

CREDIT SUISSE INVESTMENT HOLDINGS (UK)

**Annual Report
For the year ended 31 December 2022**



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COMPANY INFORMATION

Board of Directors

Graham Cox
Paul Hare
Christopher Horne
Caroline Waddington

Director
Director
Director
Director

Company Secretary

Paul Hare

Registered Office

One Cabot Square
London E14 4QJ

Registration number

03045280

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Strategic Report for the year ended 31 December 2022

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2022.

Business Profile

Credit Suisse Investment Holdings (UK) (the 'Company') is a private unlimited company having a share capital, 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 ('CSG'), which is incorporated in Switzerland. CSG is the parent of the worldwide group of companies within Credit Suisse (collectively referred to as the 'CS group').

Principal Activities

The Company's principal activity is to act as an investment holding company. The Company's interests include an investment in Credit Suisse Securities (Europe) Limited ('CSS(E)L'), whose principal activities for 2022 was to complete the transfer of CSS(E)L's core businesses to Credit Suisse International ('CSI'), as part of a plan to consolidate the UK businesses in a single legal entity. CSS(E)L is planning to repatriate excess capital back to Credit Suisse AG ('CS AG') subject to Board and regulatory approval. The remaining businesses are Asset Resolution Unit ('ARU') predominantly comprising of Longevity business, Seoul branch and treasury activities to support the liquidity requirement of the entity. Refer to note 10 of the Financial Statements for the complete list of subsidiaries.

Business Review

On 19 March 2023 it was announced that Credit Suisse Group AG and UBS Group AG have entered into a comprehensive merger agreement, with UBS Group AG as the surviving entity. The closing of the comprehensive merger agreement of the two consolidated banking groups is expected by the end of the second quarter 2023 and may have material impacts on the Company's future financial performance.

Apart from above, the Directors are not aware of any other significant developments or factors which will have a major impact on the continued success or operation of the business in the future.

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 2022, the Company reported a loss after tax of US\$ 168m (2021: US\$ 477m). The variance is primarily driven by provision for impairment of investment in CSS(E)L of US\$ 1,363m (2021: US\$ 475m), dividend received from subsidiary of US\$ 1,200m (2021: US\$ Nil) and interest expense of US\$ 7m (2021: US\$ 3m).

Statement of Financial Position

As at 31 December 2022, the Company had total assets of US\$ 1,544m (2021: US\$ 6,506m). The net decrease in total assets of US\$ 4,962m is mainly on account of the repatriation of capital by its subsidiary of US\$ 3,450m, provision for impairment of investment in CSS(E)L of US\$ 1,363m, decrease of the cash and cash equivalents with Credit Suisse AG, London Branch of US\$ 148m

As at 31 December 2022, the Company had total liabilities of US\$ Nil (2021: US\$ 940m). The liabilities have been settled in year with CSI UK.

As at 31 December 2022, the Company had equity of US\$ 1,544m (2021: US\$ 5,566m). The decrease in equity is due to reduction of share capital and dividend paid during the year to parent CSI UK of US\$ 2,654m and US\$ 1,200m respectively.

Strategic Report for the year ended 31 December 2022

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, Financial Risks and Uncertainties

The Company is a holding company and the main risk facing the Company is impairment of investment in subsidiaries. Hence, the Company is not exposed to any significant credit risk. The Company's financial risk management policies are outlined in note 17 to the Financial Statements.

Inflation concerns and recession risk

In the major economies annual inflation rates stayed far above central bank target levels for most of 2022 but started to decrease at the end of 2022. In early 2023, energy prices eased and the improved functioning of supply chains reduced the upward pressure on prices of goods. However, price pressures have transitioned to the services sector while low unemployment rates have pushed wages up. The Federal Reserve ('the Fed') and other major central banks have slowed the pace of monetary policy tightening in late 2022 and early 2023 but have continued to stress that policy interest rates may be further increased. Further significant increases in interest rates carry the risk of triggering a recession. The company periodically conducts deep-dive assessments and uses stress scenarios and a range of other risk management techniques to assess the resilience and potential vulnerabilities in its exposures and concentrations should the global economy be impacted by sustained high inflation or deteriorate into recession in the first half of 2023.

