CREDIT SUISSE

Credit Suisse International Annual Report 2015

Credit Suisse International

Annual Report 2015

Company Registration Number	2500199

Strategic Report for the year ended 31 December 2015

The Directors present their Annual Report and the Financial Statements for the Year ended 31 December 2015.

BUSINESS REVIEW

Profile

Credit Suisse International ('CSi' or 'Bank') is a bank domiciled in the United Kingdom. CSi together with its subsidiaries is referred to as the 'CSi group'. The 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 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, 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.

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. 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 over 50 countries and a team of more than 48,200 employees from approximately 150 different nations.

Management and governance

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

A number of management and governance changes have been effected. Alison Halsey has been appointed as an Independent Non Executive Director and Chair of the Audit Committee. David Mathers has been appointed as Director and CEO of the CSi group. In addition Christopher Horne and Stephen Dainton have been appointed as Executive Directors and Gael de Boissard, Stephen Kingsley, Christopher Williams and David Livingstone have resigned.

CSi has implemented the requirements of the PRA Senior Managers Regime ('SMR') with effect from 07 March 2016. The SMR is aimed at supporting a change in culture at all levels of the organisation through a clear identification and allocation of responsibilities for individuals carrying out Senior Management Functions ('SMFs'), by establishing a set of Conduct Rules that set out a basic standard for behavior and a specific UK programme. This is an important element of management and governance and builds on the significant progress that has been made over the past three years in managing CSi as part of the wider CS group.

Principal products/Principal product areas

In October 2015, Credit Suisse announced the restructuring of the CS group, with the creation of new regionally focused divisions, and the realignment of existing businesses/divisions. This resulted in a number of changes which have been reflected in the structure of CSi. As a result of the restructure, the CSi group now has four principal business lines:

- **Global Markets** brings together equity sales and trading and fixed income sales and trading businesses into one division 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 equity and fixed income 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 funds and hedge funds. During the year, CSi bought the Listed Derivatives business from Credit Suisse Securities (Europe) Limited ('CSS(E)L'), a fellow CS group entity.
- 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. During the year, CSi purchased the Investment Banking & Capital Markets businesses in London, Amsterdam and Milan from CSS(E)L.
- 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 the 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 to facilitate 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 2015 economic conditions improved in the US but growth remained challenging in the Eurozone and emerging economies. China in particular showed signs of a slow-down. In the UK, the annual rate of Consumer Price Index ('CPI') inflation decreased to 0.2% at the end of December 2015, compared to 0.5% at the end of 2014. The Bank of England ('BOE') maintained interest rates at 0.5% throughout the year and the stock of asset purchases financed by the issuance of central bank reserves remained at GBP 375 billion. The unemployment rate dropped marginally to 5.1% at the end of December 2015 from 5.8% at the end of 2014. UK Gross Domestic Product ('GDP') grew by 2.2% in 2015, GDP was 1.9% higher in Q4 2015 compared with the same quarter a year ago.

Economic growth in the Eurozone was volatile throughout 2015, impacted by continuing political issues in the region. The European Central Bank ('ECB') expanded its asset purchase programme including sovereign bonds which in turn impacted corporate bond spreads and interest rates. The Greek bailout resolution allayed fears of Greece exiting from the Euro but in turn shortened Euro government bond spreads, and resulted in further volatility in euro currency valuation. At the beginning of the year the Swiss National Bank ('SNB') removed the ceiling between the Swiss Franc and the Euro which contributed to the Swiss Franc improving against the Euro and other major currencies. The US dollar improved against most currencies throughout the year mainly due to diverging monetary policy. In December 2015, the US Federal reserve ('FED') raised its target range for the federal funds rate by 25 basis points, its first increase since 2006.

Falling commodities prices impacted currencies in commodity producing economies, with oil falling to USD 43 a barrel – the lowest since 2009 – due to a global decrease in demand, and OPEC's decisions not to reduce supply. This also affected corporate bonds in the energy sector. Equities markets were volatile throughout the year and global growth concerns from emerging markets, particularly China and Brazil, created a slowing in the US, EMEA and UK markets.

Government bond yields remained at low levels throughout 2015 and corporate bonds also had a challenging year, with credit spreads widening throughout the year. The Credit Suisse commodities benchmark decreased 29% for the year, mainly due to energy prices. Global equity underwriting volumes decreased 12%, driven by a 22% decrease in Europe, while global debt underwriting volumes decreased 8% year on year.

Key performance indicators ('KPIs')

The Bank uses profitability and Return on Capital as the primary KPIs to manage the financial position of the Bank. In a changing regulatory environment and with the increasing cost of capital 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.

Earnings	**2015**	**2014**
Net loss after tax (USD millions)	(118)	(995)
Capital & Consolidated Statement of Financial Position		
Tier 1 capital (USD millions)	21,236	22,364
Return on Tier 1 capital	(0.56)%	(4.4)%
Total Assets (USD millions)	400,989	548,137
Total Asset growth/(reduction)	(26.85)%	6.3%
Return on Total Assets	(0.03)%	(0.2)%

Performance

Consolidated Statement of Income

For the year ended 31 December 2015, the CSi group reported a net loss attributable to shareholders of USD 118 million (2014: USD 995 million loss). Net revenues amounted to USD 1,942 million (2014: USD 1,144 million). After operating expenses, the CSi group reported a loss before taxes of USD 52 million (2014: USD 407 million loss). Income tax expense for the year ended 31 December 2015 was USD 66 million (2014: USD 588 million). In comparison to 2014, there was no impairment of the deferred tax asset ('DTA') impacting the income tax expense (included in the income tax expense for 2014 was an amount of USD 676 million as a result of an impairment of DTA).

In 2015, Global Markets revenues increased 8% year on year to USD 1,538 million. Within Global Markets, the Macro business increased revenues by 50% to USD 451 million, driven by client flow and increased volatility arising from geopolitical risks and uncertainty around global Central Bank's policies. This was offset by a decrease in Equity Derivatives of 3% to USD 472 million, due to reduced client activity. Emerging Markets revenues decreased by 56% to USD 128 million, mainly as a result of more financing business being transacted through another CS group entity (Credit Suisse AG London Branch), and a decrease in trading revenue in LATAM reflecting challenging market conditions and reduced liquidity impacting client flows. Global Credit revenues decreased by 16% to USD 375 million, driven by reduced client activity and reduced trading volumes and activity in both primary and secondary credit markets.

Investment Banking & Capital Markets revenues increased by 42% to USD 303 million for the year. The year on year increase is mainly due to the acquisition of the investment banking business from Credit Suisse Securities (Europe) Limited ('CSS(E)L').

Asia Pacific reported revenues of USD 712 million, a 40% increase compared to 2014. The increased revenue was mainly driven by Asia related Equity Derivative and Global Macro business moved into the Asia Pacific division, with increased revenue due to structured trades, and the issuance of Formosa bonds (bonds issued in Taiwan, denominated in currency other than the Taiwan dollar).

The Strategic Resolution Unit reported negative revenues of USD 13 million compared to negative revenues of USD 307 million in 2014. The loss in 2015 was primarily as a result of an impairment recognised on a portfolio of investment properties in comparison to 2014 where revenues were negatively impacted by the recognition of funding valuation adjustments ('FVA') on uncollateralised derivatives, and the novation of a portfolio of swaps with exposure to Greece to a third party.

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

- Increased revenue sharing expenses for the period of USD 488 million (2014: USD 441 million). This relates to revenue sharing agreements between the CSi group and other CS group companies.
- Reduced treasury funding charges of USD 247 million (2014: USD 319 million). This primarily comprises excess funding charges on long term financing versus overnight funding rates, which are only allocated out to the businesses at the CS group level. The lower average cost of borrowing has been achieved through the restructure of the funding profile.

During the year the CSi group completed a number of corporate actions. CSi purchased the investment banking businesses in London, Amsterdam and Milan from CSS(E)L and completed the purchase of the Listed Derivatives business from CSS(E)L. The positive impact of the investment banking acquisitions is highlighted above in the results of the Investment Banking & Capital Markets division.

The CSi group's operating expenses increased to USD 1,994 million (2014: USD 1,551 million). Compensation costs have increased by USD 231 million to USD 572 million (2014: USD 341 million). The increase is mainly due to the transfer of employees from CSS(E)L to CSi and an increase in fixed salaries as a result of CRD IV requirements. There was an increase in litigation expenses and in addition restructuring expenses of USD 117 million have been recognised (restructuring of the CSi group in accordance with the CS group wide strategic plan).

Consolidated Statement of Financial Position

As at 31 December 2015 the CSi group had total assets of USD 401 billion (31 December 2014: USD 548 billion).

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

- Trading financial assets at fair value through profit or loss have decreased by USD 133 billion. The decrease was primarily due to mark to market moves on interest rate derivative products. There has similarly been a decrease of USD 135 billion in Trading financial liabilities at fair value through profit or loss.
- Associated with this, other assets have decreased by USD 3 billion to USD 46 billion (31 December 2014: USD 49 billion) and other liabilities have decreased by USD 5 billion to USD 31 billion (31 December 2014: 36 billion) primarily due to a decrease in cash collateral provided to and received from counterparties in relation to derivative exposures.
- Deposits have decreased by USD 4 billion, USD 2 billion of which in relation to Prime Fund Services ('PFS') business, and a further USD 1.5 billion of which is in relation to a portfolio of securities transferred to another CS group entity.

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

- A decrease of USD 4 billion in securities purchased under resale agreements and securities borrowing transactions of predominantly high quality liquid assets, and an associated decrease of USD 2 billion in cash and due from banks used to partially fund securities purchased under resale agreements and securities borrowing transactions.
- An increase in short term borrowing of USD 4 billion from a CS group entity (as a result of underlying business activity).
- An increase in long term debt of USD 2 billion is principally as a result of an increase in senior debt from a CS group company.

In addition as a result of industry wide changes to the accounting for certain centrally cleared OTC derivatives, following changes to the rule books of certain clearing counterparties ('CCPs'), the net balance sheet reduced by USD 15.6 billion.

An amount of USD 117 million has been provided for in relation to the strategic restructure of the CSi group.

Total shareholder's equity has reduced to USD 23 billion (31 December 2014: USD 24 billion), as a result of the net loss for the year ended 31 December 2015, capital reduction of USD 750 million, and net adjustments to equity of USD 259 million as a result of the acquisition of Listed Derivative and investment banking businesses from CSS(E)L.

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 8.5 billion as at 31 December 2015 (31 December 2014: USD 11.6 billion), which was equivalent to 2.12% of total assets. The decrease in Level 3 assets was due to cash settlements and the disposal of Level 3 positions, and due to transfers out of Level 3 as a result of increasing observability and quotes on Level 3 loans.

Total Level 3 liabilities were USD 7.7 billion as at 31 December 2015 (31 December 2014: USD 11.4 billion), which was equivalent to 2.04% of total liabilities.

Fair Value disclosures are presented in Note 37 – Financial Instruments.

Corporation taxes paid in the United Kingdom ('UK') are nil for CSi as neither the Bank nor the CSi group has made a profit during the year. However, as disclosed in Note 43 – Country-by-Country Reporting, the CSi group has paid USD 11 million in taxes in branches located outside of the UK. The Bank has incurred substantial other taxes in the UK during 2015, including Bank Levy of USD 39 million (2014: USD 21 million), employers social security of USD 71 million (2014: USD 35 million) and irrecoverable UK value added tax ('VAT') of USD 12.4 million (2014: USD 8.5 million).

Principal Risks and Uncertainties

The Bank faces a variety of risks that are substantial and inherent in its businesses including Market risk, Liquidity risk, Currency risk, Credit risk, Country risk, Legal and Regulatory risk, Operational risk, Conduct risk, and Reputational risk. These are detailed in Note 40 – Financial Instruments Risk Position.

There have been significant changes in the way large financial service institutions are regulated over recent years. There are increased prudential requirements as well as stricter regulations on the financial institutions in general and many of the reforms being discussed in wider forums will change the way in which financial services is structured affecting the CSi group business model.

Liquidity coverage ratio ('LCR') reporting implementation was completed prior to 2015, and is currently on a ratio compliance glide path up to 2018, and the net stable funding ratio ('NSFR') reporting implementation was also completed prior to 2015, with ratio compliance planned to be effective in 2018.

European states are experiencing heightened political tension, reflecting concerns over migration, fears of terrorism and the possibility that the UK may vote to exit the EU following a referendum. An exit could have a significant impact on UK, European and global macroeconomic conditions, as well as substantial political ramifications.

The effect of a UK exit from the EU on CSi would depend on the manner in which the exit occurs. A disorderly exit could force changes to CSi's operating model, affect CSi's ability to access ECB and high value euro payments, and affect transaction volumes due to possible disruption to global trade flows.

Credit Suisse has had a Brexit Planning Working Group in place for the past year to assess the potential operational and client service implications on Credit Suisse's businesses in the UK and European Economic Area ('EEA') of a vote to exit the European Union ('EU') in the forthcoming UK EU membership referendum on 23 June 2016. The Bank is in the process of preparing detailed plans to ensure that the Bank maintains commercial, operational and supply arrangements with EU based clients, counterparties and suppliers if Britain were to exit the EU.

Capital Resources

The Bank closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework. 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.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy. No breaches were reported to the PRA during the period.

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

USD 750 million of capital was returned to Shareholders, in proportion to their existing holdings. This was part of a CS group wide capital restructuring. Changes in senior and subordinated debt are set out in Note 27 – Long Term Debt. Changes in capital are set out in Note 29 – Share Capital and Share Premium.

Outlook

In 2015, CSi continued strengthening its position in executing its client-focused, capital-efficient strategy to meet emerging client needs and regulatory trends. CSi is progressing towards achieving specific goals to become a profitable entity and reduce its cost base, and has operated under the Basel III capital framework, as implemented in the EU, since January 2014. CSi will continue to optimise resource allocation and focus on high returning, scalable opportunities. CSi is better positioned today with reduced losses and will continue to adapt to a challenging market environment and compete in its chosen businesses and markets around the world. CS group has announced a global cost reduction strategy and as a result expects the London campus headcount to reduce, having a direct impact on the cost base of the Bank.

CSi remains committed to offering its clients a broad spectrum of equities, fixed income, and investment banking advisory products and services. CSi 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 newly formed Strategic Resolution Unit ('SRU') will effectively wind down businesses and positions that do not fit the Bank's strategic direction, by consolidating portfolios from former non-strategic units plus additional activities and businesses that are no longer considered strategic. The Strategic Resolution Unit will look to identify and execute a broad range of mitigation solutions to accelerate the wind down of RWA and leverage exposure to meet approximately 70% reduction targets by the end of 2018.

In light of developments such as heightened regulatory focus on leverage, conduct risk, additional capital resource requirements under Basel III, and the migration of markets towards cleared and electronic trading, CSi is evolving towards more simplified and primarily exchange-cleared products in derivatives and reduced capital intensive structured activity. CSi will additionally continue to focus on cost initiatives, in a challenging market environment, while still being positioned to take advantage of favourable market opportunities when they arise. Looking ahead, CSi believes that its client-focused and cost-and-capital-efficient strategy will allow the delivery of strong returns. CSi continues to refocus resources on opportunities in high-returning businesses and to reduce the impact of the Strategic Resolution Unit. The SRU portfolio primarily comprises legacy derivatives. For certain businesses, run off is projected to be more gradual due to the long dated nature of the portfolio.

Corporate Governance

Internal Control and Financial Reporting

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

The key procedures that have been established are designed to provide effective internal control within the CSi group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the CSi group have been in place throughout the year and up to 24 March 2016, the date of approval of the Credit Suisse International Annual Report for 2015. Key risks are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as credit, market, operational and other authorisation limits, and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well-established budgeting procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget and prior year forecasts, and other performance data.

Committees

The Board delegates certain functions and responsibilities to the following committees:

Credit Suisse International Audit Committee

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

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

The Audit Committee members are Alison Halsey (Chair), Noreen Doyle and Richard Thornburgh.

In reviewing the Credit Suisse International Annual Report 2015, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the deferred tax asset. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriate funding to maintain adequate capital and liquidity positions.

Credit Suisse International Risk Committee

The Risk Committee's ('RC') primary function is to assist the BoD in fulfilling its risk management responsibilities as defined by applicable law and regulations as well as CSi articles of association and internal regulations, by periodically:

- providing advice to the BoD on CSi overall current and future risk appetite and assisting the BoD in overseeing the implementation of that strategy by management;
- reviewing and approving the strategies and policies for taking on, managing, monitoring and mitigating the risks the firm is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of the risk management function of CSi in particular as it relates to market, credit, and liquidity & funding risks and non-financial risks such as legal, strategic and business risks; and group risk;
- reviewing the adequacy of CSi capital (economic, regulatory, and rating agency) and its allocation to CSi businesses;
- reviewing certain risk limits and regular risk reports including Risk Appetite and make recommendations to the BoD;
- reviewing the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment Process ('ILAAP') and providing input into the range of scenarios and analyses that management should consider;
- reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee;
- reviewing and assessing the adequacy of the management of operational risks including the adequacy of the internal control system, jointly with the Audit Committee;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of the compliance function of CSi in particular as it relates to the detection and monitoring of any risk that CSi may fail to comply with applicable regulatory requirements and/or the risk that CSi may be used to further financial crime; and
- reviewing the CSi policy in respect of corporate responsibility and sustainable development.

The Risk Committee members are Richard Thornburgh (Chair), Noreen Doyle and Alison Halsey.

Credit Suisse International Nomination Committee

Credit Suisse International is defined as a CRR firm (i.e. a firm subject to EU regulation on prudential requirements for credit institutions and investment firms) supervised by the PRA which is required to:

- establish a Nomination Committee ('NC') composed of members of the BoD who do not perform any executive function in the Bank;
- ensure that the NC is able to use any forms of resources the NC deems appropriate, including external advice; and
- ensure that the NC receives appropriate funding.

The duties of the Nomination committee are to:

- engage a broad set of qualities and competences when recruiting members to the BoD and put in place a policy promoting diversity on the BoD;
- identify and recommend for approval, by the Bank shareholder (Credit Suisse group AG / Credit Suisse AG) candidates to fill BoD vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the BoD;
- make recommendations to the BoD concerning the role of chairman and membership of the board committees, in consultation with the chairmen of those committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- periodically, and at least annually, assess the structure, size, composition and performance of the BoD and make recommendations to the BoD with regard to any changes;
- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the BoD and of the BoD collectively, and report this to the BoD;
- periodically review the policy of the BoD for selection and appointment of senior management and review with the CEO the appointment of senior management;
- in performing its duties and to the extent possible on an ongoing basis, take account of the need to ensure that the BoD's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Bank as a whole; and
- recommend to the Board the appointment and removal of Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO');

The Credit Suisse International Nomination Committee members are Noreen Doyle (Chair), Alison Halsey and Richard Thornburgh.

Board Diversity Policy

CSi recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse board. The Nomination Committee proposed, and the Board approved, a Board Diversity Policy on 5 November 2015. The Policy sets out the approach to the diversity on the Board of Directors. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Committee will consider these differences in determining the optimum composition of the Board and when possible will be balanced appropriately. At the date of adoption of this Policy, the Board set a target to ensure that at least 25 per cent female representation on the Board to be achieved by the end of 2016. These targets will be monitored through periodic reviews of structure, size, composition and performance of the Board.

Credit Suisse International Advisory Remuneration Committee

The purpose of the Committee is to advise the CSG Compensation Committee in respect of matters relating to remuneration for the employees of Credit Suisse International, in particular members of the CSi Executive Committee, PRA/FCA Code Staff and other individuals, whose role, individually or as part of a group, has been identified as having a potential impact on market, reputational or operational risk.

The Credit Suisse International advisory Board Remuneration Committee members are Noreen Doyle (Chair), Alison Halsey and Richard Thornburgh.

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

Credit Suisse International Disclosure Committee

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

Risk Management

Overview

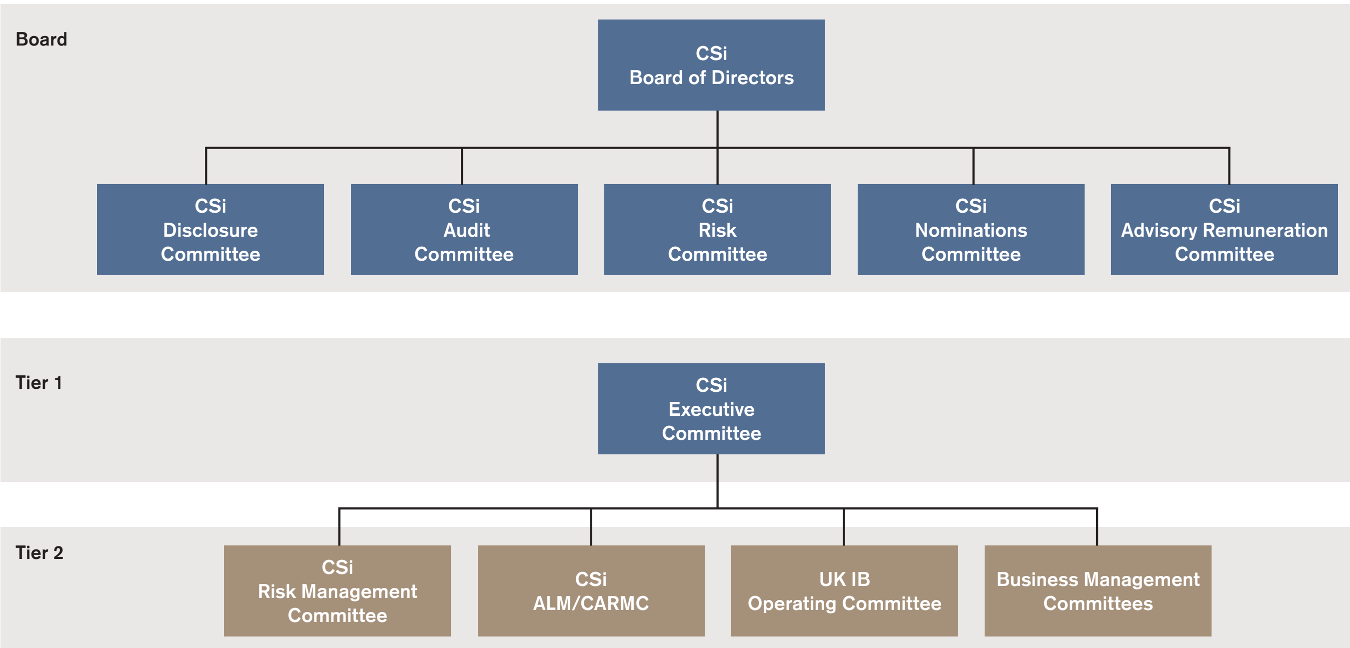
The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Bank's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk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

Risk governance

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

Committees are implemented at a senior management level to support risk management.

Summary of Key Governance Committees



Tier 3 committees are not illustrated in this diagram

The key committees which support the Board of Directors are:
Tier 1 comprises a single management committee for CSi, the CSi Executive Committee. It is chaired by the the Chief Executive Officer ('CEO'), CSi and members include the CEO, CSi; Deputy CEO, CSi; Chief Finance Officer ('CFO'), UK IB; Chief Risk Officer ('CRO'), UK IB; Head of Internal Audit, UK IB; Chief Compliance Officer ('CCO'), UK IB; Business Heads and other Senior Managers. The Deputy CEO, CSi deputises as Chair when necessary.

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

Tier 2 committees were established by the CSi Executive Committee. Given the breadth of business activities and multiple areas of focus, the CSi Executive Committee has established a support structure comprising executive committees with a more focused mandate. These Tier 2 committees are chaired by members of the CSi Executive Committee and are all accountable to the CSi Executive Committee. The CSi Executive Committee has delegated particular aspects of its mandate to these Tier 2 committees.

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

- CSi Asset and Liability Management ('ALM') Capital Allocation and Risk Management Committee (CARMC): chaired by the CFO, UK IB, the CSi ALM CARMC is responsible for assisting the CSi Board in providing a robust governance and oversight function with respect to capital, liquidity and balance sheet management in relation to CSi. Its purpose is to:
  - i monitor and challenge the capital and liquidity positions of CSi against internal and external regulatory limits;
  - ii monitor and challenge the systems and controls related to the ALM management framework for CSi; and
  - iii manage leverage ratio.

- UK IB Operating Committee ('UK IB OpCo'): The UK IB OpCo is chaired by the Deputy CEO, CSi and has a remit in relation to CSi, CSS(E)L and CS AG London Branch. In relation to the activities of CSi, it provides a forum for the effective management of front-to-back issues and the efficient communication of priorities to all departments of CSi. It manages both on-going business activities and also change management activities:

- For on-going business activities its purpose is to:
  - i communicate strategy / business plans to support functions;
  - ii ensure outsourcing activities are managed in line with applicable policies; and
  - iii ensure good communication between CSi management and central function heads and relevant business Chief Operating Officers ('COO') for CSi activities.

- For change management activities its purpose is to:
  - i ensure that project needs of CSi are anticipated at an early stage, are prioritised appropriately against other division/function priorities, and are reported on accurately; and
  - ii provide an escalation route for change teams, individual businesses or central function heads to use to resolve prioritisation, resource and budget issues (often through onwards escalation to CSi Executive Committee for matters relating to CSi).

- CSi Business Management Committee ('CSi BMC'): Divisional CEOs have established management committee structures to undertake the management of divisional operations. Certain of these committees have a key role to play in UK governance, with reporting requirements into the CSi Executive Committee in relation to the activities of CSi. The CSi Executive Committee establishes governance requirements appropriate to its UK specific remit and agrees with the relevant committee procedures for the on-going management of, and reporting against, these requirements. The following divisional committees are responsible for identifying issues relevant to those requirements, for escalation to the CSi Executive Committee:
  - i Europe, Middle East and Africa (EMEA) Global Markets Management Committee;
  - ii EMEA Investment Banking & Capital Markets Operating Committee (EMEA IBCM OpCo);
  - iii Strategic Risk Oversight Board;
  - iv APAC.

Tier 3 Risk Management Committees are:

- The UK IB Credit Risk Committee, chaired by the UK IB Chief Credit Officer, defines and implements the UK IB Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the UK IB credit portfolio including counterparty, sector and concentration.
- The UK IB Market Risk Committee, chaired by the UK IB Head of Market Risk, defines and implements the UKIB Market Risk Framework. It is responsible for reviewing emerging risks and

assessing the impact of any issues that impact on the UK IB market risk profile.
- The UK IB Operational Risk Committee, chaired by the UK IB Head of Operational Risk, ensures that the proper standards for operational risk management are established for the UK IB. The committee is responsible for defining and implementing Operational Risk management strategies for the UK entities.
- The UK IB Stress Test Committee, chaired by the UK IB Head of Enterprise Risk, is responsible for identifying, developing and maintaining appropriate stress scenarios which are relevant for UK entities based on material risk factors.
- The EMEA Reputational Risk Committee, co-chaired by the UK IB CRO, is responsible for reviewing and approving transactions that pose a material risk to the bank's reputation and are escalated as having potential to have a negative impact on the CSi reputation.

Risk organisation

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

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

The Risk Management department, as of January 2015, comprises:
- Market (Traded & Non Traded) & Liquidity Risk Management;
- Credit Risk Management;
- Operational Risk Management; and
- Enterprise Risk Management.

The UK IB CRO is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions:
- The Market Risk Management ('MRM') department is responsible for assessing and monitoring the market and liquidity risk profiles of the Bank and recommends corrective action where necessary;
- Credit Risk Management ('CRM') is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances;
- Operational Risk Management ('ORM') is responsible for the identification, assessment and monitoring of operational risks; and
- Enterprise Risk Management ('ERM') is responsible for covering cross-divisional and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels.

These areas form part of a matrix management structure with reporting lines into both the UK IB CRO and the relevant Global Risk Head. Furthermore, these departments are supported by a global infrastructure and data process which is maintained by the central, Risk and Finance Data and Reporting ('RFDAR') group.

Risk limits

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

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

Market risk limit measures are typically based on Value at Risk ('VaR') and scenario analysis, although they also include exposure, risk sensitivities and other metrics. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty, country, industry, product and scenario limits, which are used to mitigate concentration risks. These risk limits are binding and generally set to ensure that any meaningful increase in risk exposures is promptly escalated to more senior levels of management. In addition, the Bank has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (bank-wide statements linked to risk and control indicators) terms.

The majority of these limits are monitored on a daily basis, though those for which the inherent calculation time is longer (such as some credit portfolio limits) are monitored on a weekly or monthly basis.

The Bank's financial risk management objectives and policies and the exposure of the CSi group to market risk, credit risk, liquidity risk and currency risk are outlined in Note 40 – Financial Instruments Risk Position.

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 the build-up of concentrations to risky or volatile industries and countries. The risk management framework includes country and industry limits, and the execution of scenario analyses which translate aggregate exposures into potential losses under forward looking narratives.

The table below shows exposure to a selection of Southern European Countries, alongside Russia, China, Brazil and the Sub-Saharan region. Other countries which recently experienced volatility (e.g. Hong Kong, Taiwan and Puerto Rico) are not included in the table as the exposure is de minimis.

