Credit Suisse International

Unaudited Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017

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Board of Directors as at 17 August 2017
Noreen Doyle (Chair and Independent Non-Executive)
David Mathers (CEO)
Alison Halsey (Independent Non-Executive)
Robert Endersby (Independent Non-Executive)
Caroline Waddington (CFO)
Christopher Horne (Deputy CEO)
Paul Ingram (CRO)
Eraj Shirvani
Company Secretary
Paul E Hare

Company Registration Number	02500199

Noreen Doyle
Born 1949
Irish and US Citizen

Non-Executive

Board member since 2011

Chair of the Board

Professional history

2011–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Chair of the Board of Directors (2012–present)
	Non-Executive Director (2011–present)
	Chair of the Remuneration Committee (2014–present)
	Chair of the Nomination Committee (2013–present)
	Member of the Risk Committee (2013–present)
	Member of the Audit Committee (2011–present)
2004–2017	Credit Suisse AG & Credit Suisse Group AG
	Member of the Board of Directors (2004–2017)
	Vice-Chair and Lead Independent Director of the Board of Directors (2014–2017)
	Member of the Chairman's and Governance Committee (2014–2017)
	Member of the Risk Committee (2004–2007; 2009–2014; 2016–2017)
	Member of the Audit Committee (2007–2009; 2014–2016)
1992–2005	European Bank for Reconstruction (EBRD)
	First vice president and head of banking (2001–2005)
	Deputy vice president finance and director of risk management (1997–2001)
	Chief credit officer and director of syndications (1994–1997)
	Head of syndications (1992–1994)
Prior to 1992	Bankers Trust Company, Houston, New York and London
	Managing director, European Structured Sales (1990–1992)
	Various positions at management level

Education

1974	MBA in Finance, Tuck at Dartmouth College, New Hampshire
1971	BA in Mathematics, The College of Mount Saint Vincent, New York

Other activities and functions

Newmont Mining Corporation, chair of the board of directors, member of the Safety and Sustainability committee

British Bankers' Association (BBA), chair

Tuck European Advisory Board, member

Marymount International School, London, chair of the board of governors

Sarita Kenedy East Foundation, trustee

David R. Mathers
Born 1965
British Citizen

Board member since 2016

Chief Executive Officer

Professional history

2005–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2016–present; 2005–2006)
	CEO (2016–present)
	Alternate Director of the Board of Directors (2005)
1998–present	Credit Suisse AG & Credit Suisse Group AG
	Chairman of Strategic Resolution Oversight Board (2015–present)
	Member of the Executive Board (2010–present)
	Chief Financial Officer (2010–present)
	Head of IT and Operations (2012–2015)
	Head of Finance and COO of Investment Banking (2007–2010)
	Senior positions in Credit Suisse's Equity business, including Director of European Research and Co-Head of European Equities (1998–2007)
Prior to 1998	HSBC
	Global head of equity research (1997–1998)
	Research analyst, HSBC James Capel (1987–1997)

Education

1991	MA in Natural Sciences, University of Cambridge, England
1987	BA in Natural Sciences, University of Cambridge, England

Other activities and functions

European CFO Network, member

Women in Science & Engineering (WISE) program and academic awards and grants at Robinson College, Cambridge, sponsor

Alison Halsey
Born 1956
British Citizen

Non-Executive

Board member since 2015

Professional history

2015–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2015–present)
	Chair of the Audit Committee (2015–present)
	Member of the Risk Committee (2015–present)
	Member of the Nomination Committee (2015–present)
	Member of the Remuneration Committee (2015–present)
	Co-chair of the Conflicts Committee (2016–present)
2011–present	Super Duper Family LLP
	Managing Partner
1977–2011	KPMG
	Global Lead Partner (2002–2011)
	UK Head of Financial Services (2001–2004)
	Audit Partner, Financial Services (1991–2001)
	Secondment, Assistant Commissioner, Building Societies Commission (1989–1991)
	Senior Manager, Specialist Banking Department (1986–1989)

Education

1980	UK FCA, Institute of Chartered Accountants in England and Wales
1977	BA in French, King's College, London

Other activities and functions

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

Robert Endersby
Born 1959
British Citizen

Non-Executive

Board member since 2016

Professional history

2016–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2016–present)
	Chair of the Risk Committee (2016–present)
	Member of the Audit Committee (2016–present)
	Member of the Nomination Committee (2016–present)
	Member of the Remuneration Committee (2016–present)
	Co-Chair of the Conflicts Committee (2016–present)
2012–2014	Danske Bank Group
	Chief Risk Officer & Member of Executive Board
	Chair of Executive Risk Committee
	Chair of Group Liquidity Risk Committee
2011–2012	Royal Bank of Scotland plc
	Chief Operating Officer, Group Credit Risk
2006–2010	Barclays Bank plc
	Commercial Credit Risk Director, Global Retail & Commercial Banking
	Group Wholesale Credit Risk Director

Education

1982	BA in Social Science (Economics), University of the West of England

Other activities and functions

Tesco Personal Finance Group Limited and Tesco Personal Finance Plc, Non-Executive Director, Chair of Risk Committee, Member of Audit Committee, Remuneration Committee and Disclosure Committee

Caroline Waddington
Born 1969
British Citizen

Board member since 2017

Professional history

2016–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2017–present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2017–present)
	Regional CFO for UK Regulated Entities, Chair of the UK Pension Committee (2016–present)
2013–2016	Deutsche Bank, London
	Global Co-Head of Markets and Non Core Product Control (2014–2016)
	Global Head of Markets and Non Core Risk and P&L (2013–2014)
2008–2012	Royal Bank of Scotland Markets Division, London
	Global Head of Markets Business Unit Control (2009–2012)
	Global Head of Rates, Local Markets, Currencies and Commodities Business Unit Control (2008–2009)
2004–2008	Barclays Capital, London
	Global Head of Equity Linked and Prime Services Product Control and Head of Price Testing and Provisioning Group (2006–2008)
	Global Head of Fixed Income Product Control (2004–2006)
1994–2004	Credit Suisse, London
	Programme Manager for the Prime Services Equity Swaps Programme (2003–2004)
	Global Head of Line Control and Management Information, OTC Derivatives Support Group, Operations (2002–2003)
	Product Control (1994–2002)
1990–1994	Coopers & Lybrand, London

Education

1994	UK ACA, Institute of Chartered Accountants in England and Wales
1990	BSc Cellular and Molecular Pathology (Hons), University of Bristol

Other activities and functions

NameCo (No.357) Limited, Director
Roffey Park Institute Limited, Non-Executive Director
Brook House (Clapham Common) Management Company Limited, Director

Christopher G. B. Horne
Born 1964
British Citizen

Board member since 2015

Professional history

1997–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2015–present; 2010–2011)
	Chair of the Disclosure Committee (2015–present)
	Alternate Director of the Board of Directors (2008)
	Deputy CEO (2015–present)
	Branch Manager, Credit Suisse AG, London Branch (2015–present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2014–present)
	Deputy Head of the European Investment Banking Department (2014–2015)
	Global COO of the Investment Banking Department (2009–2014)
	Europe COO of the Investment Banking Department (2005–2008)
	Managing Director, Global Mergers and Acquisitions Group (2004–2005)
	Co-head of Corporate Advisory & Finance within the Global Industrial & Services team in Europe (2001–2004)
	Credit Suisse First Boston's European Mergers & Acquisitions Department and European Corporate Advisory & Finance team (1997–2000)
1990–1997	BZW, London
	Investment Banker
1986–1990	Deloitte Haskins & Sells, London
	Accountant

Education

1989	UK ACA, Institute of Chartered Accountants in England and Wales
1986	BSc Honours, Chemistry, Durham University

Other activities and functions

British Bankers Association Board, member

Paul R. Ingram
Born 1963
British Citizen

Board member since 2015

Chief Risk Officer

Professional history

2013–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2015–present)
	Chief Risk Officer (2013–present)
2009–2013	RBS Group
	Investment Banker
	Global Head of Market Risk and Insurance Risk
1994–2008	HSBC Group
	Global Head of Market Risk and Traded Credit Risk (2001–2008)
	Head of Finance, Operations & Risk, Asia Pacific (ex Hong Kong), Hong Kong (1998–2001)
	Country CFO & Branch Manager Midland Bank Japan, Tokyo (1995–1998)
	Head of Markets Product Control & Risk Projects, New York (1994–1995)
1987–1994	Samuel Montagu & Co
	Various Markets roles
1985–1987	LittleJohn Fraser
	Audit & Consultancy

Education

1985	BA Honours Economics, University of Essex

Eraj Shirvani
Born 1966
British, American and Iranian Citizen

Board member since 2016

Professional history

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

Education

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

Other activities and functions

GFMA, Board Member
AFME, Board Member
Royal National Children's Foundation, Trustee
GuardTime Holdings Pte Ltd, Director/Advisory Board Member

Interim Management Report for the Six Months Ended 30 June 2017

The Directors present their Interim Management Report and the Condensed Unaudited Consolidated Interim Financial Statements for the six months ended 30 June 2017.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Credit Suisse International's 2017 Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted for use in the European Union ('EU').

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 17 August 2017.

BUSINESS REVIEW

Profile

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

CSi is a global market leader in over-the-counter ('OTC') derivative products with respect to counterparty service, innovation, product range and geographic scope of operations. CSi offers a range of interest rate, currency, equity and credit-related OTC derivatives and certain securitised products. CSi's business is primarily client-driven, focusing on transactions that address the broad financing, risk management and investment concerns of its worldwide client base. CSi enters into derivative contracts in the normal course of business for market-making, as well as for risk management needs, including mitigation of interest rate, foreign currency and credit risk.

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

The Bank has branch operations in Dublin, Milan, Madrid, Sweden and Amsterdam. The Bank also maintains representative offices in Hong Kong, Geneva and Zurich.

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at www.credit-suisse.com.

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two divisions specialising in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with CSG's strategic direction. These business divisions co-operate closely to provide holistic financial solutions, including innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 46,230 employees from approximately 150 different nations.

Management and governance

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

Members of the Board and Board Committees

	Board member since	Independence	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Conflicts Committee
Noreen Doyle, Chair	2011	Independent	Member	Member	Chair	Chair	-
Robert Endersby	2016	Independent	Member	Chair	Member	Member	Co-chair
Alison Halsey	2015	Independent	Chair	Member	Member	Member	Co-chair
Christopher Horne, Deputy CEO	2015	-	-	-	-	-	-
Paul Ingram, CRO	2015	-	-	-	-	-	-
David Mathers, CEO	2016	-	-	-	-	-	-
Eraj Shirvani	2016	-	-	-	-	-	-
Caroline Waddington, CFO	2017	-	-	-	-	-	-

Board and Management

A number of management and governance changes have been effected during the period. Caroline Waddington has been appointed as an Executive Director. Robert Arbuthnott and Stephen Dainton have resigned as Executive Directors as a result of changes in responsibilities and resignation from the Bank respectively.

The requirements of the PRA & FCA Senior Managers & Certification Regime ('SMCR') were implemented in CSi with effect from 07 March 2016. The SMCR framework seeks to increase individual accountability and enhance culture in Financial Services through: mandating the clear allocation of all activities, business areas and management functions of the in-scope legal entities to a small number of Senior Managers who are approved by the UK Regulators; identifying a set of functions that expose the in-scope legal entities to risk through their day-to-day activities and requiring that the staff performing these functions are registered as Certified Staff and confirmed annually as 'Fit & Proper'; and implementing and enforcing a set of Conduct Rules that reflect the core standards expected of staff. The implementation of the SMCR in CSi is aligned with, and builds on, the significant progress that has been made over the past three years in developing CSi's governance and culture.

Principal products/Principal product areas

The CSi group has six principal business lines:

- **Global Markets** division provides a broad range of financial products and services of client driven businesses and also supports the CS group's Wealth Management businesses and their clients. The suite of products and services include global securities sales, trading and execution and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors, such as pension and hedge funds. The division consists of four subdivisions Equities, Credit, Solutions and Management.
- Within the **Asia Pacific** division a range of financial products and services is offered, focusing on corporates, and institutional clients. CSi delivers integrated client coverage to provide connectivity and access to broader financial markets, differentiated product offerings, and tailored financing solutions. The investment banking business supports corporate clients by advising on all aspects of corporate sales and restructurings, divestitures and takeover defence strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, the business includes equities and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.
- The **Investment Banking & Capital Markets** division offers a broad range of investment banking products and services which includes advisory services related to Merger and Acquisition, divestitures, takeover defence, restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions related to these activities are also offered. Clients include leading corporations, and financial institutions. Investment banking capabilities are delivered through regional and local teams based in both major developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CS group and that help clients to unlock capital and value in order to achieve their strategic goals.
- The **Swiss Universal Bank** division within CSi offers clients Sales and Trading Services in foreign exchange products as well as Emerging Local Market currency trading.
- The **International Wealth Management** division has a joint venture with Swiss Universal Bank offering Sales and Trading Services in foreign exchange products as well as Emerging Local Market currency trading.
- The **Strategic Resolution Unit** was created to facilitate the right-sizing of business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from other business divisions. The Strategic Resolution Unit predominantly comprises derivative portfolios across interest rate and credit products. The portfolio includes a tail of long-dated trades, and spans both central counterparties ('CCP') and bilateral counterparties. The primary focus of the Strategic Resolution Unit ('SRU') is on facilitating the rapid wind-down of capital usage and costs in order to reduce the negative impact on the overall CSi group performance.

On occasion, the reduction of exposures in the SRU involves the maturing of lending facilities or other transactions that wholly or partially may be renewed or extended by our strategic business divisions, such as Global Markets or International Wealth Management. Similarly, there may be occasions where strategic business divisions will enter into new transactions with counterparties resulting in exposures that may have similar characteristics to those recorded in the SRU. This is aligned with CSi's risk appetite and that of the relevant strategic divisions.

CSi has amended and enhanced the risk appetite framework in an effort to provide additional governance and controls to ensure all new business activities are scrutinised to distinguish between those types of business exposures held in the SRU that will be allowed for execution in the strategic divisions and those that will be prohibited or for which CSi has limited risk appetite.

Economic environment

The UK's decision to leave the European Union following the referendum in June 2016, the US presidential election result in November 2016, several European presidential elections in 2017 and the

UK General Election in June 2017 were key driving factors behind financial market moves globally.

The annual rate of Consumer Price Index ('CPI') inflation increased to 2.6% at the end of June 2017 from 1.6% at the end of December 2016. The Bank of England ('BOE') has maintained the base interest rate at 0.25% since the last rate reduction in August 2016. The unemployment rate dropped marginally to 4.5% at the end of June 2017 from 4.8 % at the end of December 2016. UK Gross Domestic Product ('GDP') growth is forecast to remain at 2% the same as at December 2016. The European Central Bank ('ECB') announced at its June 2017 meeting that all main interest rates will remain unchanged. The ECB also announced its intention to maintain the monthly asset purchases of EUR 60 billion at least until December 2017 and beyond if necessary. The United States ('US') Federal Reserve ('Fed') decided to raise the federal funds rate twice this year with two 25 basis points increases bringing the rate to 1.00 – 1.25%. The weakest major currency in 2016 compared with the US dollar was the British pound, which significantly depreciated after the outcome of the UK referendum on EU membership in June 2016. The British pound remains around 15% lower against the dollar and 10% down against the Euro.