Cyber risk

The financial industry continues to be increasingly reliant on technology, faces dynamic cyber threats from a variety of actors and new technology vulnerabilities are being discovered. CS group continue to invest significantly in our information and cybersecurity program in order to strengthen our ability to anticipate, detect, defend against and recover from cyber attacks. The Company regularly assesses the effectiveness of our key controls and conduct ongoing employee training and awareness activities, including for key management personnel, in order to seek to strengthen resilience of our systems and promote a strong cyber risk culture.

Streamlined Energy and Carbon Reporting ('SECR')

There is no requirement for the Company to report SECR as it does not meet the qualifying conditions.

Approved by the Board on 10 May 2023 and signed by order of the Board by:



Paul Hare
Company Secretary

One Cabot Square
London E14 4QJ
10 May 2023

Company Registration Number: 03045280

Directors' Report for the year ended 31 December 2022**International Financial Reporting Standards**

The Financial Statements of the Company have been prepared on going concern basis and in accordance with UK-adopted International Accounting Standards and the requirements of Companies Act 2006 as applicable to companies using those standards.

The Annual Report and Financial Statements were authorised for issue by the Directors on 10 May 2023. As permitted by section 414C(11) of the Companies Act 2006, certain information is not shown in the Directors' Report because it is shown in the Strategic Report.

Going Concern

Going concern is detailed in Note 2 – Significant Accounting Policies.

Capital Resources

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. The Company has put in place processes and controls to monitor and manage the group's capital adequacy on a consolidated basis.

Dividends

During 2022 US\$ 1,200m dividends were paid. The board of directors have deferred a decision to make a further dividend for the year ended 31 December 2022 (2021: Nil) until after the merger with UBS is completed.

Political Contributions

No political donations or political expenditure was incurred during the year 2022. (2021: Nil)

Exemption from Group Financial Statements

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 CSG, which prepares consolidated Financial Statements.

Directors

The names of the Directors as at the date of this report are set out on page 3. Following are changes in the Directorate since 31 December 2021, and up to the date of this report.

Appointment	Graham Cox	11 January 2023
Resignation	Julian Houghton	20 January 2023

All Directors benefited from qualifying third party indemnity provisions in force during the financial year and at the date of the approval of the financial statements. 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.

Directors' Report for the year ended 31 December 2022 (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it presumes that the Company will not continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' Confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, PricewaterhouseCoopersLLP ('PwC') will be deemed to be reappointed and will therefore continue in office as external auditors.

Disclosure of Information to Auditors

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 auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Directors to make themselves aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report for the year ended 31 December 2022 (continued)

Subsequent Events


On 19 March 2023, Credit Suisse Group AG and UBS Group AG entered into an agreement and plan of merger ('the merger'), to be completed at a date yet to be determined. The Company is a consolidated subsidiary of Credit Suisse Group AG, and as such the future operations and financial performance of the Company may be impacted as a result of the merger. There can be no assurance that the Company will not itself become liquidated or otherwise merged with another UBS Group AG subsidiary following completion of the merger.

Based on the merger developments discussed above, the following accounting impacts on the financial statements are expected to occur for periods ending after 19 March 2023:

Investments in subsidiaries

As of 31 December 2022, the Company had investment in subsidiaries of US\$ 1,540m. Based on the merger agreement, the Company believes an impairment loss on this balance sheet position is possible but has not yet been estimated at this time.

On behalf of the Board



Caroline Waddington
Director

One Cabot Square
London E14 4QJ
10 May 2023



Independent auditors' report to the members of Credit Suisse Investment Holdings (UK)

Report on the audit of the financial statements

Opinion

In our opinion, Credit Suisse Investment Holdings (UK)'s financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Income, Statement of Changes in Equity and statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company is a member of the group ("CS group") headed by their ultimate parent, Credit Suisse Group AG ("CS Group AG"). The company is dependent on ongoing support from other members of the CS group, in order to continue in operation. Following a period of severe stress the CS Group AG has entered into an agreement to merge with UBS Group AG. At the date of approval of these financial statements, the merger has not been completed and the impact of the plan of merger on the future operation of the company has not been confirmed. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK company law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and corporate tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs; creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;