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	
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**

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, with the large majority of the exposure to Investment-Grade counterparties. Exposure is presented using the same measure as the country-risk table above.

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

Corporate Employee Policy

The CSi group adopts the CS group's policies which are committed to providing equal opportunities for all employees, irrespective of factors such as ethnicity or nationality, gender, sexual orientation, religion, age, marital or family status, or disability.

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

The CSi group is committed to ensuring it has an appropriate corporate culture, reflecting a focus on risk, ethics and values. The CSi group believes having the right culture will deliver a number of other benefits including the opportunity to create competitive advantage. Leveraging the Credit Suisse group's corporate values, the UK Culture Program was set up to articulate the culture aspired to for CS in the UK and also to create the right environment for those who work here, encouraging individuals to behave consistently in line with these aspirations. Chaired by the CSi group's CEO, a Culture Program Steering Committee oversees how the culture statements are embedded into day-to-day business activities. Comprised of senior leaders from the major divisions and corporate functions with a presence in the UK, the Steering Committee meets monthly and provides leadership and direction to the overall program.

A Disciplinary Review Committee ('DRC') provides a framework to ensure that the Bank's articulated standards of professional conduct are adhered to and consistently enforced on a continuous basis.

The Committee is designed to supplement existing policies and procedures, by providing a post facto review of those decisions on a quarterly basis. The Committee is chaired by the Bank's CEO and comprises senior regional representatives from the businesses and Corporate Functions.

The Role of the Committee is:

- To review each case on a retrospective basis to ensure appropriate outcomes are reached by the decision managers and that the application of sanctions were applied consistently (from case to case). The DRC can suggest adjusting the sanction outcomes for future cases where it believes the current sanctions does not align to the Bank's conduct expectations;
- To ensure that risk/control issues/concerns are properly reflected in the annual performance evaluation (competency of 'Principled Conduct'), promotion, and compensation processes, the Committee will:
  - i Ensure that formal disciplinary action, and any inappropriate conduct falling short of disciplinary action or any negative feedback arising from structured risk and control assessments of personnel is appropriately reflected in annual performance evaluations;
  - ii Review and determine whether any promotion candidate should be deferred by reason of any of the matters described above; and
  - iii Define appropriate impact on discretionary variable incentive award for different levels of disciplinary action (e.g. oral/written warnings, etc. where applicable).

The CS group currently supports more than 40 internal employee networks worldwide that serve as a platform for the exchange of knowledge and experience, fostering mutual understanding and helping to strengthen corporate culture. The networks within the Bank, which are run by employees on a voluntary basis, and focus on women, families, Lesbian, Gay, Bisexual and Transgender ('LGBT') individuals, the older and younger generations, employees from various ethnic backgrounds. The networks within the Bank also support veterans, employees with physical disabilities, mental health issues and employees who have responsibilities of care.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
24 March 2016

Directors' Report for the year ended 31 December 2015

International Financial Reporting Standards

The CSi group and Bank 2015 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the directors on 24 March 2016.

Dividends

No dividends were paid or are proposed for the year ended 31 December 2015 (2014: USD Nil).

Directors

The names of the Directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2014 and up to the date of this report are as follows:

Appointment	
Paul Ingram	20 March 2015
Christopher Horne	14 May 2015
David Livingstone	01 October 2015
Alison Halsey (Non Exec)	05 November 2015
Stephen Dainton	29 January 2016
David Mathers (CEO)	24 March 2016
Resignation	
Christopher Williams	04 March 2015
Stephen Kingsley (Non Exec)	31 March 2015
Gael de Boissard	31 December 2015
David Livingstone	04 March 2016

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report of the CSi group and the Bank in accordance with applicable law and regulations. Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CSi group and the Bank will continue in business.

The Directors confirm to the best of their knowledge:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSi group and Bank's transactions and disclose with reasonable accuracy at any time the financial position of the CSi group and Bank and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSi group and to prevent and detect fraud and other irregularities.

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

Risk and Capital

The way in which these risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 40 – Financial Instruments Risk Position.

Changes made to the capital structure are set out in Note 29 – Share Capital and Share Premium.

Disclosure of Information to Auditor

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

Auditor

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

Subsequent Events

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. If this tax rate reduction had been substantively enacted as at 31 December 2015 it would have had the impact of decreasing the deferred tax asset recorded by approximately USD 9 million.

On March 23, 2016, the CS group announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower its cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the reshaping of the Global Markets business and further strengthen its capital position. The additional measures and new financial objectives that impact the Bank will need to consider include:

- increasing the gross savings targets;
- reducing the risk-weighted assets target in the Global Markets;
- exiting the European Securitised Products trading businesses in Global Markets; and
- the assets from businesses the Bank is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016.

Implementation of these strategy measures will lead to a recasting of prior period segment results, principally in respect of the Global Markets business and the Strategic Resolution Unit, and an assessment of certain financial position items.

By Order of the Board

Christopher Horne
Director

One Cabot Square
London E14 4QJ
24 March 2016

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

We have audited the financial statements of Credit Suisse International for the year ended 31 December 2015 set out on pages 16 to 131. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU and, as regards the parent company ('the Bank') financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the CSi group's and of the Bank's affairs as at 31 December 2015 and of the CSi group's loss for the year then ended;
- the CSi group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Bank financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and information given in the Corporate Governance Statement set out on pages 6 to 12 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Bank, or returns adequate for our audit have not been received from branches not visited by us;
- the Bank financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specific by law are not made;
- we have not received all the information and explanations we require for our audit;
- a Corporate Governance Statement has not been prepared by the Bank.

Dean Rogers
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 March 2016

Financial Statements for the year ended 31 December 2015

Consolidated Statement of Income for the Year ended 31 December 2015

	Reference to note	in 2015	2014
Consolidated statement of income (USD million)			
Interest income	5	535	786
Interest expense	5	(475)	(661)
Net interest income		60	125
Commission and fee income	6	302	161
Commission and fee expense	6	(86)	(146)
Net commission and fee income		216	15
Release of provision for credit losses	7	3	8
Net gains from financial assets/liabilities at fair value through profit or loss	8	2,003	1,416
Other revenues	9	(340)	(420)
Net revenues		**1,942**	**1,144**
Compensation and benefits	10	(572)	(341)
General, administrative and trading expenses	11	(1,305)	(1,210)
Restructuring expenses	12	(117)	–
Total operating expenses		**(1,994)**	**(1,551)**
Loss before taxes		**(52)**	**(407)**
Income tax expense	13	(66)	(588)
Net loss		**(118)**	**(995)**
Attributable to Credit Suisse International shareholders		(118)	(995)

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2015

	Reference to note	in 2015	2014
Consolidated Statement of Comprehensive Income (USD million)			
Net loss		**(118)**	**(995)**
Foreign currency translation differences	28	(2)	–
Cash flow hedges – effective portion of changes in fair vaue	28	–	(4)
Cash flow hedges – reclassified to profit or loss		4	–
Total items that may be reclassified to net income		**2**	(4)
Other comprehensive income net of tax		**2**	(4)
Total comprehensive income		**(116)**	**(999)**
Attributable to Credit Suisse International shareholders		(116)	(999)

All losses for both 2015 and 2014 are from continuing operations.

The Bank's loss after tax was USD 70 million for the year ended 31 December 2015 (2014: Loss USD 1,049 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Bank.

The notes on pages 24 to 131 form an integral part of the Financial Statements.

Consolidated Statement of Financial Position as at 31 December 2015

	Reference to note	2015	end of 2014
Assets (USD million)			
Cash and due from banks		13,163	15,409
Interest-bearing deposits with banks		59	165
Securities purchased under resale agreements and securities borrowing transactions	15	30,073	33,742
Trading financial assets at fair value through profit or loss	16	295,229	428,160
of which positive market values from derivative instruments	16	262,698	389,218
Financial assets designated at fair value through profit or loss	17	12,078	16,445
Other loans and receivables	18	3,495	3,334
Other investments		26	28
Investment property	19	303	426
Current tax assets		46	69
Deferred tax assets	14	337	386
Other assets	20	45,610	49,405
Property and equipment	22	196	204
Intangible assets	23	374	364
Total assets		**400,989**	**548,137**
Liabilities and shareholders' equity (USD million)			
Deposits	24	564	4,464
Securities sold under repurchase agreements and securities lending transactions	15	5,737	8,650
Trading financial liabilities at fair value through profit or loss	16	270,767	405,889
of which negative market values from derivative instruments	16	266,996	396,949
Financial liabilities designated at fair value through profit or loss	17	22,509	27,340
Short term borrowings	25	21,066	17,267
Other liabilities	20	30,822	35,511
Provisions	26	33	14
Long term debt	27	26,587	24,973
Total liabilities		**378,085**	**524,108**
Shareholders' equity			
Share capital	29	12,366	13,108
Share premium	29	12,704	12,699
Retained earnings		(2,164)	(1,774)
Accumulated other comprehensive income	28	(2)	(4)
Total shareholders' equity		**22,904**	**24,029**
Total liabilities and shareholders' equity		**400,989**	**548,137**

Approved by the Board of Directors on 24 March 2016 and signed on its behalf by:

Christopher Horne
Director

Bank Statement of Financial Position as at 31 December 2015

	Reference to note	2015	end of 2014
Assets (USD million)			
Cash and due from banks		13,082	15,145
Interest-bearing deposits with banks		59	165
Securities purchased under resale agreements and securities borrowing transactions	15	30,073	33,742
Trading financial assets at fair value through profit or loss	16	295,395	428,642
of which positive market values from derivative instruments	16	262,716	389,373
Financial assets designated at fair value through profit or loss	17	12,078	16,445
Other loans and receivables	18	3,495	3,334
Current tax assets		46	69
Deferred tax assets	14	337	386
Other assets	20	45,610	49,421
Investments in subsidiary undertakings		–	10
Other investments		26	28
Property and equipment	22	196	204
Intangible assets	23	374	364
Total assets		**400,771**	**547,955**
Liabilities and shareholders' equity (USD million)			
Deposits	24	564	4,464
Securities sold under repurchase agreements and securities lending transactions	15	5,737	8,650
Trading financial liabilities at fair value through profit or loss	16	270,775	406,041
of which negative market values from derivative instruments	16	267,004	397,101
Financial liabilities designated at fair value through profit or loss	17	22,267	27,028
Short term borrowings	25	21,066	17,267
Other liabilities	20	30,822	35,522
Provisions	26	33	14
Long term debt	27	26,596	24,981
Total liabilities		**377,860**	**523,967**
Shareholders' equity			
Share capital	29	12,366	13,108
Share premium	29	12,704	12,699
Retained earnings		(2,157)	(1,815)
Accumulated other comprehensive income	28	(2)	(4)
Total shareholders' equity		**22,911**	**23,988**
Total liabilities and shareholders' equity		**400,771**	**547,955**

Approved by the Board of Directors on 24 March 2016 and signed on its behalf by:

Christopher Horne
Director

The notes on pages 24 to 131 form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity for the Year ended 31 December 2015

	Note	Share Capital	Share Premium	Retained earnings	AOCI	**Total**
Consolidated statement of changes in equity (USD million)						
Balance at 1 January 2015		**13,108**	**12,699**	**(1,774)**	**(4)**	**24,029**
Loss for the year		–	–	(118)	–	(118)
Foreign exchange translation differences		–	–	–	(2)	(2)
Cash flow hedges – reclassified to profit or loss		–	–		4	4
Cash flow hedges – effective portion of changes in fair vaue		–	–	–	–	–
Total comprehensive loss for the year		**–**	**–**	**(118)**	**2**	**(116)**
Issue of ordinary shares	29	8	5	–	–	13
Capital reduction of ordinary shares	29	(750)	–	–	–	(750)
Decrease in retained earnings due to purchase of business from a common control entity	44	–	–	(272)	–	(272)
Conversion of participating shares to ordinary shares		–	–	–	–	–
Conversion of participating shares to ordinary shares		–	–	–	–	–
Balance at 31 December 2015		**12,366**	**12,704**	**(2,164)**	**(2)**	**22,904**
Consolidated statement of changes in equity (USD million)						
Balance at 1 January 2014		**13,108**	**12,699**	**(779)**	**–**	**25,028**
Loss for the year		–	–	(995)	–	(995)
Foreign exchange translation differences		–	–	–	–	–
Cash flow hedges – reclassified to profit or loss		–	–	–	–	–
Cash flow hedges – effective portion of changes in fair value		–	–	–	(4)	(4)
Total comprehensive loss for the year		**–**	**–**	**(995)**	**(4)**	**(999)**
Issue of ordinary shares		–	–	–	–	–
Capital reduction of ordinary shares		–	–	–	–	–
Conversion of participating shares to ordinary shares		(13,108)	–	–	–	(13,108)
Conversion of participating shares to ordinary shares		13,108	–	–	–	13,108
Balance at 31 December 2014		**13,108**	**12,699**	**(1,774)**	**(4)**	**24,029**

There were no dividends paid during 2015 (2014: Nil).

Bank Statement of Changes in Equity for the Year ended 31 December 2015

	Note	Share Capital	Share Premium	Retained earnings	AOCI	**Total**
Bank statement of changes in equity (USD million)						
Balance at 1 January 2015		**13,108**	**12,699**	**(1,815)**	**(4)**	**23,988**
Loss for the year		–	–	(70)	–	(70)
Foreign exchange translation differences		–	–	–	(2)	(2)
Cash flow hedges – reclassified to profit or loss					4	4
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	–
Total comprehensive loss for the year		**–**	**–**	**(70)**	**2**	**(68)**
Issue of ordinary shares	29	8	5	–	–	13
Capital reduction of ordinary shares	29	(750)	–	–	–	(750)
Decrease in retained earnings due to purchase of business from a common control entity	44	–	–	(272)	–	(272)
Conversion of participating shares to ordinary shares		–	–	–	–	–
Conversion of participating shares to ordinary shares		–	–	–	–	–
Balance at 31 December 2015		**12,366**	**12,704**	**(2,157)**	**(2)**	**22,911**
Bank statement of changes in equity (USD million)						
Balance at 1 January 2014		**13,108**	**12,699**	**(766)**	**–**	**25,041**
Loss for the year		–	–	(1,049)	–	(1,049)
Foreign exchange translation differences		–	–	–	–	–
Cash flow hedges – reclassified to profit or loss		–	–	–	–	–
Cash flow hedges – effective portion of changes in fair value		–	–	–	(4)	(4)
Total comprehensive loss for the year		**–**	**–**	**(1,049)**	**(4)**	**(1,053)**
Issue of ordinary shares		–	–	–	–	–
Capital reduction of ordinary shares		–	–	–	–	–
Decrease in retained earnings due to purchase of business from a common control entity		–	–	–	–	–
Conversion of participating shares to ordinary shares		(13,108)	–	–	–	(13,108)
Conversion of participating shares to ordinary shares		13,108	–	–	–	13,108
Balance at 31 December 2014		**13,108**	**12,699**	**(1,815)**	**(4)**	**23,988**

There were no dividends paid during 2015 (2014: Nil).

The notes on pages 24 to 131 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows for the Year ended 31 December 2015

	Reference to note	2015	2014
Cash flows from operating activities (USD million)			
Loss before tax for the period		(52)	(407)
Adjustments to reconcile net loss to net cash used in operating activities (USD million)			
Depreciation, amortisation and impairment on intangible assets		200	265
Depreciation on investment property & impairment	19	31	21
Loss on disposal of property and equipment		5	3
Loss on disposal of intangible assets		7	–
Impairment on loan commitments		1	–
Accrued interest on long term debt	5	226	297
Release of provision for credit losses	7	(3)	(8)
Foreign exchange gains		(1,069)	(2,013)
Provisions	26	19	–
Total adjustments		(583)	(1,435)
Cash used in before changes in operating assets and liabilities		**(635)**	**(1,842)**
Net decrease/(increase) in operating assets:			
Securities purchased under resale agreements and securities borrowing transactions		3,669	(12,636)
Trading financial assets at fair value through profit or loss		132,933	(27,239)
Financial assets designated at fair value through profit or loss		4,367	3,363
Other loans and receivables		(158)	1,142
Other assets		3,808	(9,712)
Net decrease/(increase) in operating assets		**144,619**	**(45,082)**
Net (decrease)/increase in operating liabilities:			
Deposits		(1,905)	(904)
Securities sold under resale agreements and securities lending transactions		(2,913)	4,206
Trading financial liabilities at fair value through profit or loss		(135,122)	32,540
Financial liabilities designated at fair value through profit or loss		(4,831)	(3,733)
Short term borrowings		3,799	1,643
Other liabilities and provisions		(4,729)	(3,893)
Share-based compensation		39	(22)
Net (decrease)/increase in operating liabilities		**(145,662)**	**29,837**
Income taxes refunded		1	1
Income taxes paid		(11)	(3)
Group relief received/(paid)		5	(8)
Net cash used in operating activities		**(1,683)**	**(17,097)**
Cash flows from investing activities (USD million)			
Purchase consideration paid on business combinations	44	(259)	–
Capital expenditure for property equipment and intangible assets		(213)	(178)
Net cash used in investing activities		**(472)**	**(178)**
Cash flow from financing activities (USD million)			
Issuance of long term debt		6,975	10,926
Repayment of long term debt		(4,427)	(5,678)
Capital reduction of ordinary shares		(750)	–
Net cash flow generated from financing activities		**1,798**	**5,248**
Net decrease in cash and cash equivalents		**(357)**	**(12,027)**
Cash and cash equivalents at beginning of period		13,049	25,076
Cash and cash equivalents at end of period (USD million)		**12,692**	**13,049**
Cash and due from banks		13,163	15,409
Interest-bearing deposits with banks		59	165
Demand deposits	24	(530)	(2,525)
Cash and cash equivalents at end of period (USD million)		**12,692**	**13,049**

Refer to Note 29 – Share Capital and Share Premium for significant non-cash transactions.

The notes on pages 24 to 131 form an integral part of the Financial Statements.

Bank Statement of Cash Flows for the Year ended 31 December 2015

	Reference to notes	2015	2014
Cash flows from operating activities (USD million)			
Loss before tax for the period		(2)	(461)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation, amortisation and impairment on intangible assets		200	265
Loss on disposal of property and equipment		5	3
Loss on disposal of intangible assets		7	–
Accrued interest on long term debt	5	226	297
Release of allowance for loan losses	7	(3)	(8)
Impairment on loan commitments		1	–
Foreign exchange losses		(1,157)	(2,014)
Provisions	26	19	–
Cash used in before changes in operating assets and liabilities		**(704)**	**(1,918)**
Net decrease /(increase) in operating assets:			
Securities purchased under resale agreements and securities borrowing transactions		3,669	(12,636)
Trading financial assets at fair value through profit or loss		133,249	(27,705)
Financial assets designated at fair value through profit or loss		4,367	3,363
Other loans and receivables		(158)	1,142
Other assets		3,818	(9,760)
Net decrease /(increase) in operating assets		**144,945**	**(45,596)**
Net (decrease)/increase in operating liabilities:			
Deposits		(1,905)	(904)
Securities sold under repurchase agreements and securities lending transactions		(2,913)	4,206
Trading financial liabilities at fair value through profit or loss		(135,266)	32,381
Financial liabilities designated at fair value through profit or loss		(4,761)	(3,111)
Short term borrowings		3,799	1,643
Other liabilities and provisions		(4,740)	(3,869)
Share-based compensation		39	(20)
Net (decrease)/increase in operating liabilities		**(145,747)**	**30,326**
Income taxes refunded		1	1
Income taxes paid		(11)	(3)
Group relief received/(paid)		5	(8)
Net cash used in operating activities		**(1,511)**	**(17,198)**
Cash flows from investing activities (USD million)			
Capital expenditures for property equipment and intangible assets		(213)	(178)
Purchase consideration paid on business combinations	44	(259)	–
Sale of investment in subsidiary		10	–
Net cash used in investing activities		**(462)**	**(178)**
Cash flows from financing activities (USD million)			
Issuances of long term debt		6,975	10,926
Repayments of long term debt		(4,426)	(5,678)
Capital reduction of ordinary shares		(750)	–
Net cash generated from financing activities		**1,799**	**5,248**
Net increase/(decrease) in cash and due from banks		**(174)**	**(12,128)**
Cash and due from banks at beginning of period		12,785	24,913
Cash and due from banks at end of period		**12,611**	**12,785**
Cash and due from banks		13,082	15,145
Interest-bearing deposits with banks		59	165
Demand deposits	24	(530)	(2,525)
Cash and due from banks at end of period		**12,611**	**12,785**

Refer to Note 29 – Share Capital and Share Premium for significant non-cash transactions.

The notes on pages 24 to 131 form an integral part of the Financial Statements.

Notes to the consolidated financial statements

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Notes to the Financial Statements for the year ended 31 December 2015

1 General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2015 comprise CSi and its subsidiaries (together referred to as the 'CSi group'). The Consolidated Financial Statements were authorised for issue by the Directors on 24 March 2016.

2 Significant Accounting Policies

a) Statement of compliance

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

b) Basis of preparation

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

The preparation of Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 3 – Critical Accounting Estimates and Judgements in Applying Accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods.

The CSi group and the Bank have unrestricted and direct access to funding sources of CSG. After making enquiries of the CSG, the Directors of the Bank have received a confirmation that CSG will ensure that the Bank maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

Standards and Interpretations effective in the current period

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

- Annual Improvements to IFRSs 2011-2013 Cycle: In December 2013, the IASB issued 'Annual Improvements to IFRSs Cycle 2011-2013' (Improvements to IFRSs 2011-2013), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The adoption of the Improvements to IFRSs 2011-2013 on 1 January 2015, did not have an impact on the CSi group's financial position, results of operation or cash flows.
- Annual Improvements to IFRSs 2010-2012 Cycle: In December 2013, the IASB issued 'Annual Improvements to IFRSs Cycle 2010-2012' (Improvements to IFRSs 2010-2012). The adoption of the Improvements to IFRSs 2010-2012 on 1 January 2015, did not have an impact on the CSi group's financial position, results of operation or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective

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

- 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 Profit or Loss 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 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 recognized 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 amortized 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. 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 IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: In September 2014, the IASB issued 'Sale or Contribution between an Investor and its Associate or Joint Venture' (Amendments to IFRS 10 and IAS 28). The Amendments clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Amendments are currently effective for annual periods beginning on or after 1 January 2016, however an exposure draft has been issued to amend the effective date. The Amendments to IFRS 10 and IAS 28 will not have a material impact on the CSi group's financial position, results of operations or cash flows.
- 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.
- 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.

c) Basis of consolidation

The consolidated financial statements include the results and positions of the CSi group and its subsidiaries (which includes consolidated structured entities). Subsidiaries are entities controlled by the CSi group. The CSi group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the CSi group has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The CSi group also determines whether another entity with decision-making rights is acting as an agent for the Group. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the factors below, in determining whether it is an agent:

- The scope of its decision making authority over the entity
- The rights held by other parties
- The remuneration to which it is entitled
- The decision maker's exposure to variability of returns from other interests that it holds in the entity

The CSi group makes significant judgements and assumptions when determining if it has control of another entity. The CSi group may control an entity even though it holds less than half of the voting rights of that entity, for example if the CSi group has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the CSi group may not control an entity even though it holds more than half of the voting rights of that entity, for example where the CSi group holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control commences until the date on which control ceases. The CSi group reassesses consolidation status on a quarterly basis.

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

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

d) Equity method investments

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

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

e) Foreign currency

The Bank's functional currency is United States Dollars ('USD'). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the Consolidated Statement of Income. Nonmonetary assets and liabilities, unless revalued at fair value, denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

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

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

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

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

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

g) Securities purchased or sold under resale agreements or repurchase agreements
Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase agreements ('repurchase agreements') do not constitute economic sales and are therefore treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Consolidated Statement of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognised on the Consolidated Statement of Financial Position as a liability.

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

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

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

The CSi group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements. Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

i) Derivative financial instruments and hedging
All freestanding derivative contracts are carried at fair value in the Consolidated Statement of Financial Position regardless of whether these instruments are held for trading or risk management purposes. Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities'.

Embedded derivatives
When derivative features embedded in certain contracts that meet the definition of a derivative are not considered closely related to the host instrument, either the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income, or the instrument, including the embedded feature, is accounted for at fair value either under the fair value option or due to classification as held for trading. In the latter case the entire instrument is recorded at fair value with changes in fair value recorded in the Consolidated Statement of Income. If separated for measurement purposes, the derivative is recorded in the same line in the Consolidated Statement of Financial Position as the host instrument.

Cash flow hedge accounting
For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in Accumulated Other Comprehensive Income ('AOCI') as part of shareholders' equity. These amounts are reclassified into the Consolidated Statement of Income when the variable cash flow

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

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

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

j) Financial assets and liabilities at fair value through profit or loss

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

Trading financial assets and financial liabilities at fair value through profit or loss

Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments, loans and precious metals. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

Financial instruments designated as held at fair value through profit or loss

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

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

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

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

k) Recognition and derecognition

Recognition

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

Regular-way securities transactions

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

Derecognition

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

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

The CSi group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSi group has a financial liability and a financial instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Consolidated Statement of Income. Where a modification and not an extinguishment is deemed to have occurred, the difference is adjusted to the carrying value of the new instrument and reclassified into income using the effective interest method.

Securitisation

The CSi group securitises assets, which generally results in the sale of these assets to structured entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

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

l) Other loans and receivables

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated.

When calculating the effective interest, the CSi group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

Impairment on other loans and receivables

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

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

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

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

Write-off of loans

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

Renegotiated loans

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

Loan commitments

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

m) Netting

The CSi group only offsets financial assets and liabilities and presents the net amount on the Consolidated Statement of Financial Position where it:

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

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

However, because such contracts are not currently enforceable in the normal course of business and the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 "Financial Instruments: Presentation" (IAS32) to offset transactions falling under Master Netting Agreements. For securities purchased or sold under resale agreements or repurchase agreements, such legally enforceable agreements qualify for offsetting under IAS 32, if the gross settlement mechanism for these transactions has features that eliminate or result in insignificant credit and liquidity risk and that will process receivables and payables in a single settlement process or cycle and will therefore meet the net settlement criterion as an equivalent.

n) Income tax

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

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

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

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

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

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

Additional income taxes that may arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in the Consolidated Statement of Income for the periods presented is included in Note 13 – Income Tax.

Tax contingencies

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

o) Investment property

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

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

p) Intangible assets

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

Intangible assets are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method. Internally developed software that is capitalised is depreciated on a straight-line basis over a maximum useful life of seven years. The amortisation of the intangible assets is included in the 'General, Administrative and Trading expenses' in the Consolidated Statement of Income.

The carrying amounts of the CSi group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Statement of Income.

q) Property and equipment

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

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

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

Leasehold improvements	10 years
Computer equipment	2–7 years
Office equipment	5 years

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

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

r) Preference share capital

The CSi group classifies preference shares in accordance with the substance of the contractual arrangement. Liabilities are defined as contractual obligations to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is in substance part of equity. Therefore, preference share capital issued by the CSi group is classified as equity if it is non-redeemable and all dividends are discretionary, or is redeemable but only at the CSi group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

s) Retirement benefit costs

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

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

t) Deposits

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

u) Long term debt

Debt issued by the CSi group is initially measured at fair value, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest method to amortise cost at inception to the redemption value over the life of the debt. CSi group's long-term debt also includes instruments with embedded derivative features which are substantially all accounted for at fair value.

Debt with embedded derivatives

The CSi group issues long term debt containing embedded derivatives, most of which have been designated as financial liabilities at fair value through profit or loss. For more information on the criteria that must be met to designate a financial instrument at fair value please refer to the previous section of this disclosure with the same name. Both the host instrument and embedded derivative in these structured notes are remeasured at each reporting period with changes in fair value being reported in 'Net gains/ (losses) from financial assets/liabilities at fair value through profit or loss' in the Consolidated Statement of Income.

v) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation, cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed (unless the possibility of an outflow of economic resources is remote), except for those acquired under business combinations, which are recognised at fair value.

w) Provisions

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

x) Share-based payments

The Bank grants shares in its ultimate parent, CSG to certain employees. The Bank pays for CSG shares at market value at the time of settlement to employees.

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

Share awards are made to employees in one of the following ways:

i) Phantom Share Awards;
ii) Special Awards, which are typically awarded upon hiring of certain senior employees or in relation to business acquisitions. The terms (including amount, vesting, settlement, etc) of special awards vary significantly from award to award;
iii) Performance Share Awards;
iv) Adjustable Performance Plan Share Awards.

Phantom shares and Performance share awards are accrued over the 3 or 4 year vesting period. Certain awards vest at grant date and are therefore accrued fully at grant date. Special awards are accrued over the vesting period as per award terms.

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

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

y) Other compensation plans

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

z) Interest income and expense

Interest income and expense includes interest income and expense on the CSi group's financial instruments owned and financial instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSi group's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

aa) Financial guarantee contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantee contracts are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other payables.