The world economy gained speed in the fourth quarter of 2016 and the momentum is expected to persist. Global growth is projected to increase from an estimated 3.1% in 2016 to 3.5% in 2017.

Macroeconomic strains experienced by commodity exporters are expected to reduce, supported by the partial recovery in commodity prices, while growth is projected to remain strong in China and many other commodity importing nations. In advanced economies, the pickup is primarily driven by higher projected growth in the US. With stronger future demand suggesting more inflationary pressure and a less gradual normalisation of US monetary policy, long-term nominal and real interest rates have risen substantially. Long-term rates increased sharply in the UK as well, reflecting spillovers from higher US rates and expectations of a less accommodative monetary policy stance going forward, given rising inflationary pressure.

The US Federal Reserve raised short-term interest rates in March 2017 and June 2017, with markets pricing in an additional rate increase by the end of 2017 or early 2018. In most other advanced economies, the monetary policy stance has remained broadly unchanged.

Equity markets in advanced economies have registered sizeable gains in recent months, amid strengthening consumer confidence and positive macroeconomic data.

Key performance indicators ('KPIs')

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

	6M17	6M16
Earnings		
Net profit/(loss) after tax (USD million):		
Continued operations	(187)	(150)
Discontinued operations	46	79
Total	**(141)**	**(71)**

	6M17	6M16
Capital (USD million):		
Risk Weighted Assets	101,875	163,750
Tier 1 capital	21,153	20,750
Return on Tier 1 capital	(0.67)%	(0.34)%

	6M17	6M16
Liquidity (USD million):		
Liquidity Buffer	17,485	27,134

	6M17	6M16
Consolidated Statement of Financial Position (USD million):		
Total Assets	273,633	444,997
Total Asset growth/(reduction)	(38.51)%	10.97%
Return on Total Assets	(0.05)%	(0.02)%

Performance

Consolidated Statement of Income

For the first half of 2017, CSi group reported a net loss attributable to shareholders of USD 141 million (2016: USD 71 million). Net revenues from continuing operations amounted to USD 528 million (2016: USD 634 million). After operating expenses, the CSi group reported a loss before tax from continuing operations of USD 188 million (2016: USD 140 million). In addition, the CSi group reported a profit before tax from discontinued operations of USD 46 million (2016: USD 79 million).

In the first half of 2017, Global Markets revenues decreased 37% year on year to USD 462 million (30 June 2016: USD 738 million), as challenging trading conditions and low volatility resulted in low levels of client activity. Within Global Markets Solutions, the Macro business revenues decreased by 67% to USD 95 million (30 June 2016: USD 291 million) and Equity Derivatives decreased by 24% to USD 129 million (30 June 2016: USD 170 million), driven by adverse market conditions, continued low market volatility, subdued client flow and reduced issuance of structured notes. Emerging markets revenues decreased 6% to USD 101m (30 June 2016: USD 107 million) with 2017 revenues generated from new financing deals in Nigeria and Turkey. Within Global Markets Credit, the Global Credit Products revenues reduced by 11% to USD 100 million (30 June 2016: USD 113 million), driven by reduced trading volumes and activity in the secondary credit markets offset by increases in the primary markets.

Investment Banking & Capital Markets revenues decreased by 33% to USD 173 million (30 June 2016: USD 257 million) in line with reduced activity levels seen across the industry.

Asia Pacific reported revenues of USD 174 million (30 June 2016: USD 445 million), a 61% decrease compared to 2016.

Within Asia Pacific division, APAC Solutions reported an decrease of 65% to USD 160 million (30 June 2016: USD 455 million), mainly driven by the Bank's reduced demand for Japanese Yen denominated structured notes, subdued client activity and lower market volatility.

The SRU division's net revenues showed a reduced loss of USD 108 million (30 June 2016: USD 134 million loss) due to lower exit costs and asset write downs.

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

- Decreased revenue sharing expenses for the period of USD 174 million (30 June 2016: USD 382 million). This relates to revenue sharing agreements between the CSi group and other CS group companies. The reduction is linked to the reduced net revenues earned in the APAC division.
- Decreased treasury funding charges of USD 121 million to USD 2 million (30 June 2016: USD 123 million) primarily due to lower term spreads on long term debt coupled with lower levels of long term debt year on year and an increase in interest income earned on loans funded by share capital.

The CSi group's operating expenses (including Continued and Discontinued operations, refer to Note 18 – Discontinued Operations and Assets Held of Sale) decreased by USD 58 million to USD 722 million (30 June 2016: USD 780 million). Compensation and Benefits costs have increased by USD 89 million to USD 343 million (30 June 2016: USD 254 million). The increase is driven by the deferred compensation awards that are accounted at fair value which are linked to the share price of CSG. In the first 6 months of 2016, there was a significant share price decrease, which caused gains to be recorded for deferred compensation which lowered the overall compensation expense in 2016, which was not repeated in 2017. This offset the underlying reductions in salary expense. General administrative and trading expenses have dropped by USD 129 million to USD 362 million due to a reduction in a number of areas as a result of UK and global cost reduction programs, USD 66 million is due to the reduction in expense recharged to CSi, professional services reduced by USD 20 million and there was a USD 11 million reduction from depreciation and amortisation expenses due to lower fixed asset amount held during 2017. Restructuring expenses have decreased by USD 18 million to USD 17 million as the cost reduction program in the UK made more significant changes in 2016.

Income tax benefit for the six months ended 30 June 2017 was USD 1 million (30 June 2016: USD 10 million expense). Refer to note 12 – Income Tax.

Discontinued Operations and Assets held for sale

The CSi group is transferring a subset of derivatives and securities in the Asia Pacific division to another CS group entity. This transfer will continue until 2018. The total assets held for sale within the discontinued operations were USD 2.7 billion as at 30 June 2017 which was equivalent to 0.98% of the total assets. The total liabilities held for sale within the discontinued operations were USD 3.5 billion as at 30 June 2017 which was equivalent of 1.4% of the total liabilities. This transaction is accounted for as discontinued operations under IFRS, and post-tax profit or loss has been classified as discontinued operations in the CSi group's Consolidated Statement of Income. Assets and liabilities relating to the transfers that have not yet completed have been classified as Assets/Liabilities held for sale in the Consolidated Statement of Financial Position.

For further information, please refer to Note 18 – Discontinued Operations and Asset held for Sale.

Consolidated Statement of Financial Position

As at 30 June 2017 the CSi group had total assets of USD 274 billion (31 December 2016: USD 332 billion). The reduction in assets reflects CSi's goal to reduce balance sheet size, Risk Weighted Assets and lower its capital requirements.

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

- Trading financial assets at fair value through profit or loss have decreased by USD 49 billion. The decrease was primarily due to reduction of trades in the SRU division and mark to market moves on interest rate derivative products, trade compressions, asset migrations to Credit Suisse entities in Asia. There has similarly been a decrease of USD 43 billion in Trading financial liabilities at fair value through profit or loss.
- Associated with this, other assets have decreased by USD 3 billion to USD 34 billion (31 December 2016: USD 37 billion) primarily due to a decrease in cash collateral provided to counterparties in relation to derivative exposures and placing certain collateral in security form instead of cash.

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

- An increase of USD 3 billion in securities purchased under resale agreements and securities borrowing transactions.
- An increase in short term borrowings of USD 4 billion from a CS group entity due to switching some long term debt into short term borrowings.
- A decrease in long term debt of USD 13 billion principally as a result of a reduction in senior debt from a CS group company as the liquidity requirements allowed CSi to change to short term funding.

Total shareholder's equity has remained stable at USD 23 billion (31 December 2016: USD 23 billion).

Financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy, where the significant inputs for the Level 3 assets and liabilities are unobservable.

Total Level 3 assets were USD 4.6 billion as at 30 June 2017 (31 December 2016: USD 6.2 billion), which was equivalent to 1.7% of total assets. The decrease in Level 3 assets was due to cash settlements and the disposal of Level 3 positions, mainly debt securities and loans. Total Level 3 liabilities were USD 5.2 billion as at 30 June 2017 (31 December 2016: USD 5.7 billion), which was equivalent to 2% of total liabilities. The decrease in Level 3 liabilities is primarily due to a reduction in credit derivatives.

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

The liquidity buffer has reduced by USD 10 billion to USD 17 billion as a consequence of a reduction in the balance sheet assets and off balance sheet commitments, in part driven by certain trade migrations to the other CS group entities.

Principal Risks and Uncertainties

The Bank faces a variety of risks that are substantial and inherent in its businesses including Market risk, Liquidity risk, Currency risk, Credit risk, Country risk, Legal and Regulatory risk, Operational risk, Conduct risk, and Reputational risk.

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

Outlook

CSi remains focused on continuing to strengthen its position in executing a client-focused, capital-efficient strategy to meet client needs and regulatory trends. CSi is progressing towards achieving specific goals to reduce its cost base and maintain its capital position, and has operated under the Basel III capital framework, as implemented in the EU, since January 2014.

The SRU, introduced in 2015, continues to wind down businesses and positions that no longer fit the Bank's strategic direction. In the first quarter of 2017, CS group has announced an acceleration of the release of capital from the SRU and now plans to complete the wind-down of the division by the end of 2018. The progress in the SRU is central to the restructuring of the CS group and contributes to generating the resources needed to invest in areas where higher returns could be generated.

The CSi group is in the last phase of the transferring a subset of derivatives and securities in the Asia Pacific division into another CS group entity. This transfer commenced in 2016 and will continue through to 2018. This accounts for approximately 9% of CSi's 2017 total net revenues. A global cost reduction strategy is also underway having a direct impact on the cost base of the Bank. The Bank has not recognised any further provisions on onerous lease contracts (2016: USD 80 million).

CSi will continue to adapt to a challenging market environment and compete in its chosen business and markets around the world.

The CSi group continues to be committed to offering a broad spectrum of products and is focused on businesses in which the Bank has a competitive advantage and is able to operate profitably with an attractive return on capital.

On 1 June 2017, the CSi group has moved all corporate functions staff who perform multiple material legal entity critical functions and critical service contracts into a separate legal vehicle (Credit Suisse Services AG, London Branch) as part of the global Too-Big-To-Fail legislation, where major banks are required to prepare and implement Recovery and Resolution Plans ('RRPs'). The terms of resolution require a bank or a company to be wound down in an orderly fashion, while supporting the continuation of systemically-important functions in the event of the Bank's impending insolvency. Credit Suisse Services AG, London Branch is a branch of Credit Suisse Services AG (the Service Company parent entity) which was established in Switzerland. The new Service Company will house the employees, contracts and assets required to perform services that are deemed resolution-critical and which support multiple Material Legal Entities on a cross-border basis.

UK Referendum

Following 2016's UK Referendum and various European and the US Presidential Elections, 2017 began with fears that a global wave of populism would see a succession of right-wing, anti-establishment leaders gain power across Europe, however elections in the Netherlands and France restored confidence in the strength of the EU, while the UK general election seems to have failed to deliver a resounding mandate for a hard Brexit.

The Financial Policy Committee (FPC) issued its Financial Stability Report in June 2017, assessing the overall risks to the UK financial system. Its view is that the overall risk from the domestic environment is at a normal level. However, consumer credit has increased rapidly and lending conditions in the mortgage market are becoming easier; lenders may be placing undue weight on recent performance of loans in benign conditions. In addition, it noted that exit negotiations between the United Kingdom and the European Union have begun and there are a range of possible outcomes, and paths to, the United Kingdom's withdrawal from the EU. Based on this, the FPC took a range of decisions including an increase in the UK countercyclical capital buffer rate to 0.5%, from 0%. Absent a material change in the outlook, and consistent with its stated policy for a standard risk environment and of moving gradually, the FPC expects to increase the rate to 1% at its November 2017 meeting.

The results of the UK's snap general election may serve to soften the terms of Brexit, although the scale of negotiations to be completed by March 2019 means that much uncertainty remains over the final terms of the UK's exit. The UK economy had a mixed start to 2017 and CSi maintains a country rating of AA with negative outlook for the UK owing to the broad uncertainties around the exit negotiations, however we have yet to see any instances of related counterparty distress in the CSi portfolio.

CSi is exploring solutions to various outcomes, following the triggering of Article 50 in March 2017 including a Hard Brexit, and is refining its in-depth analysis and looking at ways to optimise the current infrastructure, including options for continuing to service EU clients and access markets and leveraging the existing EU presence where appropriate. CSi already provides a comprehensive range of services to clients through both its London operations and a number of different subsidiaries and branches across the Continent. This provides CSi with the flexibility to respond to potential changes in the UK and EU financial services industry in the future.

Regulatory Market Changes

The CSi group has implemented the Basel Committee on Banking Supervision ('BCBS') and International Organisation of Securities Commission ('IOSCO') revised framework for margin requirements for non-centrally cleared derivatives in each jurisdiction in which this framework has been adopted. The requirements centre around the posting and collecting of segregated initial margin for non-centrally cleared derivatives and daily settlement of variation margin. Initial Margin and Variation Margin rules impacting the CSi group and other in-scope, "Phase 1", market participants were introduced in the U.S., Japan and Canada on 1 Sept 2016 and in most other global financial centres on 4 Feb 2017. Each year for the next 4 years the in-scope market participants qualifying for Initial Margin conditions will increase. Variation Margin requirements impacting the majority of the clients of the CSi group became effective on 1 March 2017. The CSi group is assessing the impact of increased liquidity requirements to fund these margin requirements.

Litigation

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

Liquidity

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

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

Significant Accounting Developments

The CSi group will adopt the IFRS 9 'Financial Instruments' accounting standard on 1 January 2018. In July 2014, the IASB (International Accounting Standards Board) published the final version of IFRS 9, which replaces the existing guidance in IAS 39 'Financial Instruments Recognition and Measurement'. The standard includes amended guidance for classification and measurement of financial instruments, new hedging guidance and a new impairment model which will result in earlier recognition of potential losses. IFRS 9 also requires extensive new disclosures as well as the revision of current disclosure requirements under IFRS 7 'Financial Instruments: Disclosures'.

The impairment guidance included within IFRS 9 replaces the current incurred loss model with an expected loss model which is based on changes in credit quality since initial recognition. IFRS 9 applies one classification approach for all types of financial assets, based on the business model within which financial assets are managed, and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'). No changes were introduced to the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in Other Comprehensive Income for liabilities designated at fair value through profit and loss.

IFRS 15 'Revenue from Contracts with Customers', was issued in May 2014 and establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

The CSi group has established a cross-functional implementation team and governance structure for the projects to implement IFRS 9 and IFRS 15.

For further information on the guidance in IFRS 9 and IFRS 15, as well as the implementation status for the CSi group, please refer to the 'Standards and Interpretations endorsed by the EU and not yet effective' section in Note 2- Significant Accounting Policies.

Key Credit Risk Developments

In addition to comments regarding the UK Referendum impact on the UK in the "Principal Risks and Uncertainties" section on page 10, events and other key political risks which could potentially have an impact on the credit portfolio of the Bank are discussed further below.

Europe

In Europe, 2017 has seen a number of bank recapitalisations and measures taken to address portfolios of non-performing loans, all of which will strengthen the banking industries in the peripheral countries and in the EU more widely. A number of European country limits were reduced in the 2017 annual review of country appetite, although the main reason for these reductions was that a review of strategy identified excess capacity rather than any specific credit concerns.

