit or loss transferred into and out of Level 3 in 2018 amounted to USD 119 million and USD (16) million, respectively for both CSi group and Bank. Transfers into Level 3 largely comprised of loans and failed purchases. Transfers out of Level 3 related to loans.

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

Financial assets designated at fair value through profit or loss

There are no financial assets designated at fair value through profit or loss after implementation of IFRS 9 for the year ended 31 December 2018.

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

Trading financial liabilities mandatorily at fair value through profit or loss

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

Trading financial liabilities transferred into and out of Level 3 as at 31 December 2017 amounted to USD 431 million and USD (694) million, respectively for both CSi group and Bank. USD 302 million of transfers into Level 3 were related to credit derivatives. Transfers out of Level 3 largely comprised of equity/index related derivatives and credit derivatives.

Financial liabilities designated at fair value through profit or loss

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

Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2017 amounted to USD 1,148 million and USD (263) million, respectively for both CSi group and Bank. Transfers into Level 3 were in relation to both structured notes and failed sales. Transfers out of Level 3 were largely related to structured notes and other hybrid instruments.

Qualitative disclosures of valuation techniques

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

On a monthly basis, meetings are held for each business line with senior representatives of the Business and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Business, Product Control, Risk Management, and Group Finance to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of CSG Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSi group. VARMC includes a formal CSi voting sub-committee comprising the CEO CSi, CFO CSi and CRO CSi, who ratify decisions relevant to the entity. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the CSG Executive Board and CSi Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Business and Product Control. The Business is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Business values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSi group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Business professional judgement is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table "Quantitative disclosure of valuation techniques".

Securities purchased/sold under resale/repurchase agreements and securities borrowing/lending transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in Level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds or other debt instruments. In the event of counterparty default, the collateral service agreement provides the CSi group with the right to liquidate the collateral held.

The CSi group enters into transactions involving securities borrowed and securities loaned transactions as part of the CSi group's matched-book activities to accommodate clients, finance the CSi group's trading inventory, obtain securities for settlement and earn interest spreads.

Debt securities

Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorised as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modelling techniques, which may involve judgement. Those securities where the significant price or model inputs are observable in the market are categorised as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modelling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include market comparable price, buyback probability, correlation, volatility and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e. the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3). Generally, the interrelationship between volatility and correlation is positively correlated.

CMBS securities

Fair values of CMBS may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of CMBS for which there are significant unobservable inputs are valued using capitalisation rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

Equity securities

The majority of the CSi group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as level 1 instruments. Level 2 and level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortisation, ('EBITDA') multiple, discount rate and capitalisation rate.

Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the market is not considered active, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, then the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the market place, while more complex derivatives may use unobservable inputs that rely on specific proprietary modelling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

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

Interest rate derivatives

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

Foreign exchange derivatives

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

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

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

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

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

Other non-trading financial assets mandatorily at fair value through profit or loss
Loans
The CSi group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans, loans to government and public institutions, and loans to financial institutions. These categories include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

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

Borrowings and Debt in issuance
The CSi group's borrowings and debt in issuance include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable), funded derivatives and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the CSi group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for debt in issuance and borrowings include buyback probability, gap risk, correlation, volatility, credit spread and market comparable price. Generally, volatility, credit curve, forward skew, correlation and gap risk are positively correlated.

Other financial liabilities designated at fair value through profit or loss
Failed sales
These liabilities represent securitisations that do not meet the criteria for sale treatment under IFRS. Failed sales are valued in a manner consistent with the related underlying financial instruments.

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

Sensitivity of fair value measurements to changes in significant unobservable inputs
For level 3 assets with a significant unobservable input of buyback probability, contingent probability, correlation, price, volatility, mean reversion, mortality and discount rate in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of capitalisation rate, prepayment rate, recovery rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value.

Interrelationships between significant unobservable inputs
Except as noted previously, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs may move independently, generally an increase or decrease in one

significant unobservable input may have no impact on the other significant unobservable inputs.

Quantitative information about level 3 assets and liabilities at fair value

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

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

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

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

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

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

As at 31 December 2018 Bank	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value (USD million)						
Other	**249**					
of which trading loans	18	Discounted cash flow	Capitalisation rate, in %	9.4	9.40	9.40

As at 31 December 2017 Bank	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value (USD million)						
Other	**183**					
of which trading loans	140	Discounted cash flow	Capitalisation rate, in %	9.25	9.25	9.25

Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary between collateral pools, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

Volatility and its skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility may vary significantly between different underlying currencies and expiration dates on the options. Similarly, in the case of equity derivatives' the volatility attributed to a structure may vary greatly depending upon the underlying reference name.

Price
Bond equivalent price is a primary significant unobservable input for bonds and loans. Where market prices are not available for an instrument, benchmarking may be utilised to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability
Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap Risk
Gap risk is the primary significant unobservable input for fund linked Constant Proportion Portfolio Insurance ('CPPI') products and structures where the payoff may be sensitive to "discontinuity" in the hedging portfolio.

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

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

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

Capitalisation Rate
Capitalisation rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Contingent Probability
Contingent probability is the primary significant unobservable input for contingent foreign exchange forward trades where the delivery or exercise and the premium payment are contingent on an event such as completion of an M&A deal or regulatory approval for a product.

Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated financial statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data.

The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

Group	**As at 31 December 2018**		As at 31 December 2017	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	269	(282)	229	(244)
Assets-backed securities, loans and derivatives	1	(4)	3	(6)
Debt and equity securities	36	(24)	43	(16)
Loans	23	(16)	22	(16)
Total	**329**	**(326)**	**297**	**(282)**

Bank	**As at 31 December 2018**		As at 31 December 2017	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	269	(282)	229	(244)
Assets-backed securities, loans and derivatives	1	(4)	3	(6)
Debt and equity securities	36	(24)	43	(16)
Loans	24	(17)	29	(23)
Total	**330**	**(327)**	**304**	**(289)**

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

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

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

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

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

Recognition of trade date profit

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

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

	2018	2017
Deferred trade date profit (USD million)		
Balance at the beginning of period	408	413
Increase due to new trades	246	175
Reduction due to passage of time	(59)	(37)
Reduction due to redemption, sales, transfers or improved observability	(137)	(143)
Balance at the end of period	**458**	**408**

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

Fair Value of financial instruments not recognised at fair value by level of fair value hierarchy

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

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

As at 31 December 2017 Group (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Fair value
Financial assets					
Cash and due from banks	4,834	137	–	–	4,971
Interest-bearing deposits with banks	–	4,187	–	–	4,187
Securities purchased under resale agreements and securities borrowing transactions	–	17,086	–	(34)	17,052
Net loans	–	3,314	20	–	3,334
Other assets	–	32,957	–	–	32,957
Total fair value of financial assets	**4,834**	**57,681**	**20**	**(34)**	**62,501**
Financial liabilities					
Deposits	188	–	–	–	188
Securities sold under repurchase agreements and securities lending transactions	–	7,227	–	(34)	7,193
Borrowings	–	5,940	–	–	5,940
Debt in issuance	–	16,875	–	–	16,875
Other financial liabilities	–	24,176	–	–	24,176
Total fair value of financial liabilities	**188**	**54,218**	**–**	**(34)**	**54,372**

As at 31 December 2017 Bank (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Fair value
Financial assets					
Cash and due from banks	4,794	137	–	–	4,931
Interest-bearing deposits with banks	–	4,187	–	–	4,187
Securities purchased under resale agreements and securities borrowing transactions	–	17,086	–	(34)	17,052
Net loans	–	3,314	20	–	3,334
Other financial assets	–	32,957	–	–	32,957
Total fair value of financial assets	**4,794**	**57,681**	**20**	**(34)**	**62,461**
Financial liabilities					
Deposits	188	–	–	–	188
Securities sold under repurchase agreements and securities lending transactions	–	7,227	–	(34)	7,193
Borrowings	–	5,940	–	–	5,940
Debt in issuance	–	16,737	–	–	16,737
Other financial liabilities	–	24,176	–	–	24,176
Total fair value of financial liabilities	**188**	**54,080**	**–**	**(34)**	**54,234**

42 Assets Pledged or Assigned

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

Group and Bank	**2018**	2017
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	11,078	18,411
Collateral received (USD million)		
Fair value of collateral received with the right to resell or repledge	77,811	91,624
Of which sold or repledged	50,638	67,846

Assets pledged or assigned represents the balance sheet position of trading assets mandatorily at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivatives transactions. Refer to Note 17 – Trading Financial Assets and Liabilities Mandatorily at Fair Value through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2018 and 2017 collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSi group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSi group, as the secured party, has the right to sell or repledge such collateral, subject to the CSi group returning equivalent securities upon completion of the transaction.

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

43 Derecognition

In the normal course of business, the CSi group enters into transactions where it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSi group's accounting policy regarding derecognition of such assets under IFRS 9 is described in Note 2 – Significant Accounting Policies.

Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IFRS 9, the CSi group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by structured entities to which the asset has been transferred. In addition, the CSi group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSi group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. The CSi group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSi group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSi group retains any form of rights or obligations relating to the transferred asset.

The following table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSi group still has continuing involvement as at 31 December 2018, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

Information on transferred assets by type of continuing involvement

	Carrying amount of continuing involvement in statement of financial position		Fair value of continuing involvement		Maximum exposure to loss	Loss from transfer	Income / Expense from continuing involvement	
2018 Group and Bank (USD million)	Trading financial assets at fair value through profit or loss	Trading financial liabilities at fair value through profit or loss	Assets	Liabilities			For the year ended 31 December 2018	Cumulative to 31 December 2018
Type of continuing involvement								
Derivatives								
Swaps	37	(22)	37	(22)	37	9	(14)	(29)
Notes	8	(1)	8	(1)	8	–	–	–
Total	**45**	**(23)**	**45**	**(23)**	**45**	**9**	**(14)**	**(29)**

2017 Group and Bank (USD million)	Carrying amount of continuing involvement in statement of financial position: Trading financial assets at fair value through profit or loss	Trading financial liabilities at fair value through profit or loss	Fair value of continuing involvement: Assets	Liabilities	Maximum exposure to loss	Loss from transfer	Income / Expense from continuing involvement: For the year ended 31 December 2017	Cumulative to 31 December 2017
Type of continuing involvement								
Derivatives								
Swaps	78	(67)	78	(67)	78	(8)	10	(38)
Notes	10	–	10	–	10	–	–	–
Total	**88**	**(67)**	**88**	**(67)**	**88**	**(8)**	**10**	**(38)**

The majority of the CSi group's continuing involvement in derecognised transferred financial assets is in the form of derivative transactions. To reduce its credit risk to derivatives, the CSi group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

The following table shows a maturity analysis of undiscounted cash outflows that the CSi group may be required to pay to repurchase the asset or any other amounts payable (such as dividends and interest payable) to the counterparty and table includes situations where the CSi group has an option to repurchase the asset. In such instances, where the timing of the cash flows is not specified, the total undiscounted amount has been included in the earliest maturity bucket. Cash outflows to the counterparty may be triggered by credit events.