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

ab) Commissions and fees

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

i) The amount of revenue can be measured reliably;
ii) It is probable that the economic benefits associated with the transaction will flow to the entity;
iii) The stage of completion of the transaction at the reporting date can be measured reliably; and
iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

ac) Operating leases

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

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

Subleases

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

ad) Dividends

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

ae) Noncontrolling interest

Noncontrolling interest is equity in subsidiaries not attributable, directly or indirectly, to the CSi group. The CSi group presents noncontrolling interest in equity. However, if the holders of noncontrolling interest have the right to put the shares to the Bank or one of its subsidiaries, and these rights transfer the risks and rewards of ownership of these shares to the Bank or one of its subsidiaries, the instrument will meet the definition of a liability and is presented as such in the consolidated financial statements of the CSi group.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), management is required to make 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. Management believes that the estimates and assumptions used in the preparation of the Consolidated Financial Statements are reasonable and consistently applied.

For further information on significant accounting judgements and estimates refer to Note 2 – Significant Accounting Policies, specifically the following:

i) Derivative financial instruments and hedging
j) Financial assets and liabilities at fair value through profit or loss
k) Recognition and derecognition
l) Other loans and receivables
n) Income tax
s) Retirement benefit costs
v) Contingent liabilities
w) Provisions
x) Share-based payments

Management believes that the critical accounting estimates discussed below involve the most significant judgements and assessments. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Consolidated Financial Statements.

Fair Value

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

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

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and judgement depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligations ('CDO's'), securities, private equity investments, certain loans and credit products, (including leveraged finance, certain syndicated loans and certain high yield bonds).

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments.

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities.

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

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

As of the end of 2015, 76.6% and 77.6% of CSi group's total assets and total liabilities respectively, were measured at fair value (2014: 81.1% and 82.7%, respectively). Level 3 assets and Level 3 liabilities were USD 8.5 billion and USD 7.7 billion respectively as of the end of 2015 (2014: USD 11.6 billion and USD 11.4 billion). As of the end of 2015, these assets comprised 2.12% of total assets (2014: 2.12%) and 2.04% of total liabilities (2014: 2.18%).

For further information on the fair value hierarchy and a description of CSi group's valuation techniques, refer to Note 37 – Financial Instruments.

The CSi group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gains or losses is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 AG 76. The financial instrument is recognised at fair value with any profit or loss implied from the valuation technique at trade date is deferred and amortised over the life of the contract or over the period up to when the fair value is expected to become observable.

Control processes are applied to ensure that the fair value of the financial instruments reported in the Bank and CSi group Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. For further information related to the CSi group's control and governance processes on the fair value of financial instruments please refer Note 37 – Financial Instruments.

Structured Entities

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

Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSi group may hold interests in the structured entities. If the CSi group controls the structured entity then that entity is included in the CSi group's consolidated financial statements. The CSi group discloses information about significant judgements and assumptions made in determining whether the CSi group has (joint) control of, or significant influence over, another entity including structured entities. The CSi group also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity.

Please see Note 36 – Interests in Other Entities for more information.

Contingencies and loss provisions

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision shall be recognised when:

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

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. Please see Note 26 – Provisions for more information.

Litigation contingencies

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

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSi group's defences and its experience in similar cases or proceedings, as well as the CSi group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Please see Note 26 – Provisions for more information.

Allowances and impairment losses on other loans and receivables

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

The CSi group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate &

Institutional loans are reviewed at least annually based on the borrower's financial statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSi group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSi group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events. Please see Note 18 – Other Loans and Receivables for more information.

Retirement Benefit Costs

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

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

The calculation of the expense and liability associated with the defined benefit pension plans requires the use of assumptions, which include the discount rate and rate of future compensation increases as determined by CSS(E)L. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets. Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by CSS(E)L may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The discount rate used in determining the benefit obligation is based upon either high quality corporate bond rates or government bonds. In estimating the discount rate, CSS(E)L takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows on its benefit payments. Please see Note 30 – Retirement Benefit Obligations for more information.

Taxes

Deferred tax valuation

Deferred tax assets ('DTA') and deferred tax liabilities ('DTL') are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the Statement of Financial Position date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly 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 evaluates the factors contributing to the losses and considers whether or not they are temporary or indicate 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 CSi group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA. Please see Note 14 – Deferred Taxes for more information.

Share-based payments

The CSi group uses the liability method to account for its share-based payment plans, which requires the CSi group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are marked-to-market based on CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience. Please see Note 31 – Employee Share-based Compensation and Other Compensation Benefits for more information.

Transfer Pricing

Tax transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well as tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required. Please see Note 32 – Related Parties for more information.

4 Segmental Analysis

In October 2015, CSG announced the restructuring of the CS group, with the creation of new regionally focused divisions, and the realignment of existing businesses/divisions. As a result of the restructure, the Bank has concluded that there are four 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 primarily been combined to form the new Global Markets segment, 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.

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

Global Markets:	The Global Markets division consists of both Fixed Income and Equities businesses. The Fixed Income business operates in rates, foreign exchange, credit, structured products trading and emerging markets. The product suite covers both cash and listed and OTC derivatives including government bonds, corporate bonds, treasury bills, interest rate swaps, credit-default swaps, foreign exchange options, total return swaps and listed options across product classes.The activities of the Equities business include sales, trading, financing, prime brokerage services and market-making in global equity and equity-related securities, options, futures, risk management and hedging products. Activities cover both exchange-traded and over-the counter traded securities, including American Depositary Receipts, restricted stocks, equity repurchases, block trade executions, program trading executions, equity derivatives and convertible securities.
Investment Banking & Capital Markets:	The Investment Banking & Capital Markets ('IBCM') division service offering includes mergers and acquisitions, debt, equity and other capital raising activities.
APAC:	Investment banking capabilities in Asia Pacific, serving corporate and institutional clients.
Strategic Resolution Unit:	Operations include ongoing management and wind-down of legacy businesses in CDOs, RMBS origination and CMBS.

Segment performance is assessed by the Board based on the Monthly Board Summary 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 manage the expenses at a CSi segment level.

Similarly certain revenue items are not directly allocated to the above business segments at a Bank level. These items include 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 result.

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

Group	2015	2014
Revenues (USD million)		
Global Markets	**1,538**	**1,428**
- Fixed Income	999	970
- Equities	472	485
- IB Other	67	(27)
Investment Banking & Capital Markets	303	214
APAC	712	507
Strategic Resolution Unit	(13)	(307)
Total	**2,540**	**1,842**

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

Group	2015	2014
Consolidated Income/(loss) before taxes (USD million)		
Global Markets	**52**	**82**
- Fixed Income	40	157
- Equities	12	(75)
- IB Other	–	–
Investment Banking & Capital Markets	101	96
APAC	330	194
Strategic Resolution Unit	(458)	(802)
Total	**25**	**(430)**

CSi group Assets:
Non-current assets, other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, consist of property and equipment, investment property and intangible assets totaling USD 873 million (2014: USD 994 million).

Reconciliation of reportable segment revenues

Group	2015	2014
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments	2,540	1,841
Revenue sharing agreements	(488)	(441)
Treasury funding	(247)	(319)
Other corporate items	(1)	(38)
CSi group to primary reporting reconciliations [1]	138	101
Net revenues as per Consolidated Statement of Income	**1,942**	**1,144**

[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.

Group	2015	2014
Reconciliation of reportable segment income/(loss) before taxes (USD million)		
Income/(loss) before taxes for reportable segments	25	(430)
CSi group to primary reporting reconciliations [1]	(77)	23
Loss before taxes as per Consolidated Statement of Income	**(52)**	**(407)**

[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.

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

5 Net Interest income

Group	2015	2014
Net interest income (USD million)		
Other loans and receivables	328	405
Securities purchased under resale agreements and securities borrowing transactions	54	59
Cash collateral paid on OTC derivatives transactions	–	89
Interest income on cash and cash equivalents and loans	153	233
Interest income	**535**	**786**
Deposits	(6)	(3)
Short term borrowings	(167)	(190)
Securities sold under repurchase agreements and securities lending transactions	(68)	(62)
Long term debt	(226)	(297)
Cash collateral received on OTC derivatives transactions	(7)	(109)
Interest expense	**(475)**	**(661)**
Net interest income	**60**	**125**

Interest income accrued on impaired financial assets during the year was USD 1.20 million (2014: USD 1.06 million).

6 Net Commissions and Fee Income

Group	**2015**	2014
Commission and fee income (USD million)		
Lending business	129	110
Brokerage	14	–
Underwriting	14	3
Other customer services	145	48
Total commission and fee income	**302**	**161**
Brokerage	(13)	(22)
Other customer services	(73)	(124)
Total commission and fee expense	**(86)**	**(146)**
Net commission and fee income	**216**	**15**

Fee expense includes fees paid to affiliates, CCPs / clearing venues, brokers and exchanges on exchange traded products under agency agreements. Reflected in the above commission and fee income is the increase in commission following the acquisition of the investment banking business from CSS(E)L.

7 Release of Provision for Credit Losses

Group	**2015**	2014
Release of provision for credit losses (USD million)		
Allowance for loan losses	4	9
Provisions for off-balance sheet exposure	(1)	(1)
Release of provision for credit losses	**3**	**8**

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

Group	**2015**	2014
Net gains from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	5,635	6,643
Foreign exchange	(1,176)	(3,584)
Equity	(1,929)	(1,695)
Credit	(648)	178
Other	121	(126)
Total net gains from financial assets/liabilities at fair value through profit or loss	**2,003**	**1,416**
Of which:		
Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	(217)	(243)
Loans	(169)	(537)
Other financial assets designated at fair value through profit or loss	(385)	24
Securities sold under repurchase agreements and securities lending transactions	539	743
Short term borrowings	(222)	606
Long term debt	(1,116)	(784)
Other financial liabilities designated at fair value through profit or loss	27	63
Total net (losses) from financial assets/liabilities designated at fair value through profit or loss	**(1,543)**	**(128)**

Included in this total is USD 33 million gain (2014: USD 5 million gain) of fair value changes of financial liabilities due to changes in the CSi group's own creditworthiness (Structured Notes and Subordinated Debt, included in Long term debt and Short term borrowings above). The cumulative effect thereon is a gain of USD 56 million (2014: gain USD 23 million).

9 Other Revenues

Group	2015	2014
Other revenues (USD million)		
Revenue sharing agreement expense	(488)	(441)
Other	148	21
Other revenues	**(340)**	**(420)**

The revenue sharing agreement expense principally relates to amounts allocated to CSi from other companies in the CS group under transfer pricing policies.

10 Compensation and Benefits

Group	2015	2014
Compensation and benefits (USD million)		
Salaries and variable compensation	(474)	(287)
Social security	(71)	(35)
Pensions	(19)	(13)
Other	(8)	(6)
Compensation and benefits	**(572)**	**(341)**

Included in the above table are amounts relating to Directors' remuneration, details of which are disclosed in Note 32 – Related Parties. The increase in compensation and benefits is due to an increase in headcount following business acquisitions.

11 General, Administrative and Trading Expenses

Group	Reference to note	2015	2014
General administrative and trading expenses (USD million)			
Brokerage Charges and Clearing House Fees		(240)	(278)
Insurance Charges		(35)	(69)
Trading expenses		**(275)**	**(347)**
Occupancy Expenses		(13)	(25)
Amortisation Expenses	23	(140)	(198)
Depreciation Expenses	22	(56)	(60)
Depreciation of Investment Property	19	(10)	(12)
Impairment of Investment Property	19	(21)	(9)
Litigation	26	(132)	(58)
Auditor Remuneration		(3)	(2)
Professional Services		(96)	(27)
Impairment of Intangible Asset	23	(4)	(7)
CSG Trademark		(3)	(4)
Net Overheads allocated from other CS group Entities		(400)	(383)
UK Bank Levy		(39)	(21)
Marketing Data, Publicity and Subscription		(22)	(17)
Non Income Taxes		(47)	(15)
Other		(44)	(25)
General and administrative expenses		**(1,030)**	**(863)**
General, administrative and trading expenses		**(1,305)**	**(1,210)**

The expenses incurred by other CS group company under common control are recharged to CSi group through 'Net overheads allocated from other CS group entities'. The recharges comprise of compensation and benefit expenses and general administrative expenses.

Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.7 million (2014: USD 1.8 million). The following fees were payable by the CSi group to the auditor, KPMG LLP.

CSi Auditor's remuneration (USD '000)	**2015**	2014
Fees payable to the Bank's auditor for the audit of the Bank's annual accounts	(1,738)	(1,831)
Fees payable to the CSi group's auditor and its associates for other services:	(371)	–
Audit-related assurance services	(405)	(514)
Other assurance services	(186)	(10)
Total	**(2,700)**	**(2,355)**

12 Restructuring Expenses

In accordance with the CS group wide strategic review, restructuring expenses of USD 117 million were recognised by CSi group during 2015. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards and an onerous lease arrangement.

in	**2015**	2014
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	(16)	–
of which severance	(12)	–
of which accelerated deferred compensation	(4)	–
General and administrative-related expenses	(101)	–
Total Restructuring expenses by type	**(117)**	–

	2015			2014		
	Severance expenses	General and administrative-expenses	**Total**	Severance expenses	General and administrative-expenses	**Total**
Restructuring provision (USD million)						
Balance at beginning of the year	–	–	–	–	–	–
Net additional charges	12	101	113 [1]	–	–	–
Utilisation	–	–	–	–	–	–
Balance at end of the year	**12**	**101**	**113**	–	–	–

[1] Liability arising on restructuring has been included in Note 20 – Other Assets and Other Liabilities as follows:
a) Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 3 million and unsettled cash based deferred compensation of USD 1 million (not included in the table above) have been included in 'Share-based compensation liability' and 'Other', respectively. The settlement date for the unsettled share-based compensation remains unchanged.
b) USD 113 million relating to severance expenses and general and administrative expenses have been included in 'Other'.

13 Income Tax

	Group		Bank	
	2015	2014	**2015**	2014
Current and deferred taxes (USD million)				
Current tax				
Current tax expense for the period	(11)	(1)	(11)	(1)
Adjustments in respect of previous periods	(2)	–	(2)	–
Current income tax expense	**(13)**	**(1)**	**(13)**	**(1)**
Deferred tax				
Origination and reversal of temporary differences	13	(239)	13	(239)
Tax losses (utilised)/incurred	(50)	345	(50)	345
Impairment of deferred tax asset	–	(676)	–	(676)
Adjustments in respect of previous periods	–	(2)	–	(2)
Other movements in deferred tax for current period	(16)	–	(16)	–
Effect of changes in tax rate or the imposition of new taxes	–	(15)	–	(15)
Deferred income tax expense	**(53)**	**(587)**	**(53)**	**(587)**
Income tax expense	**(66)**	**(588)**	**(66)**	**(588)**

The UK corporation tax rate reduced from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. Furthermore, the UK corporation tax rate will reduce from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020.

Further information about deferred income tax is presented in Note 14 – Deferred Taxes. The income tax expense for the year can be reconciled to the loss per the statement of income as follows:

Reconciliation of taxes computed at the UK statutory rate

	Group		Bank	
	2015	2014	**2015**	2014
Reconciliation of taxes computed at the UK statutory rate (USD million)				
Loss before tax	(52)	(407)	(2)	(461)
Income tax benefit computed at the statutory rate of 20.25% (2014: 21.49%)	11	88	1	99
(Increase)/decrease in income taxes resulting from:				
Other permanent differences	(45)	18	(35)	7
Effect of different tax rates of operations/subsidiaries operating in other jurisdictions	(14)	(1)	(14)	(1)
Impairment of deferred tax asset	–	(676)	–	(676)
Other movements in deferred tax for current period	(16)	–	(16)	–
Adjustments to current tax in respect of previous periods	(2)	–	(2)	–
Adjustments to deferred tax in respect of previous periods	–	(2)	–	(2)
Effect on deferred tax resulting from changes to tax rates	–	(15)	–	(15)
Income tax expense	**(66)**	**(588)**	**(66)**	**(588)**

14 Deferred Taxes

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 (2014: 20%).

The Finance Act 2013, which passed into law on 17 July 2013, reduced the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 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.

The Finance (No.2) Act 2015 also introduced legislation to levy a surcharge of 8% on the profits of banking companies. The Bank will be 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 an impact on the income statement of USD Nil (2014: USD 15 million).

Group and Bank	**2015**	2014
Deferred tax (USD million)		
Deferred tax assets	337	386
Net position	**337**	**386**
Balance at 1 January	**386**	**973**
Debit to income for the year	(53)	(572)
Other movements	4	–
Effect of change in tax rate expensed to Statement of Income	–	(15)
At end of the period/year	**337**	**386**

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

Group and Bank	**2015**	2014
Components of net deferred tax assets (USD million)		
Derivative financial instruments	–	3
Share-based compensation	33	25
Decelerated tax depreciation	160	147
Other provisions	54	67
Unpaid interest	90	82
Deferred tax impact on losses carried forward	–	62
At end of the year	**337**	**386**

Details of the tax effect of temporary differences

The deferred tax expense in the Statement of Income comprises the following temporary differences:

Group and Bank	**2015**	2014
Tax effect of temporary differences (USD million)		
Derivative financial instruments	(3)	(4)
Share-based compensation	8	(4)
Decelerated tax depreciation	13	13
Other provisions	(17)	(3)
Unpaid interest	8	(266)
Deferred tax impact on losses carried forward	(62)	(323)
Total deferred tax (expense)/benefit in the Statement of Income	**(53)**	**(587)**

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 997 million (2014: USD 995 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.

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. This UK tax law change is not expected to have a material impact on the recoverability of the net deferred tax asset.

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

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

Group and Bank	2015	2014
Securities purchased under resale agreements and securities borrowing transactions (USD million)		
Securities purchased under resale agreements	26,866	30,991
Deposits paid for securities borrowed	3,207	2,751
Total Securities purchased under resale agreements and securities borrowing transactions	**30,073**	**33,742**

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

Group and Bank	2015	2014
Securities sold under repurchase agreements and securities lending transactions (USD million)		
Securities sold under repurchase agreements	793	2,517
Deposits received for securities lent	4,944	6,133
Total Securities sold under repurchase agreements and securities lending transactions	**5,737**	**8,650**

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

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

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

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

	Group		Bank	
	2015	2014	**2015**	2014
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	22,529	24,980	22,457	25,369
Equity securities	7,050	10,271	6,876	9,755
Derivative instruments	262,698	389,218	262,716	389,373
Other	2,952	3,691	3,346	4,145
Trading financial assets at fair value through profit or loss	**295,229**	**428,160**	**295,395**	**428,642**
Trading financial liabilities at fair value through profit or loss (USD million)				
Short positions	3,758	8,931	3,758	8,931
Derivative instruments	266,996	396,949	267,004	397,101
Other	13	9	13	9
Trading financial liabilities at fair value through profit or loss	**270,767**	**405,889**	**270,775**	**406,041**

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 15 billion (2014: USD 16 billion) which are encumbered. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, repurchase agreements or other collateralised borrowings.

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

Group and Bank	**2015**	2014
Financial Assets designated at fair value through profit or loss (USD million)		
Loans	6,348	9,353
Securities purchased under resale agreements and securities borrowing transactions	3,172	4,153
Other	2,558	2,939
Total financial assets designated at fair value through profit or loss	**12,078**	**16,445**

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

For loans designated at fair value through profit or loss, the maximum fair value exposure to credit risk as at 31 December 2015 was USD 6.3 billion (2014: USD 9.4 billion). To mitigate this credit risk, securities are held as collateral, and credit default swaps with a notional value of USD 1.4 billion (2014: USD 2.5 billion) have been transacted to transfer this risk into the capital markets.

The fair value movement attributable to counterparty credit on loans designated at fair value through profit or loss is calculated using credit spreads applicable to specific points in time. All other risk variables are held constant and the credit spreads are moved based on current market conditions. During the year ended 31 December 2015, this fair value movement was a decrease of USD 25 million (2014: decrease USD 35 million). The cumulative effect thereon at the year-end was a decrease of USD 1.25 billion (2014: decrease USD 1.23 billion). The corresponding decrease in fair value of the swaps and securities in place to mitigate this risk was USD 28 million (2014: increase USD 32 million). The cumulative effect thereon at the year-end was an increase of USD 2.11 billion (2014: increase USD 2.14 billion).

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

	Group		Bank	
	2015	2014	**2015**	2014
Financial Liabilities designated at fair value through profit or loss (USD million)				
Subordinated Debt	70	135	70	135
Structured notes (includes Long term debt and Short term borrowings)	11,211	21,000	10,969	20,688
Securities sold under repurchase agreement and securities lending transactions	10,593	5,324	10,593	5,324
Other	635	881	635	881
Total financial liabilities designated at fair value through profit or loss	**22,509**	**27,340**	**22,267**	**27,028**

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

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

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

The carrying amount is USD 2 billion lower than the principal amount that the CSi group would be contractually required to pay to the holder of these financial liabilities at maturity (2014: USD 0.5 billion lower).

18 Other Loans and Receivables

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

Group and Bank	**2015**	2014
Loans (USD million)		
Real estate	101	19
Commercial and industrial loans	672	752
Financial institutions	2,727	2,569
Gross loans	**3,500**	**3,340**
of which domestic	3,040	3,011
of which foreign	460	329
Net unearned income	(2)	–
Allowance for loan losses	(3)	(6)
Net loans	**3,495**	**3,334**
Gross impaired loans	**19**	**26**
of which loans with an individual allowance	19	26
of which loans without an individual allowance	–	–

Other loans and receivables due within one year for the CSi group and Bank, amount to USD 130 million (2014: USD 124 million).

Reconciliation of the allowance for loan losses by class

The following table sets forth the movements in the allowances for impairment losses on other loans and receivables:

	Banks	Customers	**Total**
Group and Bank **Allowance for loan losses (USD million)**			
Balance at 1 January 2015	(4)	(2)	(6)
Additional allowances for impairment losses	(1)	–	(1)
Reversal of allowances for impairment losses	3	1	4
Movement recognised in Consolidated Statement of Income	2	1	3
Balance at 31 December 2015	**(2)**	**(1)**	**(3)**
Balance at 1 January 2014	(8)	(3)	(11)
Additional allowances for impairment losses	(3)	–	(3)
Reversal of allowances for impairment losses	7	1	8
Movement recognised in Consolidated Statement of Income	4	1	5
Balance at 31 December 2014	**(4)**	**(2)**	**(6)**

19 Investment Property

The CSi group consolidates a number of structured entities which hold property. Investment properties are currently held at cost less depreciation and provision for impairment. An impairment charge of USD 21 million (2014: USD 9 million) was taken to the Consolidated Statement of Income for the year. The fair value and carrying value amount were the same as at 31 December 2015.

Group	2015	2014
Investment property (USD million)		
Balance at the beginning of the year	426	466
Reclassification to real estate held-for-sale	(6)	(20)
Depreciation charge for the year	(10)	(12)
Impairment charge for the year	(21)	(9)
Foreign Currency Translation	(86)	1
Balance at the end of year	**303**	**426**

The recoverable amount of investment property is estimated based on its value-in-use. Based on the assessment in 2015, the carrying amount of the unit was determined to be higher than its recoverable amount of USD 303 million and an impairment loss of USD 21 million was recognised for the year ended 31 December 2015.

The value-in-use is based on an externally obtained appraisal which calculates the Net Present Value using the 'Business Plan Assessment' approach (which assumes a sell off of each property over the next 3 years).

20 Other Assets and Other Liabilities

	Group		Bank	
	2015	2014	**2015**	2014
Other Assets (USD million)				
Brokerage receivables (refer to Note 21)	8,260	4,185	8,260	4,185
Interest and fees receivable	342	159	342	175
Cash collateral on derivative instruments				
Banks	15,936	19,296	15,936	19,296
Customers	20,854	25,547	20,854	25,547
Other	218	218	218	218
Other assets	**45,610**	**49,405**	**45,610**	**49,421**

Other assets are mainly due within one year.

	Group		Bank	
	2015	2014	**2015**	2014
Other Liabilities (USD million)				
Brokerage payables (refer to Note 21)	2,340	1,212	2,340	1,212
Interest and fees payable	622	769	622	778
Cash collateral on derivative instruments				
Banks	16,449	17,526	16,449	17,526
Customers	10,606	15,258	10,606	15,258
Failed sales	–	39	–	39
Share-based compensation liability	163	124	163	124
Other	642	583	642	585
Other liabilities	**30,822**	**35,511**	**30,822**	**35,522**

Other liabilities are mainly due within one year.

21 Brokerage Receivables and Brokerage Payables

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

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

	Group		Bank	
	2015	2014	**2015**	2014
Brokerage receivable (USD million)				
Due from customers	1,544	6	1,544	6
Due from banks brokers and dealers	6,716	4,179	6,716	4,179
Total brokerage receivables	**8,260**	**4,185**	**8,260**	**4,185**
Brokerage payable (USD million)				
Due to customers	915	20	915	20
Due to banks brokers and dealers	1,425	1,192	1,425	1,192
Total brokerage payables	**2,340**	**1,212**	**2,340**	**1,212**

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

Included within payables are liabilities identified in respect of client money received from clients, but only where it has been determined that the cash received represents an asset of the CSi group. The CSi group and Bank held USD 4,837 million of client money as at 31 December 2015 (2014: USD 129 million), USD 4,429 million as of 31 December 2015 (2014: USD Nil million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSi group. This cash, when recognised on the balance sheet, is recorded under 'Cash and due from banks' and 'Other assets'.

The increase in brokerage receivables and payables balances is as a result of the acquisition of the Listed derivative business from CSS(E)L. Further details are included in Note 44- Business Combinations.

22 Property and Equipment

	Leasehold Improvements	Computer Equipment	Office Equipment	Total
2015 Group and Bank Property and equipment (USD million)				
Cost:				
Cost as at 1 January 2015	**530**	**218**	**106**	**854**
Additions	6	43	3	52
Acquisitions during the year	12	1	3	16
Disposals	(130)	(61)	(30)	(221)
Cost as at 31 December 2015	**418**	**201**	**82**	**701**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2015	**(387)**	**(164)**	**(99)**	**(650)**
Charge for the year	(19)	(32)	(5)	(56)
Acquisitions during the year	(11)	(1)	(3)	(15)
Disposals	129	57	30	216
Accumulated depreciation as at 31 December 2015	**(288)**	**(140)**	**(77)**	**(505)**
Net book value as at 1 January 2015	**143**	**54**	**7**	**204**
Net book value as at 31 December 2015	**130**	**61**	**5**	**196**

	Leasehold Improvements	Computer Equipment	Office Equipment	Total
2014 Group and Bank Property and equipment (USD million)				
Cost:				
Cost as at 1 January 2014	**529**	**235**	**118**	**882**
Additions	9	33	1	43
Disposals	(8)	(50)	(13)	(71)
Cost as at 31 December 2014	**530**	**218**	**106**	**854**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2014	**(371)**	**(182)**	**(105)**	**(658)**
Charge for the year	(21)	(32)	(7)	(60)
Disposals	5	50	13	68
Accumulated depreciation as at 31 December 2014	**(387)**	**(164)**	**(99)**	**(650)**
Net book value as at 1 January 2014	**158**	**53**	**13**	**224**
Net book value as at 31 December 2014	**143**	**54**	**7**	**204**

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

No interest has been capitalised within property and equipment (2014: USD Nil).

23 Intangible Assets

Group and Bank	Customer list	Internally Developed Software	Total
2015			
Intangible Assets (USD million)			
Cost:			
Cost as at 1 January 2015	**5**	**1,347**	**1,352**
Additions	–	161	161
Disposals	(5)	(225)	(230)
Cost as at 31 December 2015	**–**	**1,283**	**1,283**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2015	**(1)**	**(987)**	**(988)**
Amortisation for the year	(1)	(139)	(140)
Impairment	–	(4)	(4)
Disposals	2	221	223
Accumulated amortisation as at 31 December 2015	**–**	**(909)**	**(909)**
Net book value as at 1 January 2015	**4**	**360**	**364**
Net book value as at 31 December 2015	**–**	**374**	**374**
2014			
Cost:			
Cost as at 1 January 2014	**5**	**1,221**	**1,226**
Additions	–	135	135
Disposals	–	(9)	(9)
Cost as at 31 December 2014	**5**	**1,347**	**1,352**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2014	**(1)**	**(791)**	**(792)**
Amortisation for the year	–	(198)	(198)
Impairment	–	(7)	(7)
Disposals	–	9	9
Accumulated amortisation as at 31 December 2014	**(1)**	**(987)**	**(988)**
Net book value as at 1 January 2014	**4**	**430**	**434**
Net book value as at 31 December 2014	**4**	**360**	**364**

The recoverable amount of CSi's intangible assets is estimated based on their value-in-use. An assessment was performed in 2015, and the carrying amount of the certain intangible assets was determined to be higher than their recoverable amount and an impairment loss of USD 4 million was recognised for the year ended 31 December 2015. Intangible assets of USD 3 million, representing a customer list acquired in 2011 in the course of the acquisition of the Prime Fund Services ('PFS') business, has been disposed off as part of the sale of the PFS business to BNP Paribas on 1 June 2015. The recoverable amount for the Internally Developed Software is estimated based on its value-in-use. The value-in-use is calculated based on detailed reviews and specific information regarding the individual projects and their capitalisation. Semi-annual assessments are performed to calculate any required impairment.