Turkey

Turkey's economy performed well in the first half of 2017 with government measures and export growth leading to a recovery in private consumption and a fall in unemployment. Turkey's longer-term economic outlook has improved since the recent referendum in line with market expectations prior to the failed coup, although geopolitical strains, growing debt and FX risk still pose risks. CSi assigns a credit rating of BB to Turkey, with a stable outlook.

Russia

Russia's reliance on oil, coupled with financial sanctions and geopolitical tensions around Ukraine and Syria continue to constrain CSi country rating at BBB-. Additionally there have been widespread claims of Russian interference in the 2016 US presidential elections and suggestions of close ties between Moscow and the winning campaign, leading to an extension of US sanctions and dimming hopes of an improvement in US-Russia relations. Notwithstanding these challenges, Russia remains a key emerging market for CSi.

Republic of Korea (‘South Korea’)

South Korea currently has a CSi assigned country credit rating of AA- with a stable outlook. This view is based on South Korea’s macro-economic resilience, which is supported by its diversified and competitive manufacturing industries, its fiscal prudence, and levels of government debt. However, uncertainty remains over North Korea and the risks it poses to the South Korean economy and while CSi expects the status quo to prevail, CSi also anticipates occasional episodes of elevated tension. South Korea’s export-driven economy may also be challenged by a possible rise in protectionism and anti-globalisation under the current US presidency. The CSi portfolio consists mainly of collateralised OTC equity derivatives with South Korean banks, and some traded debt held in inventory.

Selected credit risk exposure views by country/region and industry segment

The table below shows selected exposures in CSi by country/region, including the three largest countries and risk focus countries/regions. The three largest country/region exposures are in large developed countries with stable economies (United States, United Kingdom and France), and collectively these countries account for more than 51% of the total exposure. CSi undertakes business with counterparties across the Eurozone and the table includes the countries with the largest net exposures.

Gross credit risk exposures, presented on a risk based view, include loans and loan commitments, investments (such as cash securities and other investments) and all exposures of derivatives (not limited to credit protection purchased and sold), after consideration of legally enforceable netting agreements. Gross exposures are calculated after offsetting long and short positions, capped at nil for net short positions. Net exposures include the impact of risk mitigation such as CDS and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

	Sovereign		Financial Institutions		Corporate		**Total**		6 MΔ		
30 June 2017 (USD millions)	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	**Gross Exposure**	**Net Exposure**	Gross Exposure	Net Exposure	Net Exposure as % of All Country Exposures
United States	1,323	1,323	10,099	4,858	1,812	1,036	**13,234**	**7,217**	(4,368)	(3,956)	27%
United Kingdom	989	701	7,122	2,562	731	558	**8,842**	**3,821**	(1,688)	(602)	14%
France	713	605	3,215	991	1,566	1,206	**5,494**	**2,802**	(871)	(299)	10%
Netherlands	0	0	1,551	1,156	858	795	**2,409**	**1,951**	170	85	7%
Germany	824	55	3,299	1,092	326	173	**4,449**	**1,320**	(1,376)	(1,011)	5%
Luxembourg	19	1	957	726	320	317	**1,296**	**1,044**	(20)	147	4%
China	916	876	124	113	29	29	**1,069**	**1,018**	(35)	(10)	4%
Sub-Saharan Africa	643	545	22	12	169	169	**834**	**726**	(22)	(1)	3%
Brazil	246	246	136	131	0	0	**382**	**377**	46	52	1%
Russia	0	0	251	120	80	69	**331**	**189**	(283)	(117)	1%
Turkey	15	15	270	30	0	0	**285**	**45**	(448)	11	0%
Total	**5,688**	**4,367**	**27,046**	**11,791**	**5,891**	**4,352**	**38,625**	**20,510**	**(8,895)**	**(5,701)**	**76%**

	Sovereign		Financial Institutions		Corporate		**Total**		AnnualΔ		
31 December 2016 (USD millions)	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	**Gross Exposure**	**Net Exposure**	Gross Exposure	Net Exposure	Net Exposure as % of All Country Exposures
United States	745	745	14,867	9,512	1,990	917	**17,602**	**11,174**	(540)	13	32%
United Kingdom	441	71	9,202	3,688	887	664	**10,530**	**4,423**	(1,540)	(603)	13%
France	574	520	4,166	1,294	1,625	1,287	**6,365**	**3,101**	(1,318)	(274)	9%
Netherlands	74	74	1,672	1,338	493	454	**2,239**	**1,866**	(491)	(201)	5%
Germany	1,473	660	3,805	1,383	547	288	**5,825**	**2,331**	(1,753)	(396)	7%
Luxembourg	36	0	1,090	709	191	188	**1,317**	**897**	(778)	(34)	3%
China	783	740	214	179	108	108	**1,105**	**1,027**	(4)	88	3%
Sub-Saharan Africa	710	595	28	14	118	118	**856**	**727**	522	621	2%
Brazil	151	151	161	153	24	21	**336**	**325**	106	148	1%
Russia	174	153	346	81	93	72	**613**	**306**	(392)	(58)	1%
Turkey	0	0	733	34	0	0	**733**	**34**	(947)	(21)	0
Total	**5,161**	**3,709**	**36,284**	**18,385**	**6,076**	**4,117**	**47,521**	**26,211**	**(7,135)**	**(717)**	**76%**

The table below shows selected exposures in CSi by industry, including the largest industries and risk focus industries. CSi's largest industry exposures are in financial sectors: Sovereigns, CCPs, Fund Linked Products and Commercial Banks. Exposure in the Fund Linked Products industry has decreased significantly due to planned transfers of business from CSi to CS AG, while the reduction in bank exposure is due to new regulatory rules requiring initial margin to be held against non-cleared derivatives. The table also includes exposures to the Oil & Gas and Metals & Mining industries, which have decreased since December 2016 and are small relative to the size of the overall portfolio.

	2017			2016		6 MΔ	
Industry Segments (USD millions)	Gross Exposure	Net Exposure	Net Exposure as % of All Industry Exposures	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Sovereigns, Monetary Authorities, Central Banks	10,018	6,055	24%	10,050	5,592	(32)	463
Central Clearing Parties	4,026	4,026	16%	3,988	3,988	38	38
Fund Linked Products	3,152	3,044	12%	8,890	8,718	(5,738)	(5,674)
Commercial Banks	15,625	2,234	9%	19,099	3,486	(3,474)	(1,252)
Oil & Gas	738	471	2%	993	509	(255)	(38)
Metals & Mining	416	397	2%	434	405	(18)	(8)
Total	**33,975**	**16,227**	**65%**	**43,454**	**22,698**	**(9,479)**	**(6,471)**

Capital Resources

The Bank closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework or to the Bank's business model and includes reviewing potential opportunities for capital repatriation to shareholders. CS group continues to provide confirmation that it will ensure that the Bank is able to meet its debt obligations and maintain a sound financial position.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. No breaches were reported to the PRA during the period.

Changes in senior and subordinated debt are set out in Note 17 – Long Term Debt. Details of capital are set out in Note 19 – Called-up Share Capital and Share Premium.

Dividends

No dividends have been paid for the period ended 30 June 2017 (2016: USD Nil).

Directors

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

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

Changes in the directorate since 31 December 2016 and up to the date of this report are as follows:

Appointment	
Caroline Waddington	31 March 2017
Resignation	
Stephen Dainton	26 January 2017
Robert Arbuthnott	31 March 2017

Subsequent Events

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

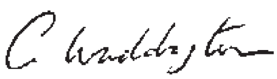
Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

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

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

By Order of the Board:



Caroline Waddington
Director

One Cabot Square
London E14 4QJ
17 August 2017

Financial Statements for the six months ended 30 June 2017 (Unaudited)

Condensed Consolidated Statement of Income for the six months ended 30 June 2017 (Unaudited)

	Reference to note	6M17	Restated 6M16 [1]
Consolidated Statement of Income (USD million)			
Continuing Operations			
Interest income	4	327	327
Interest expense	4	(387)	(401)
Net interest (expense)/income		(60)	(74)
Commission and fee income	5	285	256
Commission and fee expense	5	(52)	(55)
Net commission and fee income		233	201
(Additional)/Release of provision for credit losses	6	(4)	(4)
Net gains from financial assets/liabilities at fair value through profit or loss	7	534	730
Other revenues	8	(175)	(219)
Net revenues		**528**	**634**
Compensation and benefits	9	(343)	(254)
General, administrative and trading expenses	10	(356)	(485)
Restructuring expenses	11	(17)	(35)
Total operating expenses		**(716)**	**(774)**
Loss before tax from continuing operations		**(188)**	**(140)**
Income tax benefit/(expense) from continuing operations	12	1	(10)
Loss after tax from continuing operations		**(187)**	**(150)**
Discontinued Operations			
Profit before tax from discontinued operations	18	46	79
Income tax benefit/(expense) from discontinued operations		–	–
Profit after tax from discontinued operations		**46**	**79**
Net loss attributable to Credit Suisse International shareholders		**(141)**	**(71)**

[1] June 2016 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

Condensed Statement of Comprehensive Income for the six months ended 30 June 2017 (Unaudited)

	6M17	6M16
Consolidated Statement of Comprehensive Income (USD million)		
Net loss	**(141)**	**(71)**
Foreign currency translation differences	1	1
Total items that may be reclassified to net income	**1**	1
Total comprehensive loss	**(140)**	**(70)**
Attributable to Credit Suisse International shareholders	(140)	(70)

The accompanying notes on pages 20 to 57 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2017 (Unaudited)

	Reference to note	6M17	end of 2016
Assets (USD million)			
Cash and due from banks		5,199	5,490
Interest-bearing deposits with banks		6,557	9,647
Securities purchased under resale agreements and securities borrowing transactions		12,352	9,467
Trading financial assets at fair value through profit or loss	14	193,564	242,427
of which positive market values from derivative instruments		164,582	207,437
Financial assets designated at fair value through profit or loss		14,619	20,406
Other loans and receivables		3,404	3,316
Investment property		143	169
Current tax assets		13	52
Deferred tax assets	13	345	338
Other assets	16	33,498	36,700
Property and equipment		116	193
Intangible assets		422	404
Assets held for sale	18	3,401	3,772
Total assets		**273,633**	**332,381**
Liabilities (USD million)			
Deposits		418	457
Securities sold under repurchase agreements and securities lending transactions		3,916	2,821
Trading financial liabilities at fair value through profit or loss	14	168,205	211,639
of which negative market values from derivative instruments		165,735	208,450
Financial liabilities designated at fair value through profit or loss		23,533	24,689
Short term borrowings		6,884	2,667
Current tax liabilities		16	–
Other liabilities	16	25,283	31,426
Provisions		5	27
Long term debt	17	19,158	32,140
Liabilities held for sale	18	3,618	3,807
Total liabilities		**251,036**	**309,673**
Shareholders' equity (USD million)			
Share capital	19	12,366	12,366
Share premium	19	12,704	12,704
Retained earnings		(2,472)	(2,360)
Accumulated other comprehensive income		(1)	(2)
Total shareholders' equity		**22,597**	**22,708**
Total liabilities and shareholders' equity		**273,633**	**332,381**

Approved by the Board of Directors on 17 August 2017 and signed on its behalf by:

Caroline Waddington
Director

The accompanying notes on pages 20 to 57 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2017 (Unaudited)

	Share Capital	Share Premium	Retained Earnings	AOCI [1]	Total
Condensed Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2017	**12,366**	**12,704**	**(2,360)**	**(2)**	**22,708**
Net loss for the period	–	–	(141)	–	(141)
Foreign exchange translation differences	–	–	.	1	1
Total comprehensive loss for the period	**–**	**–**	**(141)**	**1**	**(140)**
Additional paid in capital	–	–	29	–	29
Balance at 30 June 2017	**12,366**	**12,704**	**(2,472)**	**(1)**	**22,597**
Condensed Consolidated Statement of Changes in Equity (USD million)					
Balance at 1 January 2016	**12,366**	**12,704**	**(2,164)**	**(2)**	**22,904**
Net loss for the period	–	–	(71)	–	(71)
Foreign exchange translation differences	–	–	–	1	1
Total comprehensive loss for the period	**–**	**–**	**(71)**	**1**	**(70)**
Balance at 30 June 2016	**12,366**	**12,704**	**(2,235)**	**(1)**	**22,834**

[1] AOCI refers to Accumulated Other Comprehensive Income

There were no dividends paid during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2017 (Unaudited)

	Reference to note	6M17 [1]	6M16 [1]
Cash flows from operating activities (USD million)			
(Loss)/Profit before tax for the period		(142)	(61)
Adjustments to reconcile net (loss)/profit to net cash generated from/(used in) operating activities (USD million)			
Non-cash items included in net loss before tax and other adjustments:			
Depreciation, impairment and amortisation		71	81
Depreciation & impairment on investment property		13	17
Gain on non current assets held for sale		(6)	–
Losses on long lived assets held for sale		4	–
(Reversal of provision)/impairment on loan commitments		–	(1)
Accrued interest on long term debt		168	154
Provision for credit losses		4	5
Foreign exchange loss		480	283
Provisions		(22)	–
Total adjustments		712	539
Cash generated from/(used in) before changes in operating assets and liabilities		**570**	**478**
Net decrease/(increase) in operating assets:			
Securities purchased under resale agreements and securities borrowing transactions		(2,885)	3,333
Trading financial assets at fair value through profit or loss	14	48,968	(39,776)
Financial assets designated at fair value through profit or loss		6,099	(730)
Other loans and receivables		(92)	(354)
Other assets		3,202	(10,841)
Net (increase)/decrease in operating assets		**55,292**	**(48,368)**
Net (decrease)/(increase) in operating liabilities:			
Deposits		–	(34)
Securities sold under repurchase agreements and securities lending transactions		1,095	(1,784)
Trading financial liabilities at fair value through profit or loss		(43,980)	40,632
Financial liabilities designated at fair value through profit or loss		(806)	2,870
Short term borrowings		4,217	(13,980)
Share Based Compensation (Included in other liabilities & provisions)		(11)	(92)
Other liabilities and provisons		(6,107)	10,278
Net increase/(decrease) in operating liabilities		**(45,592)**	**37,890**
Income taxes refunded		61	–
Income taxes paid		(6)	(4)
Net cash (used in)/generated from operating activities		**10,325**	**(10,004)**
Cash flows from investing activities (USD million)			
Capital expenditures for property, plant equipment and intangible assets		(118)	(104)
Sale of assets held for sale		94	–
Net cash used in investing activities		**(24)**	**(104)**
Cash flow from financing activities (USD million)			
Issuances of long term debt		–	5,244
Repayments of long term debt		(13,643)	(36)
Net cash flow generated from/(used in) financing activities		**(13,643)**	**5,208**
Net (decrease)/increase in cash and cash equivalents		**(3,342)**	**(4,900)**
Cash and cash equivalents at beginning of period		14,680	12,692
Cash and cash equivalents at end of period (USD million)		**11,338**	**7,792**
Cash and due from banks		5,199	5,371
Interest-bearing deposits with banks		6,557	2,886
Demand deposits		(418)	(465)
Cash and cash equivalents at end of period (USD million)		**11,338**	**7,792**

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

The accompanying notes on pages 20 to 57 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017 (Unaudited)

Notes to the Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017 (Unaudited)

1 General

Credit Suisse International ('CSi' or the 'Bank') is a bank domiciled in the United Kingdom. The address of the Bank's registered office is One Cabot Square, London, E14 4QJ. The Condensed Consolidated Interim Financial Statements for the half year ended 30 June 2017 comprise CSi and its subsidiaries (together referred to as the 'CSi group').

