CREDIT SUISSE

# CREDIT SUISSE INVESTMENT HOLDINGS (UK)

## Annual Report
## For the year ended 31 December 2020



Company Registration Number: 03045280

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## COMPANY INFORMATION

### Board of Directors

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

### Company Secretary

| | |
|---|---|
| Paul Hare | Secretary |

### Registered Office

One Cabot Square
London E14 4QJ

### Registration number

03045280

### Independent Auditor

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

## Strategic Report for the year ended 31 December 2020

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2020.

### 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 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 Company witnessed a highly challenging environment severely impacted by COVID-19 pandemic. The rapid spread of COVID-19 across the world in early 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 and increased economic disruption globally. World markets were severely negatively impacted, with multiple industries, including energy, industrials, retail and leisure, significantly affected. However, major central banks and governments around the world have responded by implementing unprecedented monetary and fiscal policy stimulus measures. The Company and CSS(E)L continues to closely monitor the spread of COVID-19 and the effects on operations and business.

### Performance

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

<u>Statement of Income</u>

For the year ended 31 December 2020, the Company reported a loss after tax of US$ 6m (2019 : US$ 317m). The variance is primarily driven by interest expense of US$ 9m (2019: US$ 25m) and no provision for impairment of investment in CSS(E)L in 2020 (2019 : provision for impairment of investment of US$ 300m).

<u>Statement of Financial Position</u>

As at 31 December 2020, the Company had total assets of US$ 6,980m (2019: US$ 6,977m). The net increase in total assets of US$ 3m is mainly on account of increase of the cash and cash equivalents with Credit Suisse AG, London Branch of US$ 5m.

As at 31 December 2020, the Company had total liabilities of US$ 937m (2019: US$ 928m). The increase in liabilities was mainly due to an increase in debt of US$ 9m from CSIUK.

As at 31 December 2020, the Company had equity of US$ 6,043m (2019: US$ 6,049m).

### 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.

**Strategic Report for the year ended 31 December 2020**

**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. Apart from this, the assets of the Company mainly comprise of loans and advances facing fellow group companies under common control. 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.

The spread of COVID-19 has had a significant impact on the global economy, as well as the UK economy throughout 2020 and continues in 2021. Uncertainty due to the spread of COVID-19 led to the severe market dislocations including record levels of volatility, widening of credit spreads and a collapse in energy prices. Central banks and governments around the world provided liquidity and fiscal support. The Company and CSS(E)L continues to closely monitor the spread of COVID-19 and the effects on operations and business.

The Company is reliant on funding from Credit Suisse AG ('CS AG') and has received a letter of intent to ensure Company can meet its debt obligations for the next 18 months.

The Company, as a holding company with no European clients, is not materially impacted by Brexit. For Brexit impact in relation to its material subsidiary CSS(E)L, refer to the 2020 CSS(E)L financial statements.

**Streamlined Energy and Carbon Reporting ('SECR')**

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

**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 the all suppliers to identify where modern slavery and human trafficking risks may exist and also allows CS group to regularly monitor these relationships, to raise and track issues, and to therefore better understand the associated risks and, if necessary, demand actions for improvement from suppliers and service providers.

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 on 7 June 2021 and signed by order of the Board by:

Paul Hare
Company Secretary

One Cabot Square
London E14 4QJ
7 June 2021

Company Registration Number: 03045280

## Directors' Report for the year ended 31 December 2020

### International Financial Reporting Standards

The Financial Statements of the Company have been on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

The Annual Report and Financial Statements were authorised for issue by the Directors on 7 June 2021. 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

The Company witnessed a highly challenging environment severely impacted by COVID-19 pandemic. The rapid spread of COVID-19 across the world in early 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 and increased economic disruption globally. World markets were severely negatively impacted, with multiple industries, including energy, industrials, retail and leisure, significantly affected. However, major central banks and governments around the world have responded by implementing unprecedented monetary and fiscal policy stimulus measures. The Company and CSS(E)L continues to closely monitor the spread of COVID-19 and the effects on operations and business.

The Company is reliant on funding from CS AG and has received a letter of intent to ensure Company can meet its debt obligations for the next 18 months.

Therefore, the Directors are 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.

### 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

No dividends were paid or were proposed during the year 2020 (2019: Nil).

### Political Contributions

No political donations or political expenditure was incurred during the year. (2019: 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. There are no changes in the Directorate since 31 December 2019 and up to the date of this report.

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 2020 (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 the applicable laws and regulations.

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 is inappropriate to presume that the company will continue in business.