- Reviewing Board meeting and other relevant Committee minutes to identify any significant or unusual transactions or other matters that could require further investigation;
- Identifying and, where relevant, testing journal entries, including those posted with particular descriptions, relating to particular dates or with other unusual characteristics;
- Challenging assumptions and judgements made by management in determining critical accounting estimates, in particular those related to the impairment of subsidiaries; and
- Incorporating unpredictability in the selection of the nature, timing and extent of audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Amena Shaista (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 May 2023

Statement of Income for the year ended 31 December 2022

	Notes	2022 US\$M	2021 US\$M
Interest income	3	1	0
- of which interest income from instruments at amortised cost		1	0
Interest expense	3	(7)	(3)
-of which interest expense from instruments at amortised cost		(7)	(3)
Net interest expense		(6)	(3)
(Provision)/reversal for credit losses	4	0	0
Net interest expense after Reversal/(provision) for credit losses		(6)	(3)
Dividend income		1,200	—
Provision for Impairment of investment in subsidiaries	10	(1,363)	(475)
Administrative expenses	5	0	0
Other income	6	0	0
Loss before tax		(169)	(478)
Income tax credit	7	1	1
Loss for the year		(168)	(477)

Losses for 2022 and 2021 are from continuing operations.

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

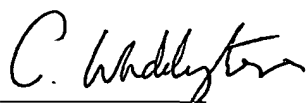
The notes on pages 16 to 35 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2022

	Notes	2022 US\$M	2021 US\$M
ASSETS			
Current assets			
Cash and cash equivalents	8	3	151
Other assets	9	1	2
Total current assets		4	153
Non-current assets			
Investments in subsidiaries	10	1,540	6,353
Total non-current assets		1,540	6,353
Total assets		1,544	6,506
LIABILITIES			
Current liabilities			
Short-term borrowings	11	0	940
Other liabilities	12	0	0
Total current liabilities		0	940
Total non-current liabilities		—	—
Total liabilities		0	940
EQUITY			
Share capital	13	583	3,237
Retained earnings		961	2,329
Total equity		1,544	5,566
Total liabilities and equity		1,544	6,506

The notes on pages 16 to 35 form an integral part of these Financial Statements.

The financial statements on pages 13 to 35 were approved by the Board of Directors on 10 May 2023 and signed on its behalf by:



Caroline Waddington
Director

Statement of Changes in Equity for the year ended 31 December 2022

	Share capital	Retained earnings	Total
	US\$M	US\$M	US\$M
Balance at 1 January 2022	3,237	2,329	5,566
Loss for the year	—	(168)	(168)
Dividend paid during the year	—	(1,200)	(1,200)
Reduction of share capital	(2,654)	—	(2,654)
Balance at 31 December 2022	583	961	1,544

	Share capital	Retained earnings	Total
	US\$M	US\$M	US\$M
Balance at 1 January 2021	3,237	2,806	6,043
Loss for the year	—	(477)	(477)
Balance at 31 December 2021	3,237	2,329	5,566

The notes on pages 16 to 35 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2022

	Note	2022 US\$M	2021 US\$M
Operating activities			
Loss before tax		(169)	(478)
Adjustments to reconcile net loss to net cash from operating activities			
Provision for impairment of investments in subsidiary		1,363	475
Interest expense		7	3
Interest income		(1)	—
Operating results before working capital changes		1,200	—
Net movement in operating assets/ liabilities:			
Interest received		1	0
Interest paid		(7)	(2)
Group relief received		2	4
Net cash generated from operating activities		1,196	2
Investing activities			
Reduction of share capital in subsidiary		3,450	—
Net cash flow generated from investing activities		3,450	—
Financing activities			
(Repayment)/Issuance of short term borrowings		(940)	3
Dividend paid to parent		(1,200)	—
Reduction of share capital		(2,654)	—
Net cash flow (used in)/generated from financing activities		(4,794)	3
Net (decrease)/increase in cash and cash equivalents		(148)	5
Cash and cash equivalents at beginning the year		151	146
Cash and Cash Equivalents	8	3	151
Cash and cash equivalents at end of the year		3	151

The notes on pages 16 to 35 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year ended 31 December 2022

1. General

The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales. 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. The Company is a private unlimited company having a share capital, established primarily to hold the interests of its holding company, CS AG, which is incorporated in Switzerland.

2. Significant accounting policies

a) Statement of compliance

The Financial Statements of the Company have been in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006 as applicable to companies using those standards.