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Directors on 17 August 2017.

2 Significant Accounting Policies

Basis of preparation

The accompanying unaudited Condensed Consolidated Interim Financial Statements of the CSi group are prepared in accordance with IAS 34 "Interim Financial Reporting" ('IAS 34') as adopted for use in the European Union ('EU') and are stated in United States Dollars ('USD') rounded to the nearest million. Certain financial information, which is normally included in Annual Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') but not required for interim reporting purposes, has been condensed or omitted. These Condensed Consolidated Interim Financial Statements should be read in conjunction with the IFRS Consolidated Financial Statements and notes thereto for the year ended 31 December 2016. Except as described below, the accounting policies applied by the CSi group in these Condensed Consolidated Interim Financial Statements are the same as those applied by the CSi group in its Consolidated Financial Statements for the year ended 31 December 2016.

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

The preparation of Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Statement of Financial Position and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from management's estimates.

The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

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

CSG continues to provide confirmation that it will provide sufficient funding to the Bank to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these Condensed Consolidated Interim Financial Statements on a going concern basis.

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

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

- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2017. When endorsed the adoption of the Amendments to IAS 12 will not have a material impact to the CSi group's financial position, results of operation or cash flows.
- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017.

When endorsed the adoption of the Amendments to IAS 7 will impact disclosures only and will not have an impact to the CSi group's financial position, results of operation or cash flows.

- Annual Improvements to IFRSs 2014-2016 Cycle: In December 2016, the IASB issued 'Annual Improvements to IFRSs 2014-2016 cycle' (Improvements to IFRSs 2014-2016). The Improvements to IFRSs 2014-2016 are effective for annual periods beginning on or after 1 January 2017. When endorsed the adoption of the Improvements to IFRSs 2014-2016 will not have a material impact on the CSi group's financial position, results of operation or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective

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

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 'Financial Instruments' (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. In July 2014, the IASB issued IFRS 9 as a complete standard. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The amendments to IFRS 7 resulting from IFRS 9 also require new disclosures as well as the revision of current disclosure requirements.
  Under IFRS 9, financial assets will be classified on the basis of two criteria: 1) the business model of how the financial assets are managed and 2) the contractual cash flow characteristics of the financial asset. These factors will determine whether the financial assets are measured at Amortised Cost, Fair value through Other Comprehensive Income or Fair value through Profit & Loss. The accounting for financial liabilities remains largely unchanged except for those financial liabilities designated at fair value through profit or loss, where the gains and losses arising from changes in credit risk will be presented in Other Comprehensive Income rather than profit or loss. The CSi group has not yet identified any material changes to the classification and measurement of financial instruments however this review remains ongoing.
  Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost and fair value through other comprehensive income as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected loss model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. If the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement will change from 12-month expected credit losses (Stage 1) to lifetime expected credit losses (Stage 2). Therefore impairment will be recognised earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired (Stage 3). The definition of credit-impaired under IFRS 9 will be similar to the current indicators in IAS 39 of objective evidence of impairment. The assessment of a significant increase in credit risk since initial recognition will be based on different quantitative and qualitative factors that will be relevant to the particular financial instrument in scope.
  The CSi group has established a cross-functional implementation team and governance structure for the project. The CSi group has decided on a point-in-time, forward-looking approach, incorporating probability of default, loss given default and exposure at default, as an expected credit loss ("ECL") methodology for financial instruments subject to Stage 1 and Stage 2. The IFRS 9 definition of default is intended to be aligned with the current regulatory definition of default. The CSi group is currently in the process of testing the ECL models. A dry-run is planned for the 4th quarter of 2017. The CSi group expects that the new ECL methodology would generally result in increased and more volatile allowance for loan losses. The main impact drivers include:
  - the requirement to measure lifetime expected credit losses, if there is a significant increase in credit risk since initial recognition on a financial instrument;
  - the point of time in the economic cycle at the adoption date and subsequent reporting dates because of the new requirement to incorporate reasonable and supportable forward looking information and macroeconomic factors; and
  - the credit quality of the financial instruments in scope at the adoption date and subsequent reporting dates.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However certain sections of IFRS 9 relating to financial liabilities designated at fair value through profit or loss can be early adopted in isolation. The CSi group does not plan to early adopt. Upon adoption the CSi group expects an adjustment to be posted to retained earnings for any changes in impairment losses. As the implementation progresses, the CSi group will continue evaluating the extent of the impact of adopting IFRS 9, however it is not practical to disclose reliable financial impact estimates until the impairment dry-run is performed in the 4th quarter of 2017. Impacts are expected to be disclosed in the financial statements for the year ended 31 December 2017.
- IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In April 2016, the IASB issued Clarifications to IFRS 15 'Revenue from Contracts with Customers'

(Clarifications to IFRS 15), which is yet to be endorsed by the EU. The Clarifications to IFRS 15 are intended to address implementation questions that were discussed by the Joint Transition Resource Group for Revenue Recognition on licenses of intellectual property, identifying performance obligations, principal versus agent application guidance and transition. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The CSi group has established a cross-functional implementation team and governance structure for the project. The CSi group's implementation efforts include the identification of revenue and costs within the scope of the guidance, as well as the evaluation of revenue contracts under the new guidance and related accounting policies. The guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other IFRSs. To date the impacts that the CSi group has identified relate to the timing of recognition and presentation of certain fees and related expenses. The changes identified thus far are not expected to have a material impact however this evaluation remains ongoing.

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

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

- IFRS 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged compared to the current accounting guidance. Under the current lessee accounting model the CSi group is required to distinguish between finance leases, which are recognised on balance sheet, and operating leases, which are not. IFRS 16 will require lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with a lease term of greater than twelve months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The CSi group has established a cross-functional implementation team and governance structure for the project. The CSi group is currently reviewing its existing contracts to determine the impact of the adoption of IFRS 16. The CSi group expects an increase in total assets and total liabilities as a result of recognising right-of-use assets and lease liabilities for all leases under the new guidance and is currently evaluating the extent of the impact of the adoption of IFRS 16 on the CSi group's results of operations and cash flows.
- Amendments to IFRS 2: Share-based Payment: In June 2016, the IASB issued narrow scope amendments to IFRS 2 Share based payments (Amendments to IFRS 2). The Amendments clarify how to account for certain types of share-based payment transactions. The Amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The CSi group does not expect the adoption of the Amendments to IFRS 2 to have a material impact to the CSi group's financial position, results of operation or cash flows.
- IFRIC 23: In June 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments" (IFRIC 23). IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The CSi group is currently evaluating the impact of adopting IFRIC 23 on the CSi group's financial position, results of operations and cash flows.

The accounting policies have been applied consistently by the CSi group entities. Certain reclassifications have been made to the prior year Condensed Consolidated Interim Financial Statements of the CSi group to conform to the current year's presentation and had no impact on net income/(loss) or total shareholders' equity. Within these Condensed Consolidated Interim Financial Statements, references to ('6M17') represent the six month period ended 30 June 2017, references to ('6M16') represent the six month period ended 30 June 2016, and ('end of 2016') represents the financial position as at and for the year ended 31 December 2016.

3 Segmental Analysis

The Group has 6 reportable segments that are regularly reviewed by the Chief Operating Decision Maker ('CODM') when assessing the performance and allocation of resources. The CODM has been determined to be the Board.

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

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

Segment performance is assessed by the Board based on the CEO report, which details revenues and pre-tax income by segment. CSi assets and liabilities are not managed by segment. Expenses are managed as part of the wider CS group management processes and therefore, while the CODM does assess the overall expense base for CSi, it does not specifically manage the expenses at a CSi segment level. Certain revenue items are not directly allocated to the above business segments at a CSi level. These items include certain transfer pricing, certain credit risk allocations, treasury and corporate centre allocations. These are not included as an operating segment as they are not separate business activities from which CSi may earn revenues. Transactions between reportable segments are held at an arm's length basis and are included in the segment results.

The following table shows the external revenue of each operating segment during the six months to June:

	6M17	6M16 [1]
Revenues (USD million)		
Global Markets	**462**	**738**
- Credit	117	108
- Equities	25	4
- Solutions	318	568
- Management	2	58
APAC	174	445
Investment Banking & Capital Markets	173	257
International Wealth Management	20	20
Swiss Universal Bank	24	20
Strategic Business	**853**	**1,480**
Strategic Resolution Unit	(108)	(134)
Total	**745**	**1,346**

[1] 2016 numbers have been restated to conform to the current year's presentation

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

	6M17	6M16[1]
Consolidated (loss)/Income before taxes (USD million)		
Global Markets	**54**	**141**
- Credit	66	31
- Equities	4	(45)
- Solutions	36	173
- Management	(52)	(18)
APAC	43	121
Investment Banking & Capital Markets	(20)	(5)
International Wealth Management	7	9
Swiss Universal Bank	10	10
Strategic Business	**94**	**276**
Strategic Resolution Unit	(172)	(310)
Total	**(78)**	**(34)**

[1] 2016 numbers have been restated to conform to the current year's presentation

Reconciliation of reportable segment revenues

	6M17	6M16[3]
Reconciliation of reportable segment revenues (USD million)		
Total revenues for reportable segments	745	1,346
Revenue sharing agreements	(174)	(382)
Treasury funding	2	(123)
Other corporate items	(4)	(49)
CSi group to primary reporting reconciliations[1]	11	(73)
Net revenues as per Consolidated Statement of Income	**580**	**719**
Of which net revenues – discontinued operations[2]	**52**	**85**
Of which net revenues – continued operations	**528**	**634**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.
[2] See Note 18 – Discontinued Operations and Assets Held for Sale
[3] 2016 numbers have been restated to conform to the current year's presentation

	6M17	6M16[3]
Reconciliation of reportable segment income/(loss) before taxes (USD million)		
(Loss)/Income before taxes for reportable segments	(78)	(34)
Other corporate items	(46)	(58)
Shared services	(10)	(71)
CSi group to primary reporting reconciliations[1]	(8)	102
(Loss)/Income before taxes as per Consolidated Statement of Income	**(142)**	**(61)**
Of which profit before taxes – discontinued operations[2]	**46**	**79**
Of which loss before taxes – continued operations	**(188)**	**(140)**

[1] This is the difference between the monthly board summaries which are prepared on a US GAAP basis and the CSi accounts prepared in accordance with IFRS.
[2] See Note 18 – Discontinued Operations and Assets Held for Sale
[3] 2016 numbers have been restated to conform to the current year's presentation

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

4 Net Interest (Expense)/Income

	6M17	6M16 [1]
Net interest income (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	54	31
Cash collateral provided on OTC derivatives transactions	136	101
Interest income on cash and cash equivalents and loans	58	58
Other loans and receivables	79	137
Total interest income	**327**	**327**
Deposits	(3)	(9)
Short term borrowings	(58)	(79)
Securities sold under repurchase agreements and securities lending transactions	(28)	(41)
Long term debt	(168)	(154)
Cash collateral received on OTC derivatives transactions	(130)	(118)
Total interest expense	**(387)**	**(401)**
Net interest (expense)/income	**(60)**	**(74)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

5 Commission and Fee Income

	6M17	6M16
Commission and fee income (USD million)		
Lending business	65	42
Brokerage	58	55
Underwriting	27	8
Other customer services	135	151
Total commission and fee income	**285**	**256**
Brokerage	(22)	(23)
Other customer services	(30)	(32)
Total commission and fee expense	**(52)**	**(55)**
Net commission and fee income	**233**	**201**

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

6 (Additional)/Release of provision for Credit Losses

	6M17	6M16
(Additional)/Release of provision for credit losses (USD million)		
Allowances for loan losses	(8)	(9)
Provision for off-balance sheet exposure	(2)	(1)
Additional Provision for credit losses	**(10)**	**(10)**
Allowances for loan losses	4	3
Provision for off-balance sheet exposure	2	3
Release of provision for credit losses	**6**	**6**
(Additional)/Release of provision for credit losses	**(4)**	**(4)**

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

	6M17	6M16 [1]
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	1,621	3,971
Foreign exchange	10	(2,061)
Equity	(995)	(1,017)
Commodity	22	30
Credit	(59)	(80)
Other	(65)	(113)
Total net gains from financial assets/liabilities at fair value through profit or loss	**534**	**730**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

The above table represents revenues on a product basis which are not representative of business results within segments, as segments utilise financial instruments across various product types.

8 Other Revenues

	6M17	6M16 [1]
Other revenues (USD million)		
Revenue sharing agreement expenses	(160)	(300)
Other	(11)	81
Losses on long-lived assets held for sale	(4)	0
Total other revenues	**(175)**	**(219)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

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

9 Compensation and Benefits

	6M17	6M16
Compensation and benefits (USD million)		
Salaries and variable compensation	(286)	(200)
Social security	(43)	(34)
Pensions	(10)	(15)
Other	(4)	(5)
Total compensation and benefits	**(343)**	**(254)**

The increase in salaries and variable compensation is due to a large gain booked in 2016 in respect to the deferred compensation awards which reflect the movements of the CSG share price. Less volatility has been experienced in the first half of 2017 compared to 2016.

10 General, Administrative and Trading Expenses

	6M17	6M16 [1]
General, administrative and trading expenses (USD million)		
Brokerage charges and clearing house fees	(103)	(110)
Insurance charges	(12)	(18)
Trading expenses	**(115)**	**(128)**
Occupancy expenses	(9)	(13)
Depreciation and amortisation expenses	(70)	(81)
Depreciation and impairment of investment property	(13)	(17)
Litigation	(2)	(4)
Auditor remuneration	(1)	(1)
Professional services	(44)	(64)
Impairment of intangible asset	(1)	–
CSG trademark	(2)	(2)
Net Overheads allocated from other CS group entities	(46)	(112)
UK Bank Levy	–	1
Marketing data, publicity and subscription	(15)	(19)
Non income taxes	(16)	(16)
Other	(22)	(29)
General and administrative expenses	**(241)**	**(357)**
Total general, administrative and trading expenses	**(356)**	**(485)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

The expenses incurred by other CS group company under common control are recharged to CSi group through 'Net overheads allocated from other CS group entities'. The recharges comprise compensation and benefit expenses and general administrative expenses. The reduction is driven by the cost reduction programme in the UK.

11 Restructuring Expenses

In accordance with the CS group wide strategic review, restructuring expenses of USD 17 million (2016: USD 35 million) were recognised by CSi group during 2017. Restructuring expenses primarily include termination costs and expenses in connection with the acceleration of certain deferred compensation awards arrangement for the 6 months ended 30 June 2017.

	6M17	6M16
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	(9)	(32)
of which severance	(5)	(14)
of which accelerated deferred compensation	(4)	(18)
General and administrative-related expenses	(8)	(3)
Total Restructuring expenses by type	**(17)**	**(35)**

	6M17			2016		
	Severance expenses	General and administrative-expenses	**Total**	Severance expenses	General and administrative-expenses	**Total**
Restructuring provision (USD million)						
Balance at beginning of the period/year	12	153	165	12	101	113
Net additional charges	5	8	13 [1]	25	94	119
Utilisation	(10)	(4)	(14)	(25)	(42)	(67)
Balance at end of the period/year	**7**	**157**	**164** [2]	**12**	**153**	**165**

[1] Liability arising on restructuring has been included in Note 16 – Other Assets and Other Liabilities as follows: Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 3.9 million and unsettled cash based deferred compensation of USD 0.5 million (not included in the table above) have been included in 'Share-based compensation liability' and 'Other', respectively. The settlement date for the unsettled share-based compensation remains unchanged.