24 Deposits

Group and Bank	2015	2014
Deposits (USD million)		
Non-interest bearing demand deposits	44	2
Interest-bearing demand deposits	486	2,523
Time deposits	34	1,939
Total deposits	**564**	**4,464**
of which due to banks	563	2,360
of which due to customers	1	2,104

Deposits have reduced from USD 4.4 billion to USD 0.5 billion. This is mainly attributable to the sale of the PFS business to BNP Paribas on 1 June 2015 and the movement of deposits held in relation to a portfolio of securities transferred to a CS group entity.

25 Short Term Borrowings

Group and Bank	2015	2014
Short-term borrowings (USD million)		
Short term borrowings:		
from banks	21,066	17,260
from customers	–	7
Total short term borrowings	**21,066**	**17,267**

26 Provisions

Group and Bank	Property	Litigation	Total
2015 **Provisions (USD million)**			
Balance at 1 January 2015	3	11	14
Charges during the year	–	138	138
Released during the year	–	(6)	(6)
Utilised during the year	–	(113)	(113)
Balance at 31 December 2015	**3**	**30**	**33**
2014 **Provisions (USD million)**			
Balance at 1 January 2014	4	10	14
Charges during the year	–	82	82
Released during the year	–	(24)	(24)
Utilised during the year	(1)	(57)	(58)
Balance at 31 December 2014	**3**	**11**	**14**

Property provision

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

Building	Provision	Utilisation period
17 Columbus Courtyard, London	USD 1 million	31 December 2024
5 Canada Square, London	USD 1 million	31 December 2027
Pall Mall, London	USD 1 million	31 March 2018

Litigation provision

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

The litigation provision relates to legal cases that the Bank is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2015.

27 Long Term Debt

	Group		Bank	
	2015	2014	**2015**	2014
Long-term debt (USD million)				
Senior debt	18,424	16,582	18,433	16,590
Subordinated debt	8,163	8,391	8,163	8,391
Total long term debt	**26,587**	**24,973**	**26,596**	**24,981**

The increase of USD 1.8 billion in Senior debt was principally as a result of issuances of new securities driven by long term funding requirements. Subordinated debt decreased by USD 228 million primarily due to the repayment of USD denominated subordinated bonds.

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

28 Accumulated Other Comprehensive Income

Group and Bank	Cumulative Translation Adjustment	Gains/(losses) on cash flow hedges	Accumulated other comprehensive income
2015			
Accumulated other comprehensive income (USD million)			
Balance at 1 January 2015	**–**	**(4)**	**(4)**
(Increase)/decrease:			
Foreign exchange translation differences	(2)	–	(2)
Cash flow hedges – effective portion of changes in fair vaue	–	–	–
Cash flow hedges – reclassified to profit or loss	–	4	4
Balance at 31 December 2015	**(2)**	**–**	**(2)**
2014			
Accumulated other comprehensive income (USD million)			
Balance at 1 January 2014	**–**	**–**	**–**
(Increase)/decrease:			
Foreign exchange translation differences	–	–	–
Cash flow hedges – effective portion of changes in fair vaue	–	(4)	(4)
Cash flow hedges – reclassified to profit or loss	–	–	–
Balance at 31 December 2014	**–**	**(4)**	**(4)**

29 Share Capital and Share Premium

Group and Bank	**2015**	2014
Share Capital **Allotted called-up and fully paid (USD)**		
Opening Balance		
Participating non-voting shares of USD 0.10 each (2014 :131,076,559,922 shares)	–	13,107,655,992
131,076,560,047 Ordinary shares of USD 0.10 each (2014 : 125 shares)	13,107,656,005	13
9 September 2014:		
Conversion of Participating non-voting shares to Ordinary shares of USD 0.10 each (2014 :131,076,559,922 shares)	–	(13,107,655,992)
Conversion from Participating non-voting shares to Ordinary shares of USD 0.10 each (2014 :131,076,559,922 shares)	–	13,107,655,992
1 December 2015:		
Issuance of Ordinary shares (81,510,564 of USD 0.10 each) on Business combinations	8,151,056	–
28 December 2015:		
Capital reduction of Ordinary shares (131,158,070,611 of USD 0.005716 each)	(749,699,531)	–
Total allotted called-up and fully paid capital	**12,366,107,530**	**13,107,656,005**
Share Premium (USD million)		
Opening Balance		
1 December 2015	12,699	12,699
Issuance of Ordinary shares (81,510,564 of USD 0.06372 each)	5	–
Share Premium	**12,704**	**12,699**

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

On 1 December 2015, the Bank issued 81,510,564 Ordinary shares at nominal value of USD 0.10, with USD 8 million recorded in share capital and USD 5 million in share premium in connection with acquisition of business from one of the CS group entities. Further, details of which are disclosed in Note 44 – Business Combination.

On 23 December 2015, USD 750 million of equity was repatriated to existing shareholders, in the same proportion as to their respective holding.

30 Retirement Benefit Obligations

The following disclosures contain the balances for the entire defined benefit plan sponsored by CSS(E)L, of which the Bank is one of many participants, who are all related parties under common control. The Bank accounts for its share of the plan using defined contribution accounting. During 2015 the Bank expensed USD 2 million (2014: USD 1.2 million) in respect of its contributions to the UK defined benefit scheme.

Profile of the pension plans

Approximately 11% of the UK plan's final salary liabilities are attributable to current employees, 72% to former employees yet to retire and 17% to current pensioners and dependants. The liabilities of the other plans in aggregate are broadly split 36% to current employees, 60% to former employees yet to retire and 4% to current pensioners and dependents. The UK plan duration is an indicator of the weighted-average time until benefits payments are made.

For the UK plan as a whole the duration is around 24 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 27 years), deferred members (duration of 25 years) and current pensioners (duration of 15 years).

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2015 and 2014, and the amounts included in CSS(E)L's consolidated financial statements for the defined benefit pension plan as at 31 December 2015 and 2014 respectively:

Group and Bank	**2015**	2014
Defined benefit pension plans (USD million)		
Defined benefit obligation – 1 January	1,876	1,684
Current service cost	5	5
Interest cost	68	77
Actuarial losses on assumptions	(60)	272
arising out of changes in demographic assumptions	6	–
arising out of changes in financial assumptions	(66)	272
Actuarial (gains)/ losses – experience	(1)	(25)
Benefit payments	(55)	(37)
Exchange rate (gains)/losses	(88)	(100)
Defined benefit obligation – 31 December	**1,745**	**1,876**
Fair value of plan assets – 1 January	2,704	2,265
Expected return on plan assets	98	104
Actuarial gains	(49)	501
Actual return on plan assets	**49**	**605**
Employer Contributions	9	9
Administrative expense	(2)	(2)
Benefit payments	(55)	(37)
Exchange rate losses/(losses)	(127)	(136)
Fair value of plan assets – 31 December	**2,578**	**2,704**

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the UK plan was carried out by a qualified actuary as at 31 December 2011 and showed a deficit of GBP 61.2 million. The CSS(E)L and Trustee agreed that no future shortfall contributions would be paid because the shortfall contributions paid soon after the valuation date and the allowance for post-valuation experience were sufficient to recover the shortfall. The next/current funding valuation is measured at 31 December 2014 and is currently being agreed between the Trustee and CSS(E)L.

Contributions will be paid to cover administrative expenses, administration rebates and death in service pensions. Expected regular contributions to be paid to the UK defined benefit plan for all participating entities for the year ending 31 December 2016 is approximately USD 9 million.

Assumptions

The assumptions used in the measurement of the defined benefit obligation and net periodic pension cost for the Credit Suisse UK pension plan as at 31 December were as follows:

Group and Bank	2015	2014
Benefit obligation (%)		
Discount rate	3.90%	3.70%
Retail Price Inflation	3.10%	3.00%
Consumer Price Inflation	2.00%	2.00%
Pension increases [1]	3.04%	2.91%
Salary increases	3.25%	4.25%
Net periodic pension cost (%)		
Discount rate	3.70%	4.60%
Salary increases	4.25%	4.25%

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

Mortality Assumptions

The life expectancy assumptions for 2015 are similar to those used for 2014.

The assumptions for life expectancy for the 2015 UK benefit obligation pursuant to IAS 19 are based on the 'SAPS 2 light' base table with improvements in mortality in line with the core CMI 2015 projections and a scaling factor of 95%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.50% p.a.

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

	2015	2014
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28.9	28.8
Females	30.1	30.1
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	31.2	30.8
Females	32.5	32.1

Sensitivity Analysis

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

	Defined Benefit Obligation USD million	Increase %	Defined Benefit Obligation USD million	Decrease %
Defined Benefit obligation				
One-percentage point change				
- 1%/ +1% Discount rate	2,209	27	1,393	20
+1% / -1% Inflation rate	2,056	18	1,482	15
+1% / -1% Salary increases rate	1,755	1	1,735	1
+1 / -1 year to life expectancy at 60	1,782	2	1,707	2

The sensitivity analysis above has been derived using a number of additional full valuation runs that have been carried out using the same data as that used for calculating the 2015 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being (partially) matched to the obligations.

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

Plan assets and investment strategy

Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with CSS(E)L) and contribution schedules (which requires the agreement of CSS(E)L) – lies with the board of trustees. CSS(E)L's defined benefit pension plan looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, together with agreed contributions from the CSS(E)L, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition.

The Fund has a hedging target of around 80% of interest rate and inflation risk arising from the Economic Value of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the Economic Value of the liabilities is calculated. In particular limits have been placed on the level of exposure that may be obtained from bonds and gilt total return swaps, both in terms of interest rate and inflation sensitivity.

Equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification.

Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, CSS(E)L's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

Risks Associated with UK Plan

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

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus. The UK plan holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the UK plan's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the UK plan's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the plan's bond holdings. The plan does hedge interest rate risk, so whilst it might be expected that the hedge increases in value if bond yields decrease, the plan is exposed to the extent that the hedge is not designed to cover 100% of the accounting defined benefit obligation and also the fact that the hedge does not mitigate decreases in credit spreads.

Inflation Risk

A significant proportion of the UK plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit to the extent that the inflation swap hedge does not match the increase.

Life expectancy

The majority of the UK plans's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

	Defined Benefit Pension Plans UK Plans 2015
Estimated future benefit payments (USD million)	
2016	16
2017	18
2018	20
2019	24
2020	28
For five years thereafter	214

Plan assets measured at fair value

	2015				2014			
	Quoted	Unquoted	Total	% of total fair value of scheme assets	Quoted	Unquoted	Total	% of total fair value of scheme assets
Plan assets measured at fair value (USD million)								
Cash and cash equivalents	–	180	180	7.0%	–	256	256	9.5%
Debt Securities	1,320	234	1,554	60.3%	1,208	477	1,685	62.3%
of which governments	692	–	692	26.9%	565	5	570	21.1%
of which corporates	628	234	862	33.4%	643	472	1,115	41.2%
Equity Securities	211	246	457	17.7%	259	98	357	13.2%
Derivatives	–	233	233	9.0%	–	276	276	10.2%
Alternative investments	–	154	154	6.0%	–	130	130	4.8%
of which hedge funds	–	103	103	4.0%	–	130	130	4.8%
of which other	–	51	51	2.0%	–	–	–	–
Total plan assets UK Plans	**1,531**	**1,047**	**2,578**	**100.0%**	**1,467**	**1,237**	**2,704**	**100.0%**

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2015 and 2014 were USD 18 million and USD 12 million, respectively.

31 Employee Share-based Compensation and Other Compensation Benefits

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

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

Total compensation expense for cash-settled share-based compensation plans recognised during 2015 and 2014 was USD 124 million and USD 67 million respectively. The total stock award liability recorded as at 31 December 2015 was USD 163 million (2014: USD 124 million). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2015 CHF 21.69 (2014: CHF 25.08). The average weighted fair value of awards granted in 2015 was CHF 14.85 (2014: CHF 27.45). The intrinsic value of vested share based awards outstanding as at year end was USD 20 million (2014: USD 14 million).

The recognition of compensation expense for the deferred compensation awards granted in January 2016 began in 2016 and thus had no impact on the 2015 financial statements.

Performance Share Awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related claw-back provisions. Each performance share award granted entitles the holder of the award to receive one CSG share. Performance share awards also vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the Phantom share awards, outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss unless there is a negative CSG ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on the CSG's negative ROE. For employees in Corporate Functions, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

Outstanding performance share awards granted in previous years were based on former strategic ROE, adjusted for the goodwill impairment charge related to the re-organisation of the former Investment Banking division.

The number of performance share awards was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the twelve business days ended 18 January 2016. The fair value of each performance share award was CHF 18.62, the CSG share price on the grant date.

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

Movements in the number of PSA outstanding were as follows:

Group and Bank	2015	2014
Number of units (millions)		
As at 1 January	1.97	1.88
Granted	0.95	0.92
Shares transferred in/out	1.39	(0.08)
Delivered	(0.95)	(0.71)
Forfeited	(0.02)	(0.04)
As at 31 December	**3.34**	**1.97**

Phantom Share Awards

Share awards granted in January 2016 are similar to those granted in January 2015 and are awarded to certain employees in the Bank. Each share award granted entitles the holder of the award to receive one CSG share, does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted in January 2011 vest over a four-year period. The value of these share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, subject to continued employment with the Bank, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a CSG share over the twelve business days ended 18 January 2016. The fair value of each share award was CHF 18.62, the CSG share price on the grant date. While share awards granted between 1 January 2014 and 31 December 2015 do not include the right to receive dividend equivalents during the vesting period, share awards granted after 1 January 2016 include the right to receive dividend equivalents.

Group and Bank	2015	2014
Number of units (millions)		
As at 1 January	4.48	3.96
Granted	2.01	2.30
Shares transferred in/out	3.21	0.01
Delivered	(2.42)	(1.66)
Forfeited	(0.23)	(0.13)
As at 31 December	**7.05**	**4.48**

Contingent Capital Awards

Contingent Capital Awards ('CCA') were granted in January 2016, 2015 and 2014 as part of 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 5.41%, 5.75% and 5.33% per annum over the six-month US dollar London Interbank Offered Rate ('LIBOR'), for 2016, 2015 and 2014, respectively, until settled.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as additional tier 1 capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA ('FINMA'). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. CSG will determine that fair value at its discretion. CSG intends to grant CCA as one of its annual deferred variable compensation awards in future years.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero if any of the following trigger events were to occur:

- CSG's reported common equity tier 1 ('CET1') ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that CSG requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

Total compensation expense recognised for January 2015 and January 2014 CCA during the year ended 31 December 2015 was USD 23 million (2014: USD 8 million).

Plus Bond awards

Certain employees received a portion of their 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by CSG of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks. While the Plus Bond award is a cash-based instrument, CSG reserves the right to settle the award in CSG shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, CSG retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes in capital treatment, exchange the award into CSG shares. The Plus Bond award plan contributes to a reduction of CSG's risk-weighted assets and constitutes a risk transfer from CSG to the Plus Bond award holders.

Certain employees were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation vested on the third anniversary of the grant date on 17 January 2016 and were expensed over the vesting period.

Total compensation expense recognised during the year ended 31 December 2015 was USD 1 million (2014: USD 1 million).

Restricted Cash Awards

Certain employees received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Bank even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On 17 January 2013, the Bank granted Restricted Cash Awards.

Total compensation expense recognised during the year ended 31 December 2015 was 2 million (2014: USD 6 million).

2011 Partner Asset Facility ('PAF2')

As part of the 2011 annual compensation process, certain employees were awarded a portion of their deferred variable compensation in the form of 2011 Partner Asset Facility (PAF2) units. PAF2 units are essentially fixed income structured notes that are exposed to a portion of the credit risk that arises in CSG's derivative activities, including both current and possible future swaps and other derivative transactions. The value of the award (for both the interest accrual and the final redemption) will be reduced if the amount of realised credit losses from a specific reference portfolio exceeds a pre-defined threshold. CSG will bear the first USD 500 million of such losses and the PAF2 holders, across a number of CSG entities including CSi, will bear any losses in excess of USD 500 million, up to the full amount of the deferred compensation awarded.

Certain employees received PAF2 awards, which vested in the first quarter of 2012.

PAF2 awards were linked to a portfolio of CSG's credit exposures, providing risk offset and capital relief. Due to regulatory changes, this capital relief would no longer be available. As a result, CSG restructured the awards in March 2014, requiring PAF2 holders to reallocate the exposure of their awards from the pool of counterparty credit risks in the original PAF2 structure to one of the following options, or a combination thereof:

Capital Opportunity Facility

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

Contingent Capital Awards

Participants elect to receive Contingent Capital Award ('CCA') with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates. Settlement is expected to occur in the first half of 2016, subject to regulatory approvals.

Total compensation expense recognised for the PAF2 award during the year ended 31 December 2015 was Nil (2014: USD 1 million).

Total compensation expense recognised for the PAF2 CCA during the year ended 31 December 2015 was USD 3 million (2014: USD 2 million).

Total compensation expense recognised for the COF during the year ended 31 December 2015 was USD 1 million (2014: USD 1 million).

Adjustable Performance Plan Awards ('APPA')

The Adjustable Performance Plan ('APP') is a deferred compensation plan for certain employees. CSG granted APP cash awards as part of deferred compensation for 2009 ('2009 APP') and 2010 ('2010 APP').

The 2009 APP cash awards were fully vested and expensed as of 31 December 2012 and were delivered in the first half of 2013.

The 2010 APP cash awards vested over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the CSG ROE. The adjustments were determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported CSG ROE, unless the division that granted the awards incurred a pre-tax loss. In this case, outstanding awards in that division were subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative CSG ROE applied for that year and was greater than the divisional adjustment. For employees in Corporate Functions and other support functions, all outstanding 2010 APP cash awards were linked to CSG's adjusted profit or loss and the CSG ROE, but were not dependent upon the adjusted profit or loss of the business areas that they supported.

Total compensation expense recognised for APP cash awards during the year ended 31 December 2015 was USD 0.003 million (2014: USD 0.3 million).

In July 2012, CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Each Adjustable Performance Plan share award has a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Movements in the number of APP shares outstanding were as follows:

Group and Bank	**2015**	2014
APP Stock Awards (millions)		
As at 1 January	0.13	0.27
Granted	–	–
Share transferred in/out	–	–
Delivered	(0.13)	(0.14)
Forfeited	–	–
As at 31 December	**–**	**0.13**

2008 Partner Asset Facility ('PAF')

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

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on 31 December 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from CSG's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

Total compensation expense recognised during the year ended 31 December 2015 was USD 4 million (2014: USD 11 million).

32 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 repurchase agreements. In addition, the ordinary shares are issued to CSG and subsidiaries of CSG, as outlined in Note 29 – Share Capital and Share Premium. The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

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

a) Related party assets and liabilities

	31 December 2015			31 December 2014		
Group	Parent	Fellow group companies	**Total**	Parent	Fellow group companies	**Total**
Assets (USD million)						
Cash and due from banks	97	12,183	12,280	6	13,387	13,393
Interest-bearing deposits with banks	–	59	59	–	165	165
Securities purchased under resale agreements and securities borrowing transactions	–	30,072	30,072	–	33,477	33,477
Trading financial assets at fair value through profit or loss	3,447	30,230	33,677	3,642	38,031	41,673
Financial assets designated at fair value through profit or loss	–	3,648	3,648	–	4,221	4,221
Other loans and receivables	–	2,993	2,993	–	2,992	2,992
Other assets	1	5,222	5,223	17	7,400	7,417
Total assets	**3,545**	**84,407**	**87,952**	**3,665**	**99,673**	**103,338**
Liabilities and Equity (USD million)						
Deposits	83	37	120	–	1,708	1,708
Securities sold under repurchase agreements and securities lending transactions	–	5,737	5,737	–	8,383	8,383
Trading liabilities at fair value through profit or loss	949	28,326	29,275	1,190	37,667	38,857
Financial liabilities designated at fair value through profit or loss	4,757	5,750	10,507	4	10,613	10,617
Short term borrowings	–	21,066	21,066	–	17,264	17,264
Long term debt	–	26,555	26,555	1,100	23,639	24,739
Other liabilities	93	3,559	3,652	1	4,369	4,370
Share capital	3,110	9,256	12,366	3,290	9,818	13,108
Share premium	4,110	8,594	12,704	4,105	8,594	12,699
Total liabilities and equity	**13,102**	**108,880**	**121,982**	**9,690**	**122,055**	**131,745**

	31 December 2015				31 December 2014			
Bank	Parent	Fellow group companies	Subsidiaries	**Total**	Parent	Fellow group companies	Subsidiaries	**Total**
Assets (USD million)								
Cash and due from banks	97	12,183	–	12,280	6	13,387	–	13,393
Interest-bearing deposits with banks	–	59	–	59	–	165	–	165
Securities purchased under resale agreements and securities borrowing transactions	–	30,072	–	30,072	–	33,477	–	33,477
Trading assets at fair value through profit or loss	3,447	30,230	435	34,112	3,642	38,031	506	42,179
Financial assets designated at fair value through profit or loss	–	3,648	–	3,648	–	4,221	–	4,221
Other loans and receivables	–	2,993	–	2,993	–	2,992	–	2,992
Other assets	1	5,222	–	5,223	17	7,400	14	7,431
Investments in subsidiary undertakings	–	–	–	–	–	–	10	10
Total assets	**3,545**	**84,407**	**435**	**88,387**	**3,665**	**99,673**	**530**	**103,868**
Liabilities and Equity (USD million)								
Deposits	83	37	–	120	–	1,708	–	1,708
Securities sold under repurchase agreements and securities lending transactions	–	5,737	–	5,737	–	8,383	–	8,383
Trading liabilities at fair value through profit or loss	949	28,326	8	29,283	1,190	37,667	21	38,878
Financial liabilities designated at fair value through profit or loss	4,757	5,750	9	10,516	4	10,613	15	10,632
Short term borrowings	–	21,066	–	21,066	–	17,264	–	17,264
Long term debt	–	26,555	9	26,564	1,100	23,639	9	24,748
Other liabilities	93	3,559	–	3,652	1	4,369	11	4,381
Share capital	3,110	9,256	–	12,366	3,290	9,818	–	13,108
Share premium	4,110	8,594	–	12,704	4,105	8,594	–	12,699
Total liabilities and equity	**13,102**	**108,880**	**26**	**122,008**	**9,690**	**122,055**	**56**	**131,801**

b) Related party revenues and expenses

	31 December 2015			31 December 2014		
Group (USD million)	Parent	Fellow group companies	**Total**	Parent	Fellow group companies	**Total**
Interest income	–	195	195	–	295	295
Interest expense	(45)	(415)	(460)	(36)	(515)	(551)
Net interest expense	**(45)**	**(220)**	**(265)**	**(36)**	**(220)**	**(256)**
Commissions and fees	–	17	17	–	(107)	(107)
Revenue sharing agreements expense	(9)	(479)	(488)	(9)	(432)	(441)
Other revenue	–	106	106	–	1	1
Total non-interest revenues	**(9)**	**(356)**	**(365)**	**(9)**	**(538)**	**(547)**
Net operating income	**(54)**	**(576)**	**(630)**	**(45)**	**(758)**	**(803)**
Total operating expenses	**(2)**	**(185)**	**(187)**	**(3)**	**(130)**	**(133)**

c) Remuneration

Remuneration of Directors

(USD '000)	**2015**	2014
Emoluments	2,650	2,738
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	1,660	867
Amounts Delivered under Share Based Awards	2,855	3,038
Total	**7,165**	**6,643**
Compensation for loss of office	–	–
Bank's contributions to defined contribution	38	27
Total	**7,203**	**6,670**

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

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

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 4,413,000 (2014: USD 2,547,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 6,000 (2014: USD 6,000). There were no contributions made for defined benefit lump sum (2014: USD Nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Bank's accounts for directors in accordance with IFRS requirements for 2014 was USD 5,635,000 (2013: USD 6,043,000).

d) Number of Directors and Benefits

(Number of Directors)	**2015**	2014
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	6	4
No scheme	4	3
Directors in respect of whom services were received or receivable under long term incentive scheme	**10**	**7**

e) Remuneration of Key Management Personnel

(USD' 000)	**2015**	2014
Remuneration of Key Management Personnel		
Emoluments	7,101	6,335
Long term incentive schemes	7,591	7,712
Total	**14,692**	**14,047**
Compensation for loss of office	–	–
Bank's contributions to defined contribution plan	111	121
Total	**14,803**	**14,168**

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

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

CSG Shares awarded to Key Management Personnel

	2015	2014
Number of shares	326,830	415,619

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

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

Key management personnel include Directors and the members the UK Investment Bank Executive Committee (2012 the EMEA (Europe, Middle East and Africa) Operating Committee).

f) Loans and Advances to Directors and Key Management Personnel

Loans outstanding to or due from Directors or key management personnel of the CSi group at 31 December 2015 were USD 4,000 (2014: USD 2,000), of which loans to Directors were USD 2,000 (2014: USD Nil).

33 Employees

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

Group and Bank (Number)	2015	2014
Business functions	964	498
Corporate functions	237	260
Total	**1,201**	**758**

The CSi group receives a range of services from related companies, in particular from fellow subsidiary Credit Suisse Securities (Europe) Limited which is the primary Credit Suisse employing entity in the UK. The headcount related to these services cannot be accurately ascertained and is not therefore included in the above numbers. Staff costs and staff numbers do not differ between Bank and CSi group.

The increase in headcount was partially as a result of the transfer of employees in relation to business acquisition. Refer Note 44 – Business Combinations.

34 Derivatives and Hedging Activities

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

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

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

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

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

	31 December 2015				31 December 2014			
	Trading		Hedging		Trading		Hedging	
Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	325	437	–	–	3,732	3,950	–	–
Swaps	113,981	108,368	–	–	406,504	397,514	–	–
Options bought and sold (OTC)	49,959	47,982	–	–	66,977	64,592	–	–
Options bought and sold (Exchange traded)	50	26	–	–	118	45	–	–
Interest rate products	**164,315** [1]	**156,813** [1]	**–**	**–**	**477,331**	**466,101**	**–**	**–**
Forwards and forward rate agreements	12,037	12,015	–	–	22,500	22,294	–	4
Swaps	31,681	41,429	–	–	41,582	52,202	–	–
Options bought and sold (OTC)	16,336	16,973	–	–	20,292	22,239	–	–
Foreign exchange products	**60,054**	**70,417**	**–**	**–**	**84,374**	**96,735**	**–**	**4**
Forwards and forward rate agreements	2	2	–	–	2	10	–	–
Swaps	6,519	5,570	–	–	6,496	6,749	–	–
Options bought and sold (OTC)	7,220	7,497	–	–	9,752	9,681	–	–
Options bought and sold (Exchange traded)	8,111	9,787	–	–	10,877	11,853	–	–
Equity/indexed-related products	**21,852**	**22,856**	**–**	**–**	**27,127**	**28,293**	**–**	**–**
Swaps	21,214	21,636	–	–	31,079	30,606	–	–
Options bought and sold (OTC)	57	43	–	–	92	48	–	–
Credit products	**21,271** [1]	**21,679** [1]	**–**	**–**	**31,171**	**30,654**	**–**	**–**
Forwards and forward rate agreements	71	125	–	–	688	692	–	–
Swaps	718	465	–	–	3,921	4,684	–	–
Options bought and sold (OTC)	230	211	–	–	1,470	1,613	–	–
Options bought and sold (Exchange traded)	18	26	–	–	190	78	–	–
Other products	**1,037**	**827**	**–**	**–**	**6,269**	**7,067**	**–**	**–**
Total derivative instruments	**268,529**	**272,592**	**–**	**–**	**626,272**	**628,850**	**–**	**4**

[1] Decrease in derivative instruments partially as a result of changes to the rule books of certain clearing counterparties, whereby Interest Rate Products and Credit Default Swaps are accounted for on a settled to market basis. The notional amount for the OTC cleared derivatives that are fully margined and settled on a daily basis was USD 18.258 trillion at the end of 2015.

Group	2015 Positive replacement value	2015 Negative replacement value	2014 Positive replacement value	2014 Negative replacement value
Replacement values (USD million)				
Replacement values (trading) before netting	268,529 [1]	272,592	626,272	628,850
Replacement values (trading) after netting	262,698	266,996	389,218	396,949

[1] Decrease in derivative instruments partially as a result of changes to the rule books of certain clearing counterparties, whereby Interest Rate Products and Credit Default Swaps are accounted for on a settled to market basis. The notional amount for the OTC cleared derivatives that are fully margined and settled on a daily basis was USD 18.258 trillion at the end of 2015.

