CREDIT SUISSE

CREDIT SUISSE INVESTMENT HOLDINGS (UK)

Annual Report
For the year ended 31 December 2019

Company Registration Number: 03045280

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Board of Directors

Julian Houghton	Director
Christopher Horne	Director
Paul Hare	Director
Caroline Waddington	Director

Company Secretary

Paul Hare	Secretary

Strategic Report for the year ended 31 December 2019

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2019.

Business Profile

Credit Suisse Investment Holdings (UK) (the 'Company') is a Private Unlimited and an investment holding Company limited by shares, established primarily to hold the interests of its holding Company, Credit Suisse Investments (UK) ('CSIUK'), a UK Company whose ultimate parent is Credit Suisse Group AG ('CS group'), which is incorporated in Switzerland.

Principal activities

The Company's principal activity is to act as a investment holding Company.

The Company's interests include an investment in Credit Suisse Securities (Europe) Limited (CSS(E)L), whose principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis. Refer to note 10 of the Financial Statements for the complete list of subsidiaries.

Business review

There has been no significant change in the Company's principal activities compared to previous years. The Directors are not aware of any significant developments or factors which will have a major impact on the continued success or operation of the business in the future.

The rapid spread of COVID-19 inside China in February 2020 and across the world in March 2020 led to the introduction of tight government controls and travel bans, as well as the implementation of other measures which quickly closed down activity in numerous economies across the world including the UK. Markets globally were negatively impacted, with the energy, travel and tourism and the transportation sectors being the worse affected. COVID-19 is expected to have a significant impact on the global economy in at least the coming months. These impacts are likely to affect the Company's largest subsidiary CSS(E)L's business performance, including credit loss estimates in the first half of 2020 and going forward. The Company and CSS(E)L are closely monitoring the spread of COVID-19 and the potential effects on its operations and business.

Section 172 Statement

The Board complies with the Companies Act Section 172 general duty to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and having regard to the consequences of decisions and the interests of stakeholders.The Directors decided to restructure the shareholders equity as described in the Directors' report.

The Company is part of the CS group which strives to comply with the values and standards set out in its Code of Conduct in every aspect of work, including its relationships with stakeholders. CSG publishes a comprehensive Corporate Responsibility Report which can be found on Credit Suisse's website at www.credit-suisse.com/crr. Further information can also be found in CSG's Annual Report 2019 at www.credit-suisse.com/about-us/en/reports-research/annual-reports.html.

Strategic Report for the year ended 31 December 2019

Performance

The performance of the Company is explained through the key movements in its Statement of Income and Statement of Financial Position.

Statement of Income

For the year ended 31 December 2019, the Company reported a loss after tax of US$ 317m (2018 : US$ 89m). The variance is mainly on account of impairment of investment in CSS(E)L of US$ 300m in 2019 (2018 : US$ 74m) The reduction of interest income and interest expense is due to repayment of long term debt to immediate parent and loan asset from subsidiary.

Statement of Financial Position

As at 31 December 2019, the Company had total assets of US$ 6,977m (2018: US$ 7,269m). The net decrease in total assets of US$ 292m is mainly on account of impairment of investment in CSS(E)L of US$ 300m, which was offset by the increase of the short term deposits with Credit Suisse AG London Branch of US$ 6m and group relief received of US$ 2m.

As at 31 December 2019, the Company had total liabilities of US$ 928m (2018: US$ 903m). The increase in liabilities was mainly due to an increase in debt of US$ 25m from CSIUK.

As at 31 December 2019, the Company had equity of US$ 6,049m (2018: US$ 6,366m). A capital restructure to create additional distributable reserves for the Company was approved on 16 July 2019, which resulted in the issued share capital being reduced by US$7,554m to US$ 3,237m and the US$7,554m was transferred to the share premium account. Then the Company cancelled and transferred the entire share premium and capital reserves account to retained earnings.

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The Company is a holding Company and the main risk facing the Company is impairment of investment in subsidiaries. Apart from this, the assets of the Company mainly comprise of deposits and other receivables facing fellow group companies under common control. Hence, the Company is not exposed to any significant external credit risk. The Company's financial risk management policies are outlined in note 18 to the Financial Statements.

The spread of COVID-19 is expected to have a significant impact on the global economy and may affect the business performance of the Company in at least the first half of 2020 and going forward. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business. However, the Directors are of the opinion that the Company would continue as a going concern for at least 12 months from the date of approval of the financial statements on the basis of continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

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

The Company is not materially impacted by Brexit being a holding Company with no European clients. For Brexit planning in relation to its material subsidiary CSS(E)L, refer to the 2019 CSS(E)L financial statements.