The Financial Statements were approved and authorised for issue by the Board on 10 May 2023.

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 CSG, 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. The Financial Statements are prepared on historical cost basis.

The preparation of Financial Statements 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(i) 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 year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision has a significant effect on both current and future years. Management believes that the estimates and assumptions used in the preparation of the Financial Statements are reasonable and consistently applied.

Going Concern

The Board has assessed the ability of the Company to continue as a going concern for a period of at least 12 months from the date of this report. Based on this assessment, the Board is satisfied that the Company has adequate resources to continue in operation for this period, and it therefore continues to adopt the going concern basis in preparing the financial statements. The Company is reliant on funding from Credit Suisse AG ('CS AG') who have provided a letter of intent to ensure the Company can meet its debt obligations for the next 18 months. CS AG runs a global liquidity rebalancing process across its major legal entities to respond to liquidity demands across the consolidated group.

During Q1 2023 the financial stability of CSG and CS AG reached a critical point which resulted in an agreement to merge between CSG and UBS. During this period CSG has been reliant on funding from the Swiss government and the Swiss National Bank. CSG and CS AG have concluded they are operating as a going concern but are reliant on the success of the merger. Due to the Company's reliance on CSAG and CSG, the Company's assessment of going concern is also dependent on the successful closing of the merger.

Notes to the Financial Statements for the year ended 31 December 2022

2. Significant accounting policies (continued)

The Board have made enquiries to gain comfort on the going concern status of CS AG due to the reliance on the support CS AG provides to the Company. Due to the significant level of Swiss government and Swiss National Bank impetus and support for the transaction, as well as that of management of both banks, it is considered highly probable that the merger will be completed. The expectation is that requisite approvals will be obtained on a highly expedited basis, and there are no reasons to believe that any of the condition's precedent cannot be met. Accordingly, it is the expectation that liquidity and other facilities will remain in place. Any possible unforeseen developments or changes, which are currently considered as remote, would trigger a re-evaluation of this determination.

The Board has also exercised judgement and assessed the future plans for the Company under the new merger which are uncertain as at this time. However, should any decision be made in the near term to wind down the activities of the Company, such a process would be expected to occur in an orderly fashion. It is management's conclusion that even on an accelerated basis it would likely take longer than 12 months to wind down the Company's operations.

In considering the going concern, the directors also have reviewed the capital, liquidity, and financial position of the Company including forward looking plans. These measures support the Board's assessment that the Company is a going concern. Despite this assessment, the directors would highlight that the outcome of the plan to merge CSG and UBS, along with any potential decision to change, liquidate or merge the Company with another UBS subsidiary following completion of the merger, represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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 and 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, unless revalued at fair value, denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

d) Interest income and expense

Interest income and expense includes interest income and expense on the Company's deposits, borrowings. Interest income and expense on instruments measured at amortised cost is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability. When a financial asset becomes credit-impaired (or 'Stage 3'), interest income is calculated by applying the effective interest rate to the amortised cost (i.e. net of the expected credit loss provision).

e) Income tax and deferred tax

Income tax recognised in the Statement of Income for the year comprises current and deferred taxes. 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. Withholding taxes are treated as income taxes.

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. 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.

Notes to the Financial Statements for the year ended 31 December 2022

2. Significant accounting policies (continued)

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.

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 credit 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 years presented is included in note 7 Income tax credit.

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 a subsidiary:

- 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).

Notes to the Financial Statements for the year ended 31 December 2022

2. Significant accounting policies (continued)

Any charges relating to the impairment of investment in subsidiary is recognised in the Statement of Income in the year 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 recognised 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.

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

For 'Hold to Collect' business model, the contractual cash flows of the financial assets are assessed to determine if they consist of solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the 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.

The Company does not have any financial assets which are under the 'Hold to Collect and Sell' business model.

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). Financial liabilities (other than derivatives) which are not held for trading or which have not been designated at FVTPL are subsequently measured at amortised cost.

Notes to the Financial Statements for the year ended 31 December 2022

2. Significant accounting policies (continued)

h) Impairment of financial assets

The impairment requirements apply primarily to financial assets measured at amortised cost and FVOCI. 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.