The Directors are also 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 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

During 2020, the Board and shareholders approved PricewaterhouseCoopers ('PwC') as the new statutory auditors for the Company, effective for the fiscal year ending 31 December 2020.

### 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 auditor is 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 auditor is aware of that information.

**Directors' Report for the year ended 31 December 2020 (continued)**

**Subsequent Events**

In the UK Budget announcement of 3 March 2021, the UK Government announced its intention to increase the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. This has no material impact on the Company.

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

On behalf of the Board

C. Waddington

Caroline Waddington
Director

One Cabot Square
London E14 4QJ
7 June 2021

pwc

## 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 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; 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.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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.

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

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 2020 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 the Companies Act 2006, 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. 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 potential for manual journal entries being recorded in order to manipulate financial performance.

Audit procedures performed by the engagement team included:

- Enquiries of 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; and
- Incorporating unpredictability into 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
7 June 2021

## Statement of Income for the year ended 31 December 2020

| | Note | 2020 US$M | 2019 US$M |
|---|---|---|---|
| Interest income | 3 | 1 | 4 |
| - of which interest income from instruments at amortised cost | | 1 | 4 |
| Interest expense | 3 | (9) | (25) |
| -of which interest expense from instruments at amortised cost | | (9) | (25) |
| **Net interest expense** | | **(8)** | **(21)** |
| Reversal/(provision) for credit losses | 4,14 | — | — |
| **Net interest expense after Reversal/(provision) for credit losses** | | **(8)** | **(21)** |
| Provision for Impairment of investment in subsidiaries | 10 | — | (300) |
| Administrative expenses | 5 | — | — |
| Other income | 6 | — | — |
| **Loss before tax** | | **(8)** | **(321)** |
| Income tax benefit | 7 | 2 | 4 |
| **Loss attributable to the shareholders of the Company** | | **(6)** | **(317)** |

Losses for 2020 and 2019 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 34 form an integral part of these Financial Statements.

## Statement of Financial Position as at 31 December 2020

| | Note | 2020 US$M | 2019 US$M |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 146 | 141 |
| Other assets | 9 | 6 | 8 |
| **Total current assets** | | **152** | **149** |
| **Non-current assets** | | | |
| Investments in subsidiaries | 10 | 6,828 | 6,828 |
| **Total non-current assets** | | **6,828** | **6,828** |
| **Total assets** | | **6,980** | **6,977** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Short term borrowings | 11 | 937 | 928 |
| Other liabilities | 12 | — | — |
| **Total current liabilities** | | **937** | **928** |
| **Total non-current liabilities** | | **—** | **—** |
| **Total liabilities** | | **937** | **928** |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 13 | 3,237 | 3,237 |
| Retained earnings | | 2,806 | 2,812 |
| **Total shareholders' equity** | | **6,043** | **6,049** |
| **Total liabilities and shareholders' equity** | | **6,980** | **6,977** |

The notes on pages 16 to 34 form an integral part of these Financial Statements.

Approved by the Board on 7 June 2021 and signed on its behalf by

C. Waddington

Caroline Waddington
Director

## Statement of Changes in Equity for the year ended 31 December 2020

| | Share capital | Share premium | Capital reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | US$M | US$M | US$M | US$M | US$M |
| **Balance at 1 January 2020** | **3,237** | **—** | **—** | **2,812** | **6,049** |
| Loss for the year | — | — | — | (6) | **(6)** |
| **Balance at 31 December 2020** | **3,237** | **—** | **—** | **2,806** | **6,043** |

| | Share capital | Share premium | Capital reserve | (Accumulated losses)/ 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** |

The notes on pages 16 to 34 form an integral part of these Financial Statements.

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.

## Statement of Cash Flows for the year ended 31 December 2020

| | Note | 2020 US$M | 2019 US$M |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | (8) | (321) |
| **Adjustments to reconcile net loss to net cash from operating activities** | | | |
| Provision for Impairment of investments in subsidiaries | | – | 300 |
| Interest expense | | 9 | 25 |
| Interest income | | (1) | (4) |
| **Operating result before working capital changes** | | **–** | **–** |
| Net movement in operating assets/ liabilities: | | | |
| Short term borrowings (including interest capitalised) | | 9 | 25 |
| Interest received | | 1 | 4 |
| Interest paid | | (9) | (25) |
| Group relief received | | 4 | 2 |
| **Net cash generated from operating activities** | | **5** | **6** |
| **Net increase in cash and cash equivalents** | | **5** | **6** |
| Cash and cash equivalents at beginning the year | | 141 | 135 |
| **Cash and cash equivalents at end of the year** | | **146** | **141** |
| **Cash and Cash Equivalents** | **8** | **146** | **141** |

*The notes on pages 16 to 34 form an integral part of these Financial Statements.*

## Notes to the Financial Statements for the year ended 31 December 2020

### 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, CSIUK, a UK company whose ultimate parent is CSG, which is incorporated in Switzerland.