Strategic Report for the year ended 31 December 2019

Modern Slavery and Human Trafficking

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

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

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

Approved by the Board of Directors on 21 May 2020 and signed on its behalf by:

Paul Hare
Company Secretary

One Cabot Square
London E14 4QJ
21 May 2020

Company Registration Number: 03045280

Directors' Report for the year ended 31 December 2019

International Financial Reporting Standards

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Going concern

The financial statements have been prepared on a going concern basis. Notwithstanding the recent market developments caused by COVID-19, the net current liability position of US$ 779m as at 31 December 2019 and a loss for the year of US$ 317m, the Directors are of the opinion that the going concern basis is still appropriate taking account of reasonably possible downside scenarios. The validity of the going concern assumption is dependent upon continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. The Directors have also considered Credit Suisse AG's ability to provide such financial support and concluded that it has the financial capacity to provide the financial support as may be required. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Share Capital

The Company is not subject to externally imposed capital requirements. During the year, the value of each 10,790,610,103 ordinary shares were reduced from US$ 1.00 to US$ 0.30 each, resulting in the reduction of issued share capital by US $ 7,554m, this was credited into retained earnings to create distributable earnings. Also, the entire share premium of US$ 363m was cancelled and transferred to retained earnings.

Dividends

No dividends were paid or are proposed for year ended 31 December 2019 (2018: US$ Nil).

Directors

The names of the Directors as at the date of this report are set out on page 3. There are no changes in the Directorate since 31 December 2018, and up to the date of this report.

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

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Annual Report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

Directors' Report for the year ended 31 December 2019

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company 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 Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Company'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 Company's auditor is aware of that information.

Statement on Directors' Relationships with Clients, Suppliers and Other Stakeholders

Information pertaining to the Directors' engagement with clients, suppliers and other stakeholders can be found in the Strategic Report.

Political Contributions

Neither the Company nor any of its subsidiaries made any political donation or incurred any political expenditure during the year. (2018: Nil)

Auditor

The Board and shareholders proposed PricewaterhouseCoopers LLP ('PwC') as the new statutory auditor for the Company, effective for the fiscal year ending 31 December 2020.

In December 2018, the Credit Suisse Group AG Board of Directors approved that PwC be proposed as the new statutory auditor of the Group's Financial Statements at the CS Group AG's Annual General Meeting in April 2020. The appointment is proposed to be effective for the fiscal year ending December 31, 2020 and is subject to CSG shareholder approval.

The current auditor, KPMG LLP, will resign after the approval of these Financial Statements.

Exemption for group accounts

Pursuant to section 401 of the Companies Act, 2006, the Company is exempt from preparing and delivering Consolidated Financial Statements as the Company is a wholly owned indirect subsidiary of CS Group AG, incorporated in Switzerland, which prepares consolidated Financial Statements.

Directors' Report for the year ended 31 December 2019

Subsequent events

The spread of COVID-19 is expected to have a significant impact on the global economy and may affect the business performance of the Company in at least the first half of 2020 and going forward. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business. However, the Directors are of the opinion that the Company would continue as a going concern for at least 12 months from the date of approval of the financial statements on the basis of continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

The Company is not materially impacted by the UKs exit from the European Union ('EU') as it is an investment holding company which does not hold any investments in the EU and is not party to any material transactions with EU counterparties.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed. This tax rate increase was enacted in March 2020.

Apart from the above, there are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at the date of this report.

Approved by the Board of Directors on 21 May 2020 and signed on its behalf by:

C. Waddington

Caroline Waddington
Director

One Cabot Square
London E14 4QJ
21 May 2020

Company Registration Number: 03045280

Opinion

We have audited the financial statements of Credit Suisse Investment Holdings (UK) ("the company") for the year ended 31 December 2019 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

R. Faulkner

Richard Faulkner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
21 May 2020

Statement of Income for the year ended 31 December 2019

	Note	2019 US$M	2018 US$M
Interest income	3	4	30
- of which interest income from instruments at amortised cost		4	30
Interest expense		(25)	(51)
-of which interest expense from instruments at amortised cost		(25)	(51)
Net interest expense		**(21)**	**(21)**
(Provision)/reversal for credit losses	4,14	—	—
Net interest expense after provision for credit losses		**(21)**	**(21)**
Impairment of investment in subsidiaries	10	(300)	(74)
Administrative expenses	5	—	—
Other income	6	—	—
Loss before tax		**(321)**	**(95)**
Income tax benefit	7	4	6
Loss attributable to the shareholders of the Company		**(317)**	**(89)**

Losses for 2019 and 2018 are from continuing operations.

There is no other comprehensive income in the current and prior year. Accordingly, Statement of Other Comprehensive Income has not been provided.

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2019

	Note	2019 US$M	2018 US$M
ASSETS			
Current assets			
Cash and cash equivalents	8	141	135
Other assets	9	8	6
Financial investment held as available-for-sale	10	–	–
Total current assets		**149**	**141**
Non-current assets			
Investments in subsidiaries	10	6,828	7,128
Total non-current assets		**6,828**	**7,128**
Total assets		**6,977**	**7,269**
LIABILITIES			
Current liabilities			
Short term borrowings	11	928	903
Other liabilities	12	–	–
Total current liabilities		**928**	**903**
Total non-current liabilities		**–**	**–**
Total liabilities		**928**	**903**
SHAREHOLDERS' EQUITY			
Share capital	13	3,237	10,791
Share premium	13	–	363
Capital reserve	15	–	2,411
Retained earnings		2,812	(7,199)
Total shareholders' equity		**6,049**	**6,366**
Total liabilities and shareholders' equity		**6,977**	**7,269**