At origination or acquisition, all financial assets are deemed to be Stage 1 and have a 12 month ECL, except for financial assets that are credit impaired upon purchase or origination. When the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement is changed from a 12-month ECL (Stage 1) to a lifetime ECL (Stage 2). A financial asset moves into Stage 3 when it becomes credit-impaired.

Impairment on receivables

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 Company estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

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

In order to prepare the Financial Statements in accordance with UK-adopted International Financial Reporting Standards, 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 from these estimates. Management believes that the estimates and assumptions used in the preparation of financial statements are prudent, reasonable and consistently applied.

Impairment of the investment in CSS(E)L

Like each subsidiary held, the investment in CSS(E)L is recorded at cost in the financial statements 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 through use or sale of asset (i.e. the higher of the fair value less costs to sell and the value in use). Any charges relating to the investment in subsidiaries are recognised in the Statement of Income in the year in which the impairment occurs.

In estimating the fair value, CSS(E)L applied the income approach which involves considerable judgment, including management's view on future changes in market cycles, the regulatory environment and the anticipated result of the implementation of business strategies and competitive factors.

Notes to the Financial Statements for the year ended 31 December 2022

3. Interest income and expense

	2022 US\$M	2021 US\$M
Cash and cash equivalents	1	0
Total interest income	1	0
Short-term borrowings	(7)	(3)
Total interest expense	(7)	(3)
Net interest expense	(6)	(3)
of which		
Interest income from Financial assets at amortised cost	1	0
Interest expense from Financial liabilities at amortised cost	(7)	(3)

Interest income relates to interest received on short term deposits with group companies - CS AG, London Branch. Interest expense relates to borrowings from group companies - CS AG, London Branch and CSIUK.

The increase in the interest income and interest expense is due to an increase in the interest rates.

4. (Provision)/reversal for credit losses

During the year, the credit loss provision of US\$ 1,517 has been reversed (2021: provision created US\$ 888).

5. Administrative expenses

The administrative expenses majorly comprise of audit fees US\$ 31,259 (2021: US\$ 14,733), VAT on audit fees US\$ 6,203 (2021: US\$ 2,929) and other expenses.

6. Other income

During the year US\$ 9,298 has been booked as foreign exchange gain (2021: US\$ 934).

7. Income tax credit

a. Components of tax credit

	2022 US\$M	2021 US\$M
Current tax		
Current tax credit for the year	1	1
Total current tax credit	1	1

The OECD and G20 Inclusive Framework on Base Erosion and Profit Shifting announced plans to introduce a global minimum tax rate of 15% and the OECD issued model rules in 2021. During 2022 further OECD guidance has been released and draft legislation to implement the global minimum tax regime has been published by the UK Government. The UK Government has stated that it intends to enact legislation in 2023 to apply for accounting periods beginning on or after 31 December 2023. CS Investment Holdings has reviewed the published OECD model rules and further guidance along with the draft UK legislation and has been assessing the expected impact ahead of the implementation of the new regime. The Company will review further guidance as well as new legislation expected to be released by governments implementing this new tax regime and continue to assess the potential impact.

Notes to the Financial Statements for the year ended 31 December 2022

7. Income tax credit (continued)

b. An explanation of the relationship between the income tax credit and the accounting loss

The income tax for the year can be reconciled to the statutory rate of corporation tax in the UK of 19% (2021: 19%) as follows:

	2022 US\$M	2021 US\$M
Loss before tax	(169)	(478)
Loss before tax multiplied by the UK statutory rate of corporation tax at the rate of 19% (2021: 19%)	32	91
Non deductible impairment of investment in subsidiary	(259)	(90)
Non-taxable intra-group dividend income	228	—
Total income tax credit	1	1

c. Deferred taxes

Deferred taxes are calculated on all temporary differences under the liability methods using a recoverable tax rate of 25% (2021: 25%).

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 2022 is US\$ 61,639,662 [£ 51,085,415] (2021: US\$ 68,995,961 [£ 51,085,415]). The deferred tax asset not recognised on these losses carried forward is US\$ 15,409,915 (2021 : US\$ 17,248,990). The benefit of the losses carried forward has not been recognised in these financial statements due to the uncertainty of their recoverability.

The use of capital losses carried forward is restricted to a maximum of 50% of chargeable gains. There is no loss expiry in the United Kingdom.

