Credit Suisse International
Unaudited Consolidated Interim Financial Statements for the Six Months Ended 30 June 2016

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Board of Directors as at 18 August 2016
Noreen Doyle (Chair and Independent Non-Executive)
David Mathers (CEO)
Alison Halsey (Independent Non-Executive)
Robert Arbuthnott (CFO)
Christopher Horne
Paul Ingram
Stephen Dainton
Eraj Shirvani
Company Secretary
Paul E Hare

Biographies of the Directors can be found on page 2

Company Registration Number	2500199

Noreen Doyle
Born 1949
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 Remuneration Committee (2014-present)
	Chair of the Nomination Committee (2013-present)
	Member of the Risk Committee (2013-present)
	Member of the Audit Committee (2011-present)
2004–present	Credit Suisse AG & Credit Suisse Group AG
	Member of the Board of Directors (2004-present)
	Vice-Chair and Lead Independent Director of the Board of Directors;
	Member of the Chairman's and Governance Committee (2014-present)
	Member of the Risk Committee (2004-2007; 2009-2014; 2016-present)
	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, Houston, 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 audit committee
British Bankers' Association (BBA), chair
UK Panel on Takeovers and Mergers, member
Tuck European Advisory Board, member
Marymount International School, London, chair of the board of governors
Sarita Kenedy East Foundation, trustee

David R. Mathers
Born 1965
British Citizen

Board member since 2016

Chief Executive Officer

Professional history

2005–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2016-present; 2005-2006)
	CEO (2016-present)
	Alternate Director of the Board of Directors (2005)
1998–present	Credit Suisse AG & Credit Suisse Group AG
	Chairman of Strategic Resolution Oversight Board (2015-present)
	Member of the Executive Board (2010-present)
	Chief Financial Officer (2010-present)
	Head of IT and Operations AG (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	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
Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, sponsor

Alison Halsey
Born 1956
British Citizen

Non-Executive

Board member since 2015

Professional history

2015–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	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)
	Member of the Remuneration Committee (2015-present)
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	UK FCA, Institute of Chartered Accountants in England and Wales
1977	BA in French, King's College, London

Other activities and functions

Cambian Group plc, Non-executive Director, Chair of the Audit & Risk Committee and Member of the Nomination and Remuneration Committees

Provident Financial Group plc, Non-executive Director, Chair of the Audit Committee, and Member of the Nomination, Remuneration and Risk Advisory Committees

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

Robert K. Arbuthnott
Born 1968
British Citizen

Board member since 2016

Chief Financial Officer

Professional history

2015–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2016-present)
	MDR, Regional CFO for UK Regulated Entities, Chairman of the UK Pension Committee (2015-present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2016-present)
2007–2015	Barclays, Singapore
	Head of India Finance Shared Services (2014-2015)
	CFO Asia Pacific, Singapore (2008-2014)
	Regional Head of Product Control, Singapore (2007-2008)
2000–2007	Merrill Lynch, Japan and UK
	CFO EMEA Credit, Mortgages, Real Estate, Private Equity, London (2006-2007)
	CFO FICC Asia, Tokyo (2005-2006)
	Head of Rates ISS, Tokyo (2002-2004)
	Finance Risk Management FICC, Tokyo (2000-2002)
1997–2000	Salomon Brothers, London
	Head of Product Control for Structured Credit EMEA
1995–1997	BZW, London
	Fixed Income Salesman
1994–1995	Goethe Institute, Germany
1993–1994	LIFFE, London
	Market Supervision Division
1990–1993	KPMG, London
	Accountant

Education

1993	UK ACA, Institute of Chartered Accountants in England and Wales
1989	Master of Arts, Cambridge University
1986	Lancing College

Other activities and functions

Parrish Solutions Ltd BVI, Director and advisory board member

Tanglin Trust School, Director and advisory board member

Christopher G. Horne
Born 1964
British Citizen

Board member since 2015

Professional history

1997–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2015-present; 2010-2011)
	Chair of the Disclosure Committee (2015-present)
	Alternate Director of the Board of Directors (2008)
	Deputy CEO (2015-present)
	Branch Manager, 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)
	Europe COO of the Investment Banking Department (2005-2008)
	MDR, Global Mergers and Acquisitions Group (2004-2005)
	Co-head of Corporate Advisory & Finance within the Global Industrial & Services team in Europe (2001-2004)
	Credit Suisse First Boston's European Mergers & Acquisitions Department and European Corporate Advisory & Finance team (1997-2000)
1990–1997	BZW
	Investment Banker
1986 – 1990	Deloitte Haskins & Sells
	Auditor

Education

1990	UK ACA, Institute of Chartered Accountants in England and Wales
1986	BSc Honours, Chemistry, Durham University

Paul R. Ingram
Born 1963
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)
	Chief Risk Officer (2013-present)
2009–2013	RBS Group
	Investment Banker
	Global Head of Market Risk and Insurance Risk
1994–2009	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

Stephen B. Dainton
Born 1967
British Citizen

Board member since 2016

Professional history

2003–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2016-present; 2009-2011)
	Alternate Member of the Board of Directors (2005-2008)
	Member of Global Markets Management Committee (2016-present)
	Co-Chair of the Global Markets EMEA Leadership Forum (2016-present)
	Head of European Equities, Global Markets (2015-present)
	Member of the Managing Director Evaluation Committee (2006-2008)
Prior to 2003	Goldman Sachs
	Managing Director

Education

1989	BA in Government Policy, University of Exeter

Eraj Shirvani
Born 1966
British, American and Iranian Citizen

Board member since 2016

Professional history

1988–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2016-present; 2010-2011)
	Alternate Director (2008)
	Global Head of Solutions & Head of Fixed Income EMEA (2016-present)
	Member of the Management Committee of Credit Suisse AG, London Branch (2010-2011)
	Global Head of Emerging Markets Group & Head of Fixed Income EMEA (2015-2016)
	Co-Head of Global Credit Products & Head of Fixed Income EMEA (2011-2015)
	Head, European Credit Products (2006-2009)
	Head, European & Pacific Credit Sales & Trading (2000-2006)
	Head of European Credit Trading (1998-2000)
	Various Positions in US Credit Trading (1990-1998)
	Investment Banking Analyst Program Participant (1988-1990)

Education

1994	MBA, Columbia University
1988	BA in International Relations & French, University of Pennsylvania

Other activities and functions

GFMA, Board Member
AFME, Board Member
Royal National Children's Foundation, Trustee

Interim Management Report for the Six Months Ended 30 June 2016

The Directors present their Interim Management Report and the Condensed Unaudited Consolidated Interim Financial Statements for the six months ended 30 June 2016.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Credit Suisse International's 2016 Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use in the European Union ('EU').

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 18 August 2016.

BUSINESS REVIEW

Profile

Credit Suisse International ('CSi' or 'Bank') is a bank domiciled in the United Kingdom ('UK'). CSi together with its subsidiaries are referred to as the 'CSi group'. The Condensed Consolidated Interim Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Bank.

CSi is a global market leader in over-the-counter ('OTC') derivative products from the standpoints of counterparty service, innovation, product range and geographic scope of operations. 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.

CSi is an unlimited company and an indirect wholly owned subsidiary of Credit Suisse Group AG ('CSG'). CSi is authorised under the amended Financial Services and Markets Act 2000 by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA.

The Bank has branch operations in Dublin, Milan, Madrid, Sweden and Amsterdam. The Bank also maintains representation 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.

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 regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two divisions specialising in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. These business divisions co-operate closely to provide holistic financial solutions, including innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in approximately 50 countries and 47,000 employees from over 150 different nations.

Principal products/Principal product areas

Last year, Credit Suisse announced the restructuring of the CS group, with the creation of a new regionally focused division, and the realignment of existing businesses/divisions. Global Markets announced a further restructuring in March 2016. This resulted in a number of changes which have been reflected in the structure of CSi and as a result, the CSi group now has five principal business lines:

- **Global Markets** brings together equity sales and trading, credit products and trading as well as structured lending and selected derivative capabilities to create a fully integrated franchise for clients. Global Markets provides a broad range of financial products and services of client driven businesses and also supports the CS group's private banking businesses and their clients. The suite of products and services include global securities sales, trading and execution and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors, such as pension and hedge funds. The division consists of four sub-divisions Equities, Credit, Solutions and Management.
- Within the **Asia Pacific** division a range of financial products and services is offered, focusing on corporates, and institutional clients. CSi delivers integrated client coverage to provide connectivity and access to broader financial markets, differentiated product offerings, and tailored financing solutions. The investment banking business supports corporate clients by advising on all aspects of corporate sales and restructurings, divestitures and takeover defence strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, the investment banking business includes equities and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.
- The **Investment Banking & Capital Markets** division offers a broad range of investment banking products and services which includes advisory services related to M&A, divestitures, takeover defence, restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions related to these activities are also offered. Clients include leading corporations, and financial institutions. Investment banking capabilities are delivered

through regional and local teams based in both major developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across Credit Suisse and that help clients to unlock capital and value in order to achieve their strategic goals.

- The **Swiss Universal Bank** division offers clients Sales and Trading Services in foreign exchange products as well as Emerging Local Market currency trading which was transferred into this division in May 2016 from Global Markets.
- The **Strategic Resolution Unit** was created to facilitate the immediate right-sizing of business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from other business divisions. The Strategic Resolution Unit predominantly comprises derivative portfolios across interest rate and credit products. The portfolio includes a tail of long-dated trades, and spans both central counterparties ('CCP') and bilateral counterparties. The primary focus of the Strategic Resolution Unit ('SRU') is on facilitating the rapid wind-down of capital usage and costs in order to reduce the negative impact on the overall CSi group performance.

Economic environment

In the first half of 2016 economic conditions were extremely volatile with the challenges in the Eurozone. On 23rd June 2016, the UK held a referendum to vote on whether the UK should remain within the European Union ('EU').

The annual rate of Consumer Price index ('CPI') inflation increased to 0.5% from 0.2% at the end of December 2015. The Bank of England ('BOE') maintained interest rates at 0.5% during the first half of 2016 however following the UK referendum; the rate was reduced by 25 basis points to 0.25% in August. The unemployment rate dropped marginally to 4.9% from 5.1% at the end of December 2015. UK Gross Domestic Product ('GDP') grew by 0.4% in 2016, GDP was 2.1% higher in Q1 2016 compared with the same quarter a year ago. The European Central Bank ('ECB') began to purchase corporate bonds in June, but otherwise left its monetary policy unchanged, with interest rates remaining at very low levels. The British pound weakened following the outcome of the UK referendum and was the weakest currency among the Group of Ten ('G-10') countries.

Global equity markets declined sharply due to the weaker than expected macroeconomic data in developed economies, economic growth concerns in China and low oil prices. Since the middle of February 2016, equity markets recovered supported by improved commodity markets and accommodative monetary policies of major central banks. The outcome of the UK referendum on European Union membership caused significant volatility in the financial markets, and led to a sharp increase in risk aversion by market participants, resulting in an equity sell-off in the immediate period after the result. Eurozone equity markets significantly underperformed in the first half of 2016.

Government bond yields declined in the first half of 2016. As markets priced in the results of the UK referendum, financial flows to safe havens increased. British bonds outperformed other major government bonds. Despite the increase in risk aversion by market participants in June, high yield and hard currency emerging market bonds continued to perform well. In contrast, the financial sector lagged compared to other sectors, with the uncertainty surrounding the outcome of the UK referendum leading to further underperformance.

Key performance indicators ('KPIs')

The Bank uses a range of KPI's (incorporating financial performance, capital and liquidity) to manage the financial position of the Bank. In a changing regulatory environment, with the increasing cost of capital and focus on liquidity, these KPIs are critical to the successful management of the business to achieve the Bank's objectives. Profitability and Risk Weighted Assets ('RWA') are reviewed at the business line level to promote the drive towards the development and maintenance of profitable and capital efficient business; capital intensive businesses are closely monitored and reviewed.

	6M16	6M15
Earnings		
Net profit/(loss) after tax (USD million):		
Continued	(202)	(80)
Discontinued	131	180
Total	(71)	100

	6M16	2015
Capital		
Risk Weighted Assets (USD million)	163,750	163,722
Tier 1 capital (USD million)	20,750	21,236
Return on Tier 1 capital	(0.34)%	0.47%

	6M16	2015
Liquidity		
Liquidity Buffer (USD million)	27,134	30,604

	6M16	2015
Consolidated Statement of Financial Position		
Total Assets (USD million)	444,997	400,989
Total Asset growth/(reduction)	10.97%	(11.47)%
Return on Total Assets	(0.02)%	0.02%

Performance

Condensed Consolidated Statement of Income

For the first half of 2016, the CSi group reported a net loss attributable to shareholders of USD 71 million (2015: USD 100 million profit). Net revenues from continuing operations amounted to USD 532 million (30 June 2015: USD 926 million). After operating expenses, the CSi group reported a loss before tax from continuing operations USD 192 million (30 June 2015: USD 64 million loss). In addition, the CSi group reported a gain before tax from discontinued operations of USD 131 million (30 June 2015: USD 237 million gain).

The Investment Banking and Capital Markets division increased net revenues by 147% to USD 257 million (30 June 2015: USD 104 million). During the second half of 2015, CSi purchased the investment banking businesses in London, Milan and Amsterdam from Credit Suisse Securities (Europe) Limited ('CSS(E)L').