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Approved by the Board of Directors on 21 May 2020 and signed on its behalf by

C. Waddington

Caroline Waddington
Director

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

	Share capital	Share premium	Capital reserve	Retained earnings	Total
	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2019	**10,791**	**363**	**2,411**	**(7,199)**	**6,366**
Loss for the year	–	–	–	(317)	**(317)**
Movement during the year	–	(363)	(2,411)	2,774	**–**
Reduction in share capital	(7,554)	–	–	7,554	**–**
Balance at 31 December 2019	**3,237**	**–**	**–**	**2,812**	**6,049**

A capital restructure to create additional distributable reserves for the Company was approved on 16 July 2019 which resulted in the cancellation and transfer of the entire share premium and capital reserves account to the retained earnings. Furthermore, a reduction in issued share capital by way of reducing the nominal value of each Ordinary Shares from US $ 1.00 to US$ 0.30 and that the amount by which the share capital is so reduced was transferred to retained earnings account.

	Share capital	Share premium	Capital reserve	Accumulated losses	Restated Total
Balance at 1 January 2018	**10,791**	**363**	**2,411**	**(7,110)**	**6,455**
Adjustment on initial application of IFRS 9	–	–	–	–	**–**
Adjusted balance at 1 January 2018	**10,791**	**363**	**2,411**	**(7,110)**	**6,455**
Loss for the year	–	–	–	(89)	**(89)**
Balance at 31 December 2018	**10,791**	**363**	**2,411**	**(7,199)**	**6,366**

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2019

	Note	2019 US$M	2018 US$M
Operating activities			
Loss before tax		(321)	(95)
Adjustments to reconcile net loss to net cash from operating activities			
Impairment of investments in subsidiaries		300	74
Interest expense		25	51
Interest income		(4)	(30)
Operating profit/(loss) before working capital changes		**—**	**—**
Net movement in operating assets/ liabilities:			
Borrowings		25	23
Interest received		4	32
Interest paid		(25)	(52)
Group relief received		2	—
Net cash generated from operating activities		**6**	**3**
Net increase in cash and cash equivalents		**6**	**3**
Cash and cash equivalents at beginning the year		135	132
Cash and cash equivalents at end of the year		**141**	**135**
Cash and Cash Equivalents	8	141	135
Cash and cash equivalents at end of the year		**141**	**135**

The notes on pages 16 to 38 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2019

1. General

The Company is domiciled in the United Kingdom. The Company's registered office is at One Cabot Square, London, E14 4QJ. The Company's principal activity is to serve as a holding Company.

2. Significant accounting policies

a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and are in compliance with Companies Act 2006.

The Financial Statements were approved and authorized for issue by the Board of Directors on 21 May 2020.

Credit Suisse AG has confirmed its intention to provide the necessary financial support to the Company to continue operations and meet its liabilities as and when they fall due. As such, notwithstanding the deficiency in the net current assets, the Financial Statements have been prepared on a going concern basis.

Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering Consolidated Financial Statements as the Company is a wholly owned indirect subsidiary of CS Group, incorporated in Switzerland, which prepares consolidated Financial Statements.

b) Basis of preparation

The Financial Statements are presented in United States dollars (US$), which is the Company's functional currency and have been rounded to the nearest million, unless otherwise stated. Up until 2018, the financials were being presented as rounded off to nearest thousands, however, for the sake of standardising the disclosure in line with other CS group financials it has now been changed. The Financial Statements are prepared on historical cost basis.

The financial statements have been prepared on a going concern basis. Notwithstanding the recent market developments caused by COVID-19, the net current liability position of US$ 779m as at 31 December 2019 and a loss for the year of US$ 317m, the Directors are of the opinion that the going concern basis is still appropriate taking account of reasonably possible downside scenarios. The validity of the going concern assumption is dependent upon continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. The Directors have also considered Credit Suisse AG's ability to provide such financial support and concluded that it has the financial capacity to provide the financial support as may be required. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.

The preparation of Financial Statements which conform to the 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 2(j) 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. Management believes that the estimates and assumptions used in the preparation of the Financial Statements are reasonable and consistently applied.

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

Standards and interpretations effective in the current period

The Company has adopted the following amendments in the current year:

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

- Annual Improvements to IFRSs 2015-2017 Cycle: In December 2017, the IASB issued 'Annual Improvements to IFRSs 2015-2017 Cycle' (Improvements to IFRSs 2015-2017). The Improvements to IFRSs 2015-2017 are effective for annual periods beginning on or after 1 January 2019. The adoption of Annual Improvements to 'IFRSs 2015-2017 Cycle' on 1 January 2019 did not have a material impact on the Company's financial position, results of operations or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform: In September 2019, the IASB issued 'Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7) in order to address the financial reporting consequences of the interest rate benchmark reform in the period before the replacement of an existing interest rate benchmark with an alternative reference rate. The amendments are effective for annual periods beginning on or after 1 January 2020 with an early adoption permitted. The adoption on 1 January 2020 will not have a material impact on the Company's financial position, results of operations or cash flows.