	31 December 2015				31 December 2014			
	Trading		Hedging		Trading		Hedging	
Bank	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	325	437	–	–	3,732	3,950	–	–
Swaps	113,999	108,376	–	–	406,659	397,667	–	–
Options bought and sold (OTC)	49,959	47,982	–	–	66,977	64,592	–	–
Options bought and sold (Exchange traded)	50	26	–	–	118	45	–	–
Interest rate products	**164,333** [1]	**156,821** [1]	**–**	**–**	**477,486**	**466,254**	**–**	**–**
Forwards and forward rate agreements	12,037	12,015	–	–	22,500	22,294	–	4
Swaps	31,681	41,429	–	–	41,582	52,202	–	–
Options bought and sold (OTC)	16,336	16,973	–	–	20,292	22,239	–	–
Foreign exchange products	**60,054**	**70,417**	**–**	**–**	**84,374**	**96,735**	**–**	**4**
Forwards and forward rate agreements	2	2	–	–	2	10	–	–
Swaps	6,519	5,570	–	–	6,496	6,749	–	–
Options bought and sold (OTC)	7,220	7,497	–	–	9,752	9,681	–	–
Options bought and sold (Exchange traded)	8,111	9,787	–	–	10,877	11,853	–	–
Equity/indexed-related products	**21,852**	**22,856**	**–**	**–**	**27,127**	**28,293**	**–**	**–**
Swaps	21,214	21,636	–	–	31,079	30,606	–	–
Options bought and sold (OTC)	57	43	–	–	92	48	–	–
Credit products	**21,271** [1]	**21,679** [1]	**–**	**–**	**31,171**	**30,654**	**–**	**–**
Forwards and forward rate agreements	71	125	–	–	688	692	–	–
Swaps	718	465	–	–	3,921	4,684	–	–
Options bought and sold (OTC)	230	211	–	–	1,470	1,613	–	–
Options bought and sold (Exchange traded)	18	26	–	–	190	78	–	–
Other products	**1,037**	**827**	**–**	**–**	**6,269**	**7,067**	**–**	**–**
Total derivative instruments	**268,547**	**272,600**	**–**	**–**	**626,427**	**629,003**	**–**	**4**

[1] Decrease in derivative instruments partially as a result of changes to the rule books of certain clearing counterparties, whereby Interest Rate Products and Credit Default Swaps are accounted for on a settled to market basis. The notional amount for the OTC cleared derivatives that are fully margined and settled on a daily basis was USD 18.258 trillion at the end of 2015.

Bank	2015 Positive replacement value	2015 Negative replacement value	2014 Positive replacement value	2014 Negative replacement value
Replacement values (USD million)				
Replacement values (trading) before netting	268,547 [1]	272,600	626,427	629,003
Replacement values (trading) after netting	262,716	267,004	389,373	397,101

[1] Decrease in derivative instruments partially as a result of changes to the rule books of certain clearing counterparties, whereby Interest Rate Products and Credit Default Swaps are accounted for on a settled to market basis. The notional amount for the OTC cleared derivatives that are fully margined and settled on a daily basis was USD 18.258 trillion at the end of 2015.

Trading Activities

The Bank is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the Bank's derivatives held as at 31 December 2015 were used for trading activities.

Economic Hedges

Economic hedges arise when the CSi group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under IFRS. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities;
- credit derivatives to manage credit risk on certain loan portfolios; and
- economic hedges are accounted for and presented in the same way as trading derivatives, since hedge accounting is not applied.

Cash Flow Hedges

CSi uses derivatives to hedge its cash flows associated with forecasted transactions.

	2015	2014
Fair value of derivative instruments designated as cash flow hedges		
Assets	–	–
Liabilities	–	4

The following table indicates the periods when hedged cash flows are expected to occur and when they are expected to affect the Consolidated Statement of Income.

	Within 3 months	3 Months to 1 year	1 Year to 5 years	Over 5 years
2015 (USD million)				
Net loss				
Cash inflows from assets/revenues	–	–	–	–
Cash outflows from liabilities/expenses	–	–	–	–
Net cash flows	–	–	–	–
2014 (USD million)				
Net loss				
Cash inflows from assets/revenues	–	–	–	–
Cash outflows from liabilities/expenses	23	70	–	–
Net cash flows	23	70	–	–

Refer to "Note 28 – Accumulated Other Comprehensive Income" for further information on balances recognised in AOCI related to cash flow hedges and on gains/losses recognised in AOCI in respect of effective cash flow hedges.

Hedge effectiveness assessment

The CSi group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis and requires the CSi group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the CSi group to determine whether or not the hedging relationship has actually been effective. If the CSi group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognised in earnings.

Disclosures relating to contingent credit risk

Certain of the Bank's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either CSG or the counterparty, at the existing mark to market replacement value of the derivative contract.

On a daily basis, the level of incremental collateral that would be required by derivative counterparties in the event of a CSG ratings downgrade is monitored. Collateral triggers are maintained by the Collateral Management department and vary by counterparty.

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

35 Guarantees and Commitments

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

	Maturity						
Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2015							
Guarantees (USD million)							
Credit guarantees and similar instruments	77	–	50	–	127	1	126
Performance guarantees and similar instruments	188	355	55	–	598	–	598
Other Guarantees	353	–	–	–	353	–	353
Total guarantees	**618**	**355**	**105**	**–**	**1,078**	**1**	**1,077**

	Maturity						
Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2015							
Other commitments (USD million)							
Irrevocable commitments under documentary credit	–	–	–	–	–	–	–
Loan commitments	4,598	3,712	1,505	369	10,184	4,954	5,230
Other Commitments – Commitments to purchase cash securities <1 year	2,310	–	–	–	2,310	–	2,310
Total other commitments	**6,908**	**3,712**	**1,505**	**369**	**12,494**	**4,954**	**7,540**

	Maturity						
Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2014							
Guarantees (USD million)							
Credit guarantees and similar instruments	10	85	–	50	145	1	144
Performance guarantees and similar instruments	386	254	100	–	740	–	740
Other Guarantees	–	353	–	–	353	–	353
Total guarantees	**396**	**692**	**100**	**50**	**1,238**	**1**	**1,237**

	Maturity						
Group and Bank	<1 year	1-3 years	3-5 years	>5 years	Total gross amount	Collateral received	Net of collateral
31 December 2014							
Other commitments (USD million)							
Irrevocable commitments under documentary credit	16	–	–	–	16	–	16
Loan commitments	2,605	4,860	1,762	336	9,563	6,303	3,260
Other Commitments – Commitments to purchase cash securities <1 year	1,555	–	–	–	1,555	–	1,555
Total other commitments	**4,176**	**4,860**	**1,762**	**336**	**11,134**	**6,303**	**4,831**

Credit guarantees are contracts that require the CSi group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the CSi group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

Performance guarantees and similar instruments are arrangements that require contingent payments to be made when certain performance-related targets or covenants are not met. Such covenants may include a customer's obligation to deliver certain products and services or to perform under a construction contract. Performance-related guarantees are frequently executed as part of project finance transactions.

Other Guarantees consist of an indemnity that Credit Suisse International has provided to Credit Suisse Securities (Europe) Limited with respect to potential funding requests up to a maximum of USD 353 million in relation to the UK Pension Fund for the period starting 16 June 2014 and ending 31 May 2016. Credit Suisse International is receiving a fee of USD 44 million in monthly instalments for this indemnity.

Loan commitments include unused credit facilities that cannot be revoked at any time without prior notice.

Commitment to purchase cash securities represents the value of debt and equity cash security contracts which requires CSi group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

Lease Commitments

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

Group and Bank	**2015**	2014
Operating lease commitments (USD million)		
Up to 1 year	96	101
From 1 year and no later than 5 years	383	404
From 5 years and over	858	1,005
Future operating lease commitments	**1,337**	**1,510**
Less minimum non-cancellable sublease rentals	(50)	(73)
Total net future minimum operating lease commitments	**1,287**	**1,437**

The future operating lease commitments include service charges of USD 21 million (2014: USD 22 million).

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

Group and Bank	**2015**	2014
Net rental expense (USD million)		
Minimum rentals	95	98
Sublease rental income	(82)	(67)
Total net rental expenses	**13**	**31**

Contingent Liabilities and Other 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. The court has granted preliminary approval to the settlement agreements, which remain subject to final court approval.

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 judgment given in favor of CSi. The plaintiffs are appealing the judgment.

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. 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.

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 15 million, repayment of EUR 159 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.

36 Interests in Other Entities

Subsidiaries

Composition of the CSi Group

Subsidiaries are entities (including structured entities) controlled by the CSi group. The CSi group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The following table sets forth the full list of related undertakings (which is not limited to subsidiary undertakings) the CSi group owns, directly or indirectly.

Composition of the Group

Company Name	Domicile	Currency	**Percentage of ownership held 2015**	Percentage of ownership held 2014
31 December 2015				
Credit Suisse First Boston International (USA), Inc.	United States of America	USD	–	100
CSFB International Trading L.L.C.	United States of America	USD	–	100
AHL Investment Strategies PCC – Class F3 Global Futures	Cayman Islands	USD	100	100
AHL Investment Strategies PCC – Class I1 AHL Global Futures 6 EUR Shares	Guernsey	EUR	100	100
AHL Investment Strategies PCC – Class K1 AHL Global Futures 7 EUR Shares	Guernsey	EUR	100	100
AHL Investment Strategies PCC – Class L1 AHL Global Futures 8 EUR Shares	Guernsey	EUR	100	100
AI3 Segregated Portfolio	Cayman Islands	USD	100	100
Ajanta Limited	Gibraltar	EUR	100	100
Andrea Investments (Jersey) PCC	Jersey	GBP	100	100
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey	USD	100	100
Argentum Capital Series 2015-5	Luxembourg	EUR	100	–
Arundel (International) Limited	Gibraltar	EUR	100	100
AZ Pure China – Equity Strategy	Luxembourg	USD	–	100
AZ Pure China – Fixed Income Strategy	Luxembourg	USD	–	100
Bellingham Properties Limited	Gibraltar	EUR	100	100
Boats Investments (Jersey) Ltd Series 532	Jersey	USD	100	100
Boats Investments (Jersey) Ltd Series 467,511,512,528,541	Jersey	USD	–	100
Boats Investments (Jersey) Ltd Series 560,565,564,562,561,558,557,551,550,548,546,545 & 559	Jersey	USD	100	–
Bondstreet 2 GmbH	Germany	USD	100	100
Brevan Howard Multi-Manager Limited	Cayman Islands	USD	100	100
CARMF Alternative 1	France	USD	100	100
Carmil Properties Limited	Gibraltar	EUR	100	100
Cepheus Holdings Limited	Gibraltar	EUR	100	100
Coxaro Holdings Limited	Cyprus	USD	100	100
Credit Suisse Backwardation Fund	Ireland, Republic of	USD	100	100
Credit Suisse Bond Fund	Ireland, Republic of	EUR	100	100
Credit Suisse Custom Markets	Luxembourg	USD	100	100
Credit Suisse Man Crystal Fund	Ireland, Republic of	USD	–	100
Crown RF Segregated Portfolio	Cayman Islands	USD	100	100
Culross Global SPC Limited – Culross UCITS Index Segregated Portfolio	British Virgin Islands	USD	100	100
Custom Markets PLC	Ireland, Republic of	USD	100	100
Custom Markets PLC – Credit Suisse Movers Fund	Ireland, Republic of	EUR	100	100
Custom Markets QIF PLC	Ireland, Republic of	USD	100	100
Dutch Holding Rembrandt B.V.	Netherlands	EUR	100	100
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands	EUR	100	100
Eastern Olympiad Fund I Ltd	Cayman Islands	USD	–	100
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands	USD	100	100
HOLT Emerging Markets Equity Fund	Ireland, Republic of	USD	100	100
HOLT Europe Equity Fund	Luxembourg	USD	–	100
HOLT Global Equity Fund	Luxembourg	USD	100	100
Interleuvenlaan 15 Real Estate Ltd	Gibraltar	EUR	100	100
Kaylen Properties Limited	Gibraltar	EUR	100	100

Composition of the Group (Continued)

31 December 2015				
Le Meilleur de Profilio	France	USD	–	100
Lux Multi Flex Hubel	Luxembourg	EUR	100	–
Man Global Strategies Investment Strategies Ltd: Class H Man IP-220 EUR Index Shares	Bermuda	EUR	–	100
Managed Investments PCC – CS Points Germany II	Guernsey	USD	–	100
Mistral SPC	Cayman Islands	USD	100	100
Mistral SPC – Long/Short Equity	Cayman Islands	USD	100	100
Nebraska S.A – Compartments 4,5, 7	Luxembourg	USD	–	100
New Jersey S.A.	Luxembourg	EUR	100	100
Prime Nominees (Asia) Ltd	Ireland, Republic of	USD	–	100
Prime Nominees (Ireland) Ltd	Ireland, Republic of	USD	–	100
RPM SPC – Enhanced Risk Segregated Portfolio	Cayman Islands	USD	100	100
RPM SPC – Global Futures Selection Enhanced Risk Segregated Portfolio	Cayman Islands	USD	100	100
SAPIC Global Macro Fund Ltd.	Cayman Islands	USD	100	100
SAPIC Global Macro Master Fund Ltd.	Cayman Islands	USD	100	100
SAPIC III Master Fund	Cayman Islands	USD	–	100
SAPIC-98 Master Fund	Cayman Islands	USD	100	100
SAPIC-98 Reference Fund (55) LIMITED	Cayman Islands	EUR	100	100
SAPIC-98 Reference Fund (56) LIMITED	Cayman Islands	EUR	100	100
Silver Hake Limited	Gibraltar	EUR	100	–
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands	EUR	100	100
Sontex (International) Limited	Gibraltar	EUR	100	100
Weiveldlaan 41 Real Estate Ltd	Gibraltar	EUR	100	100
Westwood S.A	Portugal	USD	100	100
Xanthos Arrow Index Trust	Cayman Islands	USD	100	100
YI Active Spezial ESPA Fund	Austria	EUR	100	–
Zephyros Limited	Cayman Islands	USD	100	100

There are no material differences between the date of the end of the reporting period of the financial statements of the CSi group and those of any of its subsidiaries (including any consolidated structured entities). There was drop in the CS relative % holding in 2 of the consolidated structured entities which resulted into change in the consolidation conclusion during the reporting year ended 31 December 2015.

Changes in ownership that did result in the loss of control

(USD million)	**2015**	2014
31 December 2015		
Cash Consideration	19	–
Carrying value of net assets	42	58
Gain/(Loss) on disposal of interests recorded	**2**	**–**

Restrictions

The CSi group and its subsidiaries have certain restrictions which may restrict the ability of the CSi group to access or use the assets and settle the liabilities of the CSi group. These restrictions may be statutory, contractual or regulatory in nature.

The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements set out in the EU Capital Requirements Regulation ('CRR') and additionally as laid down by the PRA. The Bank has put into place processes and controls to monitor and manage its capital adequacy. For more information regarding the Bank's capital adequacy and how the capital resources are managed and monitored please refer to Note 42 – Capital Adequacy.

The company is required to maintain minimum levels of capital in the form of equity shares and reserves to meet PRA requirements.

Restricted assets also include those assets protected under client segregation rules. Please refer to Note 21 – Brokerage Receivables and Brokerage Payables for further information.

The CSi group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning the counterparty has the right to resell or repledge the pledged asset. Please refer to Note 16 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for more information on encumbered assets.

Other restrictions include those that prevent some subsidiaries from making any distributions to the parent such as restrictions on redemption or the payments of dividends.

Unconsolidated structured entities

The CSi group has interests in structured entities which are not consolidated. An interest is either a contractual or non-contractual involvement that exposes the CSi group to variability in returns from the performance of another entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity, credit enhancement and guarantees.

The CSi group does not have an interest in another entity solely because of a Typical Customer Supplier Relationship such as fees other than management and performance fees that are passively earned and are typically one-off in nature.

Type of structured entity

Collateralised Debt Obligations

The CSi group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The CSi group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the CSi group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitisation. The loans and other debt obligations are sold to structured entities, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSi group.

Financial Intermediation

The CSi group has significant involvement with structured entities in its role as a financial intermediary on behalf of clients. Financial intermediation consists of securitisations, funds, loans and other vehicles.

Securitisations

Securitisations are primarily CMBS, RMBS and ABS vehicles. The CSi group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to structured entities related to certain securitisation transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable returns if any, plus the exposure arising from any credit enhancements the CSi group provided. The CSi group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the structured entities.

Funds

Funds include investment structures such as mutual funds, funds of funds, private equity funds and fund-linked products. where the investors' interest is typically in the form of debt rather than equity, thereby making them structured entities. The CSi group may have various relationships with such structured entities in the form of structurer, investment advisor, investment manager, administrator, custodian, underwriter, placement agent, market maker and/or as prime broker. These activities include the use of structured entities in structuring fund-linked products, hedge funds of funds or private equity investments to provide clients with investment opportunities in alternative investments. In such transactions, a structured entity holds underlying investments and issues securities that provide the investors with a return based on the performance of those investments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSi group. The investors typically retain the risk of loss on such transactions, but for certain fund types, the CSi group may provide principal protection on the securities to limit the investors' exposure to downside market risk. The CSi group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the structured entities.

Loans

Loans are single-financing vehicles where the CSi group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the CSi group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the CSi group's exposure. The CSi group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the CSi group's risk mitigation efforts which includes over-collateralisation and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the CSi group's Consolidated Statement of Financial Position, the maximum exposure to loss and the total assets of the unconsolidated structured entities.

Interests in unconsolidated structured entities

	Type of structured entity					
		Financial intermediation				
End of 2015	CDO	Securiti-sations	Funds	Loans	Other	**Total**
Balance sheet line item (USD million)						
Trading financial assets at fair value through profit or loss						
Debt securities	–	531	3,128	220	–	3,879
Equity securities	–	–	1,250	–	21	1,271
Derivative instruments	93	19	–	–	32	144
Other	–	–	–	5	–	5
Financial assets designated at fair value through profit or loss						
Loans	–	3	–	–	77	80
Total assets	**93**	**553**	**4,378**	**225**	**130**	**5,379**
Trading financial liabilities at fair value through profit or loss						
Equity securities	–	–	–	–	(76)	(76)
Derivative instruments	–	(76)	–	–	(22)	(98)
Financial liabilities designated at fair value through profit or loss						
Long term debt	–	–	–	–	–	–
Total liabilities	**–**	**(76)**	**–**	**–**	**(98)**	**(174)**
Maximum exposure to loss	**93**	**553**	**4,378**	**225**	**130**	**5,379**
Unconsolidated structured entity assets	**481**	**18,979**	**601,241**	**866**	**1,462**	**623,029**

	Type of structured entity					
		Financial intermediation				
End of 2014	CDO	Securiti-sations	Funds	Loans	Other	**Total**
Balance sheet line item (USD million)						
Trading financial assets at fair value through profit or loss						
Debt securities	–	223	3,958	240	–	4,421
Equity securities	–	–	1,701	–	29	1,730
Derivative instruments	110	–	–	–	36	146
Other	–	–	–	6	74	80
Financial assets designated at fair value through profit or loss						
Loans	–	–	–	–	29	29
Total assets	**110**	**223**	**5,659**	**246**	**168**	**6,406**
Trading financial liabilities at fair value through profit or loss						
Derivative instruments	–	(80)	–	–	(111)	(191)
Financial liabilities designated at fair value through profit or loss						
Long term debt	–	–	(6)	–	–	(6)
Total liabilities	**–**	**(80)**	**(6)**	**–**	**(111)**	**(197)**
Maximum exposure to loss	**110**	**223**	**5,659**	**246**	**168**	**6,406**
Unconsolidated structured entity assets	**518**	**2,767**	**605,402**	**1,175**	**919**	**610,781**

The unconsolidated structured entity assets relate to where the CSi group has an interest in the unconsolidated structured entity. These amounts represent the assets of the entities themselves and are typically unrelated to the exposures the CSi group has with the entity and thus are not amounts that are considered for risk management purposes.

Income and losses from unconsolidated structured entities

31 December 2015	Derivative Gain/(Loss)	Other Fair Value Gain/(Loss)	Gain/(Loss) on Sale of Assets	Interest Income/ (Expense)	Other Income/ (Other Losses)	Commission and Fees/ (Other Expenses)	Total
	Income/(Losses)						
Structured entity type (USD million)							
Securitisations	234	120	–	15	–	5	374
Funds	–	12	(2)	–	2	–	12
Loans	–	26	–	18	–	–	44
Other	(45)	(14)	–	23	–	7	(29)
Total	**189**	**144**	**(2)**	**56**	**2**	**12**	**401**

31 December 2014	Derivative Gain/(Loss)	Other Fair Value Gain/(Loss)	Gain/(Loss) on Sale of Assets	Interest Income/ (Expense)	Other Income/ (Other Losses)	Commission and Fees/ (Other Expenses)	Total
	Income/(Losses)						
Structured entity type (USD million)							
Securitisations	(9)	(42)	–	4	–	23	(24)
Funds	–	220	(4)	–	5	13	234
Loans	–	(94)	–	18	1		(75)
Other	–	2	–	3	–	4	9
Total	**(9)**	**86**	**(4)**	**25**	**6**	**40**	**144**

The table above shows the income earned from unconsolidated structured entities during the reporting period. Income from an unconsolidated structured entity includes, but is not limited to recurring and non-recurring fees, interest and commission received, gains or losses from the transfer of assets and liabilities and changes in the fair value of instruments, including derivatives.

The CSi group considers itself the sponsor of a structured entity when either its name appears in the name of the structured entity or in products issued by it or there is a general expectation from the market that the CSi group is associated with the structured entity or the CSi group was involved in the design or set up of the structured entity and has a form of involvement with the structured entity.

The table below shows information about the unconsolidated structured entities sponsored by the CSi group where no interest is held by the CSi group.

Sponsored unconsolidated structured entities

Structured entity type	Derivative Gain/(Loss)	Gain/(Loss) on Sale of Assets	Other Income/ (Other Losses)	Total	Carrying Value of Assets transferred
	Income/(Losses)				
31 December 2015 (USD million)					
Securitisations	19	115	22	156	1,661
Funds	(1)	–	–	(1)	–
Loans	(1)	–	–	(1)	–
Other	1	2	–	3	291
Total	**18**	**117**	**22**	**157**	**1,952**

Structured entity type	Income/(Losses) Derivative Gain/(Loss)	Gain/(Loss) on Sale of Assets	Other Income/ (Other Losses)	Total	Carrying Value of Assets transferred
31 December 2014 (USD million)					
Securitisations	1,409	32	(3)	1,438	2,264
Funds	(3)	–	–	(3)	–
Loans	(1)	–	–	(1)	–
Other	(62)	1	(6)	(67)	94
Total	**1,343**	**33**	**(9)**	**1,367**	**2,358**

The table above shows the income earned from sponsored unconsolidated structured entities during the reporting period and the carrying amount of any assets transferred to those structured entities during the reporting period. Income from an unconsolidated structured entity includes, but is not limited to gains or losses from the transfer of assets and liabilities and changes in the fair value of derivative instruments.

For some funds, the CSi group is contractually obliged to fund certain minimal operating expenses.

37 Financial Instruments

The disclosure of the CSi group's financial instruments below includes the following sections:
- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; Level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit);
- Fair value of financial instruments not carried at fair value.

Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSi group's financial instruments.

Financial assets and liabilities by categories

31 December 2015 Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Carrying value Other amortised cost	Total fair value
Financial assets						
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 investments	26	–	–	–	26	26
Other assets	45,610	–	–	–	45,610	45,610
Total financial assets	**399,733**	**295,229**	**12,078**	**3,495**	**88,931**	**399,737**
Financial liabilities						
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**

Financial assets and liabilities by categories

31 December 2015					Carrying value	**Total fair value**
Bank (USD million)	**Total carrying value**	Held for trading	Designated at fair value	Loans and receivables	Other amortised cost	
Financial assets						
Cash and due from banks	13,082	–	–	–	13,082	13,082
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	295,395	295,395	–	–	–	295,395
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 investments	26	–	–	–	26	26
Other assets	45,610	–	–	–	45,610	45,610
Total financial assets	**399,818**	**295,395**	**12,078**	**3,495**	**88,850**	**399,822**
Financial liabilities						
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	270,775	270,775	–	–	–	270,775
Financial liabilities designated at fair value through profit or loss	22,267	–	22,267	–	–	22,267
Short term borrowings	21,066	–	–	–	21,066	21,066
Other liabilities	30,822	–	–	–	30,822	30,822
Long term debt	26,596	–	–	–	26,596	26,596
Total financial liabilities	**377,827**	**270,775**	**22,267**	**–**	**84,785**	**377,827**

Financial assets and liabilities by categories

31 December 2014					Carrying value	**Total fair value**
Group (USD million)	**Total carrying value**	Held for trading	Designated at fair value	Loans and receivables	Other amortised cost	
Financial assets						
Cash and due from banks	15,409	–	–	–	15,409	15,409
Interest-bearing deposits with banks	165	–	–	–	165	165
Securities purchased under resale agreements and securities borrowing transactions	33,742	–	–	–	33,742	33,742
Trading financial assets at fair value through profit or loss	428,160	428,160	–	–	–	428,160
Financial assets designated at fair value through profit or loss	16,445	–	16,445	–	–	16,445
Other loans and receivables	3,334	–	–	3,334	–	3,321
Other investments	28	–	–	–	28	28
Other assets	49,405	–	–	–	49,405	49,405
Total financial assets	**546,688**	**428,160**	**16,445**	**3,334**	**98,749**	**546,675**
Financial liabilities						
Deposits	4,464	–	–	–	4,464	4,464
Securities sold under repurchase agreements and securities lending transactions	8,650	–	–	–	8,650	8,650
Trading financial liabilities at fair value through profit or loss	405,889	405,889	–	–	–	405,889
Financial liabilities designated at fair value through profit or loss	27,340	–	27,340	–	–	27,340
Short term borrowings	17,267	–	–	–	17,267	17,267
Other liabilities	35,511	–	–	–	35,511	35,511
Long term debt	24,973	–	–	–	24,973	24,932
Total financial liabilities	**524,094**	**405,889**	**27,340**	**–**	**90,865**	**524,053**

Financial assets and liabilities by categories

31 December 2014					Carrying value	**Total fair value**
Bank (USD million)	**Total carrying value**	Held for trading	Designated at fair value	Loans and receivables	Other amortised cost	
Financial assets						
Cash and due from banks	15,145	–	–	–	15,145	15,145
Interest-bearing deposits with banks	165	–	–	–	165	165
Securities purchased under resale agreements and securities borrowing transactions	33,742	–	–	–	33,742	33,742
Trading financial assets at fair value through profit or loss	428,642	428,642	–	–	–	428,642
Financial assets designated at fair value through profit or loss	16,445	–	16,445	–	–	16,445
Other loans and receivables	3,334	–	–	3,334	–	3,321
Other investments	28	–	–	–	28	28
Other assets	49,421	–	–	–	49,421	49,421
Total financial assets	**546,922**	**428,642**	**16,445**	**3,334**	**98,501**	**546,909**
Financial liabilities						
Deposits	4,464	–	–	–	4,464	4,464
Securities sold under repurchase agreements and securities lending transactions	8,650	–	–	–	8,650	8,650
Trading financial liabilities at fair value through profit or loss	406,041	406,041	–	–	–	406,041
Financial liabilities designated at fair value through profit or loss	27,028	–	27,028	–	–	27,028
Short term borrowings	17,267	–	–	–	17,267	17,267
Other liabilities	35,522	–	–	–	35,522	35,522
Long term debt	24,981	–	–	–	24,981	24,940
Total financial liabilities	**523,953**	**406,041**	**27,028**	**–**	**90,884**	**523,912**

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSi group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

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

In addition, the CSi group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment, depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives, including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligation ('CDO') securities, private equity investments, certain loans and credit products, including leveraged finance, certain syndicated loans and certain high yield bonds. The fair value measurement disclosures exclude derivative transactions that are daily settled.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSi group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSi group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swap ('CDS') prices. The adjustments also take into account contractual factors designed to reduce the CSi group's credit exposure to counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSi group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

CSi group adopted the application of a Funding Valuation Adjustment ('FVA') on uncollateralised derivatives towards the end of 2014. The one time transitional charge recognised at adoption was USD 256 million. 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 to valuation models/techniques, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to valuation models/techniques, for the asset or liability that are not based on observable market data (significant unobservable inputs). These inputs reflect the CSi group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which includes the CSi group's own data. The CSi group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

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

31 December 2015 Group	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

31 December 2015 Group	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.

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

31 December 2015 Bank	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**10,320**	**10,576**	**1,561**	**–**	**22,457**
of which UK government	6,233	175	–	–	6,408
of which foreign governments	4,055	674	110	–	4,839
of which corporates	32	8,591	1,419	–	10,042
of which residential mortgage backed securities	–	532	–	–	532
of which commercial mortgage backed securities	–	604	32	–	636
Equity securities	**4,746**	**2,036**	**94**	**–**	**6,876**
Derivatives	**1,489**	**262,659**	**4,399**	**(5,831)**	**262,716**
of which interest rate products	51	163,368	914	(623)	163,710
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**	**1,596**	**–**	**3,346**
Trading financial assets at fair value through profit or loss	**16,555**	**277,021**	**7,650**	**(5,831)**	**295,395**
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**	**288,324**	**8,921**	**(6,327)**	**307,473**