[2] Liability relating to severance expenses and general and administrative expenses of USD 164 million have been included in 'Other Assets and Other Liabilities' .

12 Income Tax

Income tax (USD million)	6M17	6M16
Current tax [1]	(6)	–
Deferred tax	7	(10)
Income tax benefit/(charge)	**1**	**(10)**
Tax on discontinued operations (refer note 18)	–	–
Total income tax benefit/(charge) relating to continuing operations	**1**	**(10)**

[1] For 2017, withholding taxes are included within income taxes.

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

Reconciliation of taxes computed at the UK statutory rate

Income tax reconciliation (USD million)	6M17	6M16
Loss before tax	(142)	(61)
Loss before tax multiplied by the UK statutory rate of corporation tax of 27.25% (2016: 28%) [1]	39	17
Non recoverable foreign taxes including withholding taxes [2]	(4)	–
Adjustments to current tax in respect of previous periods	(2)	–
Other permanent differences	(11)	7
Deferred tax not recognised	(21)	(34)
Income tax benefit/(charge)	**1**	**(10)**
Tax on discontinued operations (refer note 18)	–	–
Total income tax benefit/(charge) relating to continuing operations	**1**	**(10)**

[1] Includes impact of bank corporation tax surcharge of 8%
[2] For 2017, withholding taxes are included within income taxes.

The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017 and will reduce from 19% to 17% with effect from 1 April 2020.

13 Deferred Tax Asset

Deferred tax (USD million)	6M17	2016
Deferred tax assets	345	338
Net position	**345**	**338**
Balance at 1 January	**338**	**337**
Credit to income for the period	7	16
Effect of change in tax rate expensed to Statement of Income	–	(15)
At end of the period	**345**	**338**

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2016: 25%). Deferred taxes are calculated on carry forward tax losses using effective tax rates of 17% or 25% (2016: 17% or 25%).

The Finance (No.2) Act 2015, which passed into law on 18 November 2015, included rate reductions in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and 19% to 18% with effect from 1 April 2020. The Finance (No.2) Act 2015 also introduced legislation to levy a surcharge of 8% on the profits of banking companies. The Company was subject to this surcharge from 1 January 2016. The Finance Act 2016, which was enacted on 15 September 2016, further reduced the UK corporation tax rate from 18% to 17% with effect from 1 April 2020.

From 1 April 2015, the use of tax losses carried forward by UK banks is restricted to a maximum of 50% of taxable profits in respect of losses incurred prior to 1 April 2015. From 1 April 2016, the use of tax losses carried forward by UK banks is further restricted to a maximum of 25% of taxable profits in respect of losses incurred prior to 1 April 2015. Furthermore, the UK budget announcement of 16 March 2016 included a 50% loss restriction in respect of post-April 2015 losses, with effect from 1 April 2017. This UK tax law change and the future enactment of the further loss restriction proposals is not expected to have a material impact on the recoverability of the net deferred tax asset.

Deferred tax assets (DTA) and deferred tax liabilities (DTL) are recognised for the estimated future tax effects of operating loss carry-forwards and temporary differences between the carrying amounts of existing assets and liabilities and their respective tax bases at the balance sheet date. The realisation of deferred tax assets on temporary differences is dependent upon the generation of taxable income in future accounting periods after those temporary differences become deductible. The realisation of deferred tax assets on net operating losses is dependent upon the generation of future taxable income. Management regularly evaluates whether deferred tax assets can be realised. Only if management considers it probable that a deferred tax asset will be realised is a corresponding deferred tax asset established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Bank. The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they were temporary or indicated an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, deferred tax assets of USD 978 million (2016: USD 955 million) have not been recognised. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted if full recovery of the remaining DTA balance is no longer probable.

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

	6M17	2016
Trading financial assets at fair value through profit or loss (USD million)		
Debt securities	23,576	27,713
Equity securities	4,686	5,253
Derivative instruments	164,582	207,437
Other	720	2,024
Trading financial assets at fair value through profit or loss	**193,564**	**242,427**
Trading financial liabilities at fair value through profit or loss (USD million)		
Short positions	2,460	3,180
Derivative instruments	165,735	208,450
Other	10	9
Trading financial liabilities at fair value through profit or loss	**168,205**	**211,639**

15 Derivatives

		6M17
	Gross Derivative Assets [1]	Gross Derivative Liabilities [1]
Derivatives (USD million)		
Interest rate products	106,728	97,947
Foreign exchange products	34,115	40,495
Equity/indexed-related products	21,337	23,367
Credit products	10,622	11,522
Other products	227	227
Total derivative instruments	**173,029**	**173,558**

[1] Table includes both continued and discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

Derivatives (USD million)	2016 Gross Derivative Assets[1]	2016 Gross Derivative Liabilities[1]
Interest rate products	131,344	123,227
Foreign exchange products	52,124	58,587
Equity/indexed-related products	22,547	23,631
Credit products	10,437	11,056
Other products	815	984
Total derivative instruments	**217,267**	**217,485**

[1] Table includes both continued and discontinued operations. Details are included in Note 18 – Discontinued Operations and Assets Held for Sale.

Offsetting of derivative instruments

			6M17			2016
	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets (USD millions)						
Derivative instruments subject to enforceable master netting agreements	171,018	(6,474)	164,544	215,066	(7,169)	207,897
Derivative instruments not subject to enforceable master netting agreements[1]	2,011	–	2,011	2,201	–	2,201
Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position	**173,029**	**(6,474)**	**166,555**	**217,267**	**(7,169)**	**210,098**
of which recorded in trading financial assets at fair value through profit or loss	173,029	(6,474)	166,555	217,267	(7,169)	210,098
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	171,278	(6,222)	165,056	215,414	(6,897)	208,517
Derivative instruments not subject to enforceable master netting agreements[1]	2,280	–	2,280	2,071	–	2,071
Total derivative instruments presented in the Condensed Consolidated Statement of Financial Position	**173,558**	**(6,222)**	**167,336**	**217,485**	**(6,897)**	**210,588**
of which recorded in trading financial liabilities at fair value through profit or loss	173,558	(6,222)	167,336	217,485	(6,897)	210,588

[1] Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

16 Other Assets and Other Liabilities

	6M17	2016
Other assets (USD million)		
Brokerage receivables	4,034	5,095
Interest and fees receivable	86	416
Cash collateral on derivative instruments		
Banks	13,154	13,056
Customers	15,703	17,798
Other	521	335
Other assets	**33,498**	**36,700**

Other liabilities (USD million)		
Brokerage payables	1,654	2,432
Interest and fees payable	255	820
Cash collateral on derivative instruments		
Banks	15,467	18,184
Customers	6,742	8,462
Share-based compensation liability	114	125
Other	1,051	1,403
Other liabilities	**25,283**	**31,426**

17 Long Term Debt

	Balance as at 1 January 2017	Issuances	Repayments and other movements	Translation FX and Interest movements	Balance as at 30 June 2017
Long term debt (USD million)					
Senior debt	26,016	–	(13,643)	641	13,014
Subordinated debt	6,124	–	–	20	6,144
Total Long Term Debt	**32,140**	**–**	**(13,643)**	**661**	**19,158**

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

The repayments of USD 13.6 billion in Senior debt was principally as a result of reduced long term funding requirements.

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

18 Discontinued Operations and Assets Held for Sale

The CSi group is transfering a subset of derivatives and securities in the Asia Pacific division to another CS group entity, facilitated through a sale of positions currently held at fair value, with no gain or loss. The related assets and liabilities have been disclosed on the CSi group's balance sheet as Held for Sale. This transfer will continue until 2018. The transaction is presented as discontinued operations under IFRS, and post-tax profit or loss has been classified as discontinued operations in CSi group's Consolidated Statement of Income. CSi group's prior period results have been restated to conform to the current presentation. Assets and liabilities relating to the transfers that have not yet completed have been classified as Assets/Liabilities held for sale in the Consolidated Statement of Financial Position. Cash inflow of USD 182 million was generated from operational activities. No impairment losses were required to be recognised as a result of having to measure the Assets/Liabilities held for sale at fair value less cost to sell.

The CSi group is assigning its lease of its data center facility in Slough (UK) to a third party vendor and selling all existing technical equipment installed by CSi to the vendor. CSI group will lease 3 data halls from the new vendor. The related assets have been disclosed on the CSi's group's balance sheet as Held for Sale. The assignment and sale will take place in 2017. Impairment losses of USD 4 million were required to be recognised as a result of having to measure the Assets held for sale at fair value less cost to sell.

During the year CSi group has also entered into other transactions which qualify as Held for Sale.

	Discontinued Operations	Held for Sale – CDS Portfolio	Held for Sale – Securities	Held for Sale – Premises and equipment	Total
2017 (USD million)					
Trading financial assets at fair value through profit or loss	2,693	76	586	–	**3,355**
of which positive market values from derivative instruments	1,897	76	–	–	**1,973**
Financial assets designated at fair value through profit or loss	–	–	–	–	**–**
Property and Equipment	–	–	–	46	**46**
Total assets held for sale	**2,693**	**76**	**586**	**46**	**3,401**
Trading financial liabilities at fair value through profit or loss	1,700	71	–	–	**1,771**
of which negative market values from derivative instruments	1,530	71	–	–	**1,601**
Financial liabilities designated at fair value through profit or loss	1,786	–	–	–	**1,786**
Other liabilities	61	–	–	–	**61**
Total liabilities held for sale	**3,547**	**71**	**–**	**–**	**3,618**

	Discontinued Operations	Held for Sale – CDS Portfolio	Held for Sale – Securities	Held for Sale – Premises and equipment	Total
2016 (USD million)					
Trading financial assets at fair value through profit or loss	2,311	824	325	–	**3,460**
of which positive market values from derivative instruments	1,837	824	–	–	**2,661**
Financial assets designated at fair value through profit or loss	312	–	–	–	**312**
Other assets	–	–	–	–	**–**
Total assets held for sale	**2,623**	**824**	**325**	**–**	**3,772**
Trading financial liabilities at fair value through profit or loss	1,469	848	–	–	**2,317**
of which negative market values from derivative instruments	1,290	848	–	–	**2,138**
Financial liabilities designated at fair value through profit or loss	1,436	–	–	–	**1,436**
Other liabilities	54	–	–	–	**54**
Total liabilities held for sale	**2,959**	**848**	**–**	**–**	**3,807**

The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets held for sale and liabilities held for sale, respectively, and prior periods are not reclassified. There is no cumulative income or expenses included in OCI relating to the disposal group. The presentation of assets and liabilities held for sale required the separation of certain assets and liabilities that were previously treated as a single unit of account into disaggregated asset and liability positions. This resulted in June 2017 in an increase of USD 49 million in Total assets and Total liabilities in the Consolidated Statement of Financial Position (Total assets increased from USD 273,584 million to USD 273,633 million and Total liabilities increased from USD 250,987 million to USD 251,036 million).

	6M17	6M16 [1]
(USD million)		
Interest expense	–	(2)
Net interest expense	**–**	**(2)**
Net gains from financial assets/liabilities at fair value through profit or loss	66	168
Other revenues	(14)	(81)
Net revenues	**52**	**85**
General, administrative and trading expenses	(6)	(6)
Total operating expense	**(6)**	**(6)**
Profit before tax	**46**	**79**
Income tax expense	–	–
Profit after tax	**46**	**79**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations.

The above table does not present a gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation. This is because the disposal group does not contain assets or liabilities that are measured at the lower of the carrying amount or fair value less cost to sell.

CSi group disclosed discontinued operations for the first time in the June 2016 interim financial statements. During the second half of 2016 the migration plans were changed and this impact has reduced the disclosed profit after tax from discontinued business from USD 131 million to USD 79 million, the total assets disclosed as held for sale would have reduced from USD 39 billion to USD 10 billion and the total liabilities disclosed as held for sale would have reduced from USD 38 billion to USD 10 billion, in the unaudited interim financial statements of CSi for the 6 months ended 30 June 2016.

19 Called-up Share Capital and Share Premium

	6M17	2016
Share Capital		
Allotted called-up and fully paid (USD million)		
131,158,070,611 Ordinary voting shares of USD 0.094284 each	12,366	12,366
Total allotted called-up and fully paid capital	**12,366**	**12,366**
Share Premium (USD million)		
Share Premium	**12,704**	**12,704**

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

20 Related Parties

The CSi group is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The CSi group's parent company, which holds a majority of the voting rights in the undertaking, is Credit Suisse AG, which is incorporated in Switzerland.

The CSi group has significant related party balances with subsidiaries and affiliates of CSG. These transactions largely comprise derivative trades, as the Bank is the principal risk taker for derivatives within the CS group, as well as funding trades via use of loans or deposits, repurchase or resale agreements. In addition, the ordinary shares are issued to CSG and subsidiaries of CSG, as outlined in Note 19 – Called-up Share Capital and Share Premium.

The Bank is also charged for operating costs that mainly relate to employee-related services and other business expenses. Further, these transactions also include transfer pricing income/charges with CS group entities that provide services in respect of the global derivatives business which is centrally booked in the Bank.

The Bank generally enters into the above transactions in the ordinary course of business on market terms that could be obtained from unrelated parties. The nature of related party transactions remained consistent for the six months ended 30 June 2017 compared to the year ended 31 December 2016.

21 Contingent Liabilities and Commitments

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

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

CSi was defending a EUR 170 million claw back claim brought by the Winding Up Committee ('WUC') of the Icelandic Bank Kaupthing Bank hf in the District Court of Reykjavik, Iceland. The claim related to CSi's issuance of ten credit linked notes in 2008, which the WUC was seeking to challenge under various provisions of Icelandic insolvency law in order to claw back funds paid to CSi. The WUC was also claiming significant penalty interest under Icelandic law. CSi argued that the purchase of the credit linked notes was governed by English law, which does not provide a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSi's position that the governing law of the transactions is relevant. Separately, CSi was pursuing a claim for USD 226 million in the District Court of Reykjavik, Iceland against Kaupthing Bank hf's WUC in order to enforce certain security rights arising under a 2007 structured trade. CSi acquired the security rights following Kaupthing Bank hf's insolvency in 2008. In December 2016 CSi and Kaupthing ehf (formerly Kaupthing

Bank hf) entered into a confidential settlement agreement bringing an end to these proceedings.

CSi is the defendant in German court litigation brought by Stadtwerke Munchen GmbH, a German water utility company. The litigation relates to a series of interest rate swaps entered into between 2008 and 2012. The claimant alleges breach of an advisory duty to provide both investor- and investment-specific advice, including in particular a duty to disclose the initial mark-to-market value of the trades at inception. The claimant seeks damages of EUR 58 million, repayment of EUR 113 million of collateral held by CSi and release from all future obligations under the trades. Witness hearings are scheduled to take place in the second half of 2017.

CSi is responding to requests from regulatory and enforcement authorities related to CSi's arrangement of loan financing to Mozambique state enterprises, Proindicus S.A. and Empresa Mocambiacana de Atum S.A. (EMATUM), a distribution to private investors of loan participation notes (LPN) related to the EMATUM financing in September 2013, and CSi's subsequent role in arranging the exchange of those LPNs for Eurobonds issued by the Republic of Mozambique. CSi has been cooperating with the authorities on this matter.