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

The Company is not yet required to adopt the following standard and interpretation which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- Amendments to the definition of Business (IFRS 3): In October 2018, the IASB 'Definition of a Business '(Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The adoption on 1 January 2020 will not have a material impact on the Company's financial position, results of operations or cash flows.

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

c) Foreign currency

The Company's functional currency is United States Dollars (US$). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising from re-measurement are recognised in the Statement of Income Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

d) Interest income and expense

IInterest income and expense includes interest income and expense on the Company's loans, deposits, borrowings, debt issuances, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the Company's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss which are included in 'Net gains from financial assets/liabilities at fair value through profit or loss'. Interest income and expense on instruments measured at amortised cost is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortized as an adjustment to the yield over the life of the related asset or liability. When a financial asset becomes credit-impaired (or 'Stage 3'), interest income is calculated by applying the effective interest rate to the amortised cost (i.e. net of the expected credit loss provision).

Interest income relates to interest received on short term deposits with group companies - Credit Suisse AG, London Branch and Credit Suisse Investments UK and on long term deposits with CSS(E)L . Interest expense relates to borrowings from group companies - Credit Suisse AG, London Branch and CSIUK.

e) Income tax and deferred tax

Income tax recognised in the Statement of Income for the year comprises current and deferred tax. Income tax is recognised in the Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the 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 year. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

For UK corporation tax purposes the Company may surrender or claim certain losses from another UK group Company. The surrendering company will be compensated in full for the tax losses surrendered to the claimant company.

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 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 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 rights to offset exists, and they are intended to be settled net or realised simultaneously. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay related dividend arises.

Information as to the calculation of income tax on the profit and loss for the periods presented is included in note 7 – Income tax benefit.

Other taxes include tax on Shareholder's funds and net wealth tax. The tax on shareholder's funds and net wealth tax are tax payable on the net wealth of the Company at pre-enacted rates.

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

f) Investment in subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when all the following conditions are met:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee ; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

When the Company has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The Company also determines whether another entity with decision-making rights is acting as an agent for the Company. 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; and
- The decision maker's exposure to variability of returns from other interests that it holds in the entity

The Company makes significant judgements and assumptions when determining if it has control of another entity. The Company may control an entity even though it holds less than half of the voting rights of that entity, for example if the Company 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 Company may not control an entity even though it holds more than half of the voting rights of that entity, for example where the Company 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.

Investment in subsidiaries is carried at cost and is reviewed for impairment on each reporting date to determine whether there is any indication that the carrying amount may not be recoverable. If such an indication exists, the carrying amount of the investment is written down to its recoverable amount (i.e. the higher of the fair value less costs to sell and the value in use).

Any charges relating to the impairment of investment in subsidiary is recognised in the Statement of Income in the period in which the impairment occurs. When an investment is disposed of, the profit or loss resulting from the disposal is recognised in the Statement of Income.

At each reporting date, the Company assesses whether there is an indication that a previously recognized impairment loss has reversed. If such an indication exists, the entity estimates the recoverable amount of the asset. Reversal, if any on such assessment, of an impairment loss is recognised in the Statement of Income to the extent of the impairment loss booked earlier on the same asset.

g) Financial assets and liabilities

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

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

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

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

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

The financial assets which are not classified under the 'Hold to Collect' and 'Hold to Collect and Sell' business models are measured at fair value. These include financial assets that meet the trading criteria; those that are managed on a fair value basis or designated at fair value as well as equity instruments where an irrevocable election is made on initial recognition to present changes in fair value in other comprehensive income (OCI). Refer to sections below for further guidance.

For 'Hold to Collect' and 'Hold to Collect and Sell' business model, the contractual cash flows of the financial assets are assessed to determine if they consist of solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

These criteria determine how a financial asset is subsequently measured.

Amortised Cost

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

h) Impairment of financial assets, loan commitments and financial guarantees

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

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

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

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

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

Measurement of ECLs

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

- Financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. The Company applies a PD/LGD approach under which term structures of point-in-time probability of defaults ('PDs'), point-in-time loss given defaults ('LGDs') and exposure at defaults ('EADs') are estimated;
- Financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments apply the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- Financial guarantee contracts apply the present value of the expected payments to reimburse the holder less any amounts that the Company expects to recover.
- The Company applies the simplified approach to providing for expected credit losses which permits the use of the lifetime expected loss provision for all fee receivables. To measure the expected credit losses, the Company will apply a provision matrix in the form of aging analysis, including relevant forward looking information. The fee receivables do not contain a significant financing component.