8. Cash and cash equivalents

	2022 US\$M	2021 US\$M
Short-term money market deposit	1	150
Cash at bank*	2	1
Total	3	151
Allowance for losses	0	0
Net Cash and Cash equivalents	3	151

*Cash at bank includes bank balance of US\$ 1,938,231 (2021: US\$ 516,142) is available on demand and is with CS AG, Zurich, a related Company.

The short-term money market deposits are held with CS AG, London Branch with maturity of 3 months or less (2021: 3 months or less).

Notes to the Financial Statements for the year ended 31 December 2022

9. Other assets

	2022 US\$M	2021 US\$M
Group relief receivable	1	2
Total	1	2

The other assets are also comprised of interest accrued on short-term money market deposit US\$ 1,528 (2021: US\$ 4,323) and receivables from related companies US\$ Nil (2021: US\$ 115).

10. Investments in subsidiaries

	2022 US\$M	2021 US\$M
Investment in subsidiaries	1,540	6,353
Total	1,540	6,353

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

	2022 US\$M	2021 US\$M
As at 1 January	6,353	6,828
Provision of impairment of investment	(1,363)	(475)
Reduction of share capital in subsidiary	(3,450)	—
As at 31 December	1,540	6,353

At year end impairment testing, there was an impairment of investment in CSS(E)L of US\$ 1,363m (2021: US\$ 475m)

The level of the fair value hierarchy applied to the impaired investment is level 3. In estimating the fair value, CSS(E)L applied the income approach which involves considerable judgment, including management's view on future changes in market cycles, the regulatory environment and the anticipated result of the implementation of business strategies and competitive factors.

Details of the investments are as follows:

Notes to the Financial Statements for the year ended 31 December 2022

10. Investments in subsidiaries (continued)

2022 % of equity	2021 % of equity	Company name	Domicile	2022 US\$ M	2021 US\$ M
100	100	Credit Suisse Securities (Europe) Limited	UK	1,540	6,353
100	100	Credit Suisse Client Nominees (UK) Limited	UK	Indirect	Indirect
100	100	CSSEL 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
				1,540	6,353

Notes to the Financial Statements for the year ended 31 December 2022

10. Investments in subsidiaries (continued)

Detailed Registered Office Address mentioned in below table.

			31 December 2022
Subsidiaries	Country	Registered Office	
Credit Suisse Securities (Europe) Limited	UK	One Cabot Square, London E14 4QJ - United Kingdom	
Credit Suisse Client Nominees (UK) Limited	UK	One Cabot Square, London E14 4QJ - United Kingdom	
Credit Suisse Guernsey AF Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
CSSEL Guernsey Bare Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Redwood Guernsey I Funding Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Redwood Guernsey I Master Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Redwood Guernsey I SPIA Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Redwood Guernsey II Funding Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Redwood Guernsey II Master Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Redwood Guernsey II SPIA Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Sail Guernsey I Funding Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Sail Guernsey I Master Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Sail Guernsey I SPIA Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Sail Guernsey II Funding Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Sail Guernsey II Master Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	
Sail Guernsey II SPIA Trust	Guernsey	De Catapan House, 1 Grange Terrace, St. Peter Port GY1 2QG - Guernsey	

11. Short-term borrowings

Cash Flows				
	US \$m Balance as at 1 January 2022	US \$m Issuances	US \$m Repayments	US \$m Balance as at 31 December 2022
Short-term borrowings				
Credit Suisse AG, London Branch	1	—	(1)	—
Credit Suisse Investments (UK)	939	—	(939)	—
Total	940	—	(940)	—

Cash Flows				
	US \$m Balance as at 1 January 2021	US \$m Issuances	US \$m Repayments	US \$m Balance as at 31 December 2021
Short-term borrowings				
Credit Suisse AG, London Branch*	0	1	—	1
Credit Suisse Investments (UK)	937	2	—	939
Total	937	3	—	940

*The balance of borrowings is less than US\$ 1m.

The effective interest rate as at year end on short-term money market borrowings from CS AG, London Branch is 0.27% (2021: 0.26%) and the average maturity was 367 days (2021: 33 days). The short term borrowings include the interest accrued thereon US\$ 482 (2021: US\$ 151,000).

12. Other liabilities

The other liabilities majorly comprise of audit fees payable US\$ 30,473 (2021: US\$ 17,674).