The SRU division's net revenues decreased by 176% to a loss of USD 134 million (30 June 2015: USD 176 million gain) with the losses being made primarily in Global Credit Products USD 64 million (30 June 2015: USD 1 million gain) and the Emerging Markets division USD 38 million (30 June 2015: USD 35 million gain), both of these were due to market losses from legacy positions which are earmarked for exit.

Global Markets ('GM') revenues decreased by USD 25 million to USD 738 million (30 June 2015: USD 763 million) primarily compromised of a USD 109 million reduction in revenues in GM Solutions offset by an increase of USD 66 million in GM Management. GM Solutions reported lower revenues following the UK referendum most notably in Structured Derivatives as well as reduced client flows within Global Macro Products. The gains in GM Management were driven by reduced cost of risk weighted asset hedges.

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

- Increased revenue sharing expenses for the period of USD 147 million to USD 382 million (30 June 2015: USD 235 million). This relates to revenue sharing agreements between the CSi group and other CS group companies and the main drivers for the increase were in relation to the business generated in the Asia Pacific division as well as the newly transferred IBCM business.
- Other Corporate items decreased by USD 79 million to USD 49 million loss (30 June 2015: USD 30 million income) primarily due to the Own Credit valuation on CS group issued debt as Credit Suisse credit spreads widened.

The CSi group's operating expenses (including Continued and Discontinued operations, refer to Note 18 – Discontinued Operations and Assets Held for Sale) decreased by USD 261 million to USD 780 million (2015: USD 1,041 million). The reduction in expenses was made up of:

- A decrease in General, Administrative and Trading expenses of USD 193 million to USD 491 million in the first half of 2016 (30 June 2015: USD 684 million). This reduction was primarily driven by a USD 106 million decrease in litigation expenses following the settlement of a Credit Default Swap Litigation in June 2015. A further reduction of USD 112 million was driven by a decrease from cost reduction programmes.
- Restructuring expenses also decreased by USD 66 million as a result of a provision being booked in the first half of 2015 in relation an onerous lease contract of USD 101 million. This was offset by an increase in Compensation and benefit related expenses in 2016 of which USD 14 million related to severance costs and USD 18 million related to accelerated deferred compensation costs.

Income tax charge for the six months ended 30 June 2016 was USD 10 million (30 June 2015: USD 73 million expense). Refer Note 12 – Income Tax.

Discontinued operations and Assets held for sale

The CSi group has begun to transfer its portfolio of derivatives and securities in the Asia Pacific division into another CS group entity. This transfer has commenced and will continue until 2017. This transaction qualifies for discontinued operations treatment under IFRS, and post-tax profit or loss has been classified as discontinued operations in the CSi group's Consolidated Statement of Income. CSi group's prior period results have been restated to conform to the current presentation. Assets and liabilities relating to the transfers that have not yet completed have been classified as Assets/Liabilities held for sale in the Condensed Consolidated Statement of Financial Position. No impairment losses were required to be recognised as a result of having to measure the Assets/Liabilities held for sale at fair value less cost to sell.

During the year the CSi group has also entered into other transactions which qualify as Held for Sale. No prior period restatement is required.

Condensed Consolidated Statement of Financial Position

The CSi group's total assets increased by 11% to USD 445 billion (31 December 2015: USD 401 billion). Business driven movements in the Condensed Consolidated Statement of Financial Position are:

- Including continued, discontinued and assets held for sale, Trading financial assets at fair value through profit or loss increased by USD 40 billion to USD 335 billion (31 December 2015: USD 295 billion). The primary driver for the increase was driven by market moves on interest rate products primarily due to a reduction in the EUR, USD yield curve causing a decrease in the discount factor which resulted in an increase in the present value of the trades.
- Other assets increased by USD 11 billion to USD 57 billion (31 December 2015: USD 46 billion) driven by an increase in cash collateral provided to counterparties in relation to derivative exposures.

Further movements in the Condensed 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 resulted in:

- Cash and due from banks decreased by USD 8 billion to USD 5 billion (31 December 2015: USD 13 billion) primarily due to a change in funding requirements to maintain overall liquidity and regulatory ratios. This was partially offset by the increase in Interest-bearing deposits with banks which increased by USD 2.8 billion to USD 2.9 billion (31 December 2015: USD 0.01 billion).
- Short term borrowings reduced by USD 14 billion to USD 7 billion (31 December 2015: USD 21 billion) as a result of new Long Term Debt issued of USD 5 billion and overall lower cash requirements from the business and treasury department, for liquidity management purposes.

Total Shareholder's equity was USD 23 billion (31 December 2015: USD 23 billion)

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 were USD 8.9 billion as at 30 June 2016 (31 December 2015: USD 8.5 billion), which was equivalent to 1.99% of total assets.
- Total Level 3 liabilities were USD 7.6 billion as at 30 June 2016 (31 December 2015: USD 7.7 billion), which was equivalent to 1.80% of total liabilities.

Fair Value disclosures are presented in Note 22 – Financial Instruments.

Principal risks and uncertainties

Outlook

CSi remains focused on continuing to strengthen its position in executing a client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends. CSi is progressing towards achieving specific goals to reduce its cost base and strengthen its capital position, and has operated under the Basel III capital framework, as implemented in the EU, since January 2014. During 2016, Global Markets announced a restructure within their division resulting in four sub divisions being created, Equities, Credit, Solutions and Management, creating a business model with a reduced risk profile and reduced earnings volatility. The CSi group has begun to transfer its portfolio of derivatives and securities in the Asia Pacific division into another CS group entity. This transfer has commenced and will continue until 2017. This accounts for approximately 26% of the 2016 net revenues. A global cost reduction strategy is also underway and as a result expects the London campus and headcount to reduce, having a direct impact on the cost base of the bank. CSi will continue to adapt to a challenging market environment and compete in its chosen business and markets around the world.

CSi continues to be committed to offering a broad spectrum of products and is focused on businesses in which the bank has a competitive advantage and is able to operate profitably with an attractive return on capital. The Strategic Resolution Unit ('SRU'), introduced in 2015, continues to wind down businesses and positions that no longer fit the Bank's strategic direction. During 2016, following the accelerated restructure of Global Markets, the SRU received more positions from Global Markets to add to its wind down portfolio.

UK Referendum

On 23rd June 2016, voters in the UK voted to leave the European Union ('EU') in a non-binding referendum. This caused significant volatility in the financial markets, including substantial declines in global stock prices and a steep devaluation of the British pound, subsequently equity markets returned to pre-referendum levels. Among the significant global implications of the referendum is the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. The European Central Bank ('ECB') and others have already introduced negative interest rates to address deflationary concerns and to prevent appreciation of their respective currencies. The Bank of England ('BOE') has recently announced a cut to its bank rate of 25 basis points to 0.25% and introduced a package of measures designed to provide additional monetary stimulus. The package included the rate cut, a new Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate; the purchase of up to GBP 10 billion of UK corporate bonds; and an expansion of the asset purchase scheme for UK government bonds of GBP 60 billion, taking the total stock of these asset purchases to GBP 435 billion. The last three elements will be financed by the issuance of central bank reserves.

In addition, a decision taken to introduce a countercyclical buffer for UK exposures of 0.5% from March 2017 has been reversed. Following the UK Referendum result, the Financial Policy Committee ('FPC') reduced the UK countercyclical capital buffer rate from 0.5% to 0% of banks' UK exposures with immediate effect. Absent any material change in the outlook, and given the need to give banks the clarity necessary to facilitate their capital planning, the FPC stated that it expects to maintain a 0% UK countercyclical capital buffer rate until at least June 2017. The FPC expects that this will allow banks to use some of their capital buffers to maintain lending.

CSi has been, and continues to, monitor developments closely and conduct various scenario analyses designed to capture factors, such as possible impacts of the referendum on UK gross domestic product, the British pound and negative interest rates to assess the potential effects on earnings and capital position. The immediate overall impact on CSi has been managed during the period from an exposure, earnings and liquidity perspective. CSi implemented a number of precautionary measures to ensure operational and infrastructure stability over the period around the referendum. In particular, CSi experienced substantial trading volumes in the days following the referendum result; however, CSi group suffered no significant operational issues due to our active management of these volume increases.

Following any formal notification by the UK of its decision to exit the EU, negotiations would commence to determine the future terms of the parties' relationship. This would include the renegotiation, either during a transitional period or more permanently, of a number of regulatory and other arrangements between the EU and the UK that directly impact our business. Adverse changes to any of these arrangements, and even uncertainty over potential changes during any period of negotiation, could potentially impact our results. At this point in time, CSi continues to remain committed to its operations in the UK, and does not have any immediate plans to pull out or accelerate the London right size initiative which was announced at the end of 2015.

Regulatory market changes

CSi group is working towards implementing the Basel Committee on Banking Supervision ('BCBS') and International Organisation of Securities Commission ('IOSCO') revised framework for margin requirements for non-centrally cleared derivatives. The requirements centre around the posting and collecting of segregated initial margin for non-centrally cleared derivatives and daily settlement of variation margin. CSi group is assessing the impact of increased liquidity requirements to fund these margin requirements. The timeline for implementing this new framework has been deferred until the middle of 2017 by the European Commission. The United States and Japanese regulators have not deferred the implementation date, CSi group is required to be operationally ready by 1st September 2016 for certain in scope counterparties.

Litigation

The risks in relation to litigation are set out in Note 21 – Contingent Liabilities and Commitments.

Liquidity

The Bank's Liquidity position is managed in accordance with Liquidity Risk Metrics set both externally and internally. The Liquidity Coverage Ratio ('LCR'), as defined by the Prudential Regulation Authority ('PRA') based on recommendations by the Basel Committee on Banking Supervision, ensures adequate unencumbered High Quality Liquid Assets ('HQLA') that can easily be converted to cash to meet liquidity needs for a 30 day liquidity stress scenario. The Basel III Net Stable Funding Ratio ('NSFR') is a 1 year structural ratio ensuring a funding profile providing sufficient long-term stable funding in relation to the composition of its assets and off-balance sheet activities.

The CS Group considers a strong and efficient liquidity position to be a priority. The liquidity position is monitored in accordance with all metrics, taking account of the current regulatory regime and any forthcoming changes to the regulatory framework or to the Bank's business strategy. The CS Group continues to provide confirmation that it will provide sufficient funding to CSi to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations.

Selected credit risk exposure views by country and industry

CSi's credit portfolio benefits from geographical and industrial diversification, by virtue of a balanced risk appetite framework which dynamically adjusts to market conditions. As part of proactive risk management, limits are adjusted to avoid build-up of concentrations to risky or volatile industries and countries. The risk management framework includes country and industry limits, the execution of scenario analyses which translate aggregate exposures into potential losses under forward looking narratives.

Selected country exposures

The table below shows exposure to a selection of Southern European Countries alongside Russia, China, Hong Kong, Taiwan, Brazil, Turkey and the Sub-Saharan region.

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. Net exposures include the impact of risk mitigation such as Credit Default Swaps ('CDS') and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

	Sovereign		Financial Institutions		Corporate	
30 June 2016 (USD millions)	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Greece	–	–	121	–	40	40
Ireland	–	–	1,486	1,072	47	47
Italy	3,501	440	1,393	591	96	73
Portugal	41	41	199	5	14	14
Spain	9	9	1,155	465	311	311
Russia	177	157	383	76	188	137
China	670	609	256	207	50	50
Brazil	182	182	111	83	25	19
Sub-Saharan Africa	158	27	32	21	118	118
Total	**4,738**	**1,465**	**5,136**	**2,520**	**889**	**809**

	Sovereign		Financial Institutions		Corporate	
31 December 2015 (USD millions)	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Greece	20	20	127	10	48	48
Ireland	12	12	805	674	–	–
Italy	3,465	646	1,049	504	81	62
Portugal	33	33	125	8	20	20
Spain	21	21	1,086	375	335	314
Russia	168	146	625	91	212	127
China	772	705	320	217	17	17
Brazil	3	3	162	117	65	57
Sub-Saharan Africa	181	34	90	9	63	63
Total	**4,675**	**1,620**	**4,389**	**2,005**	**841**	**708**

Selected industry exposures

The table below shows exposure to the Oil & Gas and Metals & Mining industries across all geographies. Some key players in the Oil & Gas industry were recently internally downgraded, to reflect a relative deterioration in credit fundamentals in relation to lower energy prices. Exposure in CSi remains relatively small versus other sectors. Exposure is presented using the same measure as the country-risk table above.

30 June 2016 (USD millions)	Gross Exposure	Net Exposure
Oil & Gas	980	633
Metals & Mining	278	239
Total	**1,258**	**872**

31 December 2015 (USD millions)	Gross Exposure	Net Exposure
Oil & Gas	911	701
Metals & Mining	296	281
Total	**1,207**	**982**

Capital Resources

The Bank's capital adequacy is managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') 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 the Capital Requirements Directive IV ('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 and includes reviewing potential opportunities for capital repatriation to shareholders. 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.

Pillar 3 disclosures required under CRR are prepared as at the year end date and can be found separately at www.credit-suisse.com.

Changes in senior and subordinated debt are set out in Note 17 – Long Term Debt. There were no changes in capital, refer Note 19 – Called-up Share Capital and Share Premium.

Dividends

No dividends have been paid for the period ended 30 June 2016 (2015: USD Nil).

Directors

None of the directors who held office at the end of the period were directly beneficially interested, at any time during the period, in the shares of the Bank.

Directors of the CSi group benefited from qualifying third party indemnity provisions in place during the interim period and at the date of this report.