Definition of default

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

In assessing whether a borrower is in default, the Company considers indicators that are:
- Qualitative: e.g. breaches of covenants;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

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

Forward looking information

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

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

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

Significant increases in credit risk ('SICR')

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

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

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

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

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

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

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

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

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

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

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

Expected life

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

Notes to the Financial Statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

Grouping financial assets measured on a collective basis

For Stage 1 and Stage 2 ECLs, financial assets are grouped based on shared credit risk characteristics, e.g. product type and geographic location. However, for each financial asset within the grouping an ECL is calculated based on the PD/LGD approach. Financial assets are grouped as follows:

- Financial institutions
- Corporates
- Fallback (assets not included in any of the above categories)

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

Write-off of loans

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

i) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a *deduction from equity, net of any tax effects.*

j) Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of investment in subsidiaries

Significant judgement is required in determining the expected recoverable amount in reviewing for impairment. The Directors consider net asset value to be a reasonable approximation to fair value and therefore an appropriate basis in determining the recoverable amount of the investment in subsidiaries.

3. Interest income and expense

	2019 **US$M**	**2018** **US$M**
Loans	—	28
Other	4	2
Total interest income	**4**	**30**
Long term debt	—	(28)
Other	(25)	(23)
Total interest expense	**(25)**	**(51)**
Net interest expense	**(21)**	**(21)**
of which		
Interest income from Financial assets at amortised cost	4	30
Interest expense from Financial liabilities at amortised cost	(25)	(51)

Notes to the Financial Statements for the year ended 31 December 2019

3. Interest income and expense(continued)

The reduction in the interest income and interest expense is on account of repayment of US$ 1,250m loan from CSS(E)L and debt of US$ 1,250m to CSIUK during the year 2018.

4. Provision for credit losses

During the year, an additional credit loss provision of US$ 1,255 has been created (2018: Reversal US$ 185,449).

5. Administrative expenses

The administrative expenses majorly comprises of audit fees US$ 21,057 (2018: US$ 8,239), VAT on audit fees US$ 4,212 (2018: US$ 1,648), professional fees incurred for subsidiary US$ 4,475 (2018: US$ Nil) and other expenses. The increase in audit fee expense & Vat thereon is due to additional fee for scope change (Re-statement) for period December 2018 audit.

6. Other income

During the current year US$ 785 has been booked as foreign exchange loss (2018: Foreign exchange loss US$ 1,694 and other income US$ 194,489).

7. Income tax benefit

a. Components of tax benefit

	2019 US$M	2018 US$M
Current tax		
Current tax benefit for the period	4	4
Adjustments in respect of previous periods	—	2
Total current tax benefit	**4**	**6**

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed.

b. *An explanation of the relationship between the income tax benefit and the accounting (loss)/profit*

The current tax for the year can be reconciled to the standard rate of corporation tax in the UK of 19% as follows:

	2019 US$M	2018 US$M
Loss before tax	**(321)**	**(95)**
Loss before tax multiplied by the UK statutory rate of corporation tax of 19% (2018 : 19%)	61	18
Non-deductible impairment of investment in subsidiary	(57)	(14)
Adjustments to current tax in respect of previous periods	—	2
Total income tax benefit	**4**	**6**

Notes to the Financial Statements for the year ended 31 December 2019

7. Income tax benefit(continued)

c. Deferred taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17%

Deferred tax assets are recognised on deductible temporary differences and tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Capital losses carried forward on which no deferred tax assets have been recognised as at 31 December 2019 is US$67,092,635 [£51,073,448] (2018: US$65,100,770 [£51,073,448]). The deferred tax asset not recognised on these losses carried forward is US$ 11,405,748 (2018 : US$11,067,131). The benefit of the losses carried forward has not been recognised in these financial statements due to the uncertainty of their recoverability. The losses carried forward have no expiry date.

8. Cash and cash equivalents

	2019 US$M	2018 US$M
Short term money market deposit	141	135
Cash at bank	—	—
Total	**141**	**135**
Allowance for losses	—	—
Net Cash and Cash equivalents	**141**	**135**

Cash at bank includes bank accounts having a balance of US$ 469,781 (2018: US$ 401,995) are available on demand and are with Credit Suisse AG, Zurich a related Company. The short-term money market deposits are held with Credit Suisse Investments (UK) and Credit Suisse AG, London Branch (2018: Credit Suisse Investments (UK) and CSAG, London Branch) with maturity of 3 months or less (2018: 3 months or less).

9. Other assets

	2019 US$M	2018 US$M
Group relief receivable	8	6
Total	**8**	**6**

The other assets also comprise of interest accrued on short term money market deposit US$ 22,208 (2018: US$ 137,043), deferred income US$ 561 (2018: US$ 1,621) and receivables from related companies US$ 129.

10. Investments in subsidiaries

a. Investment in subsidiaries

	2019 US$M	2018 US$M
Investment in subsidiaries	6,828	7,128
Total	**6,828**	**7,128**

Notes to the Financial Statements for the year ended 31 December 2019

10. Investments in subsidiaries (continued)

Movements in investment in subsidiaries for the year were as follows:

	2019 US$M	2018 US$M
As at 1 January	7,128	7,202
Impairment of investments	(300)	(74)
As at 31 December	**6,828**	**7,128**

At year end impairment testing, there was an impairment of investment in CSS(E)L of US$ 300m (2018: US$ 74m)

The level of the fair value hierarchy applied to the impaired investment is level 3. The Directors consider net asset value to be an appropriate basis in determining the fair value of the investment in subsidiaries for impairment purposes as the shares of the subsidiary don't trade in an active market and the inputs for assets and liabilities that the subsidiary holds are not based on observable market data.