Maturity analysis of undiscounted cash flows to repurchase transferred assets by type of continuing involvement

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

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

2017 Group and Bank (USD million)	Total	On demand	Less than 1 year	1–5 years	more than 5 years
Type of continuing involvement					
Derivatives [1]					
Swaps	(230)	(230)	–	–	–

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

Instruments that are considered to be continuing involvement are included in Note 17 – Trading Financial Assets and Liabilities at Mandatorily Fair Value through Profit or Loss and Note 29 –Debt in Issuance.

Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps, in which the CSi group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSi groups balance sheet with a corresponding liability established to represent an obligation to the counterparty. As part of the CSi group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

Carrying amount of transferred assets not derecognised and associated liabilities

Group and Bank (USD million)	2018 Carrying amount of assets	2018 Carrying amount of associated liabilities	2017 Carrying amount of assets	2017 Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase & Securities lending agreements	11,078	11,078	18,411	18,411
Total Return Swaps	156	158	329	296
Other	130	130	83	83

The CSi group also participates in securities lending agreements where the counterparty provides securities as collateral or fees. The carrying amount of the assets not derecognised in such transactions is equal to USD 1,746 million (2017: USD 2,025 million).

Where the CSi group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement.

The counterparties to the associated liabilities have full recourse to CSi.

Assets not derecognised are included in in Note 17 – Trading Financial Assets and Liabilities at Mandatorily Fair Value through Profit or Loss and the corresponding liabilities are included in Note 16 – Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements and Note 18 – Non-trading Financial Assets Mandatorily at Fair Value Through Profit or Loss and Note 19- Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss.

Of the above, other financial assets not derecognised includes failed sale items including fair value elected items which are shown under Non-Trading Financial Assets Mandatorily at Fair Value Through Profit and Loss (2017: Financial assets designated at fair value through profit or loss) in the Consolidated Statement of Financial Position.

44 Financial Risk Management

Risks Detail

i) Market Risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatilities and correlations. The Bank defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction will be exposed to a number of different market risks.

The Bank has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Bank level down to specific portfolios. The Bank uses market risk measurement and management methods in line with regulatory and industry standards. These include general tools capable of calculating comparable risk metrics across the Bank's many activities and focused tools that can specifically model the unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal portfolio measurement methodologies are Value-at-Risk ('VaR') and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR is applicable for market risk exposures with appropriate price histories. 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. The use of VaR allows the comparison of risk across different asset classes, businesses 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.

Historical financial market rates, prices and other relevant parameters serve as a basis for the statistical VaR model underlying the potential loss estimation. The Bank uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS').

The Bank uses a historical simulation model for the majority of the risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and other relevant parameters applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on the correlation between risk factors.

The VaR model uses a two-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the model uses a time-weighting scheme in which more recent events are assigned a higher weight in the calculation. This results in a more responsive VaR model, as the impact of changes in the overall market volatility is reflected promptly in the VaR model output.

The Bank has approval from the PRA to use its regulatory VaR model in the calculation of the trading book market risk capital requirements.

The VaR model uses assumptions and estimates that the Bank believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions and 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.
- VaR is calculated using positions held at the end of each business day and does not include intra-day changes in exposures.

Scenario analysis

Stress testing complements other risk measures by capturing the Bank's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile of particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Bank level, a set of scenarios are used which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Bank's risk control framework, stress testing results are used in risk appetite discussions and strategic business planning, and support the Bank's internal capital adequacy assessment. Stress testing is 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.

Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios used within the Bank are reviewed at the individual risk committee level as well as by a dedicated scenario design forum. It is expected that the scenarios used within the Bank are redefined as required by changes in market conditions and as business strategies evolve.

Trading portfolios

Risk measurement and management

Market risk arises in the Bank's trading portfolios primarily through the trading activities within the bank.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio. This classification of assets as trading is based on the trading intent and for the purpose of analysing the Bank's market risk exposure, not for financial statement purposes.

The Bank is active in the principal global trading markets, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of the Bank's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

Development of trading portfolio risks

The following table shows the trading related market risk exposure for the Bank, as measured by ten-day 99% VaR. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Ten-day, 99% VaR – trading portfolios

End of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
2018 (USD million)						
Average	26	7	4	20	(24)	33
Minimum	14	4	2	10	– [2]	16
Maximum	55	15	8	54	– [2]	67
End of period	27	5	3	44	(22)	57
2017 (USD million)						
Average	29	8	6	13	(29)	26
Minimum	19	4	2	8	– [2]	16
Maximum	48	15	10	30	– [2]	47
End of period	34	6	3	17	(33)	26

[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 CSi group's ten-day, 99% regulatory VaR as of 31 December 2018 increased by 114% to USD 57 million, compared to 31 December 2017 (USD 26 million).

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

Development of non-trading portfolio risks

Interest rate risk on banking book positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD 0.15 million as of 31 December 2018 compared to USD 0.03 million as of 31 December 2017. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2018, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

A fair value gain of USD 29 million (2017: loss of USD 7 million) for a +200bps move.

A fair value loss of USD 43 million (2017: loss of USD 19 million) for a -200bps move.

ii) Liquidity Risk

Liquidity risk is the risk that a bank is unable to fund assets and meet obligations as they fall due in times of stress, whether caused by market events and/or firm-specific issues.

CS group-wide management of liquidity risk

The liquidity and funding strategy of Credit Suisse ('CS') is approved by the Capital Allocation & Risk Management Committee ('CARMC') and overseen by the Board of Directors ('Board').

CARMC committee includes the CEOs of the 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, which was phased in from 1 January 2015 through 1 January 2019, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered high-quality liquid assets ('HQLA') available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. Under the BCBS requirements, the ratio of liquid assets over net cash outflows was subject to an initial minimum requirement of 60% as of 1 January 2015, which was increased by 10% per year and is currently at 100% since 1 January 2019.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding and (once implemented by local regulators), should always be at least 100%.

It should be noted that local regulators are free to interpret the BCBS proposals and have implemented various aspects differently including timescales for implementation of the LCR and NSFR.

Legal entity management of liquidity risk

The legal entity internal liquidity risk management framework is aligned with the group-wide approach but also incorporates local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's ('PRA') Individual Liquidity Guidance ('ILG') which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under CRDIV guidelines, the LCR was initially introduced with a minimum requirement of 80% on 1 October 2015 with an increase to 90% from 1 January 2017 and full compliance by 1 January 2018 (one year prior to BCBS guidelines). The NSFR was expected to be introduced on 1 January 2018 in-line with the BCBS proposal, however in November 2016 the European Commission confirmed that it will not apply at a level of 100% until two years after the date of entry in to force of the proposed regulation. The date of entry into force is not yet known.

In the context of legal entity liquidity management, the CSi Board is responsible for setting the liquidity risk appetite. Some of the key characteristics determining the liquidity risk management approach in CSi include, but are not limited to:

- Board approved legal entity risk appetite;
- Compliance with local regulatory requirements;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

CSi has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage the liquidity risk.

The legal entity risk appetite and assumptions underlying relevant stress tests, which form part of CSi's liquidity risk management framework, are reviewed by Liquidity Risk and Treasury and ultimately approved by the Board on at least an annual basis or as market conditions dictate.

The authority to set more granular limits is delegated by the Board to the CSi's ExCo which has appointed the CSi CRO as the Accountable Executive; operating limits are approved through CSi Risk Management Committee ('RMC').

Treasury is responsible for maintaining sufficient HQLA collateral to meet regulatory and internal stress requirements. Treasury is also responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communication strategies.

Incremental to CSi's unsecured funding sources from CS, CSi has the ability to access secured funding markets via repurchase and stock lending agreements. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

Group 31 December 2018	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	1,028	–	–	–	–	**1,028**
Securities sold under repurchase agreements and securities lending transactions	1,610	776	5	–	–	**2,391**
Trading financial liabilities mandatorily at fair value through profit or loss	126,414	–	–	–	–	**126,414**
Financial liabilities designated at fair value through profit or loss [1]	2,455	10,505	1,458	5,633	4,113	**24,164**
Borrowings	–	19,555	–	–	–	**19,555**
Debt in issuance	–	2,847	1,564	7,772	8	**12,191**
Other liabilities	23,339	–	–	–	–	**23,339**
Liabilities held for sale	–	–	–	–	–	**–**
Total	**154,846**	**33,683**	**3,027**	**13,405**	**4,121**	**209,082**

[1] In addition certain of the Financial liabilities designated at fair value through profit or loss includes certain structured notes that have mandatory early redemption features based on stipulated movements in markets or the occurrence of a market event. With respect to these notes those that have an observable likelihood of redemption occurring within one year based on a modelling assessment are also current liabilities. Within the population this includes USD 87 million of such notes with a contractual maturity of between 1 and 5 years.

Group 31 December 2017	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	188	–	–	–	–	**188**
Securities sold under repurchase agreements and securities lending transactions	1,512	874	4,603	–	204	**7,193**
Trading financial liabilities at fair value through profit or loss	149,505	–	–	–	–	**149,505**
Financial liabilities designated at fair value through profit or loss	1,040	11,706	3,185	5,997	971	**22,899**
Borrowings	–	5,909	31	–	–	**5,940**
Debt in issuance	–	3,269	1,775	10,775	1,104	**16,923**
Other liabilities	24,176	–	–	–	-	**24,176**
Liabilities held for sale	117	–	–	–	–	**117**
Total	**176,538**	**21,758**	**9,594**	**16,772**	**2,279**	**226,941**

Bank 31 December 2018	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	1,028	–	–	–	–	**1,028**
Securities sold under repurchase agreements and securities lending transactions	1,610	776	5	–	–	**2,391**
Trading financial liabilities mandatorily at fair value through profit or loss	126,414	–	–	–	–	**126,414**
Financial liabilities designated at fair value through profit or loss [1]	2,455	10,505	1,441	5,395	4,307	**24,103**
Borrowings	–	19,555	–	–	–	**19,555**
Debt in Issuance	–	2,847	1,547	7,636	3	**12,033**
Other liabilities	23,339	–	–	–	–	**23,339**
Liabilities held for sale	–	–	–	–	–	**–**
Total	**154,846**	**33,683**	**2,993**	**13,031**	**4,310**	**208,863**

[1] In addition certain of the Financial liabilities designated at fair value through profit or loss includes certain structured notes that have mandatory early redemption features based on stipulated movements in markets or the occurrence of a market event. With respect to these notes those that have an observable likelihood of redemption occurring within one year based on a modelling assessment are also current liabilities. Within the population this includes USD 0.1billion of such notes with a contractual maturity of between 1 and 5 years.