[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

31 December 2015 Bank	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**	**266,412**	**4,329**	**(5,596)**	**267,004**
of which interest rate products	26	156,334	461	(419)	156,402
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**	**266,822**	**4,331**	**(5,596)**	**270,775**
Securities sold under resale agreements and securities borrowing transactions	**–**	**11,089**	**–**	**(496)**	**10,593**
Short term borrowings	**–**	**921**	**50**	**–**	**971**
Long term debt	**–**	**6,976**	**3,092**	**–**	**10,068**
of which structured notes between one and two years	–	446	139	–	585
of which other debt instruments between one and two years	–	22	–	–	22
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
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	**–**	**19,365**	**3,398**	**(496)**	**22,267**
Total liabilities at fair value	**5,218**	**286,187**	**7,729**	**(6,092)**	**293,042**
Net assets/liabilities at fair value	**11,337**	**2,137**	**1,192**	**(235)**	**14,431**

[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

31 December 2014 Group	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**11,886**	**12,027**	**1,067**	**–**	**24,980**
of which UK government	975	–			975
of which foreign governments	10,893	1,701	178	–	12,772
of which corporates	18	10,235	811	–	11,064
of which residential mortgage backed securities	–	91	–	–	91
of which commercial mortgage backed securities	–	–	78	–	78
Equity securities	**7,794**	**2,383**	**94**	**–**	**10,271**
Derivatives	**2,146**	**617,915**	**6,211**	**(237,054)**	**389,218**
of which interest rate products	116	475,553	1,662	(231,251)	246,080
of which foreign exchange products	58	84,033	283	–	84,374
of which equity/index-related products	1,947	23,851	1,329	(5,803)	21,324
of which credit derivatives	–	28,235	2,936	–	31,171
of which other derivative products	25	6,243	1	–	6,269
Other	**–**	**2,418**	**1,273**	**–**	**3,691**
Trading financial assets at fair value through profit or loss	**21,826**	**634,743**	**8,645**	**(237,054)**	**428,160**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**4,449**	**–**	**(296)**	**4,153**
Loans	**–**	**6,599**	**2,754**	**–**	**9,353**
of which commercial and industrial loans	–	171	1,193	–	1,364
of which loans to financial institutions	–	5,747	788	–	6,535
of which government and public institutions	–	681	562	–	1,243
of which real estate			211		211
Other financial assets designated at fair value through profit or loss	**–**	**2,713**	**226**	**–**	**2,939**
of which failed purchases	–	2,686	174	–	2,860
of which other	–	27	52	–	79
Financial assets designated at fair value through profit or loss	**–**	**13,761**	**2,980**	**(296)**	**16,445**
Total assets at fair value	**21,826**	**648,504**	**11,625**	**(237,350)**	**444,605**

[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

31 December 2014 Group	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**3,263**	**2,258**	**111**	**–**	**5,632**
of which UK government	177	2	–	–	179
of which foreign governments	3,065	1,302	111	–	4,478
of which corporates	21	954	–	–	975
Equity securities	**3,219**	**80**	**–**		**3,299**
Other securities	–	9	–	–	9
Derivatives	**2,193**	**620,432**	**6,225**	**(231,901)**	**396,949**
of which interest rate products	30	465,133	938	(226,100)	240,001
of which foreign exchange products	63	96,128	544	–	96,735
of which equity/index-related products	2,067	24,695	1,531	(5,801)	22,492
of which credit derivatives	–	27,446	3,208	–	30,654
of which other derivative products	33	7,030	4	–	7,067
Trading financial liabilities at fair value through profit or loss	**8,675**	**622,779**	**6,336**	**(231,901)**	**405,889**
Securities sold under resale agreements and securities borrowing transactions	**–**	**5,620**	**–**	**(296)**	**5,324**
Short term borrowings	**–**	**1,730**	**80**	**–**	**1,810**
Long term debt	**–**	**14,556**	**4,769**	**–**	**19,325**
of which structured notes between one and two years	–	984	107	–	1,091
of which other debt instruments between one and two years	–	168	49	–	217
of which treasury debt over two years	–	135	–	–	135
of which structured notes over two years	–	6,006	2,838	–	8,844
of which other debt instruments over two years	–	6,943	1,767	–	8,710
of which non-recourse liabilities	–	320	8	–	328
Other financial liabilities designated at fair value through profit or loss	**–**	**657**	**224**	**–**	**881**
of which failed sales	–	651	214	–	865
of which other	–	6	10	–	16
Financial liabilities designated at fair value through profit or loss	**–**	**22,563**	**5,073**	**(296)**	**27,340**
Total liabilities at fair value	**8,675**	**645,342**	**11,409**	**(232,197)**	**433,229**
Net assets/liabilities at fair value	**13,151**	**3,162**	**216**	**(5,153)**	**11,376**

[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

31 December 2014 Bank	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**11,912**	**12,390**	**1,067**	**–**	**25,369**
of which UK government	975	–	–	–	975
of which foreign governments	10,893	1,702	178	–	12,773
of which corporates	44	10,597	811	–	11,452
of which residential mortgage backed securities	–	91	–	–	91
of which commercial mortgage backed securities	–	–	78	–	78
Equity securities	**7,777**	**1,884**	**94**	**–**	**9,755**
Derivatives	**2,146**	**618,070**	**6,211**	**(237,054)**	**389,373**
of which interest rate products	116	475,708	1,662	(231,251)	246,235
of which foreign exchange products	58	84,033	283	–	84,374
of which equity/index-related products	1,947	23,851	1,329	(5,803)	21,324
of which credit derivatives	–	28,235	2,936	–	31,171
of which other derivative products	25	6,243	1	–	6,269
Other	**–**	**2,419**	**1,726**	**–**	**4,145**
Trading financial assets at fair value through profit or loss	**21,835**	**634,763**	**9,098**	**(237,054)**	**428,642**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**4,449**	**–**	**(296)**	**4,153**
Loans	**–**	**6,599**	**2,754**	**–**	**9,353**
of which commercial and industrial loans	–	171	1,193	–	1,364
of which loans to financial institutions	–	5,747	788	–	6,535
of which government and public institutions	–	681	562	–	1,243
of which real estate	–	–	211	–	211
Other financial assets designated at fair value through profit or loss	**–**	**2,713**	**226**	**–**	**2,939**
of which failed purchases	–	2,686	174	–	2,860
of which other	–	27	52	–	79
Financial assets designated at fair value through profit or loss	**–**	**13,761**	**2,980**	**(296)**	**16,445**
Total assets at fair value	**21,835**	**648,524**	**12,078**	**(237,350)**	**445,087**

[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

31 December 2014 Bank	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**3,262**	**2,259**	**111**	**–**	**5,632**
of which UK government	176	2	–	–	178
of which foreign governments	3,065	1,302	111	–	4,478
of which corporates	21	955	–	–	976
Equity securities	**3,219**	**80**	**–**		**3,299**
Other securities	–	**9**	–	–	**9**
Derivatives	**2,194**	**620,584**	**6,225**	**(231,902)**	**397,101**
of which interest rate products	30	465,286	938	(226,100)	240,154
of which foreign exchange products	64	96,127	544	–	96,735
of which equity/index-related products	2,067	24,695	1,531	(5,802)	22,491
of which credit derivatives	–	27,446	3,208	–	30,654
of which other derivative products	33	7,030	4	–	7,067
Trading financial liabilities at fair value through profit or loss	**8,675**	**622,932**	**6,336**	**(231,902)**	**406,041**
Securities sold under resale agreements and securities borrowing transactions	**–**	**5,620**	**–**	**(296)**	**5,324**
Short term borrowings	**–**	**1,730**	**80**	**–**	**1,810**
Long term debt	**–**	**14,252**	**4,761**	**–**	**19,013**
of which structured notes between one and two years	–	984	107	–	1,091
of which other debt instruments between one and two years	–	183	49	–	232
of which treasury debt over two years	–	135	–	–	135
of which structured notes over two years	–	6,007	2,838	–	8,845
of which other debt instruments over two years	–	6,943	1,767	–	8,710
Other financial liabilities designated at fair value through profit or loss	**–**	**657**	**224**	**–**	**881**
of which failed sales	–	651	214	–	865
of which other	–	6	10	–	16
Financial liabilities designated at fair value through profit or loss	**–**	**22,259**	**5,065**	**(296)**	**27,028**
Total liabilities at fair value	**8,675**	**645,191**	**11,401**	**(232,198)**	**433,069**
Net assets/liabilities at fair value	**13,160**	**3,333**	**677**	**(5,152)**	**12,018**

[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

Group and Bank (USD million)		**2015**		2014
	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	427	3,433	538	5,466
Total transfers in assets at fair value	**427**	**3,433**	**538**	**5,466**
Liabilities				
Trading financial liabilities at fair value through profit or loss	–	3,460	43	5,602
Total transfers in liabilities at fair value	**–**	**3,460**	**43**	**5,602**

The transfers from Level 1 to Level 2 were mainly driven by debt and equity securities where the liquidity had decreased and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

The transfers from Level 2 to Level 1 are mainly driven by the transfer of exchange traded options as they moved closer to maturity and inputs become observable. All transfers were reported at the end of the reporting period.

Movements of Level 3 instruments

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

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

As at December 2015								Trading revenues		
Group	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
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

As at December 2015								Trading revenues		
Group	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
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.

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

As at December 2015								Trading revenues		
Bank	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
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	(566)	–	–	480	(549)	(14)	(268)	914
of which foreign exchange products	283	6	(32)	–	–	12	(240)	11	307	347
of which equity/index-related products	1,329	85	(158)	–	–	3,127	(910)	24	(2,194)	1,303
of which credit derivatives	2,936	1,792	(726)	–	–	437	(1,904)	(24)	(676)	1,835
of which other derivative products	1	–	(1)	–	–	–	(1)	–	1	–
Other	**1,726**	**980**	**(829)**	**809**	**(956)**	**–**	**(155)**	**(15)**	**36**	**1,596**
Trading financial assets at fair value through profit or loss	**9,098**	**3,608**	**(2,546)**	**2,143**	**(2,149)**	**4,056**	**(3,759)**	**(33)**	**(2,768)**	**7,650**
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	**12,078**	**3,783**	**(2,801)**	**2,150**	**(2,576)**	**4,502**	**(5,320)**	**(28)**	**(2,867)**	**8,921**

[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

As at December 2015								Trading revenues		
Bank	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
Liabilities at fair value (USD million)										
Debt securities	**111**	**–**	**–**	**2**	**(111)**	**–**	**–**	**–**	**–**	**2**
of which corporates	–	–	–	2	–	–	–	–	–	2
of which foreign governments	111	–	–	–	(111)	–	–	–	–	–
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
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	**4,761**	**65**	**(248)**	**–**	**–**	**631**	**(2,029)**	**(8)**	**(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	–	–	–	–	–	–	–	–	–	–
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 others	10	4	(1)	–	(8)	–	–	–	–	5
Financial liabilities designated at fair value through profit or loss	**5,065**	**113**	**(269)**	**30**	**(6)**	**897**	**(2,328)**	**(7)**	**(97)**	**3,398**
Total liabilities at fair value	**11,401**	**2,529**	**(2,006)**	**32**	**(117)**	**2,059**	**(6,134)**	**(29)**	**(6)**	**7,729**
Net assets/liabilities at fair value	**677**	**1,254**	**(795)**	**2,118**	**(2,459)**	**2,443**	**814**	**1**	**(2,861)**	**1,192**

[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

As at December 2014								Trading revenues		
Group	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
Assets at fair value (USD million)										
Debt securities	**1,562**	**253**	**(487)**	**930**	**(1,485)**	**–**	**–**	**1**	**293**	**1,067**
of which foreign governments	256	27	(249)	173	(29)	–	–	4	(4)	178
of which corporates	1,187	226	(238)	757	(1,451)	–	–	(3)	333	811
of which commercial mortgage backed securities	119	–	–	–	(5)	–	–	–	(36)	78
Equity securities	**131**	**10**	**(15)**	**169**	**(180)**	**–**	**–**	**2**	**(23)**	**94**
Derivatives	**5,103**	**2,268**	**(1,719)**	**–**	**–**	**4,233**	**(3,210)**	**121**	**(585)**	**6,211**
of which interest rate products	1,559	80	(535)	–	–	711	(701)	13	535	1,662
of which foreign exchange products	480	25	(40)	–	–	726	(1,035)	4	123	283
of which equity/index-related products	1,524	137	(545)	–	–	2,021	(331)	146	(1,623)	1,329
of which credit derivatives	1,530	2,022	(586)	–	–	612	(1,039)	(44)	441	2,936
of which other derivative products	10	4	(13)	–	–	163	(104)	2	(61)	1
Other	**970**	**585**	**(642)**	**1,322**	**(619)**	**–**	**(358)**	**6**	**9**	**1,273**
Trading financial assets at fair value through profit or loss	**7,766**	**3,116**	**(2,863)**	**2,421**	**(2,284)**	**4,233**	**(3,568)**	**130**	**(306)**	**8,645**
Securities purchased under resale agreements and securities borrowing transactions	**152**	**–**	**(93)**	**–**	**–**	**–**	**(59)**	**–**	**–**	**–**
Loans	**4,431**	**8**	**(12)**	**969**	**(1,675)**	**286**	**(907)**	**8**	**(354)**	**2,754**
of which commercial and industrial loans	1,356	–	(1)	632	(573)	47	(236)	6	(38)	1,193
of which loans to financial institutions	1,978	8	(11)	58	(650)	237	(544)	2	(290)	788
of which government and public institutions	1,097	–	–	35	(451)	–	(118)	–	(1)	562
of which real estate	–	–	–	244	(1)	2	(9)	–	(25)	211
Other financial assets designated at fair value through profit or loss	**153**	**–**	**(48)**	**252**	**(134)**	**–**	**–**	**2**	**1**	**226**
of which failed purchases	90	–	(48)	164	(47)	–	–	2	13	174
of which other	63	–	–	88	(87)	–	–	–	(12)	52
Financial assets designated at fair value through profit or loss	**4,736**	**8**	**(153)**	**1,221**	**(1,809)**	**286**	**(966)**	**10**	**(353)**	**2,980**
Total assets at fair value	**12,502**	**3,124**	**(3,016)**	**3,642**	**(4,093)**	**4,519**	**(4,534)**	**140**	**(659)**	**11,625**

[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

As at December 2014								Trading revenues		
Group	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**128**	**(14)**	**–**	**–**	**–**	**(3)**	**111**
of which corporates	–	–	–	17	(14)	–	–	–	(3)	–
of which foreign governments	–	–	–	111	–	–	–	–	–	111
Derivatives	**5,887**	**2,263**	**(1,546)**	**–**	**–**	**1,396**	**(3,018)**	**158**	**1,085**	**6,225**
of which interest rate products	1,028	49	(107)	–	–	70	(697)	3	592	938
of which foreign exchange products	1,039	4	(3)	–	–	5	(260)	(4)	(237)	544
of which equity/index-related products	2,093	194	(787)	–	–	649	(1,100)	183	299	1,531
of which credit derivatives	1,688	2,016	(638)	–	–	616	(896)	(19)	441	3,208
of which other derivative products	39	–	(11)	–	–	56	(65)	(5)	(10)	4
Trading financial liabilities at fair value through profit or loss	**5,887**	**2,263**	**(1,546)**	**128**	**(14)**	**1,396**	**(3,018)**	**158**	**1,082**	**6,336**
Securities sold under repurchase agreement and securities lending transactions	**129**	**–**	**(67)**	**–**	**–**	**–**	**(62)**	**–**	**–**	**–**
Short term borrowings	**218**	**65**	**(63)**	**7**	**–**	**304**	**(449)**	**(4)**	**2**	**80**
Long term debt	**4,759**	**65**	**(657)**	**–**	**(28)**	**2,545**	**(2,064)**	**(14)**	**163**	**4,769**
of which structured notes between one and two years	283	61	(142)	–	(28)	205	(303)	(2)	33	107
of which other debt instruments between one and two years	28	–	(15)	–	–	149	(143)	–	30	49
of which structured notes over two years	3,146	–	(314)	–	–	1,193	(1,022)	(9)	(156)	2,838
of which other debt instruments over two years	1,302	4	(186)	–	–	980	(590)	(3)	260	1,767
of which non-recourse liabilities	–	–	–	–	–	18	(6)	–	(4)	8
Other financial liabilities designated at fair value through profit or loss	**359**	**83**	**(56)**	**105**	**(204)**	**–**	**–**	**(1)**	**(62)**	**224**
of which failed sales	333	77	(50)	23	(109)	–	–	–	(60)	214
of which others	26	6	(6)	82	(95)	–	–	(1)	(2)	10
Financial liabilities designated at fair value through profit or loss	**5,465**	**213**	**(843)**	**112**	**(232)**	**2,849**	**(2,575)**	**(19)**	**103**	**5,073**
Total liabilities at fair value	**11,352**	**2,476**	**(2,389)**	**240**	**(246)**	**4,245**	**(5,593)**	**139**	**1,185**	**11,409**
Net assets/liabilities at fair value	**1,150**	**648**	**(627)**	**3,402**	**(3,847)**	**274**	**1,059**	**1**	**(1,844)**	**216**

[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

As at December 2014								Trading revenues		
Bank	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
Assets at fair value (USD million)										
Debt securities	**1,562**	**253**	**(487)**	**930**	**(1,485)**	**–**	**–**	**1**	**293**	**1,067**
of which foreign governments	256	27	(249)	173	(29)	–	–	4	(4)	178
of which corporates	1,187	226	(238)	757	(1,451)	–	–	(3)	333	811
of which commercial mortgage backed securities	119	–	–	–	(5)	–	–	–	(36)	78
Equity securities	**84**	**10**	**(15)**	**216**	**(180)**	**–**	**–**	**2**	**(23)**	**94**
Derivatives	**5,103**	**2,268**	**(1,719)**	**–**	**–**	**4,233**	**(3,210)**	**121**	**(585)**	**6,211**
of which interest rate products	1,558	80	(535)	–	–	712	(701)	13	535	1,662
of which foreign exchange products	480	25	(40)	–	–	726	(1,034)	3	123	283
of which equity/index-related products	1,525	137	(545)	–	–	2,020	(331)	146	(1,623)	1,329
of which credit derivatives	1,530	2,022	(586)	–	–	613	(1,040)	(44)	441	2,936
of which other derivative products	10	4	(13)	–	–	162	(104)	3	(61)	1
Other	**1,487**	**585**	**(642)**	**1,298**	**(658)**	**–**	**(359)**	**6**	**9**	**1,726**
Trading financial assets at fair value through profit or loss	**8,236**	**3,116**	**(2,863)**	**2,444**	**(2,323)**	**4,233**	**(3,569)**	**130**	**(306)**	**9,098**
Securities purchased under resale agreements and securities borrowing transactions	**152**	**–**	**(93)**	**–**	**–**	**–**	**(59)**	**–**	**–**	**–**
Loans	**4,431**	**8**	**(12)**	**967**	**(1,676)**	**288**	**(906)**	**8**	**(354)**	**2,754**
of which commercial and industrial loans	1,356	–	(1)	631	(573)	47	(235)	6	(38)	1,193
of which loans to financial institutions	1,978	8	(11)	56	(650)	239	(544)	2	(290)	788
of which government and public institutions	1,097	–	–	35	(451)	–	(118)	–	(1)	562
of which real estate	–	–	–	245	(2)	2	(9)	–	(25)	211
Other financial assets designated at fair value through profit or loss	**153**	**–**	**(48)**	**252**	**(134)**	**–**	**–**	**2**	**1**	**226**
of which failed purchases	90	–	(48)	164	(47)	–	–	2	13	174
of which other	63	–	–	88	(87)	–	–	–	(12)	52
Financial assets designated at fair value through profit or loss	**4,736**	**8**	**(153)**	**1,219**	**(1,810)**	**288**	**(965)**	**10**	**(353)**	**2,980**
Total assets at fair value	**12,972**	**3,124**	**(3,016)**	**3,663**	**(4,133)**	**4,521**	**(4,534)**	**140**	**(659)**	**12,078**

[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

As at December 2014								Trading revenues		
Bank	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance at end of period
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**128**	**(14)**	**–**	**–**	**–**	**(3)**	**111**
of which corporates	–	–	–	17	(14)	–	–	–	(3)	–
of which foreign governments	–	–	–	111	–	–	–	–	–	111
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**5,962**	**2,263**	**(1,546)**	**–**	**–**	**1,396**	**(3,093)**	**158**	**1,085**	**6,225**
of which interest rate products	1,028	49	(107)	–	–	70	(697)	3	592	938
of which foreign exchange products	1,039	4	(3)	–	–	5	(260)	(4)	(237)	544
of which equity/index-related products	2,168	194	(787)	–	–	649	(1,175)	183	299	1,531
of which credit derivatives	1,688	2,016	(638)	–	–	616	(896)	(19)	441	3,208
of which other derivative products	39	–	(11)	–	–	56	(65)	(5)	(10)	4
Trading financial liabilities at fair value through profit or loss	**5,962**	**2,263**	**(1,546)**	**128**	**(14)**	**1,396**	**(3,093)**	**158**	**1,082**	**6,336**
Securities sold under repurchase agreement and securities lending transactions	**129**	**–**	**(67)**	**–**	**–**	**–**	**(62)**	**–**	**–**	**–**
Short term borrowings	**218**	**65**	**(63)**	**7**	**–**	**304**	**(449)**	**(4)**	**2**	**80**
Long term debt	**4,799**	**65**	**(673)**	**–**	**(28)**	**2,572**	**(2,120)**	**(14)**	**160**	**4,761**
of which structured notes between one and two years	283	61	(142)	–	(28)	204	(302)	(2)	33	107
of which other debt instruments between one and two years	28	–	(31)	–	–	178	(149)	–	23	49
of which structured notes over two years	3,186	–	(314)	–	–	1,193	(1,062)	(9)	(156)	2,838
of which other debt instruments over two years	1,302	4	(186)	–	–	980	(590)	(3)	260	1,767
of which non-recourse liabilities	–	–	–	–	–	17	(17)	–	–	–
Other financial liabilities designated at fair value through profit or loss	**359**	**83**	**(56)**	**105**	**(204)**	**–**	**–**	**(1)**	**(62)**	**224**
of which failed sales	333	77	(50)	23	(109)	–	–	–	(60)	214
of which others	26	6	(6)	82	(95)	–	–	(1)	(2)	10
Financial liabilities designated at fair value through profit or loss	**5,505**	**213**	**(859)**	**112**	**(232)**	**2,876**	**(2,631)**	**(19)**	**100**	**5,065**
Total liabilities at fair value	**11,467**	**2,476**	**(2,405)**	**240**	**(246)**	**4,272**	**(5,724)**	**139**	**1,182**	**11,401**
Net assets/liabilities at fair value	**1,505**	**648**	**(611)**	**3,423**	**(3,887)**	**249**	**1,190**	**1**	**(1,841)**	**677**

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

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

Group and Bank	**2015**	2014
Trading revenues (USD million)		
Net realised/unrealised (losses)/gains included in net revenues	(2,859) [1]	(1,843) [1]
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	536	(214)
Financial assets designated at fair value through profit or loss	(3)	(11)
Trading financial liabilities at fair value through profit or loss	(478)	(1,358)
Financial liabilities designated at fair value through profit or loss	11	(254)
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**66**	**(1,837)**

[1] Bank Loss of USD 2,860 million (2014 : Loss of USD 1840 million)

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSi group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related realised or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

Transfers in and out of Level 3

Trading financial assets at fair value through profit or loss

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 for both CSi group and Bank. USD 2,772 million of transfers into Level 3 related to credit derivatives and loans. Transfers out of Level 3 largely comprised of credit, equity and interest rate derivatives and loans. Transfers in and out of Level 3, is due to reduced or improved observability of pricing data.

Trading financial assets transferred into and out of Level 3 in 2014 amounted to USD 3,116 million and USD (2,863) million, respectively for both CSi group and Bank. USD 2,607 million of transfers into Level 3 related to credit derivatives and loans. Transfers out of Level 3 largely comprised of credit, equity and interest rate derivatives and loans.

Financial assets designated at fair value through profit or loss

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, for both CSi group and Bank. Both transfers into and out of Level 3 were loan related.

Financial assets designated at fair value through profit or loss transferred into and out of Level 3 in 2014 amounted to USD 8 million and USD (153) million, respectively for both CSi group and Bank. Transfers into Level 3 were loan related. Transfers out of Level 3 were in relation to both failed purchases and securities purchased under resale agreements and securities borrowing transactions.

Trading financial liabilities at fair value through profit or loss

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 for both CSi group and Bank. 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.

Trading financial liabilities transferred into and out of Level 3 in 2014 amounted to USD 2,263 million and USD (1,546) million, respectively for both CSi group and Bank. USD 2,016 million of transfers into Level 3 were related to credit derivatives. Transfers out of Level 3 largely comprised of equity/index related derivatives and credit derivatives.

Financial liabilities designated at fair value through profit or loss

For CSi group, financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2015 amounted to USD 113 million and USD (276) million, respectively. For Bank, 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 (269) million, respectively. Transfers into Level 3 were in relation to both structured notes and failed sales. Transfers out of Level 3 were largely related to structured notes.

For CSi group, financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2014 amounted to USD 213 million and USD (843) million, respectively. For Bank, financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2014 amounted to USD 213 million and USD (859) million respectively. Transfers into Level 3 were in relation to both structured notes and failed sales. Transfers out of Level 3 were largely related to structured notes.

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 judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table "Quantitative disclosure of valuation techniques".

Securities purchased/sold under resale/repurchase agreements and securities borrowing/lending transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in Level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds or other debt instruments. In the event of counterparty default, the collateral service agreement provides the 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 judgment. 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, buyback probability, correlation, volatility and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e. the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3). Generally, the interrelationship between volatility and correlation is positively correlated.

CMBS securities
Fair values of CMBS may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of CMBS for which there are significant unobservable inputs are valued using capitalisation rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

Equity securities
The majority of the CSi group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as level 1 instruments. Level 2 and Level 3 equities include fund-linked products, convertible bonds or equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include earnings before interest, taxes, depreciation and amortisation, ('EBITDA') multiple, discount rate and capitalisation rate.

Derivatives
Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the market is not considered active, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, then the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the market place, while more complex derivatives may use unobservable inputs that rely on specific proprietary 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, basis spread, recovery rate and mean reversion.

Foreign exchange derivatives
Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality 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, market comparable price and prepayment rate. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs default rate, loss severity and discount rate.

Other Trading Assets
Other trading assets primarily include loans and receivables which are valued using market comparable price and discounted cash flow. The significant unobservable inputs of the trading loans and receivables 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 and short-term borrowings include buyback probability, gap risk, correlation, volatility, credit spread and market comparable price. Generally, volatility, credit curve, forward skew, correlation and gap risk are positively correlated.

Other financial liabilities designated at fair value through profit or loss

Failed sales

These liabilities represent securitisations that do not meet the criteria for sale treatment under IFRS. Failed sales are valued in a manner consistent with the related underlying financial instruments.