Details of the investments are as follows:

2019 % of equity	2018 % of equity	Company name	Domicile	2019 Carrying Value US$ M	2018 Carrying Value US$ M
100	100	Credit Suisse Securities (Europe) Limited	UK	6,828	7,128
100	100	Credit Suisse First Boston Trustees Limited	UK	Indirect	Indirect
100	100	Credit Suisse Client Nominees (UK) Limited	UK	Indirect	Indirect
100	100	CSS(E)L Guernsey Bare Trust	Guernsey	Indirect	Indirect
100	100	Credit Suisse Guernsey AF Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey I Master Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey II Master Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey I Funding Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey II Funding Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey I SPIA Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey II SPIA Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey I Master Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey II Master Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey I Funding Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey II Funding Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey I SPIA Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey II SPIA Trust	Guernsey	Indirect	Indirect
100	—	Morstan Investments B.V. – 2019-01	Netherlands	Indirect	Indirect
				6,828	**7,128**

b. Investment held as available-for-sale

The Company has a 1% investment in Woodgate S.A of US$ 1,014 (2018: US$ 1,014).

11. Short term borrowings

The effective interest rate as at year end on short-term money market borrowings from Credit Suisse Investments UK(CSIUK) is 2.03% (2018: 3.03%) and from Credit Suisse AG, London Branch is 0.52% and the average maturity was 30 days (2018: 30 days). The short term borrowings include the interest accrued thereon US$ 261,612 (2018: US $ 303,885).

Notes to the Financial Statements for the year ended 31 December 2019

12. Other liabilities

The other liabilities majorly comprise of audit fees payable US$ 9,760 (2018: US$ 9,469) and in the year 2018 bank over draft of US$ 41,072.

13. *Share capital and share premium*

	2019 US$M	2018 US$M
Authorised:	**Unlimited**	**Unlimited**
Allotted, called up and fully paid share capital		
10,790,610,103 ordinary shares of US$ 0.30 each*	3,237	10,791
Total	**3,237**	**10,791**

	2019 US$M	2018 US$M
Share premium*	—	363
Total	**—**	**363**

* During the year, a capital restructure to create additional distributable reserves for the Company was approved on 16 July 2019, which resulted in the reduction in issued share capital from US$ 10,791m to US$ 3,237m by way of reducing the nominal value of each of the 10,790,610,103 USD Ordinary Shares from US$ 1.00 to US$ 0.30 each and that the amount by which the share capital is so reduced US$ 7,554m was transferred to retained earnings account. Also, the entire share premium of US$ 363m was cancelled and transferred to retained earnings.

The holders of ordinary shares have voting rights and the right to receive dividends.

Share options

The Company does not offer share options.

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Company funds its operations and growth through equity. This includes assessing the need to raise additional equity where required.

The Company is not subject to externally imposed capital requirements, although its subsidiary CSS(E)L is regulated by the Prudential Regulation Authority and the Financial Conduct Authority. There were no significant changes in the Company's approach to capital management during the year.

14. Expected credit loss measurement

During the current year, the expected credit loss provision of US$ 1,884 (2018: US$ 628) was made.

Notes to the Financial Statements for the year ended 31 December 2019

15. Capital reserve

Capital Reserve represents capital injections from CSIUK over the years. Due to the capital restructure to create additional distributable reserves for the Company, the capital reserves account of US$ 2,411m was cancelled and the whole amount was transferred to retained earnings.

16. Related party transactions

The Company is controlled by CSIUK, incorporated in the United Kingdom, which owns 100% of the ordinary shares. The ultimate parent Company is CSG AG, which is incorporated in Switzerland.

Copies of group Financial Statements of Credit Suisse AG and CSG, which are those of the smallest and largest groups in which the results of the Company are consolidated, are available to the public and may be obtained from CSG, Paradeplatz 8, 8070 Zurich, Switzerland.

The Company is involved in transactions with, and has related party balances, with subsidiaries and affiliates of CSG. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated parties.

The following tables set forth the Company's related party assets and liabilities and related party income and expenses:

Notes to the Financial Statements for the year ended 31 December 2019

16. Related party transactions *(continued)*

a) Related party assets and liabilities

	2019 (US$ M)				2018 (US$ M)			
	Parent*	Fellow group companies	Subsidiaries	Total	Parent*	Fellow group companies	Subsidiaries	Total
ASSETS								
Current assets								
Cash and cash equivalents	141	–	–	**141**	134	–	–	**134**
Total current assets	**141**	**–**	**–**	**141**	**134**	**–**	**–**	**134**
Non-current assets								
Investment in subsidiaries	–	–	6,828	**6,828**	–	–	7,128	**7,128**
Total non-current assets	**–**	**–**	**6,828**	**6,828**	**–**	**–**	**7,128**	**7,128**
Total assets	**141**	**–**	**6,828**	**6,969**	**134**	**–**	**7,128**	**7,262**
LIABILITIES								
Current liabilities								
Borrowings	928	–	–	**928**	903	–	–	**903**
Total current liabilities	**928**	**–**	**–**	**928**	**903**	**–**	**–**	**903**
Non-current liabilities								
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total liabilities	**928**	**–**	**–**	**928**	**903**	**–**	**–**	**903**

For UK corporation tax purposes the Company may surrender or claim certain losses from another UK group Company. The group relief receivable as at 31 December 2019 is US$M 8 (2018: US$M 6).