Bank 31 December 2017	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	188	–	–	–	–	**188**
Securities sold under repurchase agreements and securities lending transactions	1,512	874	4,603	–	204	**7,193**
Trading financial liabilities at fair value through profit or loss	149,506	–	–	–	–	**149,506**
Financial liabilities designated at fair value through profit or loss	1,040	11,706	3,185	5,997	971	**22,899**
Borrowings	–	5,909	31	–	–	**5,940**
Debt in issuance	–	3,269	1,756	10,657	1,104	**16,786**
Other liabilities	24,176	–	–	–	-	**24,176**
Liabilities held for sale	117	–	–	–	–	**117**
Total	**176,539**	**21,758**	**9,575**	**16,654**	**2,279**	**226,805**

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. They have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (i.e. no maturity dates), the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the bank to put or call the positions at short notice.

iii) Currency Risk

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

The Bank has approval to manage its own trading P&L related foreign exchange risk through a formal trading mandate and has defined risk limits using the Value at Risk ('VaR') methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate Foreign Exchange Policy. Both these methodologies are discussed in more detail in section i) Market Risk, of this note.

iv) Credit Risk

Credit risk is the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.
Credit risk in CSi is managed by the CSi Credit Risk Management ('CSi CRM') department, which is headed by the CSi CCO, who in turn reports to the Bank CRO. CSi CRM is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances.

The head of CRM reports to the CRO of CS group. All credit limits in CSi are subject to approval by CSi CRM.

Credit risk management approach
Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

Counterparty and transaction rating
The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to which it is exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally-developed rating models and processes, which are subject to governance and internally-independent validation procedures.

The CSi group's internal ratings may differ from counterparties' external ratings 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 historical default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

The CSi group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSi group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. CSi has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ('IRB') approach for the majority of credit exposures in CSi. Exposures which are not covered by AIRB treatment are subject to the standardised approach.

Credit Risk Overview
All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

Maximum Exposure to credit risk
The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2018. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSi would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk:

2018 (USD million)	Group Gross	Group Collateral	Group Net	Bank Gross	Bank Collateral	Bank Net
Maximum exposure to credit risk						
Trading financial assets mandatorily at fair value through profit or loss						
Debt securities	16,845	–	16,845	16,742	–	16,742
Derivative trading positions	124,434	117,245	7,189	124,516	117,245	7,271
Other	579	–	579	579	–	579
Non-trading financial assets mandatorily at fair value through profit or loss						
Loans	1,045	348	697	1,098	348	750
Reverse repurchase agreements	15,650	15,650	–	15,650	15,650	–
Other	964	–	964	964	–	964
Maximum exposure to credit risk – total assets	**159,517**	**133,243**	**26,274**	**159,549**	**133,243**	**26,306**
Off-balance sheet items						
loan commitments and other credit related commitments	1,392	382	1,010	1,392	382	1,010
Maximum exposure to credit risk – total off-balance sheet	**1,392**	**382**	**1,010**	**1,392**	**382**	**1,010**
Maximum exposure to credit risk	**160,909**	**133,625**	**27,284**	**160,941**	**133,625**	**27,316**

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Cash and due from banks credit risk exposures by rating grades

Group In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 **Total**
AA+ to AA-	579	–	–	–	579
A+ to A-	1,475	–	–	–	1,475
BBB+ to BBB-	159	–	–	–	159
BB+ to BB-	16	–	–	–	16
B+ and below	–	–	–	–	–
Gross Carrying amount	**2,229**	**–**	**–**	**–**	**2,229**
Loss allowance	–	–	–	–	–
Net Carrying amount	**2,229**	**–**	**–**	**–**	**2,229**

The previous table applies to Bank also, with the exception of rating trades A+ to A- for which the 12 month ECL (Stage1) balance is USD 1,442 million.

Interest bearing deposit with banks credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 **Total**
A+ to A-	17,859	–	–	–	17,859
Gross Carrying amount	**17,859**	**–**	**–**	**–**	**17,859**
Loss allowance	1	–	–	–	1
Net Carrying amount	**17,858**	–	–	–	**17,858**

Loan credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
A+ to A-	372	–	–	–	372
BBB+ to BBB-	2,974	–	–	–	2,974
BB+ to BB-	4	–	–	–	4
B+ and below	154	12	8	–	174
Gross Carrying amount	**3,504**	**12**	**8**	**–**	**3,524**
Loss allowance	**2**	–	4	–	6
Net Carrying amount	**3,502**	**12**	**4**	**–**	**3,518**

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

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
A+ to A-	10,452	–	–	–	10,452
B+ and below	35	–	–	–	35
Gross Carrying amount	**10,487**	**–**	**–**	**–**	**10,487**
Loss allowance	–	–	–	–	–
Net Carrying amount	**10,487**	**–**	**–**	**–**	**10,487**

Other assets credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
AA+ to AA-	1	–	–	–	1
A+ to A-	479	–	–	–	479
BBB+ to BBB-	8	–	–	–	8
BB+ to BB-	14	–	–	–	14
B+ and below	37	–	–	–	37
Gross Carrying amount	**539**	**–**	**–**	**–**	**539**
Loss allowance	2	–	–	–	2
Net Carrying amount	**537**	**–**	**–**	**–**	**537**

Financial guarantees credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
BBB+ to BBB-	75	–	–	–	75
B+ and below	165	–	–	–	165
Gross Carrying amount	**240**	**–**	**–**	**–**	**240**
Loss allowance	3	–	–	–	3
Net Carrying amount	**237**	**–**	**–**	**–**	**237**

Loan commitment credit risk exposures by rating grades

Group and Bank In millions of USD	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	2018 Total
A+ to A-	846	–	–	–	846
BBB+ to BBB-	1,225	–	–	–	1,225
BB+ to BB-	154	–	–	–	154
B+ and below	714	29	–	–	743
Gross Carrying amount	**2,939**	**29**	**–**	**–**	**2,968**
Loss allowance	–	–	–	–	–
Net Carrying amount	**2,939**	**29**	–	–	**2,968**

2017 (USD million)	Group Gross	Group Collateral	Group Net	Bank Gross	Bank Collateral	Bank Net
Maximum exposure to credit risk						
Cash and due from banks	4,971	–	4,971	4,932	–	4,932
Interest bearing deposits with banks	4,187	–	4,187	4,186	–	4,186
Securities purchased under resale agreements and Securities borrowing transactions	17,052	3,139	13,913	17,052	3,139	13,913
Trading financial assets at fair value through profit or loss						
Debt securities	22,722	–	22,722	22,567	–	22,567
Derivative trading positions	144,364	120,430	23,934	144,364	120,430	23,934
Other	638	–	638	634	–	634
Financial assets designated at fair value through profit or loss						
Loans	1,320	596	724	1,612	596	1,016
Reverse repurchase agreements	8,488	–	8,488	8,489	–	8,489
Other	1,322	306	1,016	1,322	306	1,016
Net loans	3,331	95	3,236	3,331	95	3,236
Other assets	32,957	–	32,957	32,957	–	32,957
Maximum exposure to credit risk – total assets	**241,352**	**124,566**	**116,786**	**241,446**	**124,566**	**116,880**
Off-balance sheet items						
financial guarantees	1,077	–	1,077	1,077	–	1,077
loan commitments and other credit related commitments	7,677	3,135	4,542	7,677	3,135	4,542
Maximum exposure to credit risk – total off-balance sheet	**8,754**	**3,135**	**5,619**	**8,754**	**3,135**	**5,619**
Maximum exposure to credit risk	**250,106**	**127,701**	**122,405**	**250,200**	**127,701**	**122,499**

The CSi group is exposed to credit risk as a result of a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSi group typically enters into master netting arrangements (MNA's) with OTC derivative counterparties. The MNA's allow the CSi group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSi group, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 18 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully-collateralised instruments and in the event of default, the agreement provides the CSi group the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSi group monitors the fair value of securities borrowed and lent on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 16 – Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements.

Included within Other (Non- trading financial assets mandatorily at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSi group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 39 – Guarantees and Commitments.

For further information on collateral held as security that the CSi group is permitted to sell or repledge refer to Note 39 – Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

Risk Mitigation

CSi actively manages its credit exposure utilising credit hedges and monetiseable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties generally through the use of credit default swaps. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut. Collateral securing loan transactions includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities); and
- Physical collateral (real estate property for mortgages, mainly retail residential, but also multi-family buildings, offices and commercial properties); and
- Other types of lending collateral such as accounts receivable, inventory and plant and equipment.