Changes in the directorate since 31 December 2015 and up to the date of this report are as follows:

Appointment	
Stephen Dainton	29 January 2016
David Mathers	24 March 2016
Eraj Shirvani	16 June 2016
Robert Arbuthnott	22 July 2016
Resignation	
David Livingstone	04 March 2016
Jason Forrester	25 March 2016
Richard Thornburgh	31 May 2016

Subsequent Events

There are no material subsequent events that require disclosure in the Condensed Consolidated Interim Financial Statements as at the date of this report.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU;
- The Interim Management Report includes a fair review of the information required by:

DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

By Order of the Board:

Robert Arbuthnott
Director

One Cabot Square
London E14 4QJ
18 August 2016

Financial Statements for the six months ended 30 June 2016 (Unaudited)

Condensed Consolidated Statement of Income for the six months ended 30 June 2016 (Unaudited)

	Reference to note		in
		6M16	Restated 6M15 [1]
Condensed Consolidated Statement of Income (USD million)			
Continuing Operations			
Interest income	4	324	309
Interest expense	4	(396)	(288)
Net interest (expense)/income		(72)	21
Commission and fee income	5	256	74
Commission and fee expense	5	(55)	(40)
Net commission and fee income		201	34
(Additional)/Release of provision for credit losses	6	(4)	3
Net gains from financial assets/liabilities at fair value through profit or loss	7	460	927
Other revenues	8	(53)	(59)
Net revenues		**532**	**926**
Compensation and benefits	9	(254)	(256)
General, administrative and trading expenses	10	(435)	(633)
Restructuring expenses	11	(35)	(101)
Total operating expenses		**(724)**	**(990)**
Loss before tax from continuing operations		**(192)**	**(64)**
Income tax expense from continuing operations	12	(10)	(16)
Loss after tax from continuing operations		**(202)**	**(80)**
Discontinued Operations			
Profit before tax from discontinued operations	18	131	237
Income tax expense from discontinued operations		–	(57)
Profit after tax from discontinued operations		**131**	**180**
Net (Loss)/Profit attributable to Credit Suisse International shareholders		**(71)**	**100**

[1] June 2015 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

Condensed Statement of Comprehensive Income for the six months ended 30 June 2016 (Unaudited)

		in
	6M16	6M15
Condensed Consolidated Statement of Comprehensive Income (USD million)		
Net (Loss)/Profit	**(71)**	**100**
Foreign currency translation differences	1	–
Cash flow hedges – effective portion of changes in fair vaue	–	2
Total items that may be reclassified to net income	**1**	2
Total comprehensive income	**(70)**	**102**
Attributable to Credit Suisse International shareholders	(70)	102

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2016 (Unaudited)

	Reference to note	6M16	end of 2015
Assets (USD million)			
Cash and due from banks		5,371	13,163
Interest-bearing deposits with banks		2,886	59
Securities purchased under resale agreements and securities borrowing transactions		26,740	30,073
Trading financial assets at fair value through profit or loss	14	290,219	295,229
of which positive market values from derivative instruments	14	257,569	262,698
Financial assets designated at fair value through profit or loss		12,533	12,078
Other loans and receivables		3,845	3,495
Investment property		262	303
Current tax assets		44	46
Deferred tax assets	13	327	337
Other assets	16	56,508	45,636
Property and equipment		201	196
Intangible assets		392	374
Assets held for sale	18	45,669	–
Total assets		**444,997**	**400,989**
Liabilities and shareholders' equity (USD million)			
Deposits		465	564
Securities sold under repurchase agreements and securities lending transactions		3,953	5,737
Trading financial liabilities at fair value through profit or loss	14	269,184	270,767
of which negative market values from derivative instruments	14	265,393	266,996
Financial liabilities designated at fair value through profit or loss		24,146	22,509
Short term borrowings		7,086	21,066
Other liabilities	16	40,862	30,822
Provisions		33	33
Long term debt	17	32,225	26,587
Liabilities held for sale	18	44,209	–
Total liabilities		**422,163**	**378,085**
Shareholders' equity			
Share capital	19	12,366	12,366
Share premium	19	12,704	12,704
Retained earnings		(2,235)	(2,164)
Accumulated other comprehensive income		(1)	(2)
Total shareholders' equity		**22,834**	**22,904**
Total liabilities and shareholders' equity		**444,997**	**400,989**

Approved by the Board of Directors on 18 August 2016 and signed on its behalf by:

Robert Arbuthnott
Director

The accompanying notes on pages 18 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016 (Unaudited)

	Share Capital	Share Premium	Retained earnings	AOCI [1]	Total
Condensed Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2016	**12,366**	**12,704**	**(2,164)**	**(2)**	**22,904**
Net loss for the period	–	–	(71)	–	(71)
Foreign exchange translation differences	–	–	–	1	1
Cash flow hedges – effective portion of changes in fair vaue	–	–	–	–	–
Total comprehensive loss for the period	**–**	**–**	**(71)**	**1**	**(70)**
Balance at 30 June 2016	**12,366**	**12,704**	**(2,235)**	**(1)**	**22,834**
Condensed Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2015	**13,108**	**12,699**	**(1,774)**	**(4)**	**24,029**
Net profit for the period	–	–	100	–	100
Foreign exchange translation differences	–	–	–	–	–
Cash flow hedges – effective portion of changes in fair value	–	–	–	2	2
Total comprehensive income for the period	**–**	**–**	**100**	**2**	**102**
Balance at 30 June 2015	**13,108**	**12,699**	**(1,674)**	**(2)**	**24,131**

[1] AOCI refers to Accumulated Other Comprehensive Income

There were no dividends paid during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

The accompanying notes on pages 18 to 53 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2016 (Unaudited)

	6M16	6M15 [1]
Cash flows from operating activities (USD million)		
(Loss)/Profit before tax for the period	(61)	173
Adjustments to reconcile net (loss)/profit to net cash generated from/(used in) operating activities (USD million)		
Non-cash items included in net loss before tax and other adjustments:		
Depreciation and amortisation	81	104
Depreciation and impairment on investment property	17	5
Accrued interest on long term debt	154	112
Provision for credit losses/(Release of allowance for loan losses)	5	(3)
Reversal of provision on loan commitments	(1)	(1)
Foreign exchange gain/(loss)	283	(779)
Provision reserve for occupancy expenses	–	101
Provisions	–	100
Total adjustments	539	(361)
Cash generated from/(used in) before changes in operating assets and liabilities	**478**	**(188)**
Net (increase)/decrease in operating assets:		
Securities purchased under resale agreements and securities borrowing transactions	3,333	(1,635)
Trading financial assets at fair value through profit or loss	(39,776)	89,844
Financial assets designated at fair value through profit or loss	(730)	3,172
Other loans and receivables	(354)	(575)
Other assets	(10,841)	4,055
Net (increase)/decrease in operating assets	**(48,368)**	**94,861**
Net increase/(decrease) in operating liabilities:		
Deposits	(34)	(1,798)
Securities sold under resale agreements and securities lending transactions	(1,784)	(851)
Trading financial liabilities at fair value through profit or loss	40,632	(88,734)
Financial liabilities designated at fair value through profit or loss	2,870	3,388
Short term borrowings	(13,980)	2,925
Share based compensation (included in other liabilities and provisions)	(92)	(14)
Other liabilities and provisions	10,278	(6,002)
Net increase/(decrease) in operating liabilities	**37,890**	**(91,086)**
Income taxes refunded	–	5
Income taxes paid	(4)	(11)
Net cash (used in)/generated from operating activities	**(10,004)**	**3,581**
Cash flows from investing activities (USD million)		
Capital expenditure for property, plant equipment and intangible assets	(104)	(82)
Acquisitions during the year	–	(30)
Net cash used in investing activities	**(104)**	**(112)**
Cash flow from financing activities (USD million)		
Issuance of long term debt	5,244	1,978
Repayment of long term debt	(36)	(4,148)
Net cash flow generated from/(used in) financing activities	**5,208**	**(2,170)**
Net (decrease)/increase in cash and cash equivalents	**(4,900)**	**1,299**
Cash and cash equivalents at beginning of period	12,692	13,049
Cash and cash equivalents at end of period (USD million)	**7,792**	**14,348**
Cash and due from banks	5,371	15,245
Interest-bearing deposits with banks	2,886	103
Demand deposits	(465)	(1,000)
Cash and cash equivalents at end of period (USD million)	**7,792**	**14,348**

[1] The CSi group has elected to present a Condensed Consolidated Statement of Cash Flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 18.

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2016 (Unaudited)

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2016 (Unaudited)

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 Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2016 comprise CSi and its subsidiaries (together referred to as the 'CSi group').

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 26 August 2016.

2 Significant Accounting Policies

Basis of preparation

The accompanying unaudited Condensed Consolidated Interim Financial Statements of the CSi group are prepared in accordance with IAS 34 "Interim Financial Reporting" ('IAS 34') as adopted for use in the European Union ('EU') and are stated in United States Dollars ('USD') rounded to the nearest million. Certain financial information, which is normally included in Annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') but not required for interim reporting purposes, has been condensed or omitted. These Condensed Consolidated Interim Financial Statements should be read in conjunction with the IFRS Consolidated Financial Statements and notes thereto for the year ended 31 December 2015. Except as described below, the accounting policies applied by the CSi group in these Condensed Consolidated Interim Financial Statements are the same as those applied by the CSi group in its Consolidated Financial Statements for the year ended 31 December 2015. The accounting policy related to discontinued operations is disclosed in Note 18 – Discontinued Operations and Assets Held for Sale of these Condensed Consolidated Interim Financial Statements.

The Condensed Consolidated Interim Financial Statements are prepared on the historical cost basis except where the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments designated by the CSi group as at fair value through profit and loss.

The preparation of Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Statement of Financial Position and the reported amounts of revenues and expenses during the reporting period. 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 could differ from management's estimates.

The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2015.

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.

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 Condensed Consolidated Interim Financial Statements on a going concern basis.

Standards and Interpretations effective in the current period and endorsed by the EU

The CSi group has adopted the following amendments in the current period:

- Annual Improvements to IFRSs 2012-2014 Cycle: In September 2014, the IASB issued 'Annual Improvements to IFRSs 2012-2014 cycle' (Improvements to IFRSs 2012-2014). The adoption of the Improvements to IFRSs 2012-2014 on 1 January 2016, did not have a material impact to the CSi group's financial position, results of operation or cash flows.
- Amendments to IAS 27: Equity Method in Separate Financial Statements: In August 2014 the IASB issued 'Equity Method in Separate Financial Statements' (Amendments to IAS 27). The Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The adoption of the Amendments to IAS 27 on 1 January 2016,

did not have a material impact to the CSi group's financial position, results of operation or cash flows.

- Disclosure Initiative (Amendments to IAS 1): In December 2014, the IASB issued Amendments to IAS 1 as part of their Disclosure Initiative. The Amendments clarify guidance regarding materiality, notes to the financial statements and the presentation of the Statement of Financial Position and Statement of Income and Other Comprehensive income. The Amendments will allow entities to use more judgement when preparing and presenting financial statements. As the Amendments to IAS 1 impact disclosures only, the adoption on 1 January 2016, did not have a material impact to the CSi group's financial position, results of operation or cash flows.

Standards and Interpretations that are effective in the current period but not yet endorsed by the EU

The CSi group is not yet required to adopt the following standards and interpretations as they have not been approved by the EU.

- Investment entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28): In December 2014, the IASB issued 'Investment Entities: Applying the Consolidation Exception' (Amendments to IFRS 10, IFRS 12 and IAS 28). The Amendments address issues that have arisen in relation to the exemption from consolidation for investment entities. The Amendments are effective for annual periods beginning on or after 1 January 2016. When endorsed the adoption of Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) will 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 standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 'Financial Instruments' (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. In July 2014, the IASB issued IFRS 9 as a complete standard. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost and fair value through other comprehensive income as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected loss model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. If the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement will change from 12-month expected credit losses to lifetime expected credit losses. Therefore impairment will be recognised earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired.

Under IFRS 9, financial assets will be classified on the basis of two criteria 1) the business model of how the financial assets are managed and 2) the contractual cash flow characteristics of the financial asset. These factors will determine whether the financial assets are measured at amortised cost, Fair value through Other Comprehensive Income or Fair value through Profit & Loss. The accounting for financial liabilities remains largely unchanged except for those financial liabilities which are Fair Value through Profit and Loss, where the gains and losses arising from changes in credit risk will be presented in Other Comprehensive Income rather than profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However certain sections of IFRS 9 relating to fair value option elected financial liabilities can be early adopted in isolation. The CSi group is currently evaluating the impact of adopting IFRS 9 however, it is not practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

- IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will 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 to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. 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 is effective for annual reporting periods beginning on or after 1 January 2018. The CSi group is currently evaluating the impact of adopting IFRS 15.
- IFRS 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 requires lessees to recognise most leases on their balance sheets; lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The CSi group is currently evaluating the impact of adopting IFRS 16.
- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments

clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2017, with retrospective application required. The CSi group is currently evaluating the impact of adopting the Amendments to IAS 12.

- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The Amendments are effective for annual periods beginning on or after 1 January 2017. The CSi group is currently evaluating the impact of adopting the Amendments to IAS 7.
- Amendments to IFRS 2: Share-based Payment: In June 2016, the IASB issued narrow scope amendments to IFRS 2 Share-based payments (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 CSi group is currently evaluating the impact of adopting the Amendments to IFRS 2.