Notes to the Financial Statements for the year ended 31 December 2022

13. Share capital

	2022 US\$M	2021 US\$M
Authorised:	Unlimited	Unlimited
Allotted, called up and fully paid share capital		
10,790,610,103 ordinary shares of US\$ 0.3 each	3,237	3,237
Reduction of share capital in subsidiary	(2,654)	—
10,790,610,103 ordinary shares of US\$ 0.05405 each	583	
Total	583	3,237

In 2022, the nominal value of share capital was reduced by US \$2,654m from US \$3,237m, by cancelling and extinguishing capital to the extent of USD 0.24595 on each issued fully paid up Ordinary share of USD 0.3, thereby reducing the nominal value of each share to USD 0.05405.

During 2022, the Company paid a dividend of US \$1,200m and repatriated equity of US \$2,654m to CSIUK.

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

There is no change in number of shares during current year.

Share options

The Company does not offer share options.

Capital management

The Company is an investment holding company, established primarily to hold the United Kingdom interests of CS AG. 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 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.

The capital adequacy and capital resources of the Company's subsidiary, CSS(E)L, are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'BCBS'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD') collectively referred to as CRD IV.

14. Expected credit loss measurement

The expected credit loss provision at the end of reporting year is US\$ 14 (2021: US\$ 1,531).

15. 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, which is incorporated in Switzerland.

Copies of group Financial Statements of CS 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.

Notes to the Financial Statements for the year ended 31 December 2022

15. Related party transactions (continued)

The Company is involved in transactions with, and has related party balances, with subsidiaries and affiliates of CS group. 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.

Notes to the Financial Statements for the year ended 31 December 2022

15. Related party transactions (continued)

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

a) Related party assets and liabilities

Asset	2022 (US\$M)				2021 (US\$M)			
	Parent*	Fellow Group Company	Subsidiary	Total	Parent*	Fellow Group Company	Subsidiary	Total
Current assets								
Cash and cash equivalents	3	—	—	3	151	—	—	151
Other assets	0	1	0	1	0	2	0	2
Total current assets	3	1	0	4	151	2	0	153
Non-current assets								
Investments in subsidiaries	—	—	1,540	1,540	—	—	6,353	6,353
Total non-current assets	—	—	1,540	1,540	—	—	6,353	6,353
Total assets	3	1	1,540	1,544	151	2	6,353	6,506
LIABILITIES & EQUITY								
Current liabilities								
Short-term borrowings	—	0	—	0	940	—	—	940
Total current liabilities	—	—	—	—	940	—	—	940
Total liabilities	—	—	—	—	940	—	—	940
Equity								
Share capital	583	—	—	583	3,237	—	—	3,237
Total Equity	583	—	—	583	3,237	—	—	3,237
Total liabilities and equity	583	—	—	583	4,177	—	—	4,177

* Out of the total cash and cash equivalents, US\$ 1m relates to CS AG, London Branch (2021: US\$ 18m)

Notes to the Financial Statements for the year ended 31 December 2022

15. Related party transactions (continued)

b) Related party income and expenses

	2022 US\$M				2021 US\$M			
	Parent	Fellow group companies	Subsidiaries	Total	Parent	Fellow group companies	Subsidiaries	Total
Interest income ¹	1	—	—	1	—	—	—	—
Dividend income	—	—	1,200	1,200	—	—	—	—
Total related party income	1	—	1,200	1,201	—	—	—	—
Interest expense ²	(7)	0	—	(7)	(3)	0	—	(3)
Total related party expenses	(7)	0	—	(7)	(3)	0	—	(3)

* ¹ The interest income for the current and previous year is from CS AG, London Branch and CSIHUK.

² The interest expense for the current year and previous year is from CS AG, London Branch and CSIHUK.

Notes to the Financial Statements for the year ended 31 December 2022

15. 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 (2021: 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 (2021: 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 (2021: US\$ Nil).

16. 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)
- Fair value of financial instruments not carried at fair value.

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 or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) input other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the statements of financial position. IFRS also requires the disclosure of the fair values of these financial instruments within the fair value hierarchy.