### 2. Significant accounting policies

#### a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006.

The Financial Statements were approved and authorised for issue by the Board on 7 June 2021.

CS 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 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 Company witnessed a highly challenging environment severely impacted by COVID-19 pandemic. The rapid spread of COVID-19 across the world in early 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 and increased economic disruption globally. World markets were severely negatively impacted, with multiple industries, including energy, industrials, retail and leisure, significantly affected. However, major central banks and governments around the world have responded by implementing unprecedented monetary and fiscal policy stimulus measures. The Company and CSS(E)L continues to closely monitor the spread of COVID-19 and the effects on operations and business.

The Company is reliant on funding from CS AG and has received a letter of intent to ensure Company can meet its debt obligations for the next 18 months.

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 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.

## Notes to the Financial Statements for the year ended 31 December 2020

### 2. Significant accounting policies (continued)

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.

**Standards and interpretations effective in the current period**

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform and Amendments to the definition of Business (IFRS 3) were adopted on 1 January 2020 and had no material impact to the Company's financial position, results of operations or cash flows.

**Standards and Interpretations endorsed by the UK Endorsement Board 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 UK Endorsement Board.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2:** In August 2020, IASB issued 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) in order to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted. The amendments will not have a material impact to the Company's financial position, results of operation or cash flows.

The accounting policies have been applied consistently by the Company entities.

### 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 loans, deposits, borrowings, debt issuances. 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).

## Notes to the Financial Statements for the year ended 31 December 2020

### 2. Significant accounting policies (continued)

#### e) Income 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.

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.

# Notes to the Financial Statements for the year ended 31 December 2020

## 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 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).

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 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.

## Notes to the Financial Statements for the year ended 31 December 2020

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

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)

### 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.

## Notes to the Financial Statements for the year ended 31 December 2020

### 2. Significant accounting policies (continued)

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

In order to prepare the Financial Statements in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006, management is required to make critical judgements. Management also makes certain accounting estimates to ascertain the value of assets and liabilities and determine the impact to the income statement. Judgements and estimates are based upon the information available at the time, and actual results may differ materially. The following critical judgements and estimates are sources of uncertainty and as a result have the risk of having a material effect on the amounts recognised in the financial statements. However, the spread of COVID-19 has resulted in significant uncertainty. In light of this uncertainty, the Company applies appropriate judgement in complying with the IFRS 13 requirements for measuring fair value, specifically when the volume or level of activity for an asset or a liability has significantly decreased and when identifying transactions that are not orderly.

In the course of preparing the financial statements, no judgements have been made in the process of applying the accounting policies.

## Notes to the Financial Statements for the year ended 31 December 2020

### 3. Interest income and expense

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| Cash and cash equivalents | 1 | 4 |
| **Total interest income** | **1** | **4** |
| Short term borrowings | (9) | (25) |
| **Total interest expense** | **(9)** | **(25)** |
| **Net interest expense** | **(8)** | **(21)** |
| of which | | |
| Interest income from Financial assets at amortised cost | 1 | 4 |
| Interest expense from Financial liabilities at amortised cost | (9) | (25) |

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

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

### 4. Reversal/(provision) for credit losses

During the year, the credit loss provision of US$ 1,240 has been reversed (2019: provision created US$ 1,255).

### 5. Administrative expenses

The administrative expenses majorly comprises of audit fees US$ 9,900 (2019: US$ 21,057), VAT on audit fees US$ 1,942 (2019: US$ 4,212), professional fees incurred for subsidiary is Nil (2019: US$ 4,475) and other expenses.

### 6. Other income

During the current year US$ 2,524 has been booked as foreign exchange loss (2019: Foreign exchange loss US$ 785).