Counterparty exposure before collateral by rating

	2018		2017	
	USD million	%	USD million	%
AAA	1,274	4	885	2
AA+ to AA-	7,441	23	8,406	22
A+ to A-	9,955	29	10,741	29
BBB+ to BBB-	9,108	28	10,657	28
BB+ to BB-	1,713	5	3,194	9
B+ and below	3,461	11	3,682	10
	32,952	**100**	**37,565**	**100**

Unsecured exposure by rating (including provisions)

	2018		2017	
	USD million	%	USD million	%
AAA	153	1	455	3
AA+ to AA-	3,465	25	3,471	24
A+ to A-	3,837	29	3,540	25
BBB+ to BBB-	3,170	23	3,084	21
BB+ to BB-	721	5	1,435	10
B+ and below	2,298	17	2,452	17
	13,644	**100**	**14,437**	**100**

The previous tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

Credit approval and reviews

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves the consideration of the motivation of the client and the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

Wrong-way risk ('WWR')

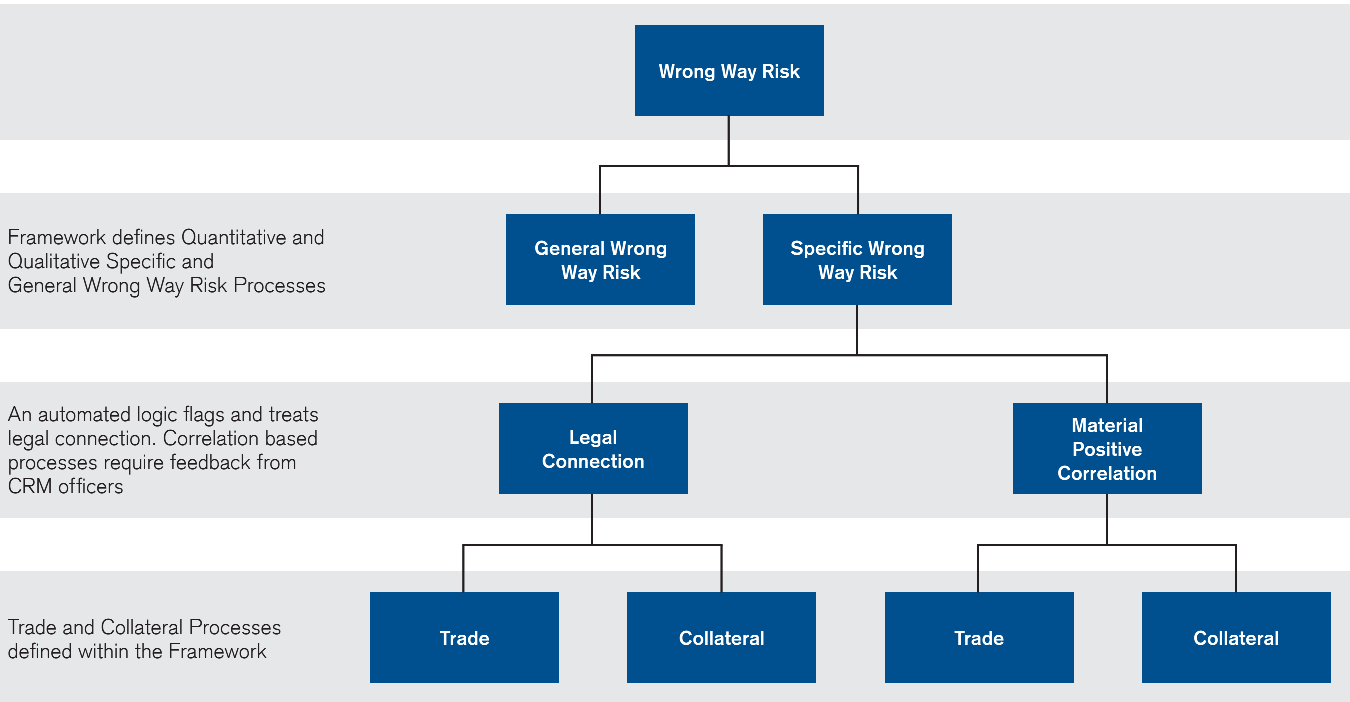
Wrong-way exposures

In a wrong-way trading situation, the Bank's exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing WWR requires the establishment of basic assumptions regarding correlations within a given trading product. The Bank has multiple processes that allow us to capture and estimate WWR.

Exposure adjusted risk calculation

WWR can arise from different business relationships.

An exposure methodology based on jump–to-default assumptions, ineligibility of collateral or scenario-based add-ons is in place to identify and adjust exposures for all WWR types as per the distinction in the following table below.



With respect to general WWR, a scenario-based exposure add-on is applied to those counterparties identified following the quantitative and qualitative review from Credit Officers where the Basel III exposure is not deemed sufficient to capture the additional risk fully.

Wrong-way risk monitoring

Regular reporting of WWR at both the individual trade and portfolio level allows WWR to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing WWR due to legal connection are automatically flagged and included in regular reporting. General WWR and transactions containing specific WWR due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. The outcome of the WWR identification process is subject to monthly review from the UK CRM management team via a regular forum.

Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of counter-value from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSi group leverages clearing houses, central counterparties and central settlement services, and will also net gross cash flows with a given counterparty where possible. CSi group proactively seeks to manage the timing of settlement instructions to agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counterparty.

v) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. CSi CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSi.

For CSi, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Upon CSi CRM recommendation, maximum appetite and operational limits are calibrated and approved by the CSi RMC on an annual basis or, if warranted by a fundamental change in strategy or market conditions, more frequently. The measurement of exposures against country limits is reported to CSi CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provide independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to CSi CCO and the CSi CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at the CSi RMC.

vi) Legal (including Regulatory) Risk

The CS group is subject to legal risks in its businesses. Legal risks include, among other things, the risk of litigation (for example, as a result of misselling claims), disputes (for example, over the terms of legacy trades); the inadequacy of transaction documentation (for example, ambiguous terms); unenforceability (for example, of security arrangements); uncertainty with respect to applicable laws and regulations (including change in laws or regulations); and employee disputes. Some of these risks result in claims against the firm which the firm defends, settles or results in actual litigation, in each case, that the CS group may incur legal expenses to defend.

The CS group assesses its legal risk and manages it through a combination of controls, including the adoption of policies, the implementation of processes and the use of systems, continuing to refine controls as business activities evolve and the laws that the CS group is subject to change. One of the key controls is the involvement of the General Counsel function and engagement of outside legal counsel. In addition, the CS group is an active participant in a number of key industry and other professional market forums including International Swaps and Derivatives Association ('ISDA') and the Association for Financial Markets in Europe ('AFME').

As a participant in the financial services industry, the CS group is subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organisations around the world. Such regulation is increasingly more extensive and complex in its application, in particular, as laws increasingly purport to be extra-territorial and additional obligations may arise where clients are subject to differing regulatory obligations, in practice, requiring the group to be compliant with such obligations also. These regulations may increase the costs of doing existing business for both the firm and its clients, including the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which the CS group may operate. Such requirements can have a negative effect on the CS group's business and ability to implement strategic initiatives.

The financial services industry continues to be affected by significant complexity of ongoing regulatory reforms, alongside more recently, the significant impact of the firm's planning for a Hard Brexit. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the CS group.

vii) Operational and Compliance 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.

Operational risk

Operational 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 of operational risk include the risk of damage to physical assets, business disruption, failures relating to third-party processes, data integrity and trade processing, cyber attacks and fraudulent or unauthorised transactions. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, deliberate attack or natural and man-made disasters.

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-wide ERCF was introduced in 2016 focusing on the early identification, recording, assessment, monitoring, prevention and mitigation of these risks, as well as timely and meaningful management reporting. Over the past three years, we have further improved the integration of previously separate operational risk processes, providing a more coherent and systematic approach to managing all aspects of the operational risk landscape. Under the ERCF, we integrated the operational risk framework and all of its components with the compliance risk components to further harmonise our approach to non-financial risk. The assessment processes for operational and compliance risks are closely coordinated, resulting in an enhanced risk and control self-assessment ('RCSA') that covers both risk types in a more consistent manner. Also, standardised CS group-wide role descriptions define the responsibilities for identifying, assessing, reporting and managing risks across the organisation. In 2018, continued progress was made in rolling out a systematic key control activities framework as part of the ERCF. This framework applies consistent standards and approaches to the identification, documentation and assessment of key controls across the group.

The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across CSi while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet group-wide minimum standards. The main components of the ERCF are:

Governance and policies are fundamental to ERCF. Effective governance processes establish clear roles and responsibilities for managing operational and compliance risk and define appropriate escalation processes for outcomes that are outside expected levels. CS group utilise a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.

- Each business area takes responsibility for its operational and compliance risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated second line of defense operational risk and compliance teams that are responsible for independent risk oversight, methodologies, tools and reporting within their areas as well as working with management on any operational and compliance risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational and compliance risk issues and identify required actions to mitigate risks.
- The operational risk management and compliance functions are jointly responsible for setting minimum standards with policies and procedures for operational and compliance risks. This includes ensuring the cohesiveness of policies, tools and practices throughout the CS group particularly with regard to the identification, evaluation, mitigation, monitoring and reporting of these risks.
- Operational and compliance risk exposures, metrics, issues and remediation efforts are discussed at the quarterly CARMC meetings of the internal control system cycle and at legal entity operational risk and compliance management committees, which have senior representatives from all relevant functions.

ERCF risk appetite determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their operational and compliance risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents (which may also arise due to compliance issues) and qualitative statements covering outcomes that should be avoided. Senior management also defines market area and client risk appetites. In 2018, we further enhanced our conduct risk appetite. The risk appetites are defined with the relevant risk management committees in agreement with the operational risk management and compliance functions.

ERCF risk taxonomy represents a unified and standardised catalogue of inherent non-financial risk definitions across operational and compliance risk. It provides a consistent approach to the identification and classification of these risks across the CS group.

ERCF key controls are documented and assessed under a common controls assessment framework, ensuring that key controls are identified, documented, executed and assessed consistently and comprehensively, with a focus on the most significant risks and associated key controls. CS group utilise a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended. Key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other ERCF components, such as in the RCSA process.

ERCF metrics are risk and control indicators that are used to monitor identified operational risks, compliance risks and controls over time. A key risk indicator is defined as a metric used to provide early warning of increasing risk exposure and can be backward and forward looking in nature. A key control indicator is defined as a metric that assesses and monitors the effectiveness of one or several controls. Minimum standards apply to the identification, selection, risk mapping approval, monitoring and escalation of metrics that are linked to ERCF risk appetite and top

ERCF risks which are reported to legal entity risk management committees. Key risk and control indicators may also be used as inputs into scenario analysis and capital allocation.

Incidents describes the process in which we systematically collects, analyses and reports data on operational and compliance risk incidents to ensure that CS group understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CS group focuses both on incidents that result in economic losses and on events that provide information on potential control gaps, even if no losses occurred. CS group also collects and utilises available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the legal entity. Incident data is also a key input for our operational risk capital models and other analytics.