The accounting policies have been applied consistently by all 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.

Within these Condensed Consolidated Interim Financial Statements, references to '6M16' represent the six month period ended 30 June 2016, references to '6M15' represent the six month period ended 30 June 2015, and 'end of 2015' represents the financial position as at and for the year ended 31 December 2015.

3 Segmental Analysis

In October 2015, CSG announced the restructuring of the CS group, with the new regionally focused divisions and the realignment of existing businesses/divisions. As a result of the restructure, the Bank has 5 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 historical Fixed Income and Equities segments have predominantly been combined to form the new Global Markets segment which has been further apportioned into Equities, Credit, Solutions and Management divisions, with Asia related fixed income and equity trading being consolidated within a new Asia Pacific segment. Former non-strategic units within the Fixed Income, Equities and Investment Banking segments have been moved into the new Strategic Resolution Unit. Sales and Trading Services in foreign exchange products as well as Emerging Local Market currency trading was transferred into the Swiss Universal Bank segment in May 2016.

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

Global Markets:	The Global Markets division consists of four sub divisions, Equities, Credit, Solutions and Management. These sub divisions together offer trading in cash equities, prime services, systematic market making, emerging markets, equity derivatives, global macro, global credit and securitised products.
APAC:	Investment banking capabilities in Asia Pacific, serving corporate and institutional clients.
Investment Banking & Capital Markets:	The Investment Banking & Capital Markets ('IBCM') division service offering includes mergers and acquisitions, debt, equity and other capital raising activities.
Swiss Universal Bank:	The Swiss Universal Bank ('SUB') division primarily offers sales and trading services for foreign exchange including emerging markets businesses.
Strategic Resolution Unit:	Operations include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination and CMBS.

Segment performance is assessed by the Board based on the CEO report, which details revenues and pre-tax income by segment. CSi 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, it does not specifically manage the expenses at a CSi segment level. Certain revenue items are not directly allocated to the above business segments at a CSi Bank level. These items include certain transfer pricing, certain 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 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 external revenue of each operating segment during the six months to June:

	6M16	6M15
Revenues (USD million)		
Global Markets	**738**	**763**
- Credit	108	95
- Equities	4	(1)
- Solutions	568	677
- Management	58	(8)
APAC	445	423
Investment Banking & Capital Markets	257	104
Swiss Universal Bank	40	15
Strategic Resolution Unit	(134)	176
Total	**1,346**	**1,481**

The following table shows the (Loss)/Income before taxes of each operating segment during the six months to June:

	6M16	6M15
Consolidated (Loss)/Income before taxes (USD million)		
Global Markets	**141**	**62**
- Credit	31	(16)
- Equities	(45)	(12)
- Solutions	173	183
- Management	(18)	(93)
APAC	121	283
Investment Banking & Capital Markets	(5)	74
Swiss Universal Bank	19	1
Strategic Resolution Unit	(310)	(51)
Total	**(34)**	**369**

Reconciliation of reportable segment revenues

	6M16	6M15
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments	1,346	1,481
Revenue sharing agreements	(382)	(235)
Treasury funding	(123)	(132)
Other corporate items	(49)	30
CSi group to primary reporting reconciliations [1]	(73)	70
Net revenues as per Condensed Consolidated Statement of Income	**719**	**1,214**
Of which net revenues – discontinued operations [2]	**187**	**288**
Of which net revenues – continued operations	**532**	**926**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.
[2] See Note 18 Discontinued Operations and Assets Held for Sale

	6M16	6M15
Reconciliation of reportable segment income/(loss) before taxes (USD million)		
(Loss)/Income before taxes for reportable segments	(34)	369
Other corporate items	(58)	(10)
Shared services	(71)	–
CSi group to primary reporting reconciliations [1]	102	(186)
(Loss)/Income before taxes as per Condensed Consolidated Statement of Income	**(61)**	**173**
Of which profit before taxes – discontinued operations [2]	**131**	**237**
Of which loss before taxes – continued operations	**(192)**	**(64)**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.
[2] See Note 18 Discontinued operations and Assets held for sale

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

4 Net Interest (Expense)/Income

	6M16	6M15 [1]
Net interest income (USD million)		
Other loans and receivables	135	170
Securities purchased under resale agreements and securities borrowing transactions	31	36
Cash collateral posted on OTC derivatives transactions	101	44
Interest income on cash and cash equivalents and loans	57	59
Interest income	**324**	**309**
Deposits	(9)	(3)
Short term borrowings	(81)	(96)
Securities sold under repurchase agreements and securities lending transactions	(41)	(36)
Long term debt	(154)	(113)
Cash collateral received on OTC derivatives transactions	(111)	(40)
Interest expense	**(396)**	**(288)**
Net interest (expense)/income	**(72)**	**21**

[1] June 2015 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

5 Commission and Fee Income

	6M16	6M15 [1]
Commission and fee income (USD million)		
Lending business	42	51
Brokerage	55	2
Underwriting	8	2
Other customer services	151	19
Total commission and fee income	**256**	**74**
Brokerage	(23)	(7)
Other customer services	(32)	(33)
Total commission and fee expense	**(55)**	**(40)**
Net commission and fee income	**201**	**34**

[1] June 2015 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

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

6 (Additional)/Release of provision for Credit Losses

	6M16	6M15
(Additional)/Release of provision for credit losses (USD million)		
Allowances for loan losses	(9)	(1)
Provision for off-balance sheet exposure	(1)	(2)
Additional Provision for credit losses	**(10)**	**(3)**
Allowances for loan losses	3	4
Provision for off-balance sheet exposure	3	2
Release of provision for credit losses	**6**	**6**
(Additional)/ Release of provision for credit losses	**(4)**	**3**

7 Net Gains from Financial Assets/Liabilities at Fair Value Through Profit or Loss

	6M16	6M15 [1]
Net gains from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	2,449	3,031
Foreign exchange	(989)	(867)
Equity	(806)	(1,075)
Commodity	35	130
Credit	(122)	(281)
Other	(107)	(11)
Total net gains from financial assets/liabilities at fair value through profit or loss	**460**	**927**

[1] June 2015 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

8 Other Revenues

	6M16	6M15 [1]
Other revenues (USD million)		
Revenue sharing agreement expenses	(145)	(108)
Other	92	49
Other revenues	**(53)**	**(59)**

[1] June 2015 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

The revenue sharing agreement expenses principally related to revenue allocated from CSi to other companies in the CS Group under transfer pricing policies.

9 Compensation and Benefits

	6M16	6M15
Compensation and benefits (USD million)		
Salaries and variable compensation	(200)	(214)
Social security	(34)	(30)
Pensions	(15)	(7)
Other	(5)	(5)
Compensation and benefits	**(254)**	**(256)**

10 General, Administrative and Trading Expenses

	6M16	6M15 [1]
General, administrative and trading expenses (USD million)		
Brokerage charges and clearing house fees	94	104
Insurance charges	17	23
Trading expenses	**111**	**127**
Occupancy expenses	13	4
Depreciation and amortisation expenses	81	102
Depreciation and impairment of investment property	17	5
Litigation	4	110
Auditor remuneration	1	–
Professional services	63	28
Impairment of intangible asset	–	2
CSG trademark	2	2
Net Overheads allocated from other CS group entities	83	222
UK Bank Levy	(4)	(2)
Marketing data, publicity and subscription	19	9
Non income taxes	16	12
Other	29	12
General and administrative expenses	**324**	**506**
General, administrative and trading expenses	**435**	**633**

[1] June 2015 numbers have been restated to disclose the impact of discontinued operations and reclassification of restructuring expenses. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale and Note 11 – Restructuring Expenses respectively.

During 2011 the UK Government introduced the UK Bank Levy, for all Banks and Banking groups operating in the UK. The Levy is charged on a firm's liabilities as at the Statement of Financial Position date (i.e. 31 December 2016). The rate for short term liabilities from 1 January 2016 is 0.18% (decreased from 0.21%) and for long term liabilities from 1 January 2016 is 0.09% (decreased from 0.105%). Under current accounting requirements (IFRIC 21), the Bank Levy charge will only be recognised in the Financial Statements on 31 December each year. The estimate for the liability in respect of 2016 is USD 34 million (2015: USD 61 million).

11 Restructuring Expenses

In accordance with the CS group wide strategic review, restructuring expenses of USD 35 million were recognised by CSi group during 2016. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and an onerous lease arrangement (including reclassification of USD 101 million from occupancy expenses related to an onerous lease arrangement for the 6 months ended 30th June 2015).

	6M16	6M15
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	(32)	–
of which severance	(14)	–
of which accelerated deferred compensation	(18)	–
General and administrative-related expenses	(3)	(101)
Total Restructuring expenses by type	**(35)**	(101)

	6M16			2015		
	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	12	101	113	–	–	–
Net additional charges	14 [1]	3	17	12	101	113
Utilisation	(14)	(5)	(19)	–	–	–
Foreign exchange gains	(1)	(14)	(15)			
Balance at end of the period/year	**11**	**85**	**96** [2]	**12**	**101**	**113**

[1] Liability arising on restructuring has been included in Note 16 – Other Assets and Other Liabilities as follows: Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 14 million and unsettled cash based deferred compensation of USD 4 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.

[2] USD 96 million relating to severance expenses and general and administrative expenses have been included in 'Other'.

12 Income Tax

Income tax (USD million)	6M16	6M15
Current tax	–	(12)
Deferred tax	(10)	(61)
Income tax charge	**(10)**	**(73)**
Deferred tax on discontinuing operations (refer note 18)	–	(57)
Total income tax charge relating to continuing operations	**(10)**	**(16)**

The income tax charge for the period can be reconciled to the (loss)/profit as per the Condensed Consolidated Interim Statement of Income as follows:

Reconciliation of taxes computed at the UK statutory rate

Income tax reconciliation (USD million)	6M16	6M15
(Loss)/Profit before tax	(61)	173
Profit/(Loss) before tax multiplied by the UK statutory rate of corporation tax of 28% (2015: 20.25%)	17	(35)
Effect of deferred tax resulting from changes to tax rates	–	1
Adjustments to deferred tax in respect of previous periods	–	(4)
Adjustments to current tax in respect of previous periods	–	(2)
Effect of different tax rates of operations / subsidiaries operating in other jurisdictions	–	(11)
Other permanent differences	7	(22)
Deferred tax not recognised	(34)	–
Income tax charge	**(10)**	**(73)**
Deferred tax on discontinuing operations (refer note 18)	–	(57)
Total income tax charge relating to continuing operations	**(10)**	**(16)**

In the UK budget announcement of 16 March 2016, the UK government announced its intention to reduce the UK corporation tax rate to 17% from 2020. This tax rate reduction is expected to be substantively enacted in 2016.

13 Deferred Tax Asset

Deferred tax (USD million)	6M16	2015
Deferred tax assets	327	337
Net position	**327**	**337**
Balance at 1 January	**337**	**386**
Debit to income for the period/year	(10)	(53)
Other movements	–	4
At end of the period/year	**327**	**337**

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 26% for temporary differences and 18% for carry forward losses (December 2015: 26% and 18% respectively).

The Finance Act 2013, which passed into law on 17 July 2013, reduced the UK corporation tax rate from 21% to 20% with effect from 1 April 2015.

The Finance (No.2) Act 2015, which passed into law on 18 November 2015, included further rate reductions in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and 19% to 18% with effect from 1 April 2020.

In the UK budget announcement of 16 March 2016, the UK government announced its intention to further reduce the UK corporation tax rate to 17% with effect from 1 April 2020. This tax rate reduction is expected to be substantively enacted in 2016.

The Finance (No. 2) Act 2015 also introduced legislation to levy a surcharge of 8% on the profits of banking companies. The Bank is subject to this surcharge from 1 January 2016.

The reduction in the UK corporation tax rate to 18% and the introduction of the 8% surcharge has had a net impact on the income statement of USD nil (2015: USD nil)

From 1 April 2015, the use of tax losses carried forward by UK banks is restricted to a maximum of 50% of profits in periods. Furthermore the UK budget announcement of 16 March 2016 included a further restriction of bank losses to 25% with effect from 1 April 2016 (for pre-April 2015 losses) and 50% loss restriction (for 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.

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 balance sheet 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 evaluates 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 evaluating 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 evaluated the factors contributing to the losses and considered whether or not they were temporary or indicated an expected permanent decline in earnings. The evaluation 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 our 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.