Short-term financial instruments

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

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of correlation, price, volatility, volatility skew, market implied life expectancy 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 buyback probability, funding spread, capitalisation rate, prepayment rate, recovery rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk and mean reversion would increase the fair value. An increase in the significant unobservable inputs basis spread, mean reversion and skew 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 information about level 3 assets and liabilities at fair value

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

As at 31 December 2015 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,561**					
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 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**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

As at 31 December 2014 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,067**					
of which corporates	811					
of which	295	Option model	Correlation in %	(88)	97	17
			Volatility in %	4	276	30
			Buyback probability in %	50	100	68
of which	166	Discounted cash flow	Credit spread in bp	100	1,218	819
of which	309	Market comparable	Price in %	0	124	113
of which CMBS	78	Discounted cash flow	Capitalisation rate in %	7	10	8
Derivatives	**6,211**					
of which interest rate products	1,662					
of which	1,536	Option model	Basis spread in bp	(10)	85	30
			Correlation in %	(33)	100	69
			Prepayment rate in %	0	33	24
			Credit spread in bp	229	1,218	1,046
			Volatility skew in %	(9)	31	(1)
of which	125	Discounted cash flow	Recovery rate in %	41	41	41
of which foreign exchange products	283					
of which	206	Option model	Correlation in %	(13)	93	42
			Prepayment rate in %	22	33	28
			Volatility in %	(9)	31	5
of which	52	Discounted cash flow	Credit spread in bp	188	880	392
of which equity/index-related products	1,329					
of which	1,298	Option model	Correlation in %	(88)	97	10
			Volatility in %	4	276	30
			Buyback probability in %	50	100	68
of which credit derivatives	2,936					
of which	2,653	Discounted cash flow	Correlation in %	24	97	72
			Credit spread in bp	1	6,087	586
			Recovery rate in %	0	58	22
			Discount rate in %	1	38	18
			Default rate in %	1	43	7
			Funding spread in bps	51	106	80
			Loss severity in %	10	100	65
Other	**1,273**					
of which trading loans	1,135					
of which	513	Discounted cash flow	Credit spread in bp	40	661	228
of which	622	Market comparable	Price in %	3	103	83
Loans	**2,754**					
of which commercial and industrial loans	1,193					
of which	1,097	Discounted cash flow	Credit spread in bp	78	1,327	349
of which loans to finance institutions	788					
of which	9	Market comparable	Price in %	98	98	98
of which	263	Discounted cash flow	Credit spread in bp	183	523	276
of which government and public institutions	562					
of which	551	Discounted cash flow	Credit spread in bp	298	680	482

As at 31 December 2014 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**6,225**					
of which interest rate products	938					
of which	898	Option model	Basis spread, in bp	(11)	85	44
			Correlation, in %	17	100	77
			Prepayment rate, in %	0	33	21
			Credit spread, in bp	229	1,218	1,213
			Volatility skew in %	(9)	31	(1)
			Mean reversion, in %	5	5	5
of which foreign exchange products	544					
of which	528	Option model	Correlation, in %	(10)	70	50
			Prepayment rate, in %	22	33	28
			Volatility skew, in %	(9)	3	(1)
of which	9	Discounted cash flow	Credit spread, in bp	242	1,286	458
of which equity/index-related products	1,531					
of which	1,516	Option model	Correlation, in %	(88)	97	17
			Volatility, in %	1	276	29
			Buyback probability in %	50	100	68
			Skew in %	44	260	110
of which credit derivatives	3,208					
of which	2,940	Discounted cash flow	Correlation, in %	85	97	95
			Credit spread, in bp	1	6,087	557
			Recovery rate, in %	0	60	28
			Discount rate, in %	2	34	17
			Funding spread in bps	51	82	64
			Default rate, in %	1	43	7
			Loss severity, in %	10	100	65
Long term debt	**4,769**					
of which structured notes over two years	2,838					
of which	2,118	Option model	Correlation, in %	(88)	99	24
			Volatility, in %	4	276	29
			Gap risk, in %	0	3	0
			Buyback probability, in %	50	100	68
of which	541	Discounted cash flow	Credit spread, in bp	228	1,044	289
of which other debt over two years	1,767					
of which	1,209	Option model	Correlation, in %	(88)	97	17
			Volatility, in %	4	276	31
			Buyback probability, in %	50	100	68
			Gap risk, in %	0	3	0
of which structured notes between one and two years	107					
of which	75	Option model	Correlation, in %	(88)	97	17
			Volatility, in %	4	276	31

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

As at 31 December 2015 Bank	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value (USD million)						
Other	**1,596**					
of which trading loans	898					
of which	306	Discounted cash flow	Capitalisation rate, in %	9	9	9
of which	592	Market comparable	Price, in %	0	100	86

As at 31 December 2014 Bank	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value (USD million)						
Other	**1,726**					
of which trading loans	1,390					
of which	821	Discounted cash flow	Credit spread, in bp	228	228	228
			Capitalisation rate, in %	9	9	9
of which	569	Market comparable	Price, in %	3	103	82

Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Discount rate

The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Default rate and loss severity

For financial instruments backed by residential real estate or other assets, diversity in the portfolio is reflected in a wide range for loss severity due to varying levels of default. The lower end of the range represents high performing or government guaranteed collateral with a low probability of default or guaranteed timely payment of principal and interest while the higher end of the range relates to collateral with a greater risk of default.

Credit spread and recovery rate

For financial instruments where credit spread is the significant unobservable input, the wide range represents positions with varying levels of risk. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument. The spread will be positive for instruments that have a higher risk of default than the index (which is based on a weighted average of its components) and negative for instruments that have a lower risk of default than the index.

Similarly, recovery rates can vary significantly depending upon the specific assets and terms of each transaction. Transactions with higher seniority or more valuable collateral will have higher recovery rates while those transactions which are more subordinated or with less valuable collateral will have lower recovery rates.

Correlation

There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Due to the complex and unique nature of these instruments, the ranges for correlation inputs can vary widely across portfolios.

Prepayment rate

Prepayment rates may vary between collateral pools, and are driven by a variety of collateral-specific factors, including the type and location of the underlying borrower, the remaining tenor of the obligation and the level and type (e.g., fixed or floating) of interest rate being paid by the borrower.

Volatility and volatility skew

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

Price
Bond equivalent price is a primary significant unobservable input for bonds and loans. Where market prices are not available for an instrument, benchmarking may be utilised to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Buyback probability
Buyback probability is the probability assigned to structured notes being unwound prior to their legal maturity.

Gap Risk
Gap risk is the primary significant unobservable input for fund linked CPPI products and structures where the payoff may be sensitive to "discontinuity" in the hedging portfolio.

Mean Reversion
Mean reversion is the primary significant unobservable input for callable CMS spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

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

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

Capitalisation Rate
Capitalisation rate is the primary significant unobservable input for CMBS loans and is used to estimate the potential return on investment. This is done by dividing the yearly income by the total value of the property.

Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated financial statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data.

The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

Group	**As at 31 December 2015**		As at 31 December 2014	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	262	(305)	460	(436)
Assets-backed securities, loans and derivatives	21	(20)	68	(65)
Debt and equity securities	117	(40)	92	(47)
Loans	42	(46)	89	(70)
Total	**442**	**(411)**	**709**	**(618)**

Bank	**As at 31 December 2015**		As at 31 December 2014	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Impact on net income/(loss) (USD million)				
Derivative assets and liabilities	262	(305)	460	(436)
Assets-backed securities, loans and derivatives	21	(20)	68	(65)
Debt and equity securities	117	(40)	92	(47)
Loans	57	(61)	108	(89)
Total	**457**	**(426)**	**728**	**(637)**

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 judgment. 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 judgment and underlying market conditions.

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

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

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

Recognition of trade date profit

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

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

Group and Bank	**2015**	2014
Deferred trade date profit (USD million)		
Balance at the beginning of period	372	383
Increase due to new trades	148	162
Reduction due to passage of time	(180)	(100)
Reduction due to redemption, sales, transfers or improved observability	(30)	(73)
Balance at the end of period	**310**	**372**

Fair value of financial instruments not carried at fair value

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

Fair Value of financial instruments not recognised at fair value by level of fair value hierarchy

As at 31 December 2015 Group (USD million)	Level 1	Level 2	Level 3	**Fair value**
Financial assets				
Cash and due from banks	13,077	86	–	13,163
Interest-bearing deposits with banks	–	59	–	59
Securities purchased under resale agreements and securities borrowing transactions	–	30,073	–	30,073
Other loans and receivables	–	3,199	300	3,499
Other investments	–	–	26	26
Other assets	–	45,602	8	45,610
Total fair value of financial assets	**13,077**	**79,019**	**334**	**92,430**
Financial liabilities				
Deposits	530	34	–	564
Securities sold under repurchase agreements and securities lending transactions	–	5,737	–	5,737
Short term borrowings	–	21,066	–	21,066
Long term debt	–	26,585	2	26,587
Other financial liabilities	–	30,822	–	30,822
Total fair value of financial liabilities	**530**	**84,244**	**2**	**84,776**

As at 31 December 2015 Bank (USD million)	Level 1	Level 2	Level 3	**Fair value**
Financial assets				
Cash and due from banks	13,077	5	–	13,082
Interest-bearing deposits with banks	–	59	–	59
Securities purchased under resale agreements and securities borrowing transactions	–	30,073	–	30,073
Other loans and receivables	–	3,199	300	3,499
Other investments	–	–	26	26
Other financial assets	–	45,602	8	45,610
Total fair value of financial assets	**13,077**	**78,938**	**334**	**92,349**
Financial liabilities				
Deposits	530	34	–	564
Securities sold under repurchase agreements and securities lending transactions	–	5,737	–	5,737
Short term borrowings	–	21,066	–	21,066
Long term debt	–	26,594	2	26,596
Other financial liabilities	–	30,822	–	30,822
Total fair value of financial liabilities	**530**	**84,253**	**2**	**84,785**

As at 31 December 2014 Group (USD million)	Level 1	Level 2	Level 3	Fair value
Financial assets				
Cash and due from banks	15,125	284	–	15,409
Interest-bearing deposits with banks	–	165	–	165
Securities purchased under resale agreements and securities borrowing transactions	–	33,729	13	33,742
Other loans and receivables	–	3,040	281	3,321
Other investments	–	–	28	28
Other assets	–	49,397	8	49,405
Total fair value of financial assets	**15,125**	**86,615**	**330**	**102,070**
Financial liabilities				
Deposits	2,525	1,939	–	4,464
Securities sold under repurchase agreements and securities lending transactions	–	8,650	–	8,650
Short term borrowings	–	17,267	–	17,267
Long term debt	–	24,812	120	24,932
Other financial liabilities	–	35,499	12	35,511
Total fair value of financial liabilities	**2,525**	**88,167**	**132**	**90,824**

As at 31 December 2014 Bank (USD million)	Level 1	Level 2	Level 3	Fair value
Financial assets				
Cash and due from banks	15,124	21	–	15,145
Interest-bearing deposits with banks	–	165	–	165
Securities purchased under resale agreements and securities borrowing transactions	–	33,729	13	33,742
Other loans and receivables	–	3,040	281	3,321
Other investments	–	–	28	28
Other financial assets	–	49,413	8	49,421
Total fair value of financial assets	**15,124**	**86,368**	**330**	**101,822**
Financial liabilities				
Deposits	2,525	1,939	–	4,464
Securities sold under repurchase agreements and securities lending transactions	–	8,650	–	8,650
Short term borrowings	–	17,267	–	17,267
Long term debt	–	24,820	120	24,940
Other financial liabilities	–	35,510	12	35,522
Total fair value of financial liabilities	**2,525**	**88,186**	**132**	**90,843**

38 Assets Pledged or Assigned

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

Group and Bank	2015	2014
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	15,360	16,172
Collateral received (USD million)		–
Fair value of collateral received with the right to resell or repledge	93,435	86,955
Of which sold or repledged	47,664	42,017

Assets pledged or assigned represents the balance sheet position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivatives transactions. Refer to Note 16 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2015 and 2014 collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSi group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSi group, as the secured party, has the right to sell or repledge such collateral, subject to the CSi group returning equivalent securities upon completion of the transaction.

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

39 Derecognition

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

Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IAS 39, the CSi group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by structured entities to which the asset has been transferred. In addition, the CSi group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSi group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. The CSi group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSi group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSi group retains any form of rights or obligations relating to the transferred asset.

The table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSi group still has continuing involvement as at 31 December 2015, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

Information on transferred assets by type of continuing involvement

2015 Group and Bank (USD million)	Carrying amount of continuing involvement in statement of financial position: Trading financial assets at fair value through profit or loss	Carrying amount of continuing involvement in statement of financial position: Trading financial liabilities at fair value through profit or loss	Fair value of continuing involvement: Assets	Fair value of continuing involvement: Liabilities	Maximum exposure to loss	Loss from transfer	Income / Expense from continuing involvement: For the year ended 31 December 2015	Income / Expense from continuing involvement: Cumulative to 31 December 2015
Type of continuing involvement								
Derivatives								
Swaps	98	(47)	98	(47)	98	11	(4)	(12)
Notes	40	–	40	–	40	–	–	–
Total	**138**	**(47)**	**138**	**(47)**	**138**	**11**	**(4)**	**(12)**

2014 Group and Bank (USD million)	Carrying amount of continuing involvement in statement of financial position: Trading financial assets at fair value through profit or loss	Carrying amount of continuing involvement in statement of financial position: Trading financial liabilities at fair value through profit or loss	Fair value of continuing involvement: Assets	Fair value of continuing involvement: Liabilities	Maximum exposure to loss	Loss from transfer	Income / Expense from continuing involvement: For the year ended 31 December 2014	Income / Expense from continuing involvement: Cumulative to 31 December 2014
Type of continuing involvement								
Derivatives								
Swaps	221	(59)	221	(59)	221	4	(44)	94
Notes	144	–	144	–	144	–	4	7
Total	**365**	**(59)**	**365**	**(59)**	**365**	**4**	**(40)**	**101**

The majority of the CSi group's continuing involvement in derecognised transferred financial assets is in the form of derivative transactions. To reduce its credit risk to derivatives, the CSi group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

The following table shows a maturity analysis of undiscounted cash outflows that the CSi group may be required to pay to repurchase the asset or any other amounts payable (such as dividends and interest payable) to the counterparty. The below table includes situations where the CSi group has an option to repurchase the asset. In such instances, where the timing of the cash flows is not specified, the total undiscounted amount has been included in the earliest maturity bucket in the disclosure below. Cash outflows to the counterparty may be triggered by credit events.

Maturity analysis of undiscounted cash flows to repurchase transferred assets by type of continuing involvement

2015 Group and Bank (USD million)	Total	On demand	Less than 1 year	1–5 years	more than 5 years
Type of continuing involvement					
Derivatives [1]					
Swaps	(319)	(319)	–	–	–

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

2014 Group and Bank (USD million)	Total	On demand	Less than 1 year	1–5 years	more than 5 years
Type of continuing involvement					
Derivatives [1]					
Swaps	(309)	(309)	–	–	–

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

Instruments that are considered to be continuing involvement are included in Note 16 – Trading Financial Assets and Liabilities at Fair Value Through Profit and Loss and Note 27 – Long Term Debt.

Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps, in which the CSi group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSi groups balance sheet with a corresponding liability established to represent an obligation to the counterparty. As part of the CSi group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

Carrying amount of transferred assets not derecognised and associated liabilities

	2015		2014	
Group and Bank (USD million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase & Securities lending agreements	14,902	14,902	11,120	11,120
Total Return Swaps	655	427	905	635
Other	189	189	287	287

The CSi group also participates in securities lending agreements where the counterparty provides securities as collateral or fees. The carrying amount of the assets not derecognised in such transactions is equal to USD 3,376 million (2014: USD 3,924 million).

Where the CSi group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement.

The counterparties to the associated liabilities included above, have full recourse to CSi.

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

Of the above, other financial assets not derecognised includes failed sale items including fair value elected items which are shown under Financial assets designated at fair value through profit or loss in the Consolidated Statement of Financial Position.

40 Financial Instruments Risk Position

Risks Detail

i) Market Risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility. The Bank defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

The Bank has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Bank level down to specific portfolios. The Bank uses market risk measurement and management methods in line with industry standards. These include general tools capable of calculating comparable exposures across the Bank's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal portfolio measurement methodologies are value-at-risk ('VaR') and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatility serve as a basis for the statistical VaR model underlying the potential loss estimation. The Bank uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS') and other related international standards for market risk management. For some purposes, such as backtesting and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

The Bank uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. The Bank uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the Bank uses a scaling technique that automatically increases VaR where the short-term market volatility is higher than the long-term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the VaR model.

The Bank has approval from the PRA to use its regulatory VaR model in the calculation of trading book market risk capital requirements.

The VaR model uses assumptions and estimates that the Bank believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence threshold.
- VaR is based on a ten-day holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

Scenario analysis

Stress testing complements other risk measures by capturing the Bank's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at Bank level, a set of scenarios are used which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Bank's risk control framework, stress testing results are used in risk appetite discussions and strategic business planning, and support the Bank's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and the business lines.

Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios used within the Bank are reviewed at the individual risk committee level as well as by a dedicated scenario design forum. It is expected that the scenarios used within the Bank will be redefined as market conditions and business strategies evolve.

Trading portfolios

Risk measurement and management

Market risk arises in CSi's trading portfolios primarily through the trading activities within the bank.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the Bank's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing the Bank's market risk exposure, not for financial statement purposes.

CSi is active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of CSi's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for the Bank, as measured by ten-day 99% 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. There is no material difference in VaR between the Company and the CSi Group.

Ten-day, 99% VaR – trading portfolios

End of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
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
2014 (USD million)						
Average	62	18	6	23	(65)	44
Minimum	31	6	1	12	– [2]	31
Maximum	140	14	14	43	– [2]	69
End of period	40	16	1	23	(32)	48

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

VaR results
The CSi group's ten-day, 99% regulatory VaR as of 31 December 2015 increased by 4% to USD 50 million, compared to 31 December 2014 (USD 48 million).

Banking portfolios
Risk measurement and management
The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Bank's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

Development of non-trading portfolio risks
Interest rate risk on banking book positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD 2.1 million as of 31 December 2015 compared to USD 1.6 million as of 31 December 2014. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 31 December 2015, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

A fair value gain of USD 373 million (2014: gain of USD 291 million) for a +200bps move.

A fair value loss of USD 443 million (2014: loss of USD 350[1] million) for a -200bps move.

[1] Despite the low interest rate environment, the full -200bps shock is applied resulting in more conservative outcomes compared to when the downside shocks are adjusted to floor rates at zero as was the case for last year's submission. The respective figure for 2014 has been restated.

ii) Liquidity Risk
Liquidity risk is the risk that a bank is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

CS group-wide management of liquidity risk
Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee ('CARMC'), a committee that includes the Chief Executive Officers ('CEOs') of the CS group and the divisions, the Chief Financial Officer ('CFO'), the Chief Risk Officer ('CRO') and Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with the CSG Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define the Bank's risk tolerance and set parameters for the balance sheet usage of businesses.

The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS's liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events and/or issues specific to CS. This approach enhances CS's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet stress situations.

The funding sourced by CS is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor the structural liquidity position of the firm and as the basis for funds transfer pricing policy is the Net Stable Funding Ratio ('NSFR'). This is complemented by CS's internal liquidity barometer, which allows CS to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modeling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The contingency plan would be activated by the Funding Execution Committee ('FEC'), which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On regulatory developments, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio ('LCR') and NSFR. The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning 1 January 2015 through 1 January 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid-assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by 1 January 2019.

The NSFR, which is expected to be introduced on 1 January 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

Legal entity management of liquidity risk

The liquidity risk of CSi is managed as an integral part of the overall CS global liquidity risk management framework. CSi aims to achieve a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for CSi is aligned to those used globally for the CS barometer.

The legal entity internal liquidity risk management framework also includes local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance ('ILG') which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under CRDIV guidelines, the LCR is expected to be subject to an initial minimum requirement of 60% on October 1, 2015 with full compliance by January 1, 2018 (one year prior to BCBS guidelines). The NSFR is expected to be introduced on January 1, 2018.

In the context of liquidity management at the legal entity, the Bank's Board is responsible for setting the liquidity risk appetite and liquidity risk tolerance limits. Some of the key characteristics determining CSi's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk tolerance;
- Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

CSi has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage liquidity risk.

The UK IB Board approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least an annual basis.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of CSi's liquidity risk management framework, are reviewed by Treasury and ultimately approved by the Bank's Board of Directors on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communicated strategies.

Incremental to CSi's unsecured funding sources from CS, CSi has the ability to access secured funding markets via repurchase agreements and a structured notes issuance programme. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

Group 31 December 2015	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	529	1	34	–	–	**564**
Securities sold under repurchase agreements and securities lending transactions	895	465	4,050	–	327	**5,737**
Trading financial liabilities at fair value through profit or loss	270,767	–	–	–	–	**270,767**
Financial liabilities designated at fair value through profit or loss	16	10,256	2,190	7,828	2,219	**22,509**
Short term borrowings	–	21,066	–	–	–	**21,066**
Long term debt	–	5,307	248	17,994	4,587	**28,136**
Other liabilities	30,822		–	–	–	**30,822**
Total	**303,029**	**37,095**	**6,522**	**25,822**	**7,133**	**379,601**

Group 31 December 2014	On Demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Financial liabilities (USD million)						
Deposits	2,526	366	1,572	–	–	**4,464**
Securities sold under repurchase agreements and securities lending transactions	–	2,512	5,156	34	948	**8,650**
Trading financial liabilities at fair value through profit or loss	405,889	–	–	–	–	**405,889**
Financial liabilities designated at fair value through profit or loss	241	4,966	2,006	13,690	6,437	**27,340**
Short term borrowings	2	17,265	–	–	–	**17,267**
Long term debt	–	5,341	4,196	12,017	5,057	**26,611**
Other liabilities	35,456		48	7	–	**35,511**
Total	**444,114**	**30,450**	**12,978**	**25,748**	**12,442**	**525,732**

iii) Currency Risk

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

The Bank has approval to manage its own trading P&L related Foreign exchange risk through a formal trading mandate and has defined risk limits using the Value at Risk (VaR) methodology. Its currency exposure within the non-trading portfolios is managed through the CS group's leveling process as set out in the Corporate foreign exchange Policy. Both these methodologies are discussed in more detail in section i) Market risk, of this note.

iv) Credit Risk

Credit risk in CSi is managed by the UK Credit Risk Management ('UK CRM') department, which is headed by the UK Chief Credit Officer ('UK CCO'), who in turn reports to the Bank Chief Risk Officer. UK CRM is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group. All credit limits in CSi are subject to approval by UK CRM.

Definition of credit risk

Credit risk is the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

Counterparty and transaction rating

The CSi group employs a set of credit ratings for the purpose of internally rating counterparties to whom it is exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSi group's internal ratings may differ from counterparties external ratings where present. Policy requires the review of internal ratings at least annually. For the calculation of internal risk estimates and Risk Weighted Assets ('RWAs'), a probability of default ('PD') is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward- looking approach, concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgement of credit experts. The PD for each rating is calibrated based on historical default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

The CSi group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSi group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. CSi has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ('IRB') approach for the majority of credit exposures in CSi. Exposures which are not covered by AIRB treatment are subject to the standardised approach.

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of meeting an obligation by counterparty are subject to credit risk exposure measurement and management.

Maximum Exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2015. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSi would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk:

			Group			Bank
2015 (USD million)	Gross	Collateral	Net	Gross	Collateral	Net
Maximum exposure to credit risk						
Cash and due from banks	13,163	–	13,163	13,082	–	13,082
Interest bearing deposits with banks	59	–	59	59	–	59
Securities purchased under resale agreements and Securities borrowing transactions	30,073	30,073	–	30,073	30,073	–
Trading financial assets at fair value through profit or loss						
Debt securities	22,529	–	22,529	22,457	–	22,457
Derivative trading positions	262,698	246,210	16,488	262,716	246,210	16,506
Other	2,952	–	2,952	3,346	–	3,346
Financial assets designated at fair value through profit or loss						
Debt securities	–	–	–	–	–	–
Loans	6,348	2,566	3,782	6,348	2,566	3,782
Reverse repurchase agreements	3,172	3,172	–	3,172	3,172	–
Other	2,558	517	2,041	2,558	517	2,041
Other loans and receivables	3,495	2,629	866	3,495	2,629	866
Other assets	45,610	–	45,610	45,610	–	45,610
Maximum exposure to credit risk – total assets	**392,657**	**285,167**	**107,490**	**392,916**	**285,167**	**107,749**
Off-balance sheet items						
financial guarantees	1,078	1	1,077	1,078	1	1,077
loan commitments and other credit related commitments	12,494	4,954	7,540	12,494	4,954	7,540
Maximum exposure to credit risk – total off-balance sheet	**13,572**	**4,955**	**8,617**	**13,572**	**4,955**	**8,617**
Maximum exposure to credit risk	**406,229**	**290,122**	**116,107**	**406,488**	**290,122**	**116,366**

			Group			Bank
2014 (USD million)	Gross	Collateral	Net	Gross	Collateral	Net
Maximum exposure to credit risk						
Cash and due from banks	15,409	–	15,409	15,145	–	15,145
Interest bearing deposits with banks	165	–	165	165	–	165
Securities purchased under resale agreements and Securities borrowing transactions	33,742	33,742	–	33,742	33,742	–
Trading financial assets at fair value through profit or loss						
Debt securities	24,980	–	24,980	25,369	–	25,369
Derivative trading positions	389,218	365,664	23,554	389,373	365,664	23,709
Other	3,691	–	3,691	4,145	–	4,145
Financial assets designated at fair value through profit or loss						
Debt securities	–	–	–	–	–	–
Loans	9,353	2,827	6,526	9,353	2,827	6,526
Reverse repurchase agreements	4,153	4,153	–	4,153	4,153	–
Other	2,939	1,746	1,193	2,939	1,746	1,193
Other loans and receivables	3,334	2,995	339	3,334	2,995	339
Other assets	49,405	–	49,405	49,421	–	49,421
Maximum exposure to credit risk – total assets	**536,389**	**411,127**	**125,262**	**537,139**	**411,127**	**126,012**
Off-balance sheet items						
financial guarantees	1,238	1	1,237	1,238	1	1,237
loan commitments and other credit related commitments	11,134	6,303	4,831	11,134	6,303	4,831
Maximum exposure to credit risk – total off-balance sheet	**12,372**	**6,304**	**6,068**	**12,372**	**6,304**	**6,068**
Maximum exposure to credit risk	**548,761**	**417,431**	**131,330**	**549,511**	**417,431**	**132,080**

The CSi group is exposed to credit risk as a result of either a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSi group typically enters into master netting arrangements (MNA's) with over the counter ('OTC') derivative counterparties. The MNA's allow the CSi group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSi group, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSi group holds against loans in the form of guarantees, cash and marketable securities. The CSi group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 17 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSi group the right to liquidate the collateral held. Reverse repos are included either within securities or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSi group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 15 –Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements.

Included within Other (Financial assets designated at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSi group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 35 – Guarantees and Commitments.

For further information on collateral held as security that the CSi group is permitted to sell or repledge refer to Note 38 – Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

Risk Mitigation

CSi actively manages its credit exposure utilising credit hedges and monetiseable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties generally through the use of credit default swaps. CSi also actively enters into collateral arrangements for OTC derivatives and other traded products which allow it to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut. Collateral securing loan transactions includes:

- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities); and
- Physical collateral (real estate property for mortgages, mainly retail residential, but also multi-family buildings, offices and commercial properties); and
- Other types of lending collateral such as accounts receivable, inventory and plant and equipment.

Counterparty exposure before collateral by rating

	2015		2014	
	USD million	%	USD million	%
Bank				
AAA	2,495	4	3,405	5
AA+ to AA-	14,357	21	15,757	21
A+ to A-	25,130	37	22,770	31
BBB+ to BBB-	15,883	23	16,208	22
BB+ to BB-	5,932	9	9,262	13
B+ and below	4,158	6	6,108	8
	67,955	**100**	**73,510**	**100**

Unsecured exposure by rating (including provisions)

	2015		2014	
	USD million	%	USD million	%
Bank				
AAA	718	2	3,237	10
AA+ to AA-	8,169	27	10,007	30
A+ to A-	12,779	43	11,241	34
BBB+ to BBB-	5,133	17	4,286	13
BB+ to BB-	780	3	966	3
B+ and below	2,362	8	3,216	10
	29,941	**100**	**32,953**	**100**

The above tables include all loans, commitments, derivatives, securities purchased and sold under repurchase and resale agreements, and short term cash trades on a net counterparty exposure basis for the Bank as most of the trading portfolio mainly resides in the Bank.

The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

Wrong-way risk

Wrong-way exposures

Correlation risk arises when the Bank enters into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, the Bank's exposure to the counterparty increases while the counterparty's financial health and its ability to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product.

The Bank has multiple processes that allow us to capture and estimate wrong-way risk.

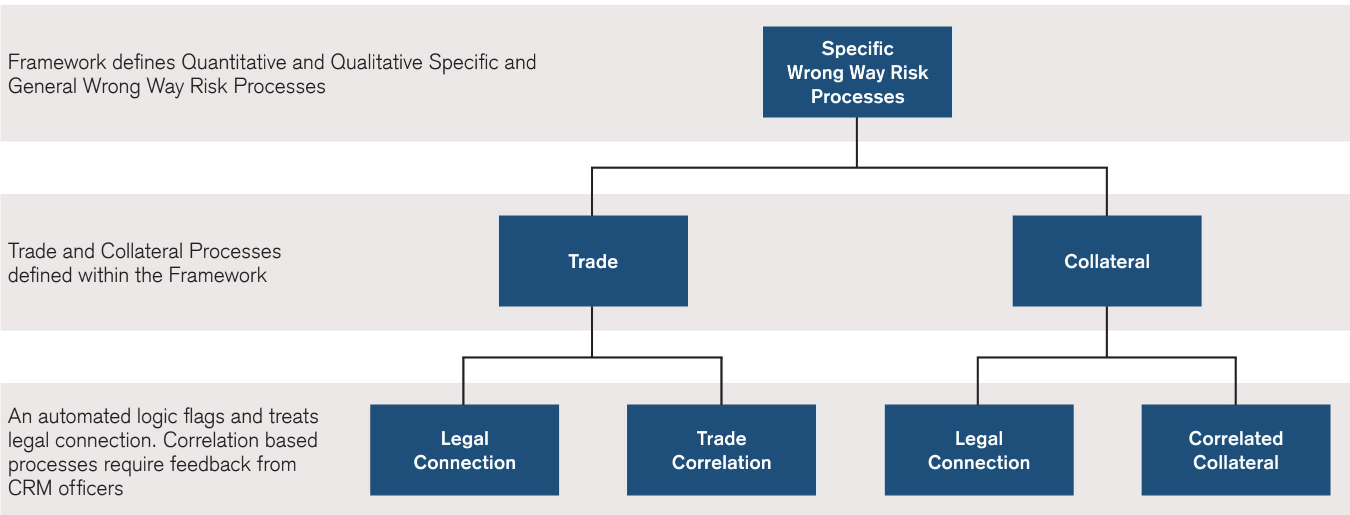
Credit approval and reviews

A primary responsibility of Credit Risk Management ('CRM') is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves the consideration of the motivation of the client and the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

Exposure adjusted risk calculation

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumptions, ineligibility of collateral or scenario-based add-ons is in place to identify and adjust exposures for all specific wrong-way risk types as per the distinction in the table below.