22 Financial Instruments

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

- Analysis of financial instruments by categories, and
- Fair value measurement (including fair value hierarchy; transfers between levels; Level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit).

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

Financial assets and liabilities by categories

					Carrying value	**Total fair value**
As at 30 June 2017	**Total carrying value**	Held for trading	Designated at fair value	Loans and receivables	Other amortised cost	
Financial assets (USD million)						
Cash and due from banks	5,199	–	–	–	5,199	5,199
Interest-bearing deposits with banks	6,557	–	–	–	6,557	6,557
Securities purchased under resale agreements and securities borrowing transactions	12,352	–	–	–	12,352	12,352
Trading financial assets at fair value through profit or loss	193,564	193,564	–	–	–	193,564
Financial assets designated at fair value through profit or loss	14,619	–	14,619	–	–	14,619
Other loans and receivables	3,404	–	–	3,404	–	3,407
Other assets	33,498	–	–	–	33,498	33,498
Assets held for sale	3,355 [1]	3,355	–	–	–	3,355
Total financial assets	**272,548**	**196,919**	**14,619**	**3,404**	**57,606**	**272,551**
Financial liabilities (USD million)						
Deposits	418	–	–	–	418	418
Securities sold under repurchase agreements and securities lending transactions	3,916	–	–	–	3,916	3,916
Trading financial liabilities at fair value through profit or loss	168,205	168,205	–	–	–	168,205
Financial liabilities designated at fair value through profit or loss	23,533	–	23,533	–	–	23,533
Short term borrowings	6,884	–	–	–	6,884	6,884
Other liabilities	25,283	–	–	–	25,283	25,283
Long term debt	19,158	–	–	–	19,158	19,158
Liabilities held for sale	3,557 [1]	1,771	1,786	–	–	3,557
Total financial liabilities	**250,954**	**169,976**	**25,319**	**–**	**55,659**	**250,954**

[1] Assets held for sale does not include USD 46 million 'investment property' as it is out of purview of the Financial instruments disclosure.
Liabilities held for sale does not include USD 61 million Day 1 gain as it is out of purview of the Financial instruments disclosure.

As at 30 December 2016	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Carrying value Other amortised cost	Total fair value
Financial assets (USD million)						
Cash and due from banks	5,490	–	–	–	5,490	5,490
Interest-bearing deposits with banks	9,647	–	–	–	9,647	9,647
Securities purchased under resale agreements and securities borrowing transactions	9,467	–	–	–	9,467	9,467
Trading financial assets at fair value through profit or loss	242,427	242,427	–	–	–	242,427
Financial assets designated at fair value through profit or loss	20,406	–	20,406	–	–	20,406
Other loans and receivables	3,316	–	–	3,316	–	3,322
Other assets	36,700	–	–	–	36,700	36,700
Assets held for sale	3,772	3,460	312	–	–	3,772
Total financial assets	**331,225**	**245,887**	**20,718**	**3,316**	**61,304**	**331,231**
Financial liabilities (USD million)						
Deposits	457	–	–	–	457	457
Securities sold under repurchase agreements and securities lending transactions	2,821	–	–	–	2,821	2,821
Trading financial liabilities at fair value through profit or loss	211,639	211,639	–	–	–	211,639
Financial liabilities designated at fair value through profit or loss	24,689	–	24,689	–	–	24,689
Short term borrowings	2,667	–	–	–	2,667	2,667
Other liabilities	31,426	–	–	–	31,426	31,426
Long term debt	32,140	–	–	–	32,140	32,140
Liabilities held for sale	3,753 [1]	2,317	1,436	–	–	3,753
Total financial liabilities	**309,592**	**213,956**	**26,125**	**–**	**69,511**	**309,592**

[1] Liabilities held for sale does not include USD 54 million Day 1 gain as it is out of purview of the Financial instruments disclosure.

Fair value measurement

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

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

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

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

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

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSi group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realised under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSi group reflects the net exposure to credit risk for its derivative instruments where the CSi group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSi group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) inputs other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs for the asset or liability that are not based on observable market data (significant unobservable inputs). These inputs reflect the CSi group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which includes the CSi group's own data. The CSi group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

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

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

As at 30 June 2017	Level 1	Level 2	Level 3	Impact of netting[1]	Total at fair value
Assets (USD million)					
Debt securities	**15,530**	**7,211**	**835**	**–**	**23,576**
of which UK government	9,740	–	–	–	9,740
of which foreign governments	5,612	346	102	–	6,060
of which corporates	178	6,478	678	–	7,334
of which residential mortgage backed securities	–	182	29	–	211
of which commercial mortgage backed securities	–	205	26	–	231
Equity securities	**3,354**	**688**	**644**	**–**	**4,686**
Derivatives	**3,649**	**165,160**	**2,247**	**(6,474)**	**164,582**
of which interest rate products	149	105,923	509	(1,203)	105,378
of which foreign exchange products	38	33,604	240	–	33,882
of which equity/index-related products	3,461	15,540	823	(5,271)	14,553
of which credit derivatives	–	9,867	675	–	10,542
of which other derivative products	1	226	–	–	227
Other	**–**	**460**	**260**	**–**	**720**
Trading financial assets at fair value through profit or loss	**22,533**	**173,519**	**3,986**	**(6,474)**	**193,564**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**12,661**	**–**	**(1,822)**	**10,839**
Loans	**–**	**2,098**	**198**	**–**	**2,296**
of which commercial and industrial loans	–	693	128	–	821
of which loans to financial institutions	–	1,012	70	–	1,082
of which government and public institutions	–	393	–	–	393
Other financial assets designated at fair value through profit or loss	**3**	**1,444**	**37**	–	**1,484**
of which failed purchases	3	1,424	37	–	1,464
of which other	–	20	–	–	20
Financial assets designated at fair value through profit or loss	**3**	**16,203**	**235**	**(1,822)**	**14,619**
Debt securities	**–**	**773**	**101**	**–**	**874**
of which foreign governments	–	13	–	–	13
of which corporates	–	760	101	–	861
Equity securities	**508**	**–**	**–**	**–**	**508**
Derivatives	**–**	**1,646**	**327**	**–**	**1,973**
of which interest rate products	–	124	23	–	147
of which foreign exchange products	–	233	–	–	233
of which equity/index-related products	–	1,210	303	–	1,513
of which credit derivatives	–	79	1	–	80
Trading financial assets at fair value through profit or loss	**508**	**2,419**	**428**	**–**	**3,355**
Assets held for sale	**508**	**2,419**	**428**	**–**	**3,355**
Total assets at fair value	**23,044**	**192,141**	**4,649**	**(8,296)**	**211,538**

[1] Derivative contracts/ Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

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

As at 30 June 2017	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**894**	**519**	**–**	**–**	**1,413**
of which foreign governments	863	257	–	–	1,120
of which corporates	31	262	–	–	293
Equity securities	**1,042**	**5**	**–**	**–**	**1,047**
Other securities	**–**	**10**	**–**	**–**	**10**
Derivatives	**3,514**	**166,155**	**2,288**	**(6,222)**	**165,735**
of which interest rate products	153	97,427	268	(951)	96,897
of which foreign exchange products	40	40,070	99	–	40,209
of which equity/index-related products	3,319	17,819	1,091	(5,271)	16,958
of which credit derivatives	–	10,614	830	–	11,444
of which other derivative products	2	225	–	–	227
Trading financial liabilities at fair value through profit or loss	**5,450**	**166,689**	**2,288**	**(6,222)**	**168,205**
Securities sold under resale agreements and securities borrowing transactions	**–**	**12,958**	**–**	**(1,822)**	**11,136**
Short term borrowings	**–**	**2,741**	**107**	**–**	**2,848**
Long term debt	**–**	**6,015**	**2,579**	**–**	**8,594**
of which structured notes between one and two years	–	1,120	228	–	1,348
of which other debt instruments between one and two years	–	44	–	–	44
of which treasury debt over two years	–	76	–	–	76
of which structured notes over two years	–	3,925	1,404	–	5,329
of which other debt instruments over two years	–	844	921	–	1,765
of which non-recourse liabilities	–	6	26	–	32
Other financial liabilities designated at fair value through profit or loss	**–**	**805**	**150**	**–**	**955**
of which failed sales	–	799	144	–	943
of which others	–	6	6	–	12
Financial liabilities designated at fair value through profit or loss	**–**	**22,519**	**2,836**	**(1,822)**	**23,533**
Debt securities	**–**	**–**	**–**	**–**	**–**
Equity securities	**170**	**–**	**–**	**–**	**170**
Derivatives	**–**	**1,569**	**32**	**–**	**1,601**
of which interest rate products	–	100	–	–	100
of which foreign exchange products	–	285	–	–	285
of which equity/index-related products	–	1,107	31	–	1,138
of which credit derivatives	–	77	1	–	78
Trading financial liabilities at fair value through profit or loss	**170**	**1,569**	**32**	**–**	**1,771**
Long term debt	**–**	**1,874**	**–**	**(88)**	**1,786**
of which other debt instruments over two years	–	1,874	–	(88)	1,786
Liabilities held for sale	**170**	**3,443**	**32**	**(88)**	**3,557**
Total liabilities at fair value	**5,620**	**192,651**	**5,156**	**(8,132)**	**195,295**
Net assets/liabilities at fair value	**17,424**	**(510)**	**(507)**	**(164)**	**16,243**

[1] Derivative contracts/Securities sold under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

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

As at 31 December 2016	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Assets (USD million)					
Debt securities	**18,343**	**7,881**	**1,489**	**–**	**27,713**
of which UK government	11,330	60	–	–	11,390
of which foreign governments	6,751	536	45	–	7,332
of which corporates	262	6,705	1,389	–	8,356
of which residential mortgage backed securities	–	269	29	–	298
of which commercial mortgage backed securities	–	311	26	–	337
Equity securities	**3,477**	**1,752**	**24**	**–**	**5,253**
Derivatives	**2,050**	**209,857**	**2,699**	**(7,169)**	**207,437**
of which interest rate products	87	130,523	494	(890)	130,214
of which foreign exchange products	13	51,599	343	–	51,955
of which equity/index-related products	1,948	18,208	969	(6,279)	14,846
of which credit derivatives	–	8,714	893	–	9,607
of which other derivative products	2	813	–	–	815
Other	**–**	**1,498**	**526**	**–**	**2,024**
Trading financial assets at fair value through profit or loss	**23,870**	**220,988**	**4,738**	**(7,169)**	**242,427**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**16,410**	**–**	**(1,499)**	**14,911**
Loans	**–**	**2,967**	**394**	**–**	**3,361**
of which commercial and industrial loans	–	263	158	–	421
of which loans to financial institutions	–	2,179	200	–	2,379
of which government and public institutions	–	525	36	–	561
Other financial assets designated at fair value through profit or loss	**–**	**2,008**	**126**	**–**	**2,134**
of which failed purchases	–	1,976	102	–	2,078
of which other	–	32	24	–	56
Financial assets designated at fair value through profit or loss	**–**	**21,385**	**520**	**(1,499)**	**20,406**
Debt securities	**–**	**456**	**62**	**–**	**518**
of which foreign governments	–	11	–	–	11
of which corporates	–	445	62	–	507
Equity securities	**270**	**11**	**–**	**–**	**281**
Derivatives	**–**	**2,086**	**575**	**–**	**2,661**
of which interest rate products	–	157	83	–	240
of which foreign exchange products	–	168	–	–	168
of which equity/index-related products	–	946	475	–	1,421
of which credit derivatives	–	815	17	–	832
Trading financial assets at fair value through profit or loss	**270**	**2,553**	**637**	**–**	**3,460**
Loans	**–**	**–**	**312**	**–**	**312**
of which loans to financial institutions	–	–	312	–	312
Assets held for sale	**270**	**2,553**	**949**	**–**	**3,772**
Total assets at fair value	**24,140**	**244,926**	**6,207**	**(8,668)**	**266,605**

[1] Derivative contracts/ Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

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

As at 31 December 2016	Level 1	Level 2	Level 3	Impact of netting [1]	Total at fair value
Liabilities (USD million)					
Debt securities	**441**	**551**	**–**	**–**	**992**
of which foreign governments	441	113	–	–	554
of which corporates	–	438	–	–	438
Equity securities	**2,111**	**77**	**–**	**–**	**2,188**
Other securities	**–**	**9**	**–**	**–**	**9**
Derivatives	**1,997**	**210,675**	**2,675**	**(6,897)**	**208,450**
of which interest rate products	90	122,760	292	(619)	122,523
of which foreign exchange products	13	58,174	112	–	58,299
of which equity/index-related products	1,892	19,667	1,164	(6,278)	16,445
of which credit derivatives	–	9,093	1,107	–	10,200
of which other derivative products	2	981	–	–	983
Trading financial liabilities at fair value through profit or loss	**4,549**	**211,312**	**2,675**	**(6,897)**	**211,639**
Securities sold under resale agreements and securities borrowing transactions	**–**	**15,694**	**–**	**(1,499)**	**14,195**
Short term borrowings	**–**	**1,535**	**119**	**–**	**1,654**
Long term debt	**–**	**5,811**	**2,542**	**–**	**8,353**
of which structured notes between one and two years	–	874	66	–	940
of which other debt instruments between one and two years	–	36	6	–	42
of which treasury debt over two years	–	71	–	–	71
of which structured notes over two years	–	3,296	1,463	–	4,759
of which other debt instruments over two years	–	1,527	1,007	–	2,534
of which non-recourse liabilities	–	7	–	–	7
Other financial liabilities designated at fair value through profit or loss	**4**	**169**	**314**	**–**	**487**
of which failed sales	4	146	311	–	461
of which other	–	23	3	–	26
Financial liabilities designated at fair value through profit or loss	**4**	**23,209**	**2,975**	**(1,499)**	**24,689**
Debt securities	**–**	**5**	**–**	**–**	**5**
of which corporates	–	5	–	–	5
Equity securities	**173**	**1**	**–**	**–**	**174**
Derivatives	**–**	**2,109**	**29**	**–**	**2,138**
of which interest rate products	–	66	18	–	84
of which foreign exchange products	–	292	–	–	292
of which equity/index-related products	–	905	3	–	908
of which credit derivatives	–	846	8	–	854
Trading financial liabilities at fair value through profit or loss	**173**	**2,115**	**29**	**–**	**2,317**
Long term debt	**–**	**1,463**	**–**	**(27)**	**1,436**
of which other debt instruments over two years	–	1,463	–	(27)	1,436
Liabilities held for sale	**173** [2]	**3,578**	**29**	**(27)**	**3,753**
Total liabilities at fair value	**4,726**	**238,099**	**5,679**	**(8,423)**	**240,081**
Net assets/liabilities at fair value	**19,414**	**6,827**	**528**	**(245)**	**26,524**

[1] Derivative contracts/Securities sold under resale agreements and securities borrowing transactions are reported on a gross basis by Level. The impact of netting represents an adjustment related to counterparty netting.

[2] Liabilities held for sale does not include USD 54 million Day 1 gain/loss as it is out of purview of the Financial instruments disclosure.

Transfers between Level 1 and Level 2

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

	6M17 [1]		2016 [1]	
USD million	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2	Transfers out of Level 1 to Level 2	Transfers to Level 1 out of Level 2
Assets				
Trading financial assets at fair value through profit or loss	137	2,045	1,157	4,781
Total transfers in assets at fair value	**137**	**2,045**	**1,157**	**4,781**
Liabilities				
Trading financial liabilities at fair value through profit or loss	–	2,180	69	3,297
Total transfers in liabilities at fair value	**–**	**2,180**	**69**	**3,297**

[1] Amounts in the above table includes both continued and discontinued operations.