As a consequence of this evaluation, deferred tax assets of USD 1,027 million (2015: USD 997 million) have not been recognised. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

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

	6M16	2015
Trading financial assets at fair value through profit or loss (USD million)		
Debt securities	24,646	22,529
Equity securities	5,026	7,050
Derivative instruments	257,569	262,698
Other	2,978	2,952
Trading financial assets at fair value through profit or loss	**290,219**	**295,229**
Trading financial liabilities at fair value through profit or loss (USD million)		
Short positions	3,759	3,758
Derivative instruments	265,393	266,996
Other	32	13
Trading financial liabilities at fair value through profit or loss	**269,184**	**270,767**

15 Derivatives

	6M16	
	Gross Derivative Assets	Gross Derivative Liabilities
Derivatives (USD million)		
Interest rate products	192,100	187,855
Foreign exchange products	41,772	50,468
Equity/indexed-related products	20,994	23,156
Credit products	9,831	10,488
Other products	435	516
Total derivative instruments	**265,132**	**272,483**

	2015	
	Gross Derivative Assets	Gross Derivative Liabilities
Derivatives (USD million)		
Interest rate products	164,315	156,813
Foreign exchange products	60,054	70,417
Equity/indexed-related products	21,852	22,856
Credit products	21,271	21,679
Other products	1,037	827
Total derivative instruments	**268,529**	**272,592**

Offsetting of derivative instruments

	6M16			2015		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets (USD millions)						
Derivative instruments subject to enforceable master netting agreements	260,663	(7,563)	253,100	266,644	(5,831)	260,813
Derivative instruments not subject to enforceable master netting agreements [1]	4,469	–	4,469	1,885	–	1,885
Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position	**265,132**	**(7,563)**	**257,569**	**268,529**	**(5,831)**	**262,698**
of which recorded in trading financial assets at fair value through profit or loss	265,132	(7,563)	257,569	268,529	(5,831)	262,698
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	266,906	(7,090)	259,816	269,621	(5,596)	264,025
Derivative instruments not subject to enforceable master netting agreements [1]	5,577	–	5,577	2,971	–	2,971
Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position	**272,483**	**(7,090)**	**265,393**	**272,592**	**(5,596)**	**266,996**
of which recorded in trading financial liabilities at fair value through profit or loss	272,483	(7,090)	265,393	272,592	(5,596)	266,996

[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.

16 Other Assets and Other Liabilities

	6M16	2015
Other assets (USD million)		
Brokerage receivables	11,046	8,299
Interest and fees receivable	352	337
Cash collateral on derivative instruments		
Banks	18,422	15,936
Customers	26,480	20,853
Other	208	211
Other assets	**56,508**	**45,636**
Other liabilities (USD million)		
Brokerage payables	3,565	2,258
Interest and fees payable	733	651
Cash collateral on derivative instruments		
Banks	22,700	16,449
Customers	12,888	10,606
Failed sales	316	–
Share-based compensation liability	72	163
Other	588	695
Other liabilities	**40,862**	**30,822**

17 Long Term Debt

	Balance as at 1 January 2016	Issuances	Repayments and other movements	Translation FX and Interest movements	Balance as at 30 June 2016
Long term debt (USD million)					
Senior debt	18,424	5,236	(36)	418	24,042
Subordinated debt	8,163	–	–	20	8,183
Total Long Term Debt	**26,587**	**5,236**	**(36)**	**438**	**32,225**

	Balance as at 1 January 2015	Issuances	Repayments and other movements	Translation FX and Interest movements	Balance as at 30 June 2015
Long term debt (USD million)					
Senior debt	16,582	1,978	(4,148)	(700)	13,712
Subordinated debt	8,391	–	–	17	8,408
Total Long Term Debt	**24,973**	**1,978**	**(4,148)**	**(683)**	**22,120**

The increase of USD 5.6 billion in Senior Debt was principally as a result of issuances of new securities driven by long term funding requirements.

Total long term debt principally comprised of debt issuances managed by Treasury which do not contain derivative features (vanilla debt), these are issued as part of the CSi group's Structured activities.

18 Discontinued Operations and Assets Held for Sale

The CSi group has begun to transfer its portfolio of derivatives and securities in the Asia Pacific division to another CS group entity. The related assets and liabilities have been disclosed on the CSi group's balance sheet as Held for Sale. An additional disposal group held for sale has been created on the balance sheet of CSi for other transactions entered into. 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 or transfer 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 Condensed Consolidated 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:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- 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 Condensed Consolidated Statement of Income is re-presented as if the operation had been discontinued from the start of the comparative year.

Management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. 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 be 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. In addition, 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.

Following the decision to transfer the portfolio of derivatives and securities in the Asia Pacific division to another CS group entity, this transfer has commenced and will continue until 2017. This transaction qualifies for discontinuing operations treatment under IFRS, and post-tax profit or loss has been classified as discontinued operations in the CSi group's Condensed Consolidated Statement of Income. CSi group's prior period results have been restated to conform to the current presentation. Assets and liabilities relating to the transfers that have not yet completed have been classified as Assets/Liabilities held for sale in the Condensed Consolidated Statement of Financial Position. Cash outflow of USD 1,847 million was used in operational activities and USD 6 million was generated from financing activities. No impairment losses were required to be recognised as a result of having to measure the Assets/Liabilities held for sale at fair value less cost to sell.

During the year CSi group has also entered into other transactions which qualify as Held for Sale. No prior period restatement is required.

	Discontinuing Operations	Held for Sale	Total
2016 (USD million)			
Trading financial assets at fair value through profit or loss	38,905	6,488	**45,393**
of which positive market values from derivative instruments	35,754	6,488	**42,242**
Financial assets designated at fair value through profit or loss	275	–	**275**
Other assets	1	–	**1**
Total assets held for sale	39,181	6,488	**45,669**
Trading financial liabilities at fair value through profit or loss	36,289	6,533	**42,822**
of which negative market values from derivative instruments	35,767	6,533	**42,300**
Financial liabilities designated at fair value through profit or loss	1,232	–	**1,232**
Long term debt	6	2	**8**
Other liabilities	147	–	**147**
Total liabilities held for sale	37,674	6,535	**44,209**

The assets and liabilities of discontinuing operations for which the sale has not yet been completed are presented as assets held for sale and liabilities held for sale, respectively, and prior periods are not reclassified. There is no cumulative income or expenses included in OCI relating to the disposal group. The presentation of assets and liabilities held for sale required the separation of certain assets and liabilities that were previously treated as a single unit of account into disaggregated asset and liability positions. This resulted in an increase of USD 607 million in Total assets and Total liabilities in the Condensed Consolidated Statement of Financial Position (Total assets increased from USD 444,390 million to USD 444,997 million and Total liabilities increased from USD 421,556 million to USD 422,163 million).

	6M16	6M15
(USD million)		
Interest income	3	4
Interest expense	(6)	(5)
Net interest expense	**(3)**	**(1)**
Commission and fee expense	–	(3)
Net commission and fee expense	**–**	**(3)**
Net gains from financial assets/liabilities at fair value through profit or loss	438	433
Other revenues	(248)	(141)
Net revenues	**187**	**288**
General, administrative and trading expenses	(56)	(51)
Total operating expense	**(56)**	**(51)**
Profit before tax	**131**	**237**
Income tax expense	–	(57)
Profit after tax	**131**	**180**

The above table does not present a gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

This is because the disposal group does not contain assets or liabilities that are measured at the lower of the carrying amount or fair value less cost to sell.

19 Called-up Share Capital and Share Premium

	6M16	2015
Share Capital **Allotted called-up and fully paid (USD million)**		
131,158,070,611 Ordinary voting shares of USD 0.094284 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 full voting, dividend and capital distribution (including on winding up) rights attached to them.

20 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 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, repurchase or resale agreements. In addition, the ordinary shares are issued to CSG and subsidiaries of CSG, as outlined in Note 19 – Called-up 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. The nature of related party transactions remained consistent for the six months ended 30 June 2016 compared to the year ended 31 December 2015.

21 Contingent Liabilities and Commitments

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

In July 2013, the Directorate General for Competition of the European Commission ('DG Comp') issued a Statement of Objections ('SO') to various entities of thirteen CDS dealer banks, certain market entities and the International Swaps and Derivatives Association, Inc. ('ISDA') in relation to its investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities. The SO marked the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. In December 2015, DG Comp announced that it was closing the proceedings against the Credit Suisse entities and the other dealer banks, although the proceedings would continue against the Markit entities and ISDA. In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US, currently pending in the US District Court for the Southern District of New York. In September 2015, Credit Suisse and the other defendants executed agreements with the putative class action plaintiffs to settle this litigation. In April 2016 the court granted final approval to the settlement agreements, entering final judgement and dismissal of the parties' respective actions.

A lawsuit was brought against CSi in the English courts by Rosserlane Consultants Limited and Swinbrook Developments Limited. The litigation relates to the forced sale by CSi in 2008 of Caspian Energy Group LP ('CEG'), the vehicle through which the plaintiffs held a 51% stake in the Kyurovdag oil and gas field in Azerbaijan. CEG was sold for USD 245 million following two unsuccessful merger and acquisition processes. The plaintiffs allege that CEG should have been sold for at least USD 700 million. The trial took place at the end of 2014 and on 20 February, 2015 the case was dismissed and judgement given in favour of CSi. The plaintiffs are appealing the judgement, which will be heard in January 2017.

CSi is defending a EUR 170 million claw back claim brought by the Winding Up Committee ('WUC') of the Icelandic Bank Kaupthing Bank hf in the District Court of Reykjavik, Iceland. The claim relates to CSi's issuance of ten credit linked notes in 2008, which the WUC is seeking to challenge under various provisions of Icelandic insolvency law in order to claw back funds paid to CSi. The WUC is also claiming significant penalty interest under Icelandic law. CSi argues that the purchase of the credit linked notes is governed by English law, which does not provide a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSi's position that the governing law of the transactions is relevant. A trial is currently expected to take place in 2017 or 2018. Separately, CSi is pursuing a claim for USD 226 million in the District Court of Reykjavik, Iceland against Kaupthing Bank hf's WUC in order to enforce certain security rights arising under a 2007 structured trade. CSi acquired the security rights following Kaupthing Bank hf's insolvency in 2008. A trial of this claim is currently expected to take place in 2017 or 2018.

CSi is the defendant in German court litigation brought by Stadtwerke Munchen GmbH, a German water utility company. The litigation relates to a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the trades at inception. The claimant seeks damages of EUR 39 million, repayment of EUR 172 million of collateral held by CSi and release from all future obligations under the trades. A preliminary hearing took place in February 2016, and further hearing dates are expected in 2016/2017.

22 Financial Instruments

The disclosure of the CSi group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories, and
- 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).

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 30 June 2016	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	5,371	–	–	–	5,371	5,371
Interest-bearing deposits with banks	2,886	–	–	–	2,886	2,886
Securities purchased under resale agreements and securities borrowing transactions	26,740	–	–	–	26,740	26,740
Trading financial assets at fair value through profit or loss	290,219	290,219	–	–	–	290,219
Financial assets designated at fair value through profit or loss	12,533	–	12,533	–	–	12,533
Other loans and receivables	3,845	–	–	3,845	–	3,846
Other assets	56,508	–	–	–	56,508	56,508
Assets held for Sale	45,669	45,393	275	–	1	45,669
Total financial assets	**443,771**	**335,612**	**12,808**	**3,845**	**91,506**	**443,772**
Financial liabilities (USD million)						
Deposits	465	–	–	–	465	465
Securities sold under repurchase agreements and securities lending transactions	3,953	–	–	–	3,953	3,953
Trading financial liabilities at fair value through profit or loss	269,184	269,184	–	–	–	269,184
Financial liabilities designated at fair value through profit or loss	24,146	–	24,146	–	–	24,146
Short term borrowings	7,086	–	–	–	7,086	7,085
Other liabilities	40,862	–	–	–	40,862	40,862
Long term debt	32,225	–	–	–	32,225	32,225
Liabilities held for sale	44,209	42,822	1,232	–	155	44,209
Total financial liabilities	**422,130**	**312,006**	**25,378**	**–**	**84,746**	**422,129**

As at 31 December 2015	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	13,163	–	–	–	13,163	13,163
Interest-bearing deposits with banks	59	–	–	–	59	59
Securities purchased under resale agreements and securities borrowing transactions	30,073	–	–	–	30,073	30,073
Trading financial assets at fair value through profit or loss	295,229	295,229	–	–	–	295,229
Financial assets designated at fair value through profit or loss	12,078	–	12,078	–	–	12,078
Other loans and receivables	3,495	–	–	3,495	–	3,499
Other assets	45,636	–	–	–	45,636	45,636
Total financial assets	**399,733**	**295,229**	**12,078**	**3,495**	**88,931**	**399,737**
Financial liabilities (USD million)						
Deposits	564	–	–	–	564	564
Securities sold under repurchase agreements and securities lending transactions	5,737	–	–	–	5,737	5,737
Trading financial liabilities at fair value through profit or loss	270,767	270,767	–	–	–	270,767
Financial liabilities designated at fair value through profit or loss	22,509	–	22,509	–	–	22,509
Short term borrowings	21,066	–	–	–	21,066	21,066
Other liabilities	30,822	–	–	–	30,822	30,822
Long term debt	26,587	–	–	–	26,587	26,587
Total financial liabilities	**378,052**	**270,767**	**22,509**	**–**	**84,776**	**378,052**

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, 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 and mortgage-related securities, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds. The fair value measurement disclosure exclude derivatives 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 Credit Default Swap ('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, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

CSi group applies Funding Valuation Allowance ('FVA') on uncollateralised derivatives. FVA also applies to collateralised derivatives where the collateral received cannot be used for funding purposes. The banking industry has increasingly moved towards this valuation methodology, which accounts for the funding cost of the uncollateralised derivatives at their present value rather than accruing for these costs over the life of the derivatives.