With respect to general wrong-way risk, a scenario-based exposure add-on is applied to those counterparties identified following the qualitative review from Credit Officers where the Basel III prescribed stressed calibration of exposure is not deemed sufficient to capture the additional risk fully.

Wrong-way risk monitoring

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing wrong-way risk due to legal connection are automatically flagged and included in regular reporting. Transactions containing wrong-way risk due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. The outcome of the WWR identification process is subject to monthly review from the UK CRM management team via a regular forum.

Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of counter-value from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSi group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSi group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cash flows with a given counterpart where possible. CSi group proactively seeks to manage the timing of settlement instructions to agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counter party.

v) Country Risk

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. UK CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSi.

For CSi, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Upon UK CRM recommendation, maximum appetite and operational limits are calibrated and approved by the UK IB RMC on an annual basis or, if warranted by a fundamental change in strategy or market conditions, more frequently. The measurement of exposures against country limits is reported weekly to UK CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provide independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to UK CCO and the UK IB CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at the UK IB RMC.

vi) Legal and Regulatory Risk

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behavior, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in ISDA and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

As a participant in the financial services industry, the CS group is subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organisations around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit activities, including through the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which the CSi group may operate. Such limitations can have a negative effect on the CSi group's business and ability to implement strategic initiatives. To the extent that disinvestment is required from certain businesses, losses could be incurred, as the CSi group may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

The financial services industry continues to be affected by the significant uncertainty over the scope and content of regulatory reform in 2015 and beyond. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the results of operations.

vii) Operational Risk

Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

Sources of operational risk

Operational risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorised trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. CSi believe that effective management of operational risk requires a common operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. CSi started to introduce our current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, CSi have redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together.

The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks while providing individual businesses with sufficient flexibility to tailor specific components to reflect the risks that they run. The main components of the operational risk framework are described below:

- Governance and policies: The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. CSi utilise a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- Operational risk appetite: This determines our approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior UK IB management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the UK IB Board and relevant risk management committees in agreement with the operational risk management function.
- Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of our business activities. It provides a consistent approach for classifying operational risks which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- Internal control assessment: We utilise a comprehensive set of internal controls that are designed to ensure that our activities follow agreed policies and that processes operate as intended. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment (RCSA) process.
- Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They are associated with thresholds that define acceptable performance and provide early warning signals about potential issues.
- Incident data: We systematically collect, analyse and report data on operational risk incidents to ensure that we understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CSi focus on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. CSi also collect and utilise available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group.
- Risk and control self-assessments: RCSAs are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSAs utilise other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.
- Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- Reporting: CSi produce a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and reaches of operational risk appetite. The incident management component includes a defined process for identifying, categorising, investigating, escalating and remediating incidents. CSi conduct detailed investigations or significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for

evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.
- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorised trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance measurement purposes and to incentivise appropriate management actions.
- Conduct and behavior: Recognising that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organisation, CSi also transfer the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

Developments in 2015

CSi is continuously enhancing the operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out more broadly.

In 2015, CSi introduced a more structured approach to managing the operational risks associated with major change initiatives. It is designed to ensure that the operational risks of these initiatives are identified, assessed and managed throughout the life of each program using the relevant components of the operational risk framework. It also considers the fact that even initiatives that are expected to deliver operational risk benefits upon completion may result in increased risks during the implementation phase. CSi have also established a dedicated function to analyse the risks associated with intra-group outsourcing and the use of third party vendors and suppliers. This function provides a stronger independent review and challenge capability over these activities. CSi have also made significant enhancements to the risk and control indicators that CSi use to monitor operational risks and assess compliance with the Group's risk appetite. This provides more consistent and comprehensive risk reporting, and clearer triggers for management action.

Maintaining the effectiveness of the UK IB control environment is critical to ensuring that operational risks remain within acceptable levels. In 2015, we made improvements to our approaches to cataloging, documenting and evaluating key controls, which will provide more robust and supportable control assessments for use in the RCSA process. This remains an important area of management focus, and CSi plan to make further enhancements in 2016 by introducing a systematic control activities framework that applies consistent standards and approaches to relevant control activities. This will be a multi-year initiative that starts with the most significant controls and rolls out new processes using a phased approach.

CSi have continued to make progress in embedding assessments of employee behavior in the risk assessment framework. In 2015, the business conduct behaviors were incorporated into a number of HR processes, including recruitment, induction, performance assessment, promotion, and compensation. We have also introduced enhanced risk indicator reporting covering behavior and conduct-related matters.

Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant UK IB operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the UK IB Board, Board Risk and standing monthly UK IB Risk Management committee and UK IB Operational Risk Management committee which have senior staff representatives from all the relevant functions.

viii) Conduct Risk

Conduct risk is the risk that poor conduct by the CS Group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which we operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorised trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, trade processing errors, inaccurate benchmark submissions, failure to safeguard client data or assets, and breaches of regulatory rules or laws by individual employees or market conduct.

Conduct risk is being further embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing past incidents and those from other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across CSi and targeted training activities. CSi seek to promote good behavior and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening our reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviors. The Code of Conduct and the set of business conduct behaviors are linked to the employee performance assessment and compensation processes.

ix) Reputational Risk

The Credit Suisse ('CS') Code of Conduct states that "Our most valuable asset is our reputation". CS reputation is driven by the perception of clients, shareholders, the media and the public. The CS Global Policy on Reputational Risk ('the Policy') states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The CSi Board has formally delegated reputational risk issues to CS group's global RRRP which includes an overview of the transaction or action being considered, the risks identified and any mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by senior business management in the relevant division, and are then subsequently referred to one of CS group's Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on CS group's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee ('the Committee') for further discussion, review and final decision. The Committee is comprised of senior regional, divisional, shared services and CSi entity management.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to EMEA RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the Committee.

41 Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other assets and liabilities that:

- are offset in the CSi group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the CSi group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the tables below. They are not offset in the Consolidated Statement of Financial Position.

Derivatives

The CSi group transacts bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSi group or the counterparties or following other predetermined events. In addition CSi group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives and OTC-cleared derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges and central clearing counterparties permit such netting and offset because the CSi group:

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

To meet criterion (a), the right of set-off:
(a) must not be contingent on a future event; and
(b) must be legally enforceable in all of the following circumstances:
  (i) the normal course of business;
  (ii) the event of default; and
  (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

Criterion (b) may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g., derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Exchange traded derivatives or OTC cleared derivatives that are fully margined and for which the daily margin payment constitute settlement of the outstanding exposure are not included in the offsetting disclosures because they are not subject to offsetting due to daily settlement. The daily margin payments which are unsettled until the next settlement cycle is conducted are presented in brokerage receivables or brokerage payables. The notional amount for the OTC cleared derivatives that are fully margined and settled on a daily basis was USD 18.258 trillion at the end of 2015.

Under IFRS, the CSi group has elected to account for substantially all financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables Note 41- Offsetting of Financial Assets and Financial Liabilities.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of derivative instruments

(USD millions)			2015			2014
Group	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	266,644	(5,831)	260,813	622,517	(237,054)	385,463
Derivative instruments not subject to enforceable master netting agreements [1]	1,885	–	1,885	3,755	–	3,755
Total derivative instruments presented in the Consolidated Statement of Financial Position	**268,529**	**(5,831)**	**262,698**	**626,272**	**(237,054)**	**389,218**
of which recorded in trading financial assets at fair value through profit or loss	268,529	(5,831)	262,698	626,272	(237,054)	389,218
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	269,621	(5,596)	264,025	622,732	(231,901)	390,831
Derivative instruments not subject to enforceable master netting agreements [1]	2,971	–	2,971	6,118	–	6,118
Total derivative instruments presented in the Consolidated Statement of Financial Position	**272,592**	**(5,596)**	**266,996**	**628,850**	**(231,901)**	**396,949**
of which recorded in trading financial liabilities at fair value through profit or loss	272,592	(5,596)	266,996	628,850	(231,901)	396,949

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

(USD millions)			2015			2014
Bank	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	266,644	(5,831)	260,813	622,517	(237,054)	385,463
Derivative instruments not subject to enforceable master netting agreements [1]	1,903	–	1,903	3,910	–	3,910
Total derivative instruments presented in the Statement of Financial Position	**268,547**	**(5,831)**	**262,716**	**626,427**	**(237,054)**	**389,373**
of which recorded in trading financial assets at fair value through profit or loss	268,547	(5,831)	262,716	626,427	(237,054)	389,373
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	269,621	(5,596)	264,025	622,732	(231,902)	390,830
Derivative instruments not subject to enforceable master netting agreements [1]	2,979	–	2,979	6,271	–	6,271
Total derivative instruments presented in the Statement of Financial Position	**272,600**	**(5,596)**	**267,004**	**629,003**	**(231,902)**	**397,101**
of which recorded in trading financial liabilities at fair value through profit or loss	272,600	(5,596)	267,004	629,003	(231,902)	397,101

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

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off:

Bilateral reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements permit such netting and offset because CSi group:

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

The net settlement criterion in (b) will also be met, if the CSi Group can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Positions because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Positions apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides CSi group with the right to liquidate the collateral held. As is the case in CSi group's normal course of business, CSi actively manages collateral, and relevant collateral received that may be sold or repledged was sold or repledged as of 31 December 2015 and 31 December 2014. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

			2015			2014
Group and Bank (USD Millions)	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	30,729	(711)	30,018	35,966	(977)	34,989
Securities borrowing transactions	3,207	–	3,207	2,751	–	2,751
Total subject to enforceable master netting agreements	33,936	(711)	33,225	38,717	(977)	37,740
Total not subject to enforceable master netting agreements [1]	20	–	20	155	–	155
Total [2]	**33,956**	**(711)**	**33,245**	**38,872**	**(977)**	**37,895**

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] USD 3,668 million (2014 USD 4,449 million) of the total amount are reported at fair value.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities sold under repurchase agreements and securities lending transactions

			2015			2014
Group and Bank (USD Millions)	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	11,068	(711)	10,357	8,818	(977)	7,841
Securities lending transactions	4,944	–	4,944	6,133	–	6,133
Total subject to enforceable master netting agreements	16,012	(711)	15,301	14,951	(977)	13,974
Total not subject to enforceable master netting agreements [1]	1,029	–	1,029	–	–	–
Total [2]	**17,041**	**(711)**	**16,330**	**14,951**	**(977)**	**13,974**

[1] Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] USD 11,089 million (2014 USD 5,620) of the total amount are reported at fair value.

The following table presents the gross amount of Financial assets designated at fair value through profit or loss subject to enforceable master netting agreements, the amount of offsetting, the amount of Financial assets designated at fair value through profit or loss not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of Funded Derivatives Assets

			2015			2014
Group and Bank (USD Millions)	Gross	Offsetting	Net	Gross	Offsetting	Net
Funded Derivatives Assets [1]						
Funded Derivative instruments subject to enforceable master netting agreements	732	–	732	599	–	599
Funded Derivative instruments not subject to enforceable master netting agreements [2]	1,932	–	1,932	2,711	–	2,711
Total Funded Derivatives Assets	**2,664**	**–**	**2,664**	**3,310**	**–**	**3,310**

[1] These represent funded derivatives included under Loans in Financial assets designated at fair value through profit or loss.
[2] Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the gross amount of Financial liabilities designated at fair value through profit or loss subject to enforceable master netting agreements, the amount of offsetting, the amount of Financial liabilities designated at fair value through profit or loss not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of Funded Derivatives Liabilities

			2015			2014
Group and Bank (USD Millions)	Gross	Offsetting	Net	Gross	Offsetting	Net
Funded Derivatives Liabilities [1]						
Funded Derivative instruments subject to enforceable master netting agreements	2,251	(815)	1,436	2,598	–	2,598
Funded Derivative instruments not subject to enforceable master netting agreements [2]	3,170	–	3,170	353	–	353
Total Funded Derivatives Liabilities	**5,421**	**(815)**	**4,606**	**2,951**	**–**	**2,951**

[1] These represent funded derivatives included under structured notes in Financial liabilities designated at fair value through profit or loss.
[2] Represents Funded Derivatives where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and Financial assets and liabilities designated at fair value through profit or loss not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the Consolidated Statement of Financial Position

	2015				2014			
Group and Bank (USD million)	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	260,813	(224,684)	(21,526)	14,603	385,463	(343,805)	(21,859)	19,799
Securities purchased under resale agreements	30,018	(30,018)	–	–	34,989	(34,989)	–	–
Securities borrowing transactions	3,207	(2,997)	–	210	2,751	(2,751)	–	–
Funded derivative assets	732	(351)	–	381	599	(485)	–	114
Total financial assets subject to enforceable master netting agreements	**294,770**	**(258,050)**	**(21,526)**	**15,194**	**423,802**	**(382,030)**	**(21,859)**	**19,913**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	264,025	(222,741)	(30,095)	11,189	390,831	(346,899)	(30,260)	13,672
Securities sold under repurchase agreements	10,357	(10,357)	–	–	7,841	(7,841)	–	–
Securities lending transactions	4,944	(4,944)	–	–	6,133	(6,133)	–	–
Funded derivative liabilities	1,436	(294)	–	1,142	2,598	(575)	–	2,023
Total financial liabilities subject to enforceable master netting agreements	**280,762**	**(238,336)**	**(30,095)**	**12,331**	**407,403**	**(361,448)**	**(30,260)**	**15,695**

[1] Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.
[2] The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use of CDSs. Therefore the net exposure presented in the table above is not representative for the CSi group's counterparty exposure.

42 Capital Adequacy

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 CRDIV.

The CS group considers a strong and efficient capital position to be a priority. Consistent with this, the Bank closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework or to the Bank's business model. The CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Multi-year business forecasts and capital plans are prepared by CSi, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios, as part of the ICAAP. Within these stress tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for any SREP ('Supervisory Review and Evaluation Process') review that the PRA conducts when assessing an institution's level of regulatory capital.

Own Funds

Own funds comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity (Common Equity Tier 1 ('CET1'). This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital equals the sum of these with adjustments including regulatory deductions and prudential filters.

The Bank's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its businesses. The capital management framework is designed to ensure that own funds are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

During 2015, the Bank repatriated USD 750 million of share capital, received a capital injection of USD 13 million and repaid USD 263 million of Tier 2 subordinated debt. In 2014 the bank received no capital injections. There was, however, a reorganisation within CET1 comprising the conversion of participating shares into ordinary shares.

Other movements in capital resources were as follows:

	2015	2014
Regulatory capital less deductions (USD million)		
Total regulatory capital less deductions at 1 January	**30,352**	**32,680**
Changes in Tier 1 instruments:		
Capital reduction	(737)	–
Changes in Tier 2 instruments:		
Subordinated debt repaid	(263)	–
Net movement on Tier 2 capital (amortisation and currency translation) [1]	(5)	(93)
Profit and loss and movements in other comprehensive income	(340)	(1,040)
Net movement in regulatory deductions and prudential filters	(51)	(1,195)
Total regulatory capital less deductions at 31 December	**28,956**	**30,352**

[1] Net movement on Tier 2 capital includes amortisation, currency translation and derecognition due to ineligibility under CRR

Under the Basel Committee guidelines, an institution must have a ratio of own funds to aggregate risk-weighted assets of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2015 (CET1 ratio of 4% and a Tier 1 ratio of 5.5% in 2014). The risk weighted assets reflect the credit, market, operational and other risks of the Bank calculated using methodologies set out in the CRR.

The Bank must at all times monitor and demonstrate compliance with the relevant own funds requirements of the CRR. The Bank has put in place processes and controls to monitor and manage its own funds and no breaches were reported to the PRA during the year.

The following table sets out details of CSi's own funds at 31 December 2015 and 2014.

	2015	2014
Regulatory capital less deductions (USD millions)		
Total shareholders' equity-Bank	22,911	23,988
Shareholders' equity	**22,911**	**23,988**
Other deductions:		
Regulatory deductions	(374)	(364)
Excess of expected loss amounts over credit risk adjustments	(118)	(162)
Prudential filters	(1,183)	(1,098)
Total Tier 1 capital	**21,236**	**22,364**
Tier 2 capital		
Subordinated debt	7,720	7,988
Total Tier 2 capital	**7,720**	**7,988**
Total Tier 1 and Tier 2 capital	**28,956**	**30,352**
Deductions (Securitisation Positions)	–	–
Total Tier 1 plus Tier 2 capital less Deductions	**28,956**	**30,352**

43 Country-by-Country Reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, and their turnover, profit or loss before taxes, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2015. For ease of comparison, 2014 is disclosed below, and was previously disclosed on www.credit-suisse.com.

All amounts for Credit Suisse International (the 'Bank'), its subsidiaries and branches are reported in USD (the functional currency of the Bank).

Basis of Preparation

- **Country**: The geographical location of Credit Suisse International ('CSi'), its branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The applicable countries are listed in the table below.
- **Entity details**: The name of the entity, the entity type, and the nature of activity is detailed in the table below. CSi including its branches, is a Bank. CSi offers a range of interest rate, currency, equity and Credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, positioning and arbitrage purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk. CSi's material subsidiaries are disclosed separately.
- **Average Number of Employees**: Defined as the number of employees on a full time equivalent basis, compensated directly by the entity.
- **Turnover**: Defined as net revenues, and is consistent with CSi's financial statements. Net revenues include total income before impairment and operating expenses, but after net interest, net commissions/fees income and investment and trading income.
- **Profit/(Loss) before taxes**: Definition of profit/(loss) before tax is consistent with that within CSi's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSi in each country in 2015 and does not include taxes refunded back to CSi on account of tax overpayments in prior years during 2015.
- **Public Subsidies Received**: Interpreted as direct support by the government and there were no public subsidies received by CSi in 2015 (2014: Nil).

Please find below the required reporting for 31 December 2015 and 31 December 2014.

Country by Country Reporting for the year ended 31 December 2015

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million)	Profit/(Loss) before taxes (USD million)	Taxes Paid (USD million) [1]	Public Subsidies Received (USD million)
United Kingdom							
Credit Suisse International	Parent	Bank	1,167	1,893	(78)	–	–
Ireland							
Credit Suisse International Dublin Branch	Branch	Bank branch	21	39	27	11	–
Spain							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	6	5	(2)	–	–
Italy							
Credit Suisse International, Italian Branch	Branch	Bank Branch	2	2	–	–	–
The Netherlands							
Credit Suisse International, Amsterdam Branch	Branch	Bank Branch	1	–	–	–	–
Sweden							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	4	3	–	–	–
Credit Suisse International	Consolidated [2]		1,201	1,942	(52)	11	–

[1] The Corporation taxes paid above do not include taxes refunded during 2015. Taxes refunded during 2015 for CSi amounted to USD 1 million.

[2] Variable Interest entities are not included in the above reporting. For a full list of other consolidated entities please refer Note 36- Interest in Other Entities.

Country by Country Reporting for the year ended 31 December 2014

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (USD million)	Profit/(Loss) before taxes (USD million)	Taxes Paid (USD million) [1]	Public Subsidies Received (USD million)
United Kingdom							
Credit Suisse International	Parent	Bank	661	1,105	(407)	–	–
Ireland							
Credit Suisse International Dublin Branch	Branch	Bank branch	45	24	8	2	–
Prime Nominees (Asia) Ltd	Subsidiary	Nominee Company	–	–	–	–	–
Prime Nominees (Ireland) Ltd	Subsidiary	Nominee Company	–	–	–	–	–
Spain							
Credit Suisse International, Sucursal en Espana	Branch	Bank Branch	8	11	1	1	–
United States of America							
Credit Suisse First Boston International (USA), Inc.	Subsidiary	Holding Company	36	–	(9)	–	–
CSFB International Trading , LLC	Subsidiary	Hedges derivative transactions	4	–	(1)	–	–
Sweden							
Credit Suisse International, (UK) Bank Sweden Branch (filial)	Branch	Bank Branch	4	4	1	–	–
Credit Suisse International	Consolidated [2]		758	1,144	(407)	3	–

[1] The Corporation taxes paid above do not include taxes refunded during 2014. Taxes refunded during 2014 for CSi amounted to USD 1 million
[2] Variable Interest entities are not included in the above reporting. For a full list of other consolidated entities please refer Note 36- Interest in Other Entities.

44 Business Combinations

The Bank acquired a number of businesses from a fellow CS group company, CSS(E)L during 2015. CSi signed an agreement with CSS(E)L on 5 June 2015 to acquire, on an arms-length basis, the Listed Derivative and OTC clearing businesses (collectively the 'Listed agency' business). An agreement was signed to acquire the former Investment Banking Division business in London ('investment banking' business), including M&A Advisory with effect from 1 October 2015. Two further agreements were signed in order to transfer the investment banking business within CSS(E)L branches in the Netherlands and Italy, to CSi Amsterdam and CSi Italy branches respectively, with effect from 1 December 2015. The acquisitions were part of a CS group wide legal entity simplification program, the strategic goals of which are to remove a significant impediment for Recovery and Resolution Planning and improve capital requirements for intergroup exposure under CRD IV.

The Listed agency business was acquired in September 2015, at which point a total purchase consideration of USD 52 million was paid in cash. The business has been migrated to CSi in waves, with the last migration expected to be completed within a year of the contract signing date.

As part of the migration, CSi expanded its relationships with Exchanges, Central Clearing Counterparties ('CCPs') and Brokers by opening or establishing new relationships and memberships with respective exchanges and CCPs. This was in addition to extending existing CSi memberships at the Intercontinental Exchange ('ICE'), London International Financial Futures Exchange ('LIFFE') and EUREX (International Derivatives Exchange headquartered in Germany) from house only memberships to memberships including client business.

The acquisition of the investment banking business in London was completed on 1 October 2015, for a total purchase consideration of USD 207 million paid in cash. In addition, branches relating to the investment banking business located in Milan (USD 8.4 million consideration) and Amsterdam (USD 4.9 million consideration) were transferred to newly established CSi branches on 1 December 2015 and such acquisitions were both settled with issuance of ordinary shares of CSi.

In accordance with CSi group's accounting policy described under Basis of consolidation in Note 2- Significant Accounting Policies, USD 272 million has been recorded as reduction in retained earnings as a result of the above transactions.

The revenue for the year relating to these acquisitions was USD 118 million, and the net profit before tax was USD 12 million. If the acquired business had been included in the results of the Bank for a full 12 months, the estimated revenue and net loss before tax would have been USD 344 million and USD 156 million respectively.

45 Subsequent Events

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. If this tax rate reduction had been substantively enacted as at 31 December 2015 it would have had the impact of decreasing the deferred tax asset recorded by approximately USD 9 million.

On March 23, 2016, the CS group announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower its cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the reshaping of the Global Markets business and further strengthen its capital position. The additional measures and new financial objectives that impact the Bank will need to consider include:

- increasing the gross savings targets;
- reducing the risk-weighted assets target in the Global Markets;
- exiting the European Securitised Products trading businesses in Global Markets; and
- the assets from businesses the Bank is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016.

Implementation of these strategy measures will lead to a recasting of prior period segment results, principally in respect of the Global Markets business and the Strategic Resolution Unit, and an assessment of certain statement of financial position items.

46 CSi's Subsidiaries and Associates

In accordance with Section 409 of the Companies Act 2006 a list of CSi's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2015 is disclosed below.

	Country	Security	Total (%)
31 December 2015			
Subsidiaries			
AHL Investment Strategies PCC – Class F3 Global Futures	Cayman Islands	EUR Class F3 participating notes	100
AHL Investment Strategies PCC – Class I1 AHL Global Futures 6 EUR Shares	Guernsey	EUR Class I1 shares	100
AHL Investment Strategies PCC – Class K1 AHL Global Futures 7 EUR Shares	Guernsey	EUR Participating shares	100
AHL Investment Strategies PCC – Class L1 AHL Global Futures 8 EUR Shares	Guernsey	EUR Class L1 shares	100
AI3 Segregated Portfolio	Cayman Islands	USD 100 Participating shares	100
Andrea Investments (Jersey) PCC – Cell Series 1000 PC	Jersey	EUR & USD 100 Preference shares	100
AZ Pure China – Equity Strategy	Luxembourg	USD A shares	100
Brevan Howard Multi-Manager Limited	Cayman Islands	USD Class E shares	100
Mistral SPC – Long/Short Equity	Cayman Islands	Participating limited recourse certificates	100
RPM SPC – Enhanced Risk Segregated Portfolio	Cayman Islands	AUD Ordinary shares	100
Simplon Capital Ltd. SPC – AlphAlgo Segregated Fund Portfolio	Cayman Islands	EUR 0.01 Participating shares	100
Xanthos Holding – Segregated Portfolio	Cayman Islands	Participating limited recourse certificates	100
YI Active Spezial ESPA Fund.	Austria	EUR shares	100
HOLT Global Equity Fund	Luxembourg	USD,EUR & CHF 100 Class R1CS, USD 100 Class I2C1 and EUR 100 Class I2CE shares	98
LHI Mid Market Buy-Out Europe LP	Guernsey	EUR shares	80
Variopartner SICAV – Generics Fund	Luxembourg	USD Z shares	69
Credit Suisse Global Carry selector – Fund II	Ireland, Republic of	EUR 100 Class A and EUR 100,000 Class E shares	65
Credit Suisse Backwardation Fund	Ireland, Republic of	EUR 100 Class A&K2, USD 100 Class C2&M2, GBP 100 Class F and CHF 100 Class G&P shares	60

	Country	Security	Total (%)
31 December 2015			
Subsidiaries			
Ajanta Limited	Gibraltar	No shares	–[1]
Andrea Investments (Jersey) PCC	Jersey	No shares	–[1]
Argentum Capital Series 2015-5	Luxembourg	No shares	–[1]
Arundel (International) Limited	Gibraltar	No shares	–[1]
Bellingham Properties Limited	Gibraltar	No shares	–[1]
Boats Investments (Jersey) Ltd Series 532	Jersey	No shares	–[1]
Boats Investments (Jersey) Ltd Series 560, 565,564,562,561,558,557,551,550,548,546,545 & 559	Jersey	No shares	–[1]
Bondstreet 2 GmbH	Germany	No shares	–[1]
CARMF Alternative 1	France	No shares	–[1]
Carmil Properties Limited	Gibraltar	No shares	–[1]
Cepheus Holdings Limited	Gibraltar	No shares	–[1]
Coxaro Holdings Limited	Cyprus	No shares	–[1]
Credit Suisse Bond Fund	Ireland, Republic of	No shares	–[1]
Credit Suisse Custom Markets	Luxembourg	No shares	–[1]
Crown RF Segregated Portfolio	Cayman Islands	No shares	–[1]
Culross Global SPC Limited – Culross UCITS Index Segregated Portfolio	British Virgin Islands	No shares	–[1]
Custom Markets PLC	Ireland, Republic of	No shares	–[1]
Custom Markets PLC – Credit Suisse Movers Fund	Ireland, Republic of	No shares	–[1]
Custom Markets QIF PLC	Ireland, Republic of	No shares	–[1]
Dutch Holding Rembrandt B.V.	Netherlands	No shares	–[1]
Dutch Property Company Rembrandt BV Entities 1 – 9	Netherlands	No shares	–[1]
Ecureuil Vie – Separate Account (EV) Segregated Portfolio	Cayman Islands	No shares	–[1]
HOLT Emerging Markets Equity Fund	Ireland, Republic of	No shares	–[1]
Interleuvenlaan 15 Real Estate Ltd	Gibraltar	No shares	–[1]
Kaylen Properties Limited	Gibraltar	No shares	–[1]
Lux Multi Flex Hubel	Luxembourg	No shares	–[1]
Mistral SPC	Cayman Islands	No shares	–[1]
New Jersey S.A.	Luxembourg	No shares	–[1]
RPM SPC – Global Futures Selection Enhanced Risk Segregated Portfolio	Cayman Islands	No shares	–[1]
SAPIC Global Macro Fund Ltd.	Cayman Islands	No shares	–[1]
SAPIC Global Macro Master Fund Ltd.	Cayman Islands	No shares	–[1]
SAPIC-98 Reference Fund (55) LIMITED	Cayman Islands	No shares	–[1]
SAPIC-98 Reference Fund (56) LIMITED	Cayman Islands	No shares	–[1]
Silver Hake Limited	Gibraltar	No shares	–[1]
Sontex (International) Limited	Gibraltar	No shares	–[1]
Weiveldlaan 41 Real Estate Ltd	Gibraltar	No shares	–[1]
Westwood S.A	Portugal	No shares	–[1]
Xanthos Arrow Index Trust	Cayman Islands	No shares	–[1]
Zephyros Limited	Cayman Islands	No shares	–[1]
Associates			
Skyline UCITS Fund	Ireland, Republic of	GBP pooled share class	32
SAPIC-98 MASTER FUND	Cayman Islands	USD 0.001p Ordinary shares	25

[1] Subsidiaries included in Note 36 – Interests in Other Entities, where CSi does not hold any share capital.

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