### 7. Income tax benefit

#### a. Components of tax benefit

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| **Current tax** | | |
| Current tax benefit for the period | 2 | 4 |
| **Total current tax benefit** | **2** | **4** |

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

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

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| Loss before tax | (8) | (321) |
| Loss before tax multiplied by the UK statutory rate of corporation tax of 19% (2019:19%) | 2 | 61 |
| Non deductible impairment of investment in subsidiary | — | (57) |
| **Total income tax benefit** | **2** | **4** |

## Notes to the Financial Statements for the year ended 31 December 2020

### 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 19% (2019:17%).

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 2020 is US$ 69,762,243 [£51,085,415] (2019: US$ 67,108,355 [£51,085,415]). The deferred tax asset not recognised on these losses carried forward is US$ 13,254,826 (2019: US$11,408,420). 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

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| Short term money market deposit | 146 | 141 |
| Cash at bank* | — | — |
| **Total** | **146** | **141** |
| Allowance for losses | — | — |
| **Net Cash and Cash equivalents** | **146** | **141** |

*Cash at bank includes bank balance of US$ 497,961 (2019: US$ 469,781) are available on demand and are with CS AG, Zurich, a related Company.

The short-term money market deposits are held with CSIUK and CS AG, London Branch with maturity of 3 months or less (2019: 3 months or less).

### 9. Other assets

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| Group relief receivable | 6 | 8 |
| **Total** | **6** | **8** |

The other assets is also comprised of interest accrued on short term money market deposit US$ 2,188 (2019: US$ 22,208), deferred income as Nil (2019: US$ 561) and receivables from related companies US$ 125 (2019: US$ 129).

### 10. Investments in subsidiaries

### a. Investment in subsidiaries

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| Investment in subsidiaries | 6,828 | 6,828 |
| **Total** | **6,828** | **6,828** |

## Notes to the Financial Statements for the year ended 31 December 2020

### 10. Investments in subsidiaries (continued)

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

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| As at 1 January | 6,828 | 7,128 |
| Provision of Impairment of investment | — | (300) |
| **As at 31 December** | **6,828** | **6,828** |

At year end impairment testing, there was no impairment of investment in CSS(E)L (2019: provision for impairment of investment of US$ (300)m)

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 do not 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:

| 2020<br>% of equity | 2019<br>% of equity | Company name | Domicile | 2020<br>US$ M | 2019<br>US$ M |
|---|---|---|---|---|---|
| 100 | 100 | Credit Suisse Securities (Europe) Limited | UK | 6,828 | 6,828 |
| 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 | Credit Suisse First Boston Trustees Limited | UK | — | Indirect |
| | | | | **6,828** | **6,828** |

## Notes to the Financial Statements for the year ended 31 December 2020

### 10. Investments in subsidiaries (continued)

Detailed Registered Office Address mentioned in below table.

| Subsidiaries | Country | Registered Office<br>31 December 2020 |
|---|---|---|
| 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

| | 2020<br>US$M | 2019<br>US$M |
|---|---|---|
| Credit Suisse AG, London Branch* | – | – |
| Credit Suisse Investments UK | 937 | 928 |
| **Total** | **937** | **928** |

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

The effective interest rate as at year end on short-term money market borrowings from CSIUK is 0.4% (2019: 2.03%) and from CS AG, London Branch is 0.45%( 2019: 0.52%) and the average maturity was 29 days (2019: 30 days). The short term borrowings include the interest accrued thereon US$ 42,255 (2019: US$ 261,612).

### 12. Other liabilities

The other liabilities majorly comprise of audit fees payable US$ 12,497 (2019: US$ 9,760).

## Notes to the Financial Statements for the year ended 31 December 2020

### 13. Share capital

| | 2020<br>US$M | 2019<br>US$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 | 3,237 |
| **Total** | **3,237** | **3,237** |

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

**Share options**

The Company does not offer share options.

**Capital reserve**

Capital Reserve represents capital injections from CSIUK over the years. In previous year, due to the capital restructure to create additional distributable reserves for the Company, the capital reserves account of US$ 2,411m was restructured in July 2019 and the whole amount was transferred to retained earnings.

**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.

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') and governed by European Union regulations as set out by the European Banking Authority ('EBA'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD') collectively referred to as CRD IV.

### 14. Expected credit loss measurement

During the current year, the expected credit loss provision of US$ 644 (2019: US$ 1,884) was made.