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 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 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 30 June 2016	Level 1	Level 2	Level 3	Impact of netting[1]	Total at fair value
Assets (USD million)					
Debt securities	**13,766**	**9,863**	**1,017**	**–**	**24,646**
of which UK government	6,939	1,083	–	–	8,022
of which foreign governments	6,796	466	40	–	7,302
of which corporates	31	7,173	947	–	8,151
of which residential mortgage backed securities	–	708	–	–	708
of which commercial mortgage backed securities	–	433	30	–	463
Equity securities	**3,260**	**1,765**	**1**	**–**	**5,026**
Derivatives	**2,864**	**259,377**	**2,891**	**(7,563)**	**257,569**
of which interest rate products	69	191,407	624	(1,493)	190,607
of which foreign exchange products	79	41,502	191	–	41,772
of which equity/index-related products	2,710	17,154	1,130	(6,070)	14,924
of which credit derivatives	–	8,885	946	–	9,831
of which other derivative products	6	429	–	–	435
Other	**–**	**1,643**	**1,335**	**–**	**2,978**
Trading financial assets at fair value through profit or loss	**19,890**	**272,648**	**5,244**	**(7,563)**	**290,219**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**4,750**	**–**	**(335)**	**4,415**
Loans	**–**	**4,429**	**862**	**–**	**5,291**
of which commercial and industrial loans	–	191	420	–	611
of which loans to financial institutions	–	3,640	397	–	4,037
of which government and public institutions	–	598	45	–	643
of which real estate	–	–	–	–	–
Other financial assets designated at fair value through profit or loss	**–**	**2,686**	**141**	**–**	**2,827**
of which failed purchases	–	2,655	117	–	2,772
of which other	–	31	24	–	55
Financial assets designated at fair value through profit or loss	**–**	**11,865**	**1,003**	**(335)**	**12,533**
Debt securities	**23**	**950**	**992**	**–**	**1,965**
of which foreign governments	23	25	36	–	84
of which corporates	–	925	956	–	1,881
Equity securities	**1,122**	**63**	**1**	**–**	**1,186**
Derivatives	**770**	**40,808**	**1,348**	**(684)**	**42,242**
of which interest rate products	1	19,969	20	–	19,990
of which foreign exchange products	2	10,965	33	–	11,000
of which equity/index-related products	766	3,871	402	(684)	4,355
of which credit derivatives	–	5,865	893	–	6,758
of which other derivative products	1	138	–	–	139
Loans	**–**	**–**	**275**	**–**	**275**
of which commercial and industrial loans	–	–	275	–	275
Assets held for sale	**1,915**	**41,821**	**2,616**	**(684)**	**45,668**
Total assets at fair value	**21,805**	**326,334**	**8,863**	**(8,582)**	**348,420**

[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 30 June 2016	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**699**	**918**	**–**	**–**	**1,617**
of which UK government	99	–	–	–	99
of which foreign governments	600	161	–	–	761
of which corporates	–	757	–	–	757
Equity securities	**2,135**	**7**	**–**	**–**	**2,142**
Other securities	**–**	**32**	**–**	**–**	**32**
Derivatives	**3,145**	**266,272**	**3,066**	**(7,090)**	**265,393**
of which interest rate products	24	187,392	439	(775)	187,080
of which foreign exchange products	77	49,975	416	–	50,468
of which equity/index-related products	3,041	18,956	1,159	(6,315)	16,841
of which credit derivatives	–	9,437	1,051	–	10,488
of which other derivative products	3	512	1	–	516
Trading financial liabilities at fair value through profit or loss	**5,979**	**267,229**	**3,066**	**(7,090)**	**269,184**
Securities sold under resale agreements and securities borrowing transactions	**–**	**13,820**	**59**	**(335)**	**13,544**
Short term borrowings	**–**	**865**	**32**	**–**	**897**
Long term debt	**–**	**6,461**	**2,785**	**–**	**9,246**
of which structured notes between one and two years	–	629	126	–	755
of which other debt instruments between one and two years	–	38	–	–	38
of which treasury debt over two years	–	71	–	–	71
of which structured notes over two years	–	3,679	1,529	–	5,208
of which other debt instruments over two years	–	1,955	1,123	–	3,078
of which non-recourse liabilities	–	89	7	–	96
Other financial liabilities designated at fair value through profit or loss	**7**	**105**	**347**	**–**	**459**
of which failed sales	7	103	325	–	435
of which others	–	2	22	–	24
Financial liabilities designated at fair value through profit or loss	**7**	**21,251**	**3,223**	**(335)**	**24,146**
Debt securities	**–**	**47**	**–**	**–**	**47**
of which foreign governments	–	37	–	–	37
of which corporates	–	10	–	–	10
Equity securities	**412**	**63**	**–**	**–**	**475**
Derivatives	**919**	**40,776**	**1,289**	**(684)**	**42,300**
of which interest rate products	1	19,159	7	–	19,167
of which foreign exchange products	–	12,322	10	–	12,332
of which equity/index-related products	917	3,410	111	(684)	3,754
of which credit derivatives	–	5,710	1,161	–	6,871
of which other derivative products	1	175	–	–	176
Short term borrowings	**–**	**–**	**–**	**–**	**–**
Long term debt	**–**	**1,217**	**15**	**–**	**1,232**
of which structured notes between one and two years	–	–	–	–	–
of which other debt instruments between one and two years	–	10	–	–	10
of which structured notes over two years	–	–	–	–	–
of which other debt instruments over two years	–	1,207	15	–	1,222
Liabilities held for sale	**1,331**	**42,103**	**1,304**	**(684)**	**44,054**
Total liabilities at fair value	**7,317**	**330,583**	**7,593**	**(8,109)**	**337,384**
Net assets/liabilities at fair value	**14,488**	**(4,249)**	**1,270**	**(473)**	**11,036**

[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.

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

As at 31 December 2015	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**10,320**	**10,648**	**1,561**	**–**	**22,529**
of which UK government	6,233	175	–	–	6,408
of which foreign governments	4,055	674	110	–	4,839
of which corporates	32	8,663	1,419	–	10,114
of which residential mortgage backed securities	–	532	–	–	532
of which commercial mortgage backed securities	–	604	32	–	636
Equity securities	**4,746**	**2,210**	**94**	**–**	**7,050**
Derivatives	**1,489**	**262,641**	**4,399**	**(5,831)**	**262,698**
of which interest rate products	51	163,350	914	(623)	163,692
of which foreign exchange products	22	59,685	347	–	60,054
of which equity/index-related products	1,409	19,140	1,303	(5,208)	16,644
of which credit derivatives	–	19,436	1,835	–	21,271
of which other derivative products	7	1,030	–	–	1,037
Other	**–**	**1,750**	**1,202**	**–**	**2,952**
Trading financial assets at fair value through profit or loss	**16,555**	**277,249**	**7,256**	**(5,831)**	**295,229**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**3,668**	**–**	**(496)**	**3,172**
Loans	**–**	**5,154**	**1,194**	**–**	**6,348**
of which commercial and industrial loans	–	407	651	–	1,058
of which loans to financial institutions	–	4,054	440	–	4,494
of which government and public institutions	–	693	53	–	746
of which real estate	–	–	50	–	50
Other financial assets designated at fair value through profit or loss	**–**	**2,481**	**77**	**–**	**2,558**
of which failed purchases	–	2,459	52	–	2,511
of which other	–	22	25	–	47
Financial assets designated at fair value through profit or loss	**–**	**11,303**	**1,271**	**(496)**	**12,078**
Total assets at fair value	**16,555**	**288,552**	**8,527**	**(6,327)**	**307,307**

[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 2015	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**899**	**386**	**2**	**–**	**1,287**
of which UK government	73	–	–	–	73
of which foreign governments	817	313	–	–	1,130
of which corporates	9	73	2	–	84
Equity securities	**2,460**	**11**	**–**	**–**	**2,471**
Other securities	–	13	–	–	13
Derivatives	**1,859**	**266,404**	**4,329**	**(5,596)**	**266,996**
of which interest rate products	26	156,326	461	(419)	156,394
of which foreign exchange products	22	70,082	313	–	70,417
of which equity/index-related products	1,797	19,661	1,398	(5,177)	17,679
of which credit derivatives	–	19,522	2,157	–	21,679
of which other derivative products	14	813	–	–	827
Trading financial liabilities at fair value through profit or loss	**5,218**	**266,814**	**4,331**	**(5,596)**	**270,767**
Securities sold under resale agreements and securities borrowing transactions	**–**	**11,089**	**–**	**(496)**	**10,593**
Short term borrowings	**–**	**921**	**50**	**–**	**971**
Long term debt	**–**	**7,218**	**3,092**	**–**	**10,310**
of which structured notes between one and two years	–	446	139	–	585
of which other debt instruments between one and two years	–	12	–	–	12
of which treasury debt over two years	–	70	–	–	70
of which structured notes over two years	–	4,025	1,756	–	5,781
of which other debt instruments over two years	–	2,413	1,197	–	3,610
of which non-recourse liabilities	–	252	–	–	252
Other financial liabilities designated at fair value through profit or loss	**–**	**379**	**256**	**–**	**635**
of which failed sales	–	364	251	–	615
of which other	–	15	5	–	20
Financial liabilities designated at fair value through profit or loss	**–**	**19,607**	**3,398**	**(496)**	**22,509**
Total liabilities at fair value	**5,218**	**286,421**	**7,729**	**(6,092)**	**293,276**
Net assets/liabilities at fair value	**11,337**	**2,131**	**798**	**(235)**	**14,031**

[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.

Transfers between Level 1 and Level 2

The table below shows the transfers from Level 1 to Level 2 of the fair value hierarchy.

	6M16		**2015**	
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 at fair value through profit or loss	1,083	2,158	427	3,433
Total transfers in assets at fair value	**1,083**	**2,158**	**427**	**3,433**
Liabilities				
Trading financial liabilities at fair value through profit or loss	–	2,588	–	3,460
Total transfers in liabilities at fair value	**–**	**2,588**	**–**	**3,460**

The transfers from Level 1 to Level 2 were mainly driven by debt 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 became observable. All transfers were reported at the end of the reporting period.

Movements of Level 3 instruments

The following table presents a reconciliation of financial instruments categorised in level 3 of the fair value hierarchy.

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

								Trading revenues		
6M16	Balance as at 1 January 2016	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out[1]	On all other	Balance as at 30 June 2016
Assets at fair value (USD million)										
Debt securities	**1,561**	**51**	**(121)**	**631**	**(1,159)**	**–**	**–**	**–**	**54**	**1,017**
of which foreign governments	110	11	(49)	26	(65)	–	–	–	7	40
of which corporates	1,419	40	(72)	605	(1,094)	–	–	–	49	947
of which commercial mortgage backed securities	32	–	–	–	–	–	–	–	(2)	30
Equity securities	**94**	**–**	**(33)**	**2**	**(19)**	**–**	**–**	**(2)**	**(41)**	**1**
Derivatives	**4,399**	**351**	**(428)**	**–**	**–**	**1,147**	**(2,463)**	**78**	**(193)**	**2,891**
of which interest rate products	914	9	(28)	–	–	97	(460)	4	88	624
of which foreign exchange products	347	–	(11)	–	–	5	(105)	(1)	(44)	191
of which equity/index-related products	1,303	117	(148)	–	–	853	(746)	35	(284)	1,130
of which credit derivatives	1,835	225	(241)	–	–	192	(1,152)	40	47	946
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Other	**1,202**	**279**	**(270)**	**701**	**(472)**	**134**	**(184)**	**(2)**	**(53)**	**1,335**
Trading financial assets at fair value through profit or loss	**7,256**	**681**	**(852)**	**1,334**	**(1,650)**	**1,281**	**(2,647)**	**74**	**(233)**	**5,244**
Loans	**1,194**	**–**	**–**	**149**	**(238)**	**60**	**(380)**	**3**	**74**	**862**
of which commercial and industrial loans	651	–	–	–	(1)	60	(290)	–	–	420
of which loans to financial institutions	440	–	–	149	(237)	–	(30)	3	72	397
of which government and public institutions	53	–	–	–	–	–	(9)	–	1	45
of which real estate	50	–	–	–	–	–	(51)	–	1	–
Other financial assets designated at fair value through profit or loss	**77**	**–**	**–**	**78**	**(8)**	**–**	**–**	**–**	**(6)**	**141**
of which failed purchases	52	–	–	78	(7)	–	–	–	(6)	117
of which other	25	–	–	–	(1)	–	–	–	–	24
Financial assets designated at fair value through profit or loss	**1,271**	**–**	**–**	**227**	**(246)**	**60**	**(380)**	**3**	**68**	**1,003**
Debt securities	**–**	**43**	**(1)**	**935**	**(15)**	**–**	**–**	**–**	**30**	**992**
of which foreign governments	–	36	–	–	–	–	–	–	–	36
of which corporates	–	7	(1)	935	(15)	–	–	–	30	956
Equity securities	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Derivatives	**–**	**427**	**(245)**	**–**	**–**	**1,936**	**(1,002)**	**(2)**	**234**	**1,348**
of which interest rate products	–	4	(33)	–	–	36	(8)	(1)	22	20
of which foreign exchange products	–	–	–	–	–	43	(1)	–	(9)	33
of which equity/index-related products	–	5	(11)	–	–	462	(12)	1	(43)	402
of which credit derivatives	–	418	(201)	–	–	1,395	(981)	(2)	264	893
Loans	**–**	**–**	**–**	**–**	**–**	**265**	**–**	**–**	**10**	**275**
of which commercial and industrial loans	–	–	–	–	–	265	–	–	10	275
Assets held for sale	**–**	**471**	**(246)**	**935**	**(15)**	**2,201**	**(1,002)**	**(2)**	**274**	**2,616**
Total assets at fair value	**8,527**	**1,152**	**(1,098)**	**2,496**	**(1,911)**	**3,542**	**(4,029)**	**75**	**109**	**8,863**