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

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

Movements of Level 3 instruments

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

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

6M17	Balance as at 1 January 2017	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues: On transfers in/out[1]	Trading revenues: On all other	Balance as at 30 June 2017
Assets at fair value (USD million)										
Debt securities	**1,489**	**99**	**(265)**	**564**	**(1,075)**	**–**	**–**	**(6)**	**29**	**835**
of which foreign governments	45	6	(7)	98	(48)	–	–	–	8	102
of which corporates	1,389	93	(258)	466	(1,027)	–	–	(6)	21	678
of which commercial mortgage backed securities	26	–	–	–	–	–	–	–	–	26
of which Residential Mortgage-Backed Securities	29	–	–	–	–	–	–	–	–	29
Equity securities	**24**	**568**	**–**	**74**	**(7)**	**–**	**–**	**–**	**(15)**	**644**
Derivatives	**2,699**	**299**	**(405)**	**–**	**–**	**1,812**	**(733)**	**43**	**(1,468)**	**2,247**
of which interest rate products	494	–	(38)	–	–	874	(160)	2	(663)	509
of which foreign exchange products	343	12	(22)	–	–	9	(28)	–	(74)	240
of which equity/index-related products	969	114	(110)	–	–	878	(393)	17	(652)	823
of which credit derivatives	893	173	(235)	–	–	51	(152)	24	(79)	675
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Other	**526**	**171**	**(59)**	**86**	**(278)**	**8**	**(225)**	**4**	**27**	**260**
Trading financial assets at fair value through profit or loss	**4,738**	**1,137**	**(729)**	**724**	**(1,360)**	**1,820**	**(958)**	**41**	**(1,427)**	**3,986**
Loans	**394**	**–**	**(31)**	**–**	**(119)**	**60**	**(103)**	**–**	**(3)**	**198**
of which commercial and industrial loans	158	–	–	–	(4)	–	(25)	–	(1)	128
of which loans to financial institutions	200	–	–	–	(115)	60	(73)	–	(2)	70
of which government and public institutions	36	–	(31)	–	–	–	(5)	–	–	–
of which real estate	–	–	–	–	–	–	–	–	–	–
Other financial assets designated at fair value through profit or loss	**126**	**1**	**(1)**	**2**	**(45)**	**5**	**(26)**	**–**	**(25)**	**37**
of which failed purchases	102	–	–	2	(42)	–	–	–	(25)	37
of which other	24	1	(1)	–	(3)	5	(26)	–	–	–
Financial assets designated at fair value through profit or loss	**520**	**1**	**(32)**	**2**	**(164)**	**65**	**(129)**	**–**	**(28)**	**235**
Debt securities	**62**	**9**	**–**	**43**	**(7)**	**–**	**–**	**–**	**(6)**	**101**
of which foreign governments	–	–	–	–	–	–	–	–	–	–
of which corporates	62	9	–	43	(7)	–	–	–	(6)	101
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**575**	**–**	**–**	**–**	**–**	**76**	**(159)**	**–**	**(165)**	**327**
of which interest rate products	83	–	–	–	–	1	(60)	–	(1)	23
of which foreign exchange products	–	–	–	–	–	–	–	–	–	–
of which equity/index-related products	475	–	–	–	–	74	(82)	–	(164)	303
of which credit derivatives	17	–	–	–	–	1	(17)	–	–	1
Trading financial assets at fair value through profit or loss	**637**	**9**	**–**	**43**	**(7)**	**76**	**(159)**	**–**	**(171)**	**428**
Loans	**312**	**–**	**–**	**–**	**–**	**6**	**(337)**	**–**	**19**	**–**
of which loans to financial institutions	312	–	–	–	–	6	(337)	–	19	–
Assets held for sale	**949**	**9**	**–**	**43**	**(7)**	**82**	**(496)**	**–**	**(152)**	**428**
Total assets at fair value	**6,207**	**1,147**	**(761)**	**769**	**(1,531)**	**1,967**	**(1,583)**	**41**	**(1,607)**	**4,649**

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

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

								Trading revenues		
6M17	Balance as at 1 January 2017	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out [1]	On all other	Balance as at 30 June 2017
Liabilities at fair value (USD million)										
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
of which corporates	–	–	–	–	–	–	–	–	–	–
Derivatives	**2,675**	**215**	**(486)**	**–**	**–**	**404**	**(811)**	**22**	**269**	**2,288**
of which interest rate products	292	–	(25)	–	–	35	(87)	4	49	268
of which foreign exchange products	112	9	–	–	–	1	(6)	–	(17)	99
of which equity/index-related products	1,164	25	(214)	–	–	320	(521)	3	314	1,091
of which credit derivatives	1,107	181	(247)	–	–	48	(197)	15	(77)	830
of which other derivative products	–	–	–	–	–	–	–	–	–	–
Trading financial liabilities at fair value through profit or loss	**2,675**	**215**	**(486)**	**–**	**–**	**404**	**(811)**	**22**	**269**	**2,288**
Short term borrowings	**119**	**8**	**(16)**	**–**	**–**	**155**	**(163)**	**–**	**4**	**107**
Long term debt	**2,542**	**114**	**(81)**	**–**	**–**	**235**	**(389)**	**2**	**156**	**2,579**
of which structured notes between one and two years	66	60	(23)	–	–	148	(30)	1	6	228
of which other debt instruments between one and two years	6	–	–	–	–	–	(3)	–	(3)	–
of which structured notes over two years	1,463	54	(58)	–	–	46	(215)	1	113	1,404
of which other debt instruments over two years	1,007	–	–	–	–	18	(141)	–	37	921
of which non-recourse liabilities	–	–	–	–	–	23	–	–	3	26
Other financial liabilities designated at fair value through profit or loss	**314**	**7**	**(135)**	**59**	**(108)**	**2**	**–**	**2**	**9**	**150**
of which failed sales	311	4	(133)	59	(108)	–	–	2	9	144
of which others	3	3	(2)	–	–	2	–	–	–	6
Financial liabilities designated at fair value through profit or loss	**2,975**	**129**	**(232)**	**59**	**(108)**	**392**	**(552)**	**4**	**169**	**2,836**
Derivatives	**29**	**1**	**–**	**–**	**–**	**11**	**(55)**	**–**	**46**	**32**
of which interest rate products	18	–	–	–	–	–	(18)	–	–	–
of which foreign exchange products	–	–	–	–	–	–	–	–	–	–
of which equity/index-related products	3	1	–	–	–	10	(29)	–	46	31
of which credit derivatives	8	–	–	–	–	1	(8)	–	–	1
Trading financial liabilities at fair value through profit or loss	**29**	**1**	**–**	**–**	**–**	**11**	**(55)**	**–**	**46**	**32**
Liabilities held for sale	**29**	**1**	**–**	**–**	**–**	**11**	**(55)**	**–**	**46**	**32**
Total liabilities at fair value	**5,679**	**345**	**(718)**	**59**	**(108)**	**807**	**(1,418)**	**26**	**484**	**5,156**
Net assets/liabilities at fair value	**528**	**802**	**(43)**	**710**	**(1,423)**	**1,160**	**(165)**	**15**	**(2,091)**	**(507)**

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

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

2016	Balance as at 1 January 2016	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues On transfers in/out [1]	Trading revenues On all other	Balance as at 31 December 2016
Assets at fair value (USD million)										
Debt securities	**1,561**	**472**	**(530)**	**1,422**	**(1,526)**	**–**	**–**	**6**	**84**	**1,489**
of which foreign governments	110	51	(49)	40	(107)	–	–	3	(3)	45
of which corporates	1,419	390	(481)	1,382	(1,419)	–	–	3	95	1,389
of which commercial mortgage backed securities	32	–	–	–	–	–	–	–	(6)	26
of which Residential Mortgage-Backed Securities	–	31	–	–	–	–	–	–	(2)	29
Equity securities	**94**	**31**	**(33)**	**29**	**(75)**	**–**	**–**	**(2)**	**(20)**	**24**
Derivatives	**4,399**	**1,204**	**(981)**	**–**	**–**	**1,825**	**(3,400)**	**12**	**(360)**	**2,699**
of which interest rate products	914	44	(84)	–	–	458	(549)	(20)	(269)	494
of which foreign exchange products	347	1	(14)	–	–	15	(87)	(2)	83	343
of which equity/index-related products	1,303	138	(210)	–	–	809	(972)	22	(121)	969
of which credit derivatives	1,835	1,021	(673)	–	–	542	(1,791)	12	(53)	893
of which other derivative products	–	–	–	–	–	1	(1)	–	–	–
Other	**1,202**	**400**	**(713)**	**973**	**(1,240)**	**161**	**(312)**	**2**	**53**	**526**
Trading financial assets at fair value through profit or loss	**7,256**	**2,107**	**(2,257)**	**2,424**	**(2,841)**	**1,986**	**(3,712)**	**18**	**(243)**	**4,738**
Loans	**1,194**	**–**	**(225)**	**214**	**(283)**	**127**	**(621)**	**–**	**(12)**	**394**
of which commercial and industrial loans	651	–	(225)	191	(27)	61	(482)	3	(14)	158
of which loans to financial institutions	440	–	–	23	(256)	66	(70)	(3)	–	200
of which government and public institutions	53	–	–	–	–	–	(18)	–	1	36
of which real estate	50	–	–	–	–	–	(51)	–	1	–
Other financial assets designated at fair value through profit or loss	**77**	**2**	**(1)**	**82**	**(14)**	**–**	**–**	**1**	**(21)**	**126**
of which failed purchases	52	–	–	82	(10)	–	–	–	(22)	102
of which other	25	2	(1)	–	(4)	–	–	1	1	24
Financial assets designated at fair value through profit or loss	**1,271**	**2**	**(226)**	**296**	**(297)**	**127**	**(621)**	**1**	**(33)**	**520**
Debt securities	**–**	**3**	**(1)**	**107**	**(20)**	**–**	**–**	**–**	**(27)**	**62**
of which foreign governments	–	–	–	–	–	–	–	–	–	–
of which corporates	–	3	(1)	107	(20)	–	–	–	(27)	62
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**–**	**45**	**(38)**	**–**	**–**	**360**	**(115)**	**(2)**	**325**	**575**
of which interest rate products	–	31	–	–	–	1	(1)	–	52	83
of which equity/index-related products	–	5	(11)	–	–	358	(108)	2	229	475
of which credit derivatives	–	9	(27)	–	–	1	(6)	(4)	44	17
Trading financial assets at fair value through profit or loss	**–**	**48**	**(39)**	**107**	**(20)**	**360**	**(115)**	**(2)**	**298**	**637**
Loans	**–**	**182**	**–**	**–**	**–**	**38**	**(3)**	**–**	**95**	**312**
of which loans to financial institutions	–	182	–	–	–	38	(3)	–	95	312
Assets held for sale	**–**	**230**	**(39)**	**107**	**(20)**	**398**	**(118)**	**(2)**	**393**	**949**
Total assets at fair value	**8,527**	**2,339**	**(2,522)**	**2,827**	**(3,158)**	**2,511**	**(4,451)**	**17**	**117**	**6,207**

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

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

2016	Balance as at 1 January 2016	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues On transfers in/out [1]	Trading revenues On all other	Balance as at 31 December 2016
Liabilities at fair value (USD million)										
Debt securities	**2**	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**
of which corporates	2	–	–	–	(2)	–	–	–	–	–
Derivatives	**4,329**	**1,153**	**(1,070)**	**–**	**–**	**1,164**	**(3,846)**	**68**	**877**	**2,675**
of which interest rate products	461	22	(33)	–	–	106	(234)	(22)	(8)	292
of which foreign exchange products	313	2	(6)	–	–	6	(405)	3	199	112
of which equity/index-related products	1,398	111	(302)	–	–	610	(1,272)	42	577	1,164
of which credit derivatives	2,157	1,017	(728)	–	–	439	(1,934)	45	111	1,107
of which other derivative products	–	1	(1)	–	–	3	(1)	–	(2)	–
Trading financial liabilities at fair value through profit or loss	**4,331**	**1,153**	**(1,070)**	**–**	**(2)**	**1,164**	**(3,846)**	**68**	**877**	**2,675**
Short term borrowings	**50**	**2**	**–**	**–**	**–**	**157**	**(104)**	**–**	**14**	**119**
Long term debt	**3,092**	**181**	**(71)**	**–**	**–**	**249**	**(882)**	**3**	**(30)**	**2,542**
of which structured notes between one and two years	139	16	(14)	–	–	31	(138)	5	27	66
of which other debt instruments between one and two years	–	–	–	–	–	6	–	–	–	6
of which structured notes over two years	1,756	131	(57)	–	–	142	(482)	(2)	(25)	1,463
of which other debt instruments over two years	1,197	34	–	–	–	70	(262)	–	(32)	1,007
Other financial liabilities designated at fair value through profit or loss	**256**	**26**	**(18)**	**231**	**(34)**	**–**	**(182)**	**–**	**35**	**314**
of which failed sales	251	20	(15)	230	(29)	–	(182)	–	36	311
of which others	5	6	(3)	1	(5)	–	–	–	(1)	3
Financial liabilities designated at fair value through profit or loss	**3,398**	**209**	**(89)**	**231**	**(34)**	**406**	**(1,168)**	**3**	**19**	**2,975**
Derivatives	**–**	**39**	**(9)**	**–**	**–**	**12**	**(7)**	**(2)**	**(4)**	**29**
of which interest rate products	–	20	–	–	–	–	(3)	–	1	18
of which equity/index-related products	–	5	(5)	–	–	9	–	–	(6)	3
of which credit derivatives	–	14	(4)	–	–	3	(4)	(2)	1	8
Trading financial liabilities at fair value through profit or loss	**–**	**39**	**(9)**	**–**	**–**	**12**	**(7)**	**(2)**	**(4)**	**29**
Liabilities held for sale	**–**	**39**	**(9)**	**–**	**–**	**12**	**(7)**	**(2)**	**(4)**	**29**
Total liabilities at fair value	**7,729**	**1,401**	**(1,168)**	**231**	**(36)**	**1,582**	**(5,021)**	**69**	**892**	**5,679**
Net assets/liabilities at fair value	**798**	**938**	**(1,354)**	**2,596**	**(3,122)**	**929**	**570**	**(52)**	**(775)**	**528**

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

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

	6M17	2016
Trading revenues (USD million)		
Net realised/unrealised (losses)/gains included in net revenues	(2,076)	(827)
Whereof:		
Changes in unrealised (losses)/gains relating to assets and liabilities still held as of the reporting date		
Trading financial assets at fair value through profit or loss	(17)	370
Financial assets designated at fair value through profit or loss	(5)	(8)
Assets held for sale	(87)	234
Trading financial liabilities at fair value through profit or loss	(245)	(642)
Financial liabilities designated at fair value through profit or loss	(81)	(236)
Liabilities held for sale	(44)	(8)
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(479)**	**(290)**

Transfers in and out of Level 3

Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of Level 3 as at 30 June 2017 amounted to USD 1,137 million and USD (729) million, respectively. USD 287 million of transfers into Level 3 were related to credit and equity/ index-related derivatives and USD 171 million relates to others. Transfers out of Level 3 of USD (383) million largely comprised of equity/ index-related derivatives, interest rate derivatives and credit derivatives and USD (59) million relates to trading loans.