* [1] Out of the total cash and cash equivalents, US$ 8m relates to Credit Suisse AG, London branch (2018: US$ 2m)

Notes to the Financial Statements for the year ended 31 December 2019

b) Related party income and expenses

	2019 (US$ M)				2018 (US$ M)			
	Parent*	Fellow group companies	Subsidiaries	Total	Parent*	Fellow group companies	Subsidiaries	Total
Interest income	4	—	—	**4**	2	—	28	**30**
Total related party income	**4**	**—**	**—**	**4**	**2**	**—**	**28**	**30**
Interest expense	(25)	—	—	**(25)**	(51)	—	—	**(51)**
Impairment of investment	—	—	(300)	**(300)**	—	—	(74)	**(74)**
(Provision)/Reversal of provision for credit losses	—	—	—	**—**	—	—	—	**—**
Total related party expenses	**(25)**	**0**	**(300)**	**(325)**	**(51)**	**0**	**(74)**	**(125)**

Notes to the Financial Statements for the year ended 31 December 2019

16. Related party transactions (continued)

c) Remuneration of Directors and Key Management Personnel

The Directors and Key Management Personnel did not receive any remuneration in respect of their services for the Company (2018: US$ Nil). The Directors and Key Management Personnel are employees of its related companies and the Company does not reimburse its related companies for the services rendered by these Directors and Key Management Personnel.

All Directors benefited from qualifying third party indemnity provisions.

d) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to Directors or Key Management Personnel during the year (2018: US$ Nil).

e) Liabilities due to pension funds

The Company has no employees and therefore does not have any liabilities with regard to pension funds (2018: US$ Nil).

17. Financial instruments

The disclosure of the Company'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); and
- Fair value of financial instruments not carried at fair value.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial assets and liabilities is impacted by factors such as contractual cash flows and observable inputs like the benchmark interest rates and foreign exchange rates. Unobservable inputs used are credit spreads which is a part of the risk-adjusted discount factors. Valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of counterparty, and are applied to 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 Company's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities. The adjustments also take into account contractual factors designed to reduce the Company's credit exposure to counterparty.

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

For cash and other liquid assets, the fair value is assumed to approximate book value, given the short term nature of these instruments. For long term instruments fair value is calculated using the discounted cash flow methodology. The information presented herein represents estimates of fair values of accrual accounted instruments as at the Statement of Financial Position date.

Notes to the Financial Statements for the year ended 31 December 2019

17. Financial instruments (continued)

The table below analyses financial instruments by valuation method. The different levels in the fair value hierarchy in which fair value measurements are categorised for financial assets and liabilities have been defined as follows:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

There have been no transfers between level 2 and level 1 in the year (2018: No Transfers). The levels in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured in the Statement of Financial Position are as follows:

Notes to the Financial Statements for the year ended 31 December 2019

17. Financial instruments (continued)

2019 (US$ M)	Carrying amount		Fair value			
	Amortised Cost	Assets available for sale	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	141	–	141	–	–	**141**
Total financial assets	**141**	**–**	**141**	**–**	**–**	**141**
Financial liabilities						
Short term borrowings	928	–	–	928	–	**928**
Total financial liabilities	**928**	**–**	**–**	**928**	**–**	**928**

2018 (US$ M)	Carrying amount		Fair Value			
	Amortised Cost	Assets available for sale	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	135	–	135	–	–	**135**
Total financial assets	**135**	**–**	**135**	**–**	**–**	**135**
Financial liabilities						
Short term borrowings	903	–	–	903	–	**903**
Total financial liabilities	**903**	**–**	**–**	**903**	**–**	**903**

Notes to the Financial Statements for the year ended 31 December 2019

17. Financial instruments (continued)

Level 3 fair value measurements:

During the year, there have been no transfers between levels 2 and 3 for any category of financial instruments. (2018: None).

18. Financial risk management

The Company's activities expose it to a variety of financial risks.

- Market risk (including foreign exchange risk and interest rate risk)
- Credit risk
- Liquidity risk
- Operational risk

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

a) Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices and other relevant market parameters, such as market volatilities.

(i) Interest rate risk

The Company has interest bearing financial assets and liabilities, which are mainly in the form of cash and cash equivalents and borrowings. The interest rates on these instruments typically resets within 1 months which minimises the risk to changes in interest rates. As the Company's interest-bearing assets and liabilities are against group companies, the Company is not exposed to any third party counter party interest rate risks.

The Company holds no other significant interest-bearing assets or liabilities and the remaining expenses and operating cash flows are independent of changes in interest rates.