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 2022

16. Financial instruments (continued)

2022 (US\$ M)	Carrying amount Amortised Cost	Level 1	Fair value Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	3	3	—	—	3
Total financial assets	3	3	—	—	3
Financial liabilities					
Short-term borrowings	—	—	—	—	—
Total financial liabilities	—	—	—	—	—

2021 (US\$ M)	Carrying amount Amortised Cost	Level 1	Fair Value Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	151	151	—	—	151
Total financial assets	151	151	—	—	151
Financial liabilities					
Short-term borrowings	940	—	940	—	940
Total financial liabilities	940	—	940	—	940

Level 3 fair value measurements:

During the year, there have been no transfers between levels 2 and 3 for any category of financial instruments. (2021: None).

17. 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.

Risk management of the Company is carried out by the Central Group Treasury department of CS group under policies approved by its Board of Directors. Group Treasury identifies, evaluates and hedges financial risks. The Board provides written principles for risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate liquidity.

a) Market risk

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 market parameters, such as market volatilities.

Notes to the Financial Statements for the year ended 31 December 2022

17. Financial risk management(continued)

(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 debt issued and borrowings. The interest rates on these instruments typically resets within 3 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. The methods and assumptions used are the same for both reporting years.

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:

2022 (US\$ M)	+25%	-25%
Change in equity and (loss) or income with interest rate fluctuation in borrowings	0	0
Total	0	0
2021 (US\$ M)	+25%	-25%
Change in equity and (loss) or income with interest rate fluctuation in borrowings	(1)	1
Total	(1)	1

(ii) Foreign exchange risk

The Company operates internationally and has limited exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the USD.

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 CSG level.

Considering that the Company has limited exposure to foreign exchange risk, sensitivity analysis has not been performed.

b) Credit risk

Credit risk is the possibility of a loss being incurred by the Company as a result of a borrower or counter-party failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counter-party.

The Company is exposed to credit risk from third parties. The carrying value of loans from third parties represents the maximum credit exposure of the Company to counter-parties. The Company has policies that limit the amount of credit exposure to any financial institution. Transactions are limited to fellow group companies and high credit quality financial institutions.

The Company had no credit-impaired financial assets as at 31 December 2022 (2021: Nil).

Notes to the Financial Statements for the year ended 31 December 2022

17. Financial risk management(continued)

Distribution of monetary assets had no credit impaired:

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
	US\$M	US\$M	US\$M	US\$M	US\$M
2022					
A+ to A-	3	—	—	—	3
Gross Carrying amount	3	—	—	—	3
Loss allowance	0	—	—	—	0
Net Carrying amount	3	—	—	—	3

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
	US\$M	US\$M	US\$M	US\$M	US\$M
2021					
A+ to A-	151	—	—	—	151
Gross Carrying amount	151	—	—	—	151
Loss allowance	0	—	—	—	0
Net Carrying amount	151	—	—	—	151

The balance of loss allowance and related exposure of other assets is less than US\$ 1m for 2022 and 2021. They are classified under Stage 1.

Notes to the Financial Statements for the year ended 31 December 2022

17. 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 CS group reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS group liquidity and funding policy is designed to ensure that funding is available to all legal entities within CS group to meet all obligations in times of stress, whether caused by market events and / or issues specific to CS group. This approach enhances CS groups' 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
2022 (US\$M)								
Short-term borrowings	0	0	—	0	—	—	—	0
Total financial liabilities	—	—	—	—	—	—	—	—
2021 (US\$M)								
Short-term borrowings	940	940	—	940	—	—	—	940
Total financial liabilities	940	940	—	940	—	—	—	940

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 2022

18. Employees

The Company had no employees during the year (2021: 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.

19. Subsequent events

On 19 March 2023, Credit Suisse Group AG and UBS Group AG entered into an agreement and plan of merger ('the merger'), to be completed at a date yet to be determined. The Company is a consolidated subsidiary of Credit Suisse Group AG, and as such the future operations and financial performance of the Company may be impacted as a result of the merger. There can be no assurance that the Company will not itself become liquidated or otherwise merged with another UBS Group AG subsidiary following completion of the merger.

Based on the merger developments discussed above, the following accounting impacts on the financial statements are expected to occur for periods ending after 19 March 2023:

Investments in subsidiaries

As of 31 December 2022, the Company had investment in subsidiaries of US\$ 1,540m. Based on the merger agreement, the Company believes an impairment loss on this balance sheet position is possible but has not yet been estimated at this time.