Enterprise risk and control assessment consolidates the assessment, review and challenge activities for operational, compliance and legal risks across all divisions and functions into a single framework and consists of the elements RCSA, compliance risk assessment and any associated legal risk assessment:

- **Risk and control self-assessments** ('RCSA') are comprehensive, bottom-up assessments of the key operational and compliance risks in each business and control function. The process of preparing RCSAs comprises a self-assessment of the relevant business line or functional risk profile based on the ERCF risk taxonomy classifying risks under a standardised approach. It covers an assessment of the inherent risks of each business and control function, provides an evaluation of the effectiveness of the controls in place to mitigate these risks, determines the residual risk ratings and requires a decision to either accept or remediate any residual risks. In the case of remediation, mitigating actions are defined and approved by management. While these are self-assessments, they are subject to independent review and challenge by relevant risk management functions to ensure that they have been conducted appropriately. RCSAs utilise other components of the ERCF, such as ERCF metrics and incidents, and they generate outputs that are used to manage and monitor risks.
- **Compliance risk assessment** is the CS group's formal, proactive dynamic process which provides the framework for the independent second line compliance function to formally assess the overall compliance and regulatory risks associated with a particular business unit or business activity. The results are used to identify potential or actual areas of risk in the business which also assists compliance management in planning the compliance objectives to mitigate risks identified. This risk assessment consists of an analysis of the inherent risk and control effectiveness aligned to the compliance risk categories and is performed at the level of a risk unit. Quantitative metrics are leveraged wherever possible, supplementing the qualitative assessments. Upon completion of the assessment, overall risk unit ratings are established through a compliance divisional, legal entity and CS group-wide review and mitigating actions are identified as appropriate. The results of the compliance risk assessment are presented to the CSG Board of Directors and Audit Committee, and the CSi Board of Directors.
- **Legal risk assessment** is a sub-assessment of the CS group's RCSA with the objective to conduct an enhanced assessment of legal risks across the Group. The legal risk assessment is based on the principles defined for the RCSA program. The General Counsel function reviews the results of the legal risk assessments performed by business units across the CS group. The legal risk assessment complements the RCSA process in providing an independent review and challenge process by the second line of defense.

Top ERCF risks are identified at the legal entity level and represent the most significant risks requiring senior management attention. They are generated through a combination of top-down assessment by senior management and a bottom-up process collating the main themes arising from the RCSA and compliance risk assessment processes. Where appropriate, remediation plans are put in place with ownership by senior management.

Issues and action management encompasses a structured approach to responding to operational and compliance risk incidents and breaches of ERCF quantitative and qualitative risk appetite or metrics, as well as continuous monitoring of remediation actions against identified control issues. Further, the compliance and regulatory responses function consolidates and monitors issues and actions CS group-wide including audit, regulatory, self-identified and second line identified issues and actions. The operational risk incident management component includes a defined process for identifying, categorising, investigating, escalating and remediating incidents. These reviews seek to assess the causes of control weaknesses, establish appropriate remediation actions and ascertain whether events have implications for other businesses or could have potential impact in the future. They can result in recommendations to impose restrictions on businesses while operational risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative ERCF risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how to best remediate issues that fall outside agreed risk appetite levels.

Where appropriate, major strategic change programs may also undergo independent **ERCF change assessments** by the operational risk function, leveraging the ERCF assessment framework to determine the potential impact of the change activity on the overall operational risk profile of the impacted area both during and after implementation.

ERCF scenario analysis is focused on operational and compliance risks and is used to identify and measure exposure to a range of adverse events, such as unauthorised trading, transaction processing errors and compliance issues. These scenarios help businesses assess the suitability of controls in light of potential losses, and they are also an input to the internal models used by the CS group to calculate stressed loss projections as well as economic and regulatory capital. More specifically, the

ERCF stress testing is a sub-component of the CS group-wide stress testing framework and it focuses on the evaluation of potential operational risk impacts of macro-economic scenarios on net income and regulatory capital across a number of operational risk categories. **Operational Risk regulatory capital** is based on the Business Indicator Approach which for the internal capital adequacy assessment process is supplemented by internal models and scenario analysis. Finally, **ERCF reverse stress testing** is an additional complementary tool that introduces a more forward-looking element into the RCSA process. It assumes that a business has suffered an adverse outcome, such as a large operational risk loss, and requires consideration of the events that could have led to the result. As such, it allows for the consideration of risks beyond normal business expectations and it challenges common assumptions about the risk profile, the emergence of new risks or interactions between existing risks, as well as the performance of expected control and mitigation strategies.

Transfer of operational risk to third-party insurance companies

In addition to managing and mitigating operational risks under the ERCF through business- and risk-related processes and organisation, CS group also transfers the risk of potential loss from certain operational risks to third-party insurance companies in certain instances.

viii) Conduct Risk

Credit Suisse globally defines conduct risk as the risk that improper behaviour or judgement by our employees results in negative financial, non-financial or reputational impact to our clients, employees, the bank, and the integrity of the markets.

Some conduct risks are inherent in our business and negative impact to our clients, employees, the market or competition, can arise from a variety of causes including failed processes, product design, business set-up, execution of organisational change, or as unintended consequences of business decisions. CS group apply conduct risk across the bank's ('ERCF') Risk Register to identify potential conduct risks and evaluate conduct breaches that have occurred. In line with our overall risk management model, all staff are responsible for assessing and managing the conduct risks inherent in the activities they undertake.

CSi seeks to promote good behaviour and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening CSi's reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviours. In addition, the Conduct and Ethics Standards further embed clear expectations of Credit Suisse's employees to ensure that the right things are done in the right way. The Code of Conduct and the set of Conduct and Ethics Standards are linked to CSi's employee performance assessment and compensation processes.

ix) Technology risk

Technology risk deserves particular attention given the complex technological landscape that covers our business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to our operations. Technology risks are managed through our technology risk management program, business continuity management plan and business contingency and resiliency plans. Technology risks feature 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.

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. Technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. CS group seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. CS group requires our critical IT systems to be identified, secure, resilient and available and support our ongoing operations, decision-making, communications and reporting. CS group systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of our customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share.

Cyber risk, which is part of technology risk, is the risk that we will be compromised as a result of cyber attacks, security breaches, unauthorised access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. CS group could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures.

While CS group has not experienced any major impactful cyber incidents, CS group recognises that cyber risk represents a rapidly evolving, and generally worsening, external risk landscape in terms of the capabilities and intent of those seeking to exploit weaknesses in the global financial system, where we might be targeted or simply suffer unintended collateral damage. The financial industry continues to face cyber threats from a variety of actors who are driven by monetary, political and other motivations. CS group actively monitors external incidents and threats and assesses and responds accordingly to any potential vulnerabilities that this may reveal. CS group is also an active participant in industry forums and information exchange initiatives and engages in regulatory consultation on the topic.

CS group have 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 bank's risk appetite.

CS group Technology Security Team in IT leverages a wide array of leading technology solutions and industry best practice (e.g. NIST) to maintain a secure perimeter and detect and respond to threats in real time.

CS group regularly assesses the effectiveness of its key controls and CS group conduct ongoing employee training and awareness activities, including for key management personnel, in order to embed a strong cyber risk culture. Within the wider Enterprise and Risk Control Framework, senior management are given increasingly quantitative pictures of the broader technology risk exposure and of progress in those areas identified as Top Operational Risks.

Senior management (including the CSi Board Risk Committee) are actively engaged and regularly updated on the extent of the threat, the mitigations in place to counter this threat, and the business continuity and response plans in place to manage cyber incidents. These recovery and response business continuity plans are rehearsed regularly at all levels, up to and including the CSi Board of Directors. Significant incidents are escalated to Board level together with lessons learned and mitigation plans.

x) Reputational Risk

CSi highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking, and responsible approach to business. This is achieved through use of dedicated processes, resources and policies focused on identifying, evaluating, managing and reporting potential reputational risks. This is also achieved through applying the highest standards of personal accountability and ethical conduct as set out in the CS group Code of Conduct, and the firm's approach to Conduct and Ethics.

CSi acknowledges that as a large global financial institution, with a wide range of businesses and stakeholders, it may be subject to general criticism or negative perception from time to time which may negatively impact its reputation.

CSi also acknowledges that it will knowingly engage in specific activities where opinions may vary depending on the perspective and standpoint of each party, and which may lead to negative perception from some stakeholders.

In both these cases, CSi accepts reputational risk only where CS group can justify at the time decisions are taken that:

- The activity is in line with our stated Code of Conduct, and Conduct and Ethics Standards;
- Informed judgement is exercised in line with our internal sector policies and thematic guidelines, including region specific concerns or mitigation, where applicable.

CSi has no appetite for engaging in activity that exposes CS group to reputational risk where these conditions are not met.

CSi has adopted the Global Policy on Reputational Risk ('the Policy') which states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, action or client relationship, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The CSi Board has delegated reputational risk issues to be reviewed via the Bank's global RRRP which includes an overview of the transaction or action being considered, the risks identified and relevant mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by the UK Senior Manager in the relevant division, and assuming they are supportive of the proposal are then subsequently referred to one of CSi Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on the Bank's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the CSi Reputational Risk Committee ('the Committee') for further discussion, review and final decision. The Committee is comprised of senior Bank entity management across divisions and corporate functions.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to EMEA RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the relevant regional committee.

45 Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the following tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other assets and liabilities that:

- are offset in the CSi group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements),

irrespective of whether they are offset in the CSi group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the following tables. They are not offset in the Consolidated Statement of Financial Position.

Derivatives

The CSi group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association ('ISDA') Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSi group or the counterparties or following other predetermined events. In addition CSi group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives and OTC-cleared derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset because the CSi group:

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

To meet criterion (a), the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
  - (i) the normal course of business;
  - (ii) the event of default; and
  - (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

Criterion (b) may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g. derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange traded derivatives or OTC cleared derivatives that are fully margined and for which the daily margin payment constitute settlement of the outstanding exposure are not included in the offsetting disclosures because they are not subject to offsetting due to daily settlement. The daily margin payments which are unsettled until the next settlement cycle is conducted are presented in brokerage receivables or brokerage payables.

Under IFRS, the CSi group has elected to account for substantially all financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of derivative instruments

(USD million)			2018			2017
Group	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	130,634	(7,274)	123,360	148,709	(5,298)	143,411
Derivative instruments not subject to enforceable master netting agreements [1]	1,074	–	1,074	1,068	–	1,068
Total derivative instruments presented in the Consolidated Statement of Financial Position	**131,708**	**(7,274)**	**124,434**	**149,777**	**(5,298)**	**144,479**
of which recorded in trading financial assets at fair value through profit or loss	131,708	(7,274)	124,434	149,777	(5,298)	144,479
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	129,334	(7,114)	122,220	149,546	(5,068)	144,478
Derivative instruments not subject to enforceable master netting agreements [1]	1,247	–	1,247	1,741	–	1,741
Total derivative instruments presented in the Consolidated Statement of Financial Position	**130,581**	**(7,114)**	**123,467**	**151,287**	**(5,068)**	**146,219**
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	130,569	(7,114)	123,455	151,287	(5,068)	146,219
of which recorded in other liabilities	12	–	12	–	–	–

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

(USD million)			2018			2017
Bank	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	130,716	(7,274)	123,442	148,709	(5,298)	143,411
Derivative instruments not subject to enforceable master netting agreements [1]	1,074	–	1,074	1,068	–	1,068
Total derivative instruments presented in the Statement of Financial Position	**131,790**	**(7,274)**	**124,516**	**149,777**	**(5,298)**	**144,479**
of which recorded in trading financial assets at fair value through profit or loss	131,790	(7,274)	124,516	149,777	(5,298)	144,479
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	129,335	(7,114)	122,221	149,546	(5,068)	144,478
Derivative instruments not subject to enforceable master netting agreements [1]	1,247	–	1,247	1,742	–	1,742
Total derivative instruments presented in the Statement of Financial Position	**130,582**	**(7,114)**	**123,468**	**151,288**	**(5,068)**	**146,220**
of which recorded in trading financial liabilities mandatorily at fair value through profit or loss	130,570	(7,114)	123,456	151,288	(5,068)	146,220
of which recorded in other liabilities	12	–	12	–	–	–

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

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Bilateral reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements permit such netting and offset because CSi group:

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

The net settlement criterion in (b) will also be met, if the CSi group can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

The amounts offset are measured on the same basis as the underlying transaction (i.e. on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Positions because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Positions apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides CSi group with the right to liquidate the collateral held. As is the case in CSi group's normal course of business, CSi actively manages collateral, and relevant collateral received that may be sold or repledged was sold or repledged as of 31 December 2018 and 31 December 2017. 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

			2018			2017
Group (USD million)	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	22,630	(809)	21,821	23,219	(2,387)	20,832
Securities borrowing transactions	3,297	–	3,297	4,528	–	4,528
Total subject to enforceable master netting agreements	25,927	(809)	25,118	27,747	(2,387)	25,360
Total not subject to enforceable master netting agreements [1]	1,019	–	1,019	180	–	180
Total [2]	**26,946**	**(809)**	**26,137**	**27,927**	**(2,387)**	**25,540**

[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 16,459 million (2017 USD 10,841 million) of the total gross amount are reported at fair value.

			2018			2017
Bank (USD million)	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	22,630	(809)	21,821	23,219	(2,387)	20,832
Securities borrowing transactions	3,297	–	3,297	4,528	–	4,528
Total subject to enforceable master netting agreements	25,927	(809)	25,118	27,747	(2,387)	25,360
Total not subject to enforceable master netting agreements [1]	1,019	–	1,019	181	–	181
Total [2]	**26,946**	**(809)**	**26,137**	**27,928**	**(2,387)**	**25,541**

[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 16,459 million (2017 USD 10,842 million) of the total gross amount are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities sold under repurchase agreements and securities lending transactions

Group and Bank (USD million)	Gross	Offsetting	2018 Net	Gross	Offsetting	2017 Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	16,613	(809)	15,804	15,036	(2,387)	12,649
Securities lending transactions	1,441	–	1,441	6,155	–	6,155
Total subject to enforceable master netting agreements	18,054	(809)	17,245	21,191	(2,387)	18,804
Total not subject to enforceable master netting agreements [1]	73	–	73	220	–	220
Total [2]	**18,127**	**(809)**	**17,318**	**21,411**	**(2,387)**	**19,024**

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

[2] USD 15,736 million (2017 USD 9,580 million) of the total gross amount are reported at fair value.

The following table presents the gross amount of Financial assets designated at fair value through profit or loss subject to enforceable master netting agreements, the amount of offsetting, the amount of Financial assets designated at fair value through profit or loss not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of Funded Derivatives Assets

Group and Bank (USD million)	Gross	Offsetting	2018 Net	Gross	Offsetting	2017 Net
Funded Derivatives Assets [1]						
Funded Derivative instruments subject to enforceable master netting agreements	83	–	83	250	–	250
Funded Derivative instruments not subject to enforceable master netting agreements [2]	12	–	12	51	–	51
Total Funded Derivatives Assets	**95**	**–**	**95**	**301**	**–**	**301**

[1] These represent funded derivatives included under Loans in Financial assets designated at fair value through profit or loss.

[2] Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the gross amount of Financial liabilities designated at fair value through profit or loss subject to enforceable master netting agreements, the amount of offsetting, the amount of Financial liabilities designated at fair value through profit or loss not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of Funded Derivatives Liabilities

Group and Bank (USD million)	Gross	Offsetting	2018 Net	Gross	Offsetting	2017 Net
Funded Derivatives Liabilities [1]						
Funded Derivative instruments subject to enforceable master netting agreements	2,411	(705)	1,706	3,934	(1,200)	2,734
Funded Derivative instruments not subject to enforceable master netting agreements [2]	217	–	217	215	–	215
Total Funded Derivatives Liabilities	**2,628**	**(705)**	**1,923**	**4,149**	**(1,200)**	**2,949**

[1] These represent funded derivatives included under structured notes in Financial liabilities designated at fair value through profit or loss.

[2] Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and Financial assets and liabilities designated at fair value through profit or loss not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the Consolidated Statement of Financial Position

				2018				2017
Group and Bank (USD million)	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	123,360	(101,585)	(15,660)	6,115	143,411	(120,466)	(15,632)	7,313
Securities purchased under resale agreements	21,821	(21,821)	–	–	20,832	(20,832)	–	–
Securities borrowing transactions	3,297	(3,297)	–	–	4,528	(4,528)	–	–
Funded derivative assets	83	(74)	–	9	250	(233)	–	17
Total financial assets subject to enforceable master netting agreements	**148,561**	**(126,777)**	**(15,660)**	**6,124**	**169,021**	**(146,059)**	**(15,632)**	**7,330**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	122,220	(99,194)	(17,473)	5,553	144,478	(118,566)	(21,617)	4,295
Securities sold under repurchase agreements	15,804	(15,804)	–	–	12,649	(12,649)	–	–
Securities lending transactions	1,441	(1,441)	–	–	6,155	(6,155)	–	–
Funded derivative liabilities	1,706	(1,293)	–	413	2,734	(2,492)	–	242
Total financial liabilities subject to enforceable master netting agreements	**141,171**	**(117,732)**	**(17,473)**	**5,966**	**166,016**	**(139,862)**	**(21,617)**	**4,537**

1 Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.
2 The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use of CDS's. Therefore the net exposure presented in the table is not representative for the CSi group's counterparty exposure.

46 Capital Adequacy

The Bank's capital adequacy is managed and monitored based on practices developed by the Basel Committee on Banking Supervision ('BCBS') and governed by European Union regulations as set by the European Banking Authority ('EBA'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD'), collectively referred to as CRDIV.

The CS group considers a strong and efficient capital position to be a priority. Consistent with this, the Bank closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework or to the Bank's business model. The CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Multi-year business forecasts and capital plans are prepared by CSi, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios, as part of the ICAAP. Within these stress tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for any SREP ('Supervisory Review and Evaluation Process') that the PRA conducts when assessing an institution's level of regulatory capital.

Own Funds

Own funds comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity (Common Equity Tier 1 ('CET1'). This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital equals the sum of these with adjustments including regulatory deductions and prudential filters.

The Bank's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its businesses. The capital management framework is designed to ensure that own funds are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

During 2018, USD 1.525 billion of Tier 2 subordinated debt was repaid to DLJ UK Holdings Limited. In 2017, USD 3.085 billion of Tier 2 subordinated debt was repaid, this comprised of USD

2.635 billion to Credit Suisse Finance BV and USD 450 million to Credit Suisse PSL. Capital Impact of IFRS 9 is not material.

Overall movements in capital resources were as follows:

	2018	2017 [2]
Regulatory capital less deductions (USD million)		
Total regulatory capital less deductions at 1 January	**23,852**	**26,741**
Changes in Tier 1 instruments:		
Capital Repatriation	–	–
Changes in Tier 2 instruments:		
Subordinated debt repayment	(1,525)	(3,085)
Net movement on Tier 2 capital [1]	(113)	2
Profit and loss and movements in other comprehensive income	55	(62)
Net movement in regulatory deductions and prudential filters	(2)	256
Total regulatory capital less deductions at 31 December	**22,267**	**23,852**

[1] Net movement on Tier 2 capital includes a repayment, amortisation, currency translation and a general provision.
[2] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

Under the BCBS guidelines, an institution must have a ratio of own funds to aggregate risk-weighted assets ('RWA') of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2018 and 2017. The RWA reflect the credit, market, operational and other risks of the Bank calculated using methodologies set out in the CRR.

The Bank must at all times monitor and demonstrate compliance with the relevant own funds requirements of the CRR. The Bank has put in place processes and controls to monitor and manage its own funds and no breaches were reported to the PRA during the year.

The following table sets out details of CSi's own funds at 31 December 2018 and 2017.

	2018	2017 [1]
Regulatory capital less deductions (USD millions)		
Total shareholders' equity-Bank	22,725	22,670
Shareholders' equity	**22,725**	**22,670**
Other deductions:		
Regulatory deductions	(476)	(454)
Securitisation positions	(62)	(38)
DTA on non-temporary differences	(6)	(1)
Excess of expected loss amounts over credit risk adjustments	(104)	(121)
Prudential filters	(807)	(839)
Total Tier 1 capital	**21,270**	**21,217**
Tier 2 capital		
Subordinated debt	991	2,629
Standardised General Credit Risk Adjustments	6	6
Total Tier 2 capital	**997**	**2,635**
Total Tier 1 plus Tier 2 capital less Deductions	**22,267**	**23,852**

[1] 2017 numbers have been restated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments.

47 Country-by-Country Reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, and their turnover, profit or loss before taxes, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2018.

Basis of Preparation

- **Country**: The geographical location of CSi, its branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The applicable countries are listed in the following table.
- **Entity details**: The name of the entity, the entity type, and the nature of activity is defined in the following table. CSi including its branches, is a bank. CSi offers a range of interest rate, currency, equity and Credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.
- **Average Number of Employees**: Defined as the number of employees on a full time equivalent basis, compensated directly by the entity.
- **Turnover**: Defined as net revenues, and is consistent with CSi's financial statements. Net revenues include total income before impairment and operating expenses, but after net interest, net commissions/fees income and investment and trading income.
- **Profit/(Loss) before taxes**: Definition of profit/(loss) before tax is consistent with that within CSi's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSi in each country and does not include taxes refunded back to CSi on account of tax overpayments in prior years during 2017 or 2016. Other taxes paid are detailed in the Strategic Report, and throughout the Annual Report.
- **Public Subsidies Received**: Interpreted as direct support by the government and there were no public subsidies received by CSi in 2018 (2017: Nil).

Country by Country Reporting for the year ended 31 December 2018

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million)	Profit/(Loss) before taxes (USD million)	Corporation Taxes Paid (USD million)	Public Subsidies Received (USD million)
United Kingdom							
Credit Suisse International	Parent	Bank	1,576	2,169	70	–	–
Ireland							
Credit Suisse International, Dublin Branch	Branch	Bank branch	–	–	–	–	–
Spain							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	2	1	–	–	–
Italy							
Credit Suisse International, Italian Branch	Branch	Bank Branch	22	22	4	–	–
The Netherlands							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	4	2	–	–	–
Sweden							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	3	3	–	–	–
Credit Suisse International	Consolidated [1]		1,607	2,197	74	–	–

[1] Variable Interest entities are not included in the above reporting. For a full list of other consolidated entities please refer Note 40 – Interest in Other Entities.

CSi incurred Bank Levy of USD16 million, employees social security of USD 73 million and irrecoverable UK value added tax of USD 33 million.

Country by Country Reporting for the year ended 31 December 2017

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million) [1]	Profit/(Loss) before taxes (USD million) [1]	Corporation Taxes Paid (USD million) [2]	Public Subsidies Received (USD million)
United Kingdom							
Credit Suisse International	Parent	Bank	1,294	1,373	(141)	1	–
Ireland							
Credit Suisse International, Dublin Branch	Branch	Bank branch	–	–	(2)	–	–
Spain							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	1	1	–	–	–
Italy							
Credit Suisse International, Italian Branch	Branch	Bank Branch	24	20	2	–	–
The Netherlands							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	5	4	(1)	–	–
Sweden							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	3	3	–	–	–
Credit Suisse International	Consolidated [3]		1,327	1,401	(142)	1	–

[1] 2017 numbers have been re-stated due to prior period adjustments. Details are included in Note 49 – Prior Period Adjustments
[2] Taxes refunded during 2017 for CSi amounted to USD 61 million.
[3] Variable Interest entities are not included in the above reporting. For a full list of other consolidated entities please refer Note 40 – Interest in Other Entities.

CSi incurred Bank Levy of USD 20 million, employees social security of USD 81 million and irrecoverable UK value added tax of USD 34 million.

48 CSi's Subsidiaries and Associates

In accordance with Section 409 of the Companies Act 2006 a list of CSi's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2018 is disclosed below.

	Country	Security	Immediate Parent	Ultimate Parent	Total (%)
31 December 2018					
Subsidiaries					
AHL Investment Strategies PCC – Class K1 AHL Global Futures 7 EUR Shares	Guernsey [2]	EUR Participating shares	CSi	Credit Suisse Group AG	100
AHL Investment Strategies PCC – Class L1 AHL Global Futures 8 EUR Shares	Guernsey [2]	EUR Class L1 shares	CSi	Credit Suisse Group AG	100
AI3 Segregated Portfolio	Cayman Islands [2]	USD 100 Participating shares	CSi	Credit Suisse Group AG	100
Andrea Investments (Jersey) PCC – Cell Series 1000 EUR	Jersey [2]	EUR Preference shares	Andrea Investments (Jersey) PCC	Borowska Trust	100
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	Jersey [2]	USD Preference shares	Andrea Investments (Jersey) PCC	Borowska Trust	100
Global Bond Fund	Republic of Ireland [2]	Investment Fund Share	CSi	Credit Suisse Group AG	100
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands [2]	EUR 0.01 Participating shares	CSi	Credit Suisse Group AG	100
Xanthos Holding – Segregated Portfolio	Cayman Islands [2]	Non-Participating USD 1 shares	CSi	Credit Suisse Group AG	100
YI Active Spezial ESPA Fund.	Austria [2]	Non-voting shares	CSi	Credit Suisse Group AG	100
LHI Mid Market Buy-Out Europe LP	Guernsey [2]	EUR shares	CSi	Credit Suisse Group AG	80
Ajanta Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Andrea Investments (Jersey) PCC	Jersey [2]	No shares	Borowska Trust	Borowska Trust	– [1]
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey [2]	No shares	Andrea Investments (Jersey) PCC	Borowska Trust	– [1]
Argentum Capital Series 2015-5	Luxembourg [2]	No shares	Argentum Capital S.A.	Argentum Capital S.A.	– [1]
Argentum Capital Series 2015-51, 2016-20,2018-64	Luxembourg [2]	No shares	Argentum Capital S.A.	Argentum Capital S.A.	– [1]
Argentum Netherlands Series 2018-15, 2018-17	Netherlands [2]	No shares	Argentum Netherlands BV	Argentum Netherlands BV	– [1]
Arundel (International) Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Bellingham Properties Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Boats Investments (Jersey) Ltd Series 557,562,567,568,577,587,590,600,603, 605,608,613	Jersey [2]	No shares	Boats Investments (Jersey) Limited (Master Vehicle)	Boats Investments (Jersey) Limited (Master Vehicle)	– [1]
Boats Investments (Jersey) Ltd Series 618,619,620,621,624,627,628,630,631, 632,633,634,637	Jersey [2]	No shares	Boats Investments (Jersey) Limited (Master Vehicle)	Boats Investments (Jersey) Limited (Master Vehicle)	– [1]
Bondstreet 2 GmbH	Germany [2]	No shares	CSi	Credit Suisse Group AG	– [1]
CARMF Alternative 1	France [2]	No shares	FLP Direct Investments	FLP Direct Investments	– [1]
Carmil Properties Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Cepheus Holdings Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Coxaro Holdings Limited	Cyprus [2]	No shares	AK Bars Bank	AK Bars Bank	– [1]
Custom Markets QIF PLC	Republic of Ireland [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Dutch Holding Rembrandt B.V.	Netherlands [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands [2]	No shares	CSi	Credit Suisse Group AG	– [1]
HOLT Emerging Markets Equity Fund	Republic of Ireland [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Interleuvenlaan 15 Real Estate Ltd	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Kaylen Properties Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Mistral SPC	Cayman Islands [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Mistral SPC – Long/Short Equity	Cayman Islands [2]	No shares	CSi	Credit Suisse Group AG	– [1]
New Jersey S.A.	Luxembourg [2]	No shares	CSi	Credit Suisse Group AG	– [1]

¹ Subsidiaries included in Note 40 – Interests in Other Entities, where CSi does not hold any share capital.
² Detailed Registered Office address mentioned in next Table.

	Country	Security	Immediate Parent	Ultimate Parent	Total (%)
31 December 2018					
Subsidiaries					
Ramper Investments (Jersey) Limited – Series 11 Class A,11 Class B,12,13	Jersey [2]	No shares	Ramper Investments (Jersey) Limited	Ramper Investments (Jersey) Limited	– [1]
SAPIC Global Macro Master Fund Ltd.	Cayman Islands [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands [2]	No shares	CNP Assurances SA	CNP Assurances SA	– [1]
Silver Hake Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Sontex (International) Limited	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Weiveldlaan 41 Real Estate Ltd	Gibraltar [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Westwood S.A	Portugal [2]	No shares	CSi	Credit Suisse Group AG	– [1]
Zephyros Limited	Cayman Islands [2]	No shares	Credit Suisse Group AG	Credit Suisse Group AG	– [1]
Associates					
AZ Pure China – Equity Strategy	Luxembourg [2]	USD A shares	BNP Paribas Securities Services SCA	BNP Paribas Securities Services SCA	50
SAPIC-98 Master Fund	Cayman Islands [2]	Non-Voting Ordinary Shares	CSi	Credit Suisse Group AG	41
Investcorp Geo – Risk Fund	Republic of Ireland [2]	Class A EUR shares	Investcorp Investment Advisers LLC	Investcorp Investment Advisers LLC	28
HOLT Global Equity Fund	Luxembourg [2]	Investment Fund Share	CSi	Credit Suisse Group AG	22

[1] Subsidiaries included in Note 40 – Interests in Other Entities, where CSi does not hold any share capital.
[2] Detailed Registered Office address mentioned in next Table.

	Country	Registered Office
31 December 2018		
Subsidiaries		
AHL Investment Strategies PCC – Class K1 AHL Global Futures 7 EUR Shares	Guernsey	First Floor, Suite 1, Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AJ, Channel Islands
AHL Investment Strategies PCC – Class L1 AHL Global Futures 8 EUR Shares	Guernsey	First Floor, Suite 1, Albert House, South Esplanade, St Peter Port, Guernsey GY1 1AJ, Channel Islands
AI3 Segregated Portfolio	Cayman Islands	Walkers SPV Limited Walker House, Mary Street PO Box 908GT George Town, Grand Cayman, Cayman Islands
Andrea Investments (Jersey) PCC – Cell Series 1000 EUR	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX,Jersey
Andrea Investments (Jersey) PCC – Cell Series 1000 USD	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX,Jersey
Global Bond Fund	Republic of Ireland	2nd Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2,Republic of Ireland
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands	Cayman Management Ltd. Ground Floor, Harbour Centre, P.O. Box 1569 George Town, Grand Cayman KY1-1110, Cayman Islands
Xanthos Holding – Segregated Portfolio	Cayman Islands	Walkers SPV Limited Walker House, Mary Street PO Box 908GT George Town, Grand Cayman, Cayman Islands
YI Active Spezial ESPA Fund.	Austria	Am Belvedere 1, Vienna 1100, Austria
LHI Mid Market Buy-Out Europe LP	Guernsey	1 Royal Plaza Royal Avenue, St Peter Port, GY1 2HL, Guernsey
Ajanta Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Andrea Investments (Jersey) PCC	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX,Jersey
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey	22 Grenville Street, St Helier, Channel Islands JE4 8PX,Jersey
Argentum Capital Series 2015-5	Luxembourg	51, avenue John F. Kennedy ,Luxembourg L-1855, Luxembourg
Argentum Capital Series 2015-51,2016-20,2018-64	Luxembourg	51, avenue John F. Kennedy ,Luxembourg L-1855, Luxembourg
Argentum Netherlands Series 2018-15,2018-17	Netherlands	Prins Bernhardplein 200, Amsterdam 1097 JB, Netherlands
Arundel (International) Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Bellingham Properties Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Boats Investments (Jersey) Ltd Series 557,562,567,568, 577,587,590,600,603,605,608,613	Jersey	22 Grenville Street, St Helier JE2 4UF,Jersey
Boats Investments (Jersey) Ltd Series 618,619,620,621, 624,627,628,630,631,632,633,634,637	Jersey	22 Grenville Street, St Helier JE2 4UF,Jersey
Bondstreet 2 GmbH	Germany	c/o Salans LLP Platz der Einheit 2, Frankfurt 60327, Germany
CARMF Alternative 1	France	Aberdeen Asset Management, Gestion 29, rue de Berri, 75008 Paris
Carmil Properties Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar

	Country	Registered Office
31 December 2018		
Subsidiaries		
Cepheus Holdings Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Coxaro Holdings Limited	Cyprus	Elia House, 77 Limassol Avenue, Nicosia 2121, Cyprus
Custom Markets QIF PLC	Republic of Ireland	MFD Secretaries Limited, 2nd Floor Beaux Lane House, Dublin 2, Republic of Ireland
Dutch Holding Rembrandt B.V.	Netherlands	Schiphol Boulevard, 231 toren B, 5e Luchthaven Schiphol 1118BH, Netherlands
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands	Schiphol Boulevard, 231 toren B, 5e Luchthaven Schiphol 1118BH, Netherlands
HOLT Emerging Markets Equity Fund	Republic of Ireland	2nd Floor, Beaux lane House Mercer Street, Lower Dublin,Republic of Ireland
Interleuvenlaan 15 Real Estate Ltd	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Kaylen Properties Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Mistral SPC	Cayman Islands	PO Box 309, GT Ugland House, South Church, Street George Town, Grand Cayman – Cayman Islands
Mistral SPC – Long/Short Equity	Cayman Islands	PO Box 309, GT Ugland House, South Church, Street George Town, Grand Cayman – Cayman Islands
New Jersey S.A.	Luxembourg	51, avenue John F. Kennedy ,Luxembourg L-1855, Luxembourg
Ramper Investments (Jersey) Limited – Series 11 Class A, 11 Class B,12,13	Jersey	St Pauls Gate, New Street, St Helier,St Helier JE4 8ZB, Jersey
SAPIC Global Macro Master Fund Ltd.	Cayman Islands	Services Cayman Limited, PO Box 10008, Willow House Cricket, Grand Cayman, KY1-1001, Cayman Islands
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands	PO Box 309, George Town, Grand Cayman KY1-1104, Cayman Islands
Silver Hake Limited	Gibraltar	Suite 7b & 8b, Finsbury Trust, 50 Town Range, PO Box 472, Gibraltar
Sontex (International) Limited	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Weiveldlaan 41 Real Estate Ltd	Gibraltar	124 Irish Town, Gibraltar, Gibraltar
Westwood S.A	Portugal	Edificio Atrium Saldanha Praca Duque de Saldanha, Lisbon 1050 094, Portugal
Zephyros Limited	Cayman Islands	PO Box 1093,GT Queensgate House, South Church Street, George Town, Grand Cayman, Cayman Islands
Associates		
AZ Pure China – Equity Strategy	Luxembourg	AZ Fund Management S.A. 35 Avenue Monterey,L-2163, Luxembourg
SAPIC-98 Master Fund	Cayman Islands	Services Cayman Limited, PO Box 10008, Willow House Cricket, Grand Cayman, KY1-1001, Cayman Islands
Investcorp Geo – Risk Fund	Republic of Ireland	70 Sir John Rogerson's Quay, Dublin 2, Republic of Ireland
HOLT Global Equity Fund	Luxembourg	Credit Suisse Custom Markets,11/13 Boulevard de la Foire, L-1528 Luxembourg

49 Prior Period Adjustments

Two prior year adjustments have been made to reflect the restatement of certain transactions in relation to Single Global Currency ('SGC') and transfer pricing arrangement.

Single Global Currency

The SGC is an internal arrangement within the bank to encourage and incentivise the different parts of the bank to collaborate between divisions. In 2017 CSi paid out SGC expenses amounting to USD 17 million and prior to 2017 amounting to USD 83 million which relate to business where CSi was no longer receiving the associated revenue as a result of an internal business transfer to other related CS entities. Therefore, the reversal of this expense resulted in an increase in revenue in CSi's financial statements by approximately USD 100 million for the financial periods up to 31 December 2017.

Transfer Pricing payments

In 2015 the IBCM business in London, Amsterdam and Milan was sold by CSS(E)L to CSi. CSi paid out a portion of the transfer pricing payments amounting to USD 39 million which relates to portions of businesses which remained in CSS(E)L.

Therefore, the reversal of this expense resulted in an increase in revenue in CSi's financial statements by approximately USD 39 million (USD 18 million prior to 2017) for the financial periods up to 31 December 2017.

	Year ended 31 December 2017	
	as previously reported	Restated
Consolidated Statement of Income (USD million)		
Commission and fee income	524	541
Other expenses	(180)	(159)
Net revenues	**1,363**	**1,401**
Loss before taxes	**(180)**	**(142)**
Net Profit/(Loss) attributable to Credit Suisse International shareholders	(262)	(224)

	Year ended 31 December 2017	
	As previously reported	2017 restated
Consolidated Statement of Comprehensive Income (USD million)		
Net Profit/(Loss)	**(262)**	**(224)**
Attributable to Credit Suisse International shareholders	(260)	(222)

Group	Year ended 31 December 2017	
Consolidated Statement of Financial Position Assets as at 31 December 2017	As previously reported	2017 restated
Assets (USD million)		
Other assets	32,957	33,096
Total assets	**249,440**	**249,579**
Liabilities (USD million)		
Current tax liabilities	91	93
Total liabilities	**226,962**	**226,964**
Shareholders' equity (USD million)		
Retained earnings	(2,592)	(2,455)
Total shareholders' equity	**22,478**	**22,615**
Total liabilities and shareholders' equity	**249,440**	**249,579**

Bank	Year ended 31 December 2017	
Consolidated Statement of Financial Position Assets as at 31 December 2017	As previously reported	2017 restated
Assets (USD million)		
Other assets	32,957	33,096
Total assets	**249,359**	**249,498**
Liabilities (USD million)		
Current tax liabilities	91	93
Total liabilities	**226,826**	**226,828**
Shareholders' equity (USD million)		
Retained earnings	(2,537)	(2,400)
Total shareholders' equity	**22,533**	**22,670**
Total liabilities and shareholders' equity	**249,359**	**249,498**

Group	As previously reported Retained earnings	Total	2017 restated Retained earnings	Total
Consolidated statement of changes in equity (USD million)				
Balance at 1 January 2017	**(2,360)**	**(2,360)**	**(2,360)**	**(2,360)**
Adjustment for Impact of correction of errors (Net of Tax)	–	–	99	**99**
Restated balance at Balance at 1 January 2017	(2,360)	**(2,360)**	(2,261)	**(2,261)**
Loss for the year	(262)	(262)	(224)	(224)
Total comprehensive loss for the year	**(262)**	**(262)**	**(224)**	**(224)**
Balance at 31 December 2017	**(2,592)**	**(2,592)**	**(2,455)**	**(2,455)**

Bank	As previously reported Retained earnings	Total	2017 restated Retained earnings	Total
Consolidated statement of changes in equity (USD million)				
Balance at 1 January 2017	**(2,336)**	**(2,336)**	**(2,336)**	**(2,336)**
Adjustment for Impact of correction of errors (Net of Tax)	–	–	99	**99**
Restated balance at Balance at 1 January 2017	(2,336)	**(2,336)**	(2,237)	**(2,237)**
Loss for the year	(231)	(231)	(193)	(193)
Total comprehensive loss for the year	**(231)**	**(231)**	**(193)**	**(193)**
Balance at 31 December 2017	**(2,537)**	**(2,537)**	**(2,400)**	**(2,400)**

Group Consolidated Statement of Cash Flows for the year ended 31 December 2017	Year ended 31 December 2017 As previously reported	2017 restated
Cash flows from operating activities (USD million)		
Loss before tax for the period	(180)	(142)
Adjustments to reconcile net (loss)/profit to net cash generated from/(used in) operating activities (USD million)		
Cash generated from/(used in) before changes in operating assets and liabilities	**1,391**	**1,158** [1]
Net decrease/(increase) in operating assets:		
Other assets	3,743	3,705
Net decrease in operating assets	**82,403**	**82,365**
Net increase/(decrease) in operating liabilities	**(67,550)**	**(67,550)**
Income taxes refunded	61	61
Income taxes paid	(11)	(11)
Net cash (used in)/generated from operating activities	**16,294**	**16,023** [1]
Cash flows from investing activities (USD million)		
Net cash used in investing activities	(152)	(152)
Cash flow from financing activities (USD million)		
Net cash flow generated (used in) financing activities	**(16,392)**	**(16,392)**
Net (decrease) in cash and cash equivalents	**(250)**	**(521)** [1]
Cash and cash equivalents at beginning of period	5,033	5,033
Cash and cash equivalents at end of period	**4,783**	**4,783**

[1] Includes restatement to conform to the current year's presentation.

Bank	Year ended 31 December 2017	
Consolidated Statement of Cash Flows for the year ended 31 December 2017	As previously reported	2017 restated
Cash flows from operating activities (USD million)		
Loss before tax for the period	(149)	(111)
Adjustments to reconcile net (loss)/profit to net cash generated from/(used in) operating activities (USD million)		
Cash generated from/(used in) before changes in operating assets and liabilities	**1,483**	**1,250** [1]
Net decrease/(increase) in operating assets:		
Other assets	3,743	3,705
Net decrease in operating assets	**82,434**	**82,396**
Net increase/(decrease) in operating liabilities	**(67,551)**	**(67,551)**
Income taxes refunded	61	61
Income taxes paid	(11)	(11)
Net cash generated from operating activities	**16,416**	**16,145** [1]
Cash flows from investing activities (USD million)		
Net cash used in investing activities	(185)	(185)
Cash flow from financing activities (USD million)		
Net cash flow generated (used in) financing activities	**(16,392)**	**(16,392)**
Net (decrease) in cash and cash equivalents	**(161)**	**(432)** [1]
Cash and cash equivalents at beginning of period	4,904	4,904
Cash and cash equivalents at end of period	**4,743**	**4,743**

[1] Includes restatement to conform to the current year's presentation.

CREDIT SUISSE INTERNATIONAL
One Cabot Square
London E14 4QJ
credit-suisse.com

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