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

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

								Trading revenues		
6M16	Balance as at 1 January 2016	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance as at 30 June 2016
Liabilities at fair value (USD million)										
Debt securities	**2**	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**
of which corporates	2	–	–	–	(2)	–	–	–	–	–
Derivatives	**4,329**	**341**	**(396)**	**–**	**–**	**313**	**(2,128)**	**8**	**599**	**3,066**
of which interest rate products	461	17	(25)	–	–	82	(75)	–	(21)	439
of which foreign exchange products	313	42	(39)	–	–	3	(54)	–	151	416
of which equity/index-related products	1,398	85	(134)	–	–	168	(693)	2	333	1,159
of which credit derivatives	2,157	196	(198)	–	–	60	(1,306)	6	136	1,051
of which other derivative products	–	1	–	–	–	–	–	–	–	1
Trading financial liabilities at fair value through profit or loss	**4,331**	**341**	**(396)**	**–**	**(2)**	**313**	**(2,128)**	**8**	**599**	**3,066**
Securities sold under repurchase agreement and securities lending transactions	**–**	**59**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**59**
Short term borrowings	**50**	**–**	**–**	**–**	**–**	**86**	**(116)**	**–**	**12**	**32**
Long term debt	**3,092**	**84**	**(89)**	**–**	**–**	**126**	**(441)**	**2**	**11**	**2,785**
of which structured notes between one and two years	139	12	(4)	–	–	14	(53)	–	18	126
of which other debt instruments between one and two years	–	–	–	–	–	–	–	–	–	–
of which structured notes over two years	1,756	46	(68)	–	–	50	(257)	3	(1)	1,529
of which other debt instruments over two years	1,197	26	(17)	–	–	49	(127)	(1)	(4)	1,123
of which non-recourse liabilities	–	–	–	–	–	13	(4)	–	(2)	7
Other financial liabilities designated at fair value through profit or loss	**256**	**34**	**(71)**	**112**	**(1)**	**–**	**–**	**–**	**17**	**347**
of which failed sales	251	28	(71)	112	–	–	–	–	5	325
of which others	5	6	–	–	(1)	–	–	–	12	22
Financial liabilities designated at fair value through profit or loss	**3,398**	**177**	**(160)**	**112**	**(1)**	**212**	**(557)**	**2**	**40**	**3,223**
Derivatives	**–**	**457**	**(145)**	**–**	**–**	**1,431**	**(714)**	**1**	**259**	**1,289**
of which interest rate products	–	2	–	–	–	10	(4)	–	(1)	7
of which foreign exchange products	–	2	–	–	–	5	–	–	3	10
of which equity/index-related products	–	3	–	–	–	111	(26)	–	23	111
of which credit derivatives	–	450	(145)	–	–	1,303	(684)	1	236	1,161
of which other derivative products	–	–	–	–	–	2	–	–	(2)	–
Short term borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Long term debt	**–**	**11**	**–**	**–**	**–**	**8**	**(4)**	**–**	**–**	**15**
of which structured notes between one and two years	–	–	–	–	–	–	–	–	–	–
of which structured notes over two years	–	–	–	–	–	–	–	–	–	–
of which other debt instruments over two years	–	11	–	–	–	8	(4)	–	–	15
Liabilities held for sale	**–**	**468**	**(145)**	**–**	**–**	**1,439**	**(718)**	**1**	**259**	**1,304**
Total liabilities at fair value	**7,729**	**986**	**(701)**	**112**	**(3)**	**1,964**	**(3,403)**	**11**	**898**	**7,593**
Net assets/liabilities at fair value	**798**	**166**	**(397)**	**2,384**	**(1,908)**	**1,578**	**(626)**	**64**	**(789)**	**1,270**

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

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

								Trading revenues		
2015	Balance as at 1 January 2015	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance as at 31 December 2015
Assets at fair value (USD million)										
Debt securities	**1,067**	**576**	**(234)**	**1,154**	**(1,115)**	**–**	**–**	**(15)**	**128**	**1,561**
of which foreign governments	178	70	(5)	4	(109)	–	–	–	(28)	110
of which corporates	811	506	(229)	1,150	(966)	–	–	(15)	162	1,419
of which commercial mortgage backed securities	78	–	–	–	(40)	–	–	–	(6)	32
Equity securities	**94**	**–**	**–**	**180**	**(78)**	**–**	**–**	**–**	**(102)**	**94**
Derivatives	**6,211**	**2,052**	**(1,483)**	**–**	**–**	**4,056**	**(3,604)**	**(3)**	**(2,830)**	**4,399**
of which interest rate products	1,662	169	(565)	–	–	480	(549)	(14)	(269)	914
of which foreign exchange products	283	6	(31)	–	–	12	(241)	11	307	347
of which equity/index-related products	1,329	85	(159)	–	–	3,127	(910)	24	(2,193)	1,303
of which credit derivatives	2,936	1,792	(727)	–	–	437	(1,903)	(24)	(676)	1,835
of which other derivative products	1	–	(1)	–	–	–	(1)	–	1	–
Other	**1,273**	**980**	**(829)**	**825**	**(913)**	**-**	**(155)**	**(15)**	**36**	**1,202**
Trading financial assets at fair value through profit or loss	**8,645**	**3,608**	**(2,546)**	**2,159**	**(2,106)**	**4,056**	**(3,759)**	**(33)**	**(2,768)**	**7,256**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loans	**2,754**	**175**	**(241)**	**1**	**(321)**	**446**	**(1,561)**	**1**	**(60)**	**1,194**
of which commercial and industrial loans	1,193	87	–	–	(215)	267	(665)	–	(16)	651
of which loans to financial institutions	788	88	(74)	–	(14)	179	(491)	1	(37)	440
of which government and public institutions	562	–	(167)	–	(92)	–	(243)	–	(7)	53
of which real estate	211	–	–	1	–	–	(162)	–	–	50
Other financial assets designated at fair value through profit or loss	**226**	**–**	**(14)**	**6**	**(106)**	**–**	**–**	**4**	**(39)**	**77**
of which failed purchases	174	–		5	(78)	–	–		(49)	52
of which other	52	–	(14)	1	(28)	–	–	4	10	25
Financial assets designated at fair value through profit or loss	**2,980**	**175**	**(255)**	**7**	**(427)**	**446**	**(1,561)**	**5**	**(99)**	**1,271**
Total assets at fair value	**11,625**	**3,783**	**(2,801)**	**2,166**	**(2,533)**	**4,502**	**(5,320)**	**(28)**	**(2,867)**	**8,527**

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

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

								Trading revenues		
2015	Balance as at 1 January 2015	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance as at 31 December 2015
Liabilities at fair value (USD million)										
Debt securities	**111**	**–**	**–**	**2**	**(111)**	**–**	**–**	**–**	**–**	**2**
of which corporates	–	–	–	2	–	–	–	–	–	2
of which foreign governments	111	–	–	–	(111)	–	–	–	–	–
Derivatives	**6,225**	**2,416**	**(1,737)**	**–**	**–**	**1,162**	**(3,806)**	**(22)**	**91**	**4,329**
of which interest rate products	938	127	(360)	–	–	124	(286)	12	(94)	461
of which foreign exchange products	544	2	(21)	–	–	4	(88)	2	(130)	313
of which equity/index-related products	1,531	249	(629)	–	–	684	(1,244)	21	786	1,398
of which credit derivatives	3,208	2,037	(723)	–	–	350	(2,180)	(58)	(477)	2,157
of which other derivative products	4	1	(4)	–	–	–	(8)	1	6	–
Trading financial liabilities at fair value through profit or loss	**6,336**	**2,416**	**(1,737)**	**2**	**(111)**	**1,162**	**(3,806)**	**(22)**	**91**	**4,331**
Securities sold under repurchase agreement and securities lending transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Short term borrowings	**80**	**30**	**(16)**		**–**	**266**	**(299)**	**(1)**	**(10)**	**50**
Long term debt	**4,769**	**65**	**(255)**	**–**	**–**	**631**	**(2,029)**	**(9)**	**(80)**	**3,092**
of which structured notes between one and two years	107	44	(85)	–		151	(71)	(4)	(3)	139
of which other debt instruments between one and two years	49	–	–	–	–	–	(51)	–	2	–
of which structured notes over two years	2,838	–	(100)	–	–	302	(1,017)	(3)	(264)	1,756
of which other debt instruments over two years	1,767	21	(63)	–	–	178	(890)	(1)	185	1,197
of which non-recourse liabilities	8	–	(7)	–	–	–	–	(1)	–	–
Other financial liabilities designated at fair value through profit or loss	**224**	**18**	**(5)**	**30**	**(6)**	**–**	**–**	**2**	**(7)**	**256**
of which failed sales	214	14	(4)	30	2	–	–	2	(7)	251
of which other	10	4	(1)	–	(8)	–	–	–	–	5
Financial liabilities designated at fair value through profit or loss	**5,073**	**113**	**(276)**	**30**	**(6)**	**897**	**(2,328)**	**(8)**	**(97)**	**3,398**
Total liabilities at fair value	**11,409**	**2,529**	**(2,013)**	**32**	**(117)**	**2,059**	**(6,134)**	**(30)**	**(6)**	**7,729**
Net assets/liabilities at fair value	**216**	**1,254**	**(788)**	**2,134**	**(2,416)**	**2,443**	**814**	**2**	**(2,861)**	**798**

[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)

	6M16	2015
Trading revenues (USD million)		
Net realised/unrealised (losses)/gains included in net revenues	(725)	(2,859)
Whereof:		
Changes in unrealised (losses)/gains relating to assets and liabilities still held as of the reporting date		
Trading financial assets at fair value through profit or loss	379	536
Financial assets designated at fair value through profit or loss	1	(3)
Assets held for sale	306	
Trading financial liabilities at fair value through profit or loss	(635)	(478)
Financial liabilities designated at fair value through profit or loss	(28)	11
Liabilities held for sale	(320)	
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(297)**	**66**

Transfers in and out of Level 3

Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of Level 3 as at 30 June 2016 amounted to USD 681 million and USD (852) million, respectively. USD 342 million of transfers into Level 3 were related to credit and equity/ index-related derivatives and USD 279 million relates to commercial and industrial loans. Transfers out of Level 3 of USD (417) million largely comprised of equity/ index-related derivatives, interest rate derivatives and credit derivatives and USD (270) million relates to trading loans.

Trading financial assets transferred into and out of Level 3 as at 31 December 2015 amounted to USD 3,608 million and USD (2,546) million, respectively. USD 2,772 million of transfers into Level 3 was related to credit derivatives and loans. Transfers out of Level 3 mainly comprised of credit, equity and interest rate derivatives. Transfers in and out of Level 3 are due to reduced or improved observability of pricing data.

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss transferred in and out of Level 3 as at 30 June 2016 was NIL.

Financial assets designated at fair value through profit or loss transferred into and out of Level 3 in 2015 amounted to USD 175 million and USD (255) million, respectively. Both transfers into and out of level 3 were primarily loan related.

Assets held for sale

Assets held for sale transferred into and out of Level 3 as at 30 June 2016 amounted to USD 471 million and USD (246) million, respectively. USD 418 million of transfers into Level 3 and USD (201) million of transfer out were related to credit derivatives.

Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of Level 3 as at 30 June 2016 amounted to USD 341 million and USD (396) million, respectively. USD 281 million of transfers into Level 3 were related to credit and equity/ index-related derivatives. Transfers out of Level 3 of USD (357) million largely comprised of equity/ index-related derivatives, interest rate derivatives and credit derivatives.

Trading financial liabilities transferred into and out of Level 3 as at 31 December 2015 amounted to USD 2,416 million and USD (1,737) million, respectively. USD 2,037 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

Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 30 June 2016 amounted to USD 177 million and USD (160) million, respectively. The transfers into Level 3 were related to Securities sold under repurchase agreement/Securities lending transactions and Long Term Debt. The transfers out of Level 3 were largely related to structured notes and failed sales.

Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2015 amounted to USD 113 million and USD (276) million, respectively. The transfers into Level 3 were related to both structured notes and failed sales. The transfers out of Level 3 were largely related to structured notes.

Liabilities held for sale

Liabilities held for sale transferred into and out of Level 3 as at 30 June 2016 amounted to USD 468 million and USD (145) million, respectively. USD 450 million of transfers into Level 3 and USD (145) million of transfer out were related to credit derivatives.

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 Front Office 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 Front Office, 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 CSi CEO, CFO and CRO, 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 Front Office and Product Control. The Front Office 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 Front Office 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, Front Office 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 disclosures 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 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 modeling 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 modeling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include market comparable price, 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 modeling 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, 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 modeling 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.

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 and loss severity. 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 fair value loans and receivables is credit spread and price.

Other financial assets designated 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.

Short-term borrowings and long-term debt

The CSi group's short-term borrowings and long-term debt 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 long-term debt 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 Condensed 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, correlation, price, volatility, volatility skew and discount rate in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of capitalisation rate, prepayment 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. An increase in the significant unobservable inputs discount rate and funding spread would decrease the fair value.