### 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.

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 2020

### 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

| | 2020 (US$M) | | | | 2019 (US$M) | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent* | Fellow Group Company | Subsidiary | Total | Parent* | Fellow Group Company | Subsidiary | Total |
| **Asset** | | | | | | | | |
| **Current assets** | | | | | | | | |
| Cash and cash equivalents | 146 | – | – | 146 | 141 | – | – | 141 |
| Other assets | – | 6 | – | 6 | – | 8 | – | 8 |
| **Total current assets** | **146** | **6** | **–** | **152** | **141** | **8** | **–** | **149** |
| **Non-current assets** | | | | | | | | |
| Investments in subsidiaries | – | – | 6,828 | 6,828 | – | – | 6,828 | 6,828 |
| **Total non-current assets** | **–** | **–** | **6,828** | **6,828** | **–** | **–** | **6,828** | **6,828** |
| **Total assets** | **146** | **6** | **6,828** | **6,980** | **141** | **8** | **6,828** | **6,977** |
| **LIABILITIES** | | | | | | | | |
| **Current liabilities** | | | | | | | | |
| Short term borrowings | 937 | – | – | 937 | 928 | – | – | 928 |
| **Total current liabilities** | **937** | **–** | **–** | **937** | **928** | **–** | **–** | **928** |
| **Non-current liabilities** | | | | | | | | |
| **Total non-current liabilities** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total liabilities** | **937** | **–** | **–** | **937** | **928** | **–** | **–** | **928** |

* Out of the total cash and cash equivalents, US$ 13m relates to CS AG, London Branch (2019: US$ 8m)

## Notes to the Financial Statements for the year ended 31 December 2020

### 15. Related party transactions (continued)

#### b) Related party income and expenses

| | 2020 US$M | | | | 2019 US$M | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent | Fellow group companies | Subsidiaries | Total | Parent | Fellow group companies | Subsidiaries | Total |
| Interest income | 1 | – | – | **1** | 4 | – | – | **4** |
| **Total related party income** | **1** | **–** | **–** | **1** | **4** | **–** | **–** | **4** |
| Interest expense | (9) | – | – | **(9)** | (25) | – | – | **(25)** |
| Provision for Impairment of investment | – | – | – | **–** | – | – | (300) | **(300)** |
| **Total related party expenses** | **(9)** | **–** | **–** | **(9)** | **(25)** | **–** | **(300)** | **(325)** |

## Notes to the Financial Statements for the year ended 31 December 2020

### 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 (2019: 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 (2019: 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 (2019: 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 2020

### 16. Financial instruments (continued)

| 2020 (US$ M) | Carrying amount | Fair value | | | |
|---|---|---|---|---|---|
| | Amortised Cost | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 146 | 146 | – | – | **146** |
| **Total financial assets** | **146** | **146** | **–** | **–** | **146** |
| **Financial liabilities** | | | | | |
| Short term borrowings | 937 | – | 937 | – | **937** |
| **Total financial liabilities** | **937** | **–** | **937** | **–** | **937** |

| 2019 (US$ M) | Carrying amount | Fair Value | | | |
|---|---|---|---|---|---|
| | Amortised Cost | 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** |

## Notes to the Financial Statements for the year ended 31 December 2020

### 16. 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. (2019: 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.

#### (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 periods.

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:

| **2020 (US$ M)** | **+25%** | **-25%** |
|---|---|---|
| Change in equity and (loss) or income with interest rate fluctuation in borrowings | (1) | 1 |
| **Total** | **(1)** | **1** |

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

# Notes to the Financial Statements for the year ended 31 December 2020

## 17. Financial risk management (continued)

### (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 2020 (2019: Nil).

**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** |
|---|---|---|---|---|---|
| **2020** | **US$M** | **US$M** | **US$M** | **US$M** | **US$M** |
| A+ to A- | 146 | — | — | — | 146 |
| **Gross Carrying amount** | **146** | **—** | **—** | **—** | **146** |
| Loss allowance | — | — | — | — | — |
| **Net Carrying amount** | **146** | **—** | **—** | **—** | **146** |

| **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** |

The balance of loss allowance and related exposure of other assets is less than US$ 1m for 2020 and 2019. They are classified under Stage 1.

## Notes to the Financial Statements for the year ended 31 December 2020

### 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 |
|---|---|---|---|---|---|---|---|---|
| **2020 (US$M)** | | | | | | | | |
| Short term borrowings | 937 | 937 | – | 937 | – | – | – | **937** |
| **Total financial liabilities** | **937** | **937** | **–** | **937** | **–** | **–** | **–** | **937** |
| **2019 (US$M)** | | | | | | | | |
| Short term borrowings | 928 | 929 | – | 929 | – | – | – | **929** |
| **Total financial liabilities** | **928** | **929** | **–** | **929** | **–** | **–** | **–** | **929** |

#### 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 2020

## 18. Employees

The Company had no employees during the year (2019: 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

In the UK budget announcement of 3 March 2021, the UK government announced its intention to increase the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. This has no material impact on the Company.

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