Trading financial assets transferred into and out of Level 3 as at 31 December 2016 amounted to USD 2,107 million and USD (2,257) million, respectively. USD 1,421 million of transfers into Level 3 was related to credit derivatives and others. Transfers out of Level 3 mainly comprised of credit, equity and interest rate derivatives. Transfers in and out of Level 3 are due to reduced or improved observability of pricing data.

Assets held for sale transferred into and out of level 3 as at 30 June 2017 amounted to USD 9 million and USD Nil. USD 9 million of assets held for sale transfers into level 3 was related to debt securities. Transfers into Level 3 is due to reduced observability of pricing data.

Assets held for sale transferred into and out of level 3 in 2016 amounted to USD 48 million and USD (39) million respectively. USD 31 million of assets held for sale transfers into level 3 was related to interest rate derivatives. Transfers out of Level 3 largely comprised of equity and credit derivatives. Transfers in and out of Level 3 is due to reduced or improved observability of pricing data

Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss transferred in and out of Level 3 as at 30 June 2017 amounted to USD 1 million and USD (32) million, respectively. Both transfers into and out of level 3 were primarily loan related.

Financial assets designated at fair value through profit or loss transferred into and out of Level 3 in 2016 amounted to USD 2 million and USD (226) million, respectively. Both transfers into and out of level 3 were primarily loan related.

There were no assets held for sale transferred into or out of Level 3 as at 30 June 2017.

Assets held for sale transferred into Level 3 in 2016 amounted to USD 182 million related to loans.

Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of Level 3 as at 30 June 2017 amounted to USD 215 million and USD (486) million, respectively. USD 206 million of transfers into Level 3 were related to credit and equity/ index-related derivatives. Transfers out of Level 3 of USD (486) million largely comprised of equity/ index-related derivatives, interest rate derivatives and credit derivatives.

Trading financial liabilities transferred into and out of Level 3 as at 31 December 2016 amounted to USD 1,153 million and USD (1,070) million, respectively. USD 1,017 million of transfers into Level 3 were related to credit derivatives. Transfers out of Level 3 largely comprised of equity/index-related derivatives and credit derivatives.

Liabilities held for sale transferred into and out of Level 3 as at 30 June 2017 amounted to USD 1 million and USD Nil. Transfers into Level 3 were in relation to equity derivatives.

Liabilities held for sale transferred into and out of Level 3 in 2016 amounted to USD 39 million and USD (9) million. Transfers into Level 3 were in relation to both interest rate and credit derivatives. Transfers out of Level 3 were largely related to equity and credit derivatives.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 30 June 2017 amounted to USD 129 million and USD (232) million, respectively. The transfers into Level 3 were related to Long Term Debt and Short Term Borrowings. The transfers out of Level 3 were largely related to failed sales and structured notes.

Financial liabilities designated at fair value through profit or loss transferred into and out of Level 3 as at 31 December 2016 amounted to USD 209 million and USD (89) million, respectively. The transfers into Level 3 were related to both structured notes and failed sales. The transfers out of Level 3 were largely related to structured notes.

Qualitative disclosures of valuation techniques

The CSi group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the CSi group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the CSi group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Group Finance to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of CSG Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSi group. VARMC includes a formal CSi voting sub-committee comprising the CSi CEO, CFO and CRO, who ratify decisions relevant to the entity. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the CSG Executive Board and CSi Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSi group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Front Office professional judgement is used to estimate a fair value range.

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

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

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

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds or other debt instruments. In the event of counterparty default, the collateral service agreement provides the CSi group with the right to liquidate the collateral held.

The CSi group enters into transactions involving securities borrowed and securities loaned transactions as part of the CSi group's matched-book activities to accommodate clients, finance the CSi group's trading inventory, obtain securities for settlement and earn interest spreads.

Debt securities

Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorised as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgement. Those securities where the significant price or model inputs are observable in the market are categorised as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include market comparable price, buyback probability, correlation, volatility and credit spread. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e. the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3). Generally, the interrelationship between volatility and correlation is positively correlated.

CMBS securities

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

Equity securities

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

Derivatives

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

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the market place, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

CSi valuation of derivatives includes an adjustment for the cost of funding uncollateralised OTC derivatives.

Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options and can be used in yield curve construction. For more complex products inputs include, but are not limited to, correlation, volatility skew, prepayment rate, credit spread, basis spread, recovery rate and mean reversion.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to, prepayment rate, correlation, volatility skew and credit spread and event probability.

Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include market comparable price, correlation, volatility, skew and buyback probability. Generally, volatility, forward skew, correlation and gap risk are positively correlated.

Credit derivatives

Credit derivatives include index and single name CDSs in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation, funding spread, discount rate, default rate, market comparable price and prepayment rate. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs default rate, loss severity and discount rate.

Other Trading Assets

Other trading assets primarily include loans and receivables which are valued using market comparable price and discounted cash flow. The significant unobservable inputs of the trading loans and receivables are credit spread and price.

Other financial assets designated at fair value through profit or loss

Loans

The CSi group's loan portfolio which is measured at fair value primarily consists of commercial and industrial loans, loans to government and public institutions, and loans to financial institutions. These categories include commercial loans, real estate loans, corporate loans, leverage finance loans and emerging market loans. Fair value is based on recent transactions and quoted prices, where available. Where recent transactions and quoted prices are not available, fair value may be determined by relative value benchmarking (which includes pricing based upon another position in the same capital structure, other comparable loan issues, generic industry credit spreads, implied credit spreads derived from CDS for the specific borrower, and enterprise valuations) or calculated based on the exit price of the collateral, based on current market conditions.

Both the funded and unfunded portion of revolving credit lines on the corporate lending portfolio are valued using a CDS pricing model, which requires estimates of significant inputs including credit spreads, recovery rates, credit conversion factors, and weighted average life of the loan. Significant unobservable inputs may include credit spread and market comparable price and mortality rate.

Short-term borrowings and long-term debt

The CSi group's short-term borrowings and long-term debt include structured notes (hybrid financial instruments that are both bifurcatable and non-bifurcatable), funded derivatives and vanilla debt. The fair value of structured notes is based on quoted prices, where available. When quoted prices are not available, fair value is determined by using a discounted cash flow model incorporating the CSi group's credit spreads, the value of derivatives embedded in the debt and the residual term of the issuance based on call options. Derivatives structured into the issued debt are valued consistently with the CSi group's stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships as discussed above. The fair value of structured debt is heavily influenced by the combined call options and performance of the underlying derivative returns. Significant unobservable inputs for long-term debt and short-term borrowings include buyback probability, gap risk, correlation, volatility, credit spread and market comparable price. Generally, volatility, credit curve, forward skew, correlation and gap risk are positively correlated.

Other financial liabilities designated at fair value through profit or loss

Failed sales

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

Short-term financial instruments

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

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets with a significant unobservable input of buyback probability, contingent probability, correlation, price, volatility, mean reversion, mortality and discount rate in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of capitalisation rate, prepayment rate, recovery rate and credit spread, in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value. An increase in the significant unobservable input gap risk would increase the fair value.

Interrelationships between significant unobservable inputs

Except as noted above, there are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs may move independently, generally an increase or decrease in one significant unobservable input may have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

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

As at 30 June 2017 USD million, except as indicated	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**936**					
of which corporates	779					
of which	385	Option model	Correlation in %	(80)	99	48
	61		Volatility in %	3	163	23
of which	202	Discounted cash flow	Credit spread in bp	34	991	125
of which	131	Market comparable	Price in %	0	108	53
of which CMBS	26	Discounted cash flow	Capitalisation rate in %	8	11	11
Equity securities	**644**					
of which	620	Option model	Fund NAV, in USD millon	1	26	1
Derivatives	**2,574**					
of which interest rate products	532					
of which	38	Option model	Correlation in %	22	100	61
	317		Prepayment rate in %	4	35	17
	84		Mean reversion, in %	(14)	5	(5)
of which foreign exchange products	240					
of which	128	Option model	Correlation in %	(13)	70	29
	70		Prepayment rate in %	27	35	31
of which	42	Discounted cash flow	Credit spread in bp	6	490	85
of which equity/index-related products	1,126					
of which	816	Option model	Correlation in %	(80)	99	53
	199		Volatility in %	3	163	24
	30		Buyback probability in %	50	100	71
of which credit derivatives	676					
of which	0	Discounted cash flow	Correlation in %	97	97	97
	167		Credit spread in bp	0	898	114
	53		Recovery rate in %	0	49	20
	420		Discount rate in %	6	40	19
	0		Default rate in %	0	33	6
	0		Loss severity in %	14	100	64
Other	**260**					
of which trading	41					
of which	36	Discounted cash flow	Credit spread in bp	6	209	28
of which	89	Market comparable	Price in %	0	101	78
Loans	**198**					
of which commercial and industrial loans	128					
of which	120	Discounted cash flow	Credit spread in bp	187	814	321
of which loans to financial institutions	70					
of which	9	Discounted cash flow	Credit spread in bp	175	269	179
of which government and public institutions	–					
of which	–	Discounted cash flow	Credit spread in bp	–	–	–

As at 30 June 2017 USD million, except as indicated	Fair Value [1]	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**2,320**					
of which interest rate products	268					
of which	52	Option model	Correlation, in %	22	100	62
	175		Prepayment rate, in %	4	35	10
	4		Mean reversion, in %	(14)	5	(1)
of which foreign exchange products	99					
of which	50	Option model	Prepayment rate, in %	27	35	31
	13	Discounted cash flow	Contingent probability, in %	95	95	95
of which	14	Discounted cash flow	Credit spread, in bp	16	559	227
of which equity/index-related products	1,122					
of which	349	Option model	Correlation, in %	(80)	99	68
	405		Volatility, in %	3	163	24
	307		Buyback probability in %	50	100	71
of which credit derivatives	831					
of which	0	Discounted cash flow	Correlation, in %	97	97	97
	315		Credit spread, in bp	0	898	103
	53		Recovery rate, in %	0	60	31
	420		Discount rate, in %	6	40	19
	0		Default rate, in %	–	33	6
	0		Loss severity, in %	14	100	64
Long term debt	**2,579**					
of which structured notes over two years	1,404					
of which	258	Option model	Correlation, in %	22	99	65
	79		Volatility, in %	3	163	18
	156		Gap risk, in %	0	2	1
	664		Buyback probability, in %	50	100	71
of which	137	Discounted cash flow	Credit spread, in bp	0	556	191
of which other debt over two years	921					
of which	87	Option model	Volatility, in %	3	163	19
	729		Correlation, in %	38	99	63
	40		Buyback probability, in %	50	100	71
	23		Gap risk, in %	0	2	1
of which structured notes between one and two years	228					
of which	190	Option model	Correlation, in %	38	99	76
	0		Volatility, in %	3	163	25
Other Financial liabilities designated at fair value	**150**					
of which failed sales	54	Market comparable	Price in %	–	108	95

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

As at 31 December 2016 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Assets at fair value						
Debt securities	**1,551**					
of which corporates	1,451					
of which	438	Option model	Correlation in %	(85)	98	23
	90		Volatility in %	2	180	29
of which	261	Discounted cash flow	Credit spread in bp	9	1,004	443
of which	645	Market comparable	Price in %	0	117	99
of which CMBS	26	Discounted cash flow	Capitalisation rate in %	8	9	9
Derivatives	**3,274**					
of which interest rate products	577					
of which	41	Option model	Correlation in %	22	100	62
	115		Mean reversion, in %	(14)	5	(6)
	329		Prepayment rate in %	1	32	16
of which foreign exchange products	343					
of which	112	Option model	Correlation in %	(13)	70	27
	123		Prepayment rate in %	22	32	27
of which	48	Discounted cash flow	Credit spread in bp	11	2,341	210
	44		Contingent probability, in %	64	95	79
of which equity/index-related products	1,444					
of which	1,041	Option model	Correlation in %	(85)	98	35
	299		Volatility in %	2	180	28
	19		Buyback probability in %	50	100	62
of which credit derivatives	910					
of which	0	Discounted cash flow	Correlation in %	97	97	98
	276		Credit spread in bp	0	1,635	377
	58		Recovery rate in %	0	45	23
	510		Discount rate in %	1	45	21
	0		Default rate in %	0	33	5
	0		Loss severity in %	15	100	69
Other	**526**					
of which trading loans	432					
of which	37	Discounted cash flow	Credit spread in bp	50	212	69
of which	395	Market comparable	Price in %	0	103	95
Loans	**706**					
of which commercial and industrial loans	158					
of which	147	Discounted cash flow	Credit spread in bp	169	975	321
of which loans to finance institutions	512					
of which	135	Discounted cash flow	Credit spread in bp	194	244	210
	314	Option model	Mortality in %	–	70	6
of which government and public institutions	36					
of which	36	Discounted cash flow	Credit spread in bp	240	240	240

As at 31 December 2016 Group (USD million except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average
Liabilities at fair value (USD million)						
Derivatives	**2,704**					
of which interest rate products	310					
	46		Correlation, in %	22	100	64
	177		Prepayment rate, in %	1	32	9
	9		Mean reversion, in %	(10)	5	0
of which foreign exchange products	112					
	45		Prepayment rate, in %	22	32	27
of which	4	Discounted cash flow	Credit spread, in bp	393	1,016	590
	44		Contingent probability in %	64	95	79
of which equity/index-related products	1,167					
of which	350	Option model	Correlation, in %	(85)	98	23
	446		Volatility, in %	2	180	27
	303		Buyback probability in %	50	100	62
	12		Gap risk in %	0	8	2
of which credit derivatives	1,115					
of which	0	Discounted cash flow	Correlation, in %	97	97	97
	400		Credit spread, in bp	0	1,635	159
	58		Recovery rate, in %	0	60	31
	510		Discount rate, in %	2	45	21
	0		Default rate, in %	0	33	5
	0		Loss severity, in %	15	100	70
Long term debt	**2,542**					
of which structured notes over two years	1,463					
of which	249	Option model	Correlation, in %	(74)	99	33
	72		Volatility, in %	2	180	21
	134		Gap risk, in %	0	2	1
	732		Buyback probability, in %	50	100	62
of which	35	Discounted cash flow	Credit spread, in bp	45	461	106
of which other debt over two years	1,007					
of which	740	Option model	Correlation, in %	(74)	98	41
	147		Volatility, in %	2	180	26
	36		Buyback probability, in %	50	100	62
	25		Gap risk, in %	0	2	1
of which structured notes between one and two years	66					
of which	11	Option model	Correlation, in %	(74)	98	13
	2		Volatility, in %	2	180	10
of which	35	Discounted cash flow	Credit spread, in bp	962	962	962
of which	13	Market comparable	Price, in %	99	99	99
Other Financial liabilities designated at fair value	**314**					
of which failed sales	311					
of which	273	Market comparable	Price in %	–	109	57

Qualitative discussion of the ranges of significant unobservable inputs

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

Discount rate

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

Default rate and loss severity

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

Credit spread and recovery rate

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

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

Correlation

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

Prepayment rate

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

Volatility and volatility skew

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

Price

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

Buyback probability

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

Gap Risk

Gap risk is the primary significant unobservable input for fund linked Constant Proportion Portfolio Insurance ('CPPI') products and structures where the payoff may be sensitive to "discontinuity" in the hedging portfolio.

Mean Reversion

Mean reversion is the