The sensitivity analysis is prepared based on financial instruments that are recognised at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual turn out due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent.

Sensitivity analysis for changes in interest rate assume an instantaneous increase or decrease by 25% as at the reporting date, with all other variables remaining constant is given below:

2019 (US$ M)	**+25%**	**-25%**
Change in equity and (loss) or income with interest rate fluctuation in borrowings	(5)	5
Total	**(5)**	**5**

2018 (US$ M)	**+25%**	**-25%**
Change in equity and (loss) or income with interest rate fluctuation in borrowings	(6)	6
Total	**(6)**	**6**

Notes to the Financial Statements for the year ended 31 December 2019

18. Financial risk management(continued)

(ii) Foreign exchange risk

Foreign currency risk is the risk that the value of monetary assets/ liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR and GBP.

Foreign exchange risk related to expenses and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Any currency risk that materialises will be managed centrally by the CS group through the Foreign Currency Exposure Management ('FCEM') process, utilising currency hedges at the CS group level.

Foreign currency balances are not material enough for assets and liablities denominated in currencies other than US$, hence currency wise analysis and sensitivity analysis has not been prepared.

b) Credit risk

Credit risk is the possibility of a loss being incurred by the Company 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. The Company is exposed to credit risk from other CS group companies. Transactions are limited to fellow group companies and high-credit-quality financial institutions. The carrying value of amounts due from related companies represents the maximum credit exposure of the Company to counterparties. The Company has policies that limit the amount of credit exposure to any financial institution.

There are no amounts due from related companies which are past due but not impaired.

Distribution of monetary assets not past due:

Cash and Due from Bank	**12-month ECL (Stage 1)**	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Purchased credit-impaired**	**Total**
2019	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
A+ to A-	141	—	—	—	141
Gross Carrying amount	**141**	**—**	**—**	**—**	**141**
Loss allowance	—	—	—		—
Net Carrying amount	**141**	**—**	**—**	**—**	**141**

Other Assets	**12-month ECL (Stage 1)**	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Purchased credit-impaired**	**Total**
2019	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
A+ to A-	—	—	—	—	—
Gross Carrying amount	**—**	**—**	**—**	**—**	**—**
Loss allowance	—		—		—
Net Carrying amount	**—**	**—**	**—**	**—**	**—**

Cash and Due from Bank	**12-month ECL (Stage 1)**	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Purchased credit-impaired**	**Total**
2018	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
A+ to A-	135	—	—	—	135
Gross Carrying amount	**135**	**—**	**—**	**—**	**135**
Loss allowance	—	—	—		—
Net Carrying amount	**135**	**—**	**—**	**—**	**135**

Notes to the Financial Statements for the year ended 31 December 2019

18. Financial risk management(continued)

Other Assets	12-month ECL (Stage 1)	Lifetime ECL not credit-impaired (Stage 2)	Lifetime ECL credit-impaired (Stage 3)	Purchased credit-impaired	Total
2018	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
A+ to A-	—	—	—	—	—
Gross Carrying amount	**—**	**—**	**—**	**—**	**—**
Loss allowance	—		—		—
Net Carrying amount	**—**	**—**	**—**	**—**	**—**

Notes to the Financial Statements for the year ended 31 December 2019

18. Financial risk management(continued)

c) *Liquidity risk*

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

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS liquidity and funding policy is designed to ensure that funding is available to all legal entities within CS to meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS' ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet any stress situation.

The following table sets out details of the remaining contractual maturity for financial liabilities.

	Carrying Amount	Gross Nominal Outflow	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
2019 (US$M)								
Short term borrowings	928	929	–	929	–	–	–	**929**
Total financial liabilities	**928**	**929**	**–**	**929**	**–**	**–**	**–**	**929**
2018 (US$M)								
Short term borrowings	903	905	–	905	–	–	–	**905**
Total financial liabilities	**903**	**905**	**–**	**905**	**–**	**–**	**–**	**905**

d) Operational Risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. The Company is exposed to minimal operational risk.

Notes to the Financial Statements for the year ended 31 December 2019

19. Employees

The Company had no employees during the year (2018: Nil). The Company receives a range of administrative services from related companies within the CS group. CS group companies have borne the cost of these services.

20. Subsequent events

The spread of COVID-19 is expected to have a significant impact on the global economy and may affect the business performance of the Company in at least the first half of 2020 and going forward. The Company is closely monitoring the spread of COVID-19 and the potential effects on its operations and business. However, the Directors are of the opinion that the Company would continue as a going concern for at least 12 months from the date of approval of the financial statements on the basis of continued financial support from the Company's ultimate parent, Credit Suisse AG. Credit Suisse AG has confirmed that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

The Company is not materially impacted by the UKs exit from the European Union ('EU') as it is an investment holding company which does not hold any investments in the EU and is not party to any material transactions with EU counterparties.

In the UK budget announcement of 11 March 2020, the UK government announced its intention to maintain the UK corporation tax rate at 19% and the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020 would be repealed. This tax rate increase was enacted in March 2020.

Apart from the above, there are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at the date of this report.