Interrelationships between significant unobservable inputs

Except as noted above, 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 disclosures of valuation techniques

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

As at 30 June 2016 USD million, except as indicated	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**2,009**					
of which corporates	1,903					
of which	598	Option model	Correlation in %	(85)	98	22
			Volatility in %	2	144	31
of which	212	Discounted cash flow	Credit spread in bp	3	702	555
of which	1,081	Market comparable	Price in %	–	143	94
of which CMBS	30	Discounted cash flow	Capitalisation rate in %	7	8	7
Derivatives	**4,239**					
of which interest rate products	644					
of which	762	Option model	Correlation in %	16	100	58
			Prepayment rate in %	1	36	14
			Credit spread in bp	–	–	–
			Volatility skew in %	(8)	1	(3)
			Mean reversion, in %	1	10	5
of which foreign exchange products	224					
of which	173	Option model	Correlation in %	(10)	70	42
			Prepayment rate in %	25	36	30
			Volatility in %	–	–	–
of which	22	Discounted cash flow	Credit spread in bp	199	868	471
of which equity/index-related products	1,532					
of which	654	Option model	Correlation in %	(85)	98	6
			Volatility in %	2	144	31
			Buyback probability in %	50	100	63
of which credit derivatives	1,839					
of which	1,875	Discounted cash flow	Correlation in %	24	97	61
			Credit spread in bp	–	2,799	366
			Recovery rate in %	–	70	23
			Discount rate in %	3	55	20
			Default rate in %	–	33	6
			Funding spread in bps	–	–	–
			Loss severity in %	15	100	64
Other	**1,335**					
of which trading loans	1,335					
of which	80	Discounted cash flow	Credit spread in bp	15	661	201
of which	1,238	Market comparable	Price in %	–	102	74
Loans	**1,137**					
of which commercial and industrial loans	695					
of which	329	Discounted cash flow	Credit spread in bp	70	1,298	416
	240	Market comparable	Price in %	–	90	89
of which loans to financial institutions	397					
of which	370	Discounted cash flow	Credit spread in bp	113	291	236
of which government and public institutions	45					
of which	45	Discounted cash flow	Credit spread in bp	292	292	292

As at 30 June 2016 USD million, except as indicated	Fair Value [1]	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**4,355**					
of which interest rate products	446					
of which	457	Option model	Basis spread, in bp	–	–	–
			Correlation, in %	22	100	28
			Prepayment rate, in %	1	36	7
			Credit spread, in bp	–	–	–
			Volatility skew in %	–	–	–
			Funding spread in bps	218	218	218
			Mean reversion, in %	(10)	(1)	(5)
of which foreign exchange products	426					
of which	377	Option model	Correlation, in %	(10)	98	–
			Prepayment rate, in %	25	36	30
of which	4	Discounted cash flow	Credit spread, in bp	456	868	584
of which equity/index-related products	1,270					
of which	1,120	Option model	Correlation, in %	(85)	98	21
			Volatility, in %	2	144	30
			Buyback probability in %	50	100	63
			Gap risk, in %	1	5	2
of which credit derivatives	2,212					
of which	2,089	Discounted cash flow	Correlation, in %	24	97	59
			Credit spread, in bp	–	2,799	260
			Recovery rate, in %	–	75	24
			Discount rate, in %	3	55	20
			Funding spread in bps	–	–	–
			Default rate, in %	–	33	6
			Loss severity, in %	15	100	64
Other Financial Liabilities	**347**					
	297	Market comparable	Price in %	–	93	75
Long term debt	**2,800**					
of which structured notes over two years	1,529					
of which	1,152	Option model	Correlation, in %	(75)	99	11
			Volatility, in %	2	144	24
			Gap risk, in %	–	2	1
			Buyback probability, in %	50	100	63
of which	345	Discounted cash flow	Credit spread, in bp	15	433	262
of which other debt over two years	1,138					
of which	1,033	Option model	Volatility, in %	2	144	23
			Correlation, in %	38	98	68
			Buyback probability, in %	50	100	63
			Gap risk, in %	–	2	1
of which structured notes between one and two years	126					
of which	12	Option model	Correlation, in %	(75)	98	15
			Volatility, in %	2	144	15
	104	Discounted cash flow	Credit spread, in bp	5	771	202
	9	Market comparable	Price in %	106	106	106

[1] Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations. Level 3 assets and liabilities at fair value pertaining to discontinued operations are USD 2,616 million and USD 1,304 million respectively.

As at 31 December 2015 (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,561**					
of which corporates	1,419					
of which	95	Option model	Correlation in %	27	99	79
			Volatility in %	2	253	30
of which	191	Discounted cash flow	Credit spread in bp	100	758	607
of which	691	Market comparable	Price in %	0	128	44
of which CMBS	32	Discounted cash flow	Capitalisation rate in %	7	8	7
Derivatives	**4,399**					
of which interest rate products	914					
of which	665	Option model	Correlation in %	22	100	59
			Prepayment rate in %	1	36	16
			Credit spread in bp	228	1,687	604
			Volatility skew in %	(8)	0	(2)
of which foreign exchange products	347					
of which	201	Option model	Correlation in %	(10)	70	21
			Prepayment rate in %	24	36	30
			Volatility in %	2	15	4
of which	52	Discounted cash flow	Credit spread in bp	175	2,291	411
of which equity/index-related products	1,303					
of which	1,251	Option model	Correlation in %	27	99	79
			Volatility in %	2	253	28
			Buyback probability in %	50	100	59
of which credit derivatives	1,835					
of which	1,686	Discounted cash flow	Correlation in %	15	97	86
			Credit spread in bp	1	1,687	358
			Recovery rate in %	0	70	22
			Discount rate in %	2	50	19
			Default rate in %	1	35	6
			Funding spread in bps	61	68	67
			Loss severity in %	15	100	64
Other	**1,202**					
of which trading loans	1,086					
of which	64	Discounted cash flow	Credit spread in bp	13	412	97
of which	1,022	Market comparable	Price in %	0	104	65
Loans	**1,194**					
of which commercial and industrial loans	651					
of which	342	Discounted cash flow	Credit spread in bp	70	1,375	515
of which	251	Market comparable	Price in %	0	94	93
of which loans to finance institutions	440					
of which	391	Discounted cash flow	Credit spread in bp	210	677	562
of which real estate	50					
of which	50	Discounted cash flow	Credit spread in bp	1,109	1,110	1,110
of which government and public institutions	53					
of which	53	Discounted cash flow	Credit spread in bp	545	663	546

As at 31 December 2015 (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**4,329**					
of which interest rate products	461					
of which	400	Option model	Basis spread, in bp	(7)	53	25
			Correlation, in %	22	100	68
			Prepayment rate, in %	0	36	9
			Credit spread, in bp	130	2,349	324
			Volatility skew in %	2	15	4
			Mean reversion, in %	0	5	5
of which foreign exchange products	313					
of which	265	Option model	Correlation, in %	(10)	70	54
			Prepayment rate, in %	24	36	30
of which	1	Discounted cash flow	Credit spread, in bp	397	1,467	411
of which equity/index-related products	1,398					
of which	1,321	Option model	Correlation, in %	27	99	79
			Volatility, in %	2	253	28
			Buyback probability in %	50	100	59
of which credit derivatives	2,157					
of which	1,661	Discounted cash flow	Correlation, in %	85	97	96
			Credit spread, in bp	1	1,687	362
			Recovery rate, in %	0	75	23
			Discount rate, in %	2	50	19
			Funding spread in bps	51	68	68
			Default rate, in %	1	33	5
			Loss severity, in %	15	100	64
of which	89	Market comparable	Price, in %	13	100	100
Long term debt	**3,092**					
of which structured notes over two years	1,756					
of which	1,473	Option model	Correlation, in %	27	99	78
			Volatility, in %	2	253	22
			Gap risk, in %	0	3	1
			Buyback probability, in %	50	100	59
of which	12	Discounted cash flow	Credit spread, in bp	1,109	1,110	1,110
of which other debt over two years	1,197					
of which	1,158	Option model	Correlation, in %	27	99	78
			Volatility, in %	2	253	6
			Buyback probability, in %	50	100	59
			Gap risk, in %	0	3	1
of which structured notes between one and two years	139					
of which	56	Option model	Correlation, in %	27	99	79
			Volatility, in %	2	253	30
of which	64	Discounted cash flow	Credit spread, in bp	106	320	242
of which	19	Market comparable	Price, in %	100	100	100
Other Fianncial liabilities designated at fair value	**256**					
of which failed sales	251					
of which	245	Market comparable	Price in %	–	95	89

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. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, 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 skew

Volatility and skew are impacted by the underlying risk, term and strike price of the derivative. In the case of interest rate derivatives, volatility rates may vary significantly between different underlying currencies and expiration dates on the options. Similarly, equity derivatives' volatility may vary greatly depending upon the underlying reference name on the derivative.

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 primary significant unobservable input for fund linked certificates where a historical analysis of buyback rates provides a floor value with the market assumed to price an uncertainty premium into the mark. The default level is 50% with 100% used in cases where the deal is large, concentrated with one counterparty or where other factors indicate enhanced buyback risk.

Gap Risk

Gap risk is the primary significant unobservable input for fund linked CPPI and represents the idea that prices will change from one level to another with no trading in between. Pricing sources are considered as a reference floor only because most of the contributors are no longer active in the market.

Mean Reversion

Mean reversion is the primary significant unobservable input for callable 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.

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.

Sensitivity analysis of unobservable input parameters

The fair value of certain financial instruments recognised in the Condensed Consolidated Interim 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:

	Reflected in net income/(loss)	
	Favourable changes	Unfavourable changes
As at 30 June 2016 (USD million)		
Derivative assets and liabilities	262	(274)
Assets-backed securities, loans and derivatives	25	(24)
Debt and equity securities	98	(34)
Loans	40	(51)
Total	**425**	**(383)**
As at 31 December 2015 (USD million)		
Derivative assets and liabilities	262	(305)
Assets-backed securities, loans and derivatives	21	(20)
Debt and equity securities	117	(40)
Loans	42	(46)
Total	**442**	**(411)**

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 life of the contract or until the fair value is expected to become observable. The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and period/end of year with a reconciliation of the changes of the balance during the period/year for trading assets and liabilities:

	6M16	2015
Deferred trade date profit (USD million)		
Balance at the beginning of period	310	372
Increase due to new trades	118	148
Reduction due to passage of time	(20)	(180)
Reduction due to redemption, sales, transfers or improved observability	(9)	(30)
Balance at the end of period	**399**	**310**

23 Financial Instruments Risk Position

The CS group, of which the CSi group is a part, manages its risks under global policies complemented where appropriate by legal entity supplements. The CS group risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with CS group's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with CS group's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputation risk.

There have been no material changes in the risk management policies since the year ended 31 December 2015.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for the CSi group, as measured by ten-day 99% Value at Risk ('VaR'). The VaR in the table has been calculated using a three-year historical dataset. 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

	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
30 June 2016 (USD million)						
Average	36	15	6	30	(30)	57
Minimum	26	9	2	19	– [2]	42
Maximum	46	21	9	42	– [2]	85
End of period	33	14	7	34	(26)	62
31 December 2015 (USD million)						–
Average	40	17	5	20	(31)	51
Minimum	30	5	1	11	– [2]	32
Maximum	54	75	11	53	– [2]	102
End of period	33	10	2	27	(22)	50

[1] VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology. Diversification benefit reflects the net difference between the sum of the 99% percentile loss.
[2] As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

VaR results

The Bank's ten-day, 99% regulatory VaR as of 30 June 2016 was USD 62 million (31 December 2015: USD 50 million).

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including back testing. The Bank presents back testing using both i) actual and ii) hypothetical daily trading revenues. These daily trading revenues are compared with VaR calculated using a one-day holding period. A back testing exception occurs when the daily loss under either revenue type exceeds the daily VaR estimate.

Interest rate sensitivity position in the non-trading portfolio

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

0.7 million as of 30 June 2016 compared to USD 2.1 million as of 31 December 2015. 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 30 June 2016, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

A fair value gain of USD 82 million (31 December 2015: gain of USD 373 million) for a +200bps move.

A fair value loss of USD 205 million (31 December 2015: loss of USD 443 million) for a -200bps move.

Net Counterparty Exposure before Collateral by Internal Rating

	6M16		2015	
	USD million	%	USD million	%
AAA	1,393	2	2,495	4
AA+ to AA-	22,122	29	14,357	21
A+ to A-	22,550	30	25,130	37
BBB+ to BBB-	19,311	26	15,883	23
BB+ to BB-	5,321	7	5,932	9
B+ and below	4,499	6	4,158	6
	75,196	**100**	**67,955**	**100**

Net Unsecured Exposure by Internal Rating (including provisions)

	6M16		2015	
	USD million	%	USD million	%
AAA	861	3	718	2
AA+ to AA-	10,204	32	8,169	27
A+ to A-	11,392	37	12,779	43
BBB+ to BBB-	5,247	17	5,133	17
BB+ to BB-	833	3	780	3
B+ and below	2,507	8	2,362	8
	31,044	**100**	**29,941**	**100**

24 Subsequent events

There are no material subsequent events that require disclosure in the Condensed Consolidated Interim Financial Statements as at the date of this report.

Independent Review Report to Credit Suisse International

Introduction

We have been engaged by Credit Suisse International (the “Bank”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Condensed Consolidated Statements of Income, Comprehensive Income, Financial Position, Changes in Equity and Cash Flows for the six months ended 30 June 2016, and the related explanatory notes (“the Condensed Consolidated Interim Financial Statements”). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Bank in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the Disclosure and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”). Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the DTR of the UK FCA. As disclosed in note 2, the annual financial statements of the CSi group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Dean Rogers

For and on behalf of KPMG LLP
Chartered Accountants
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18 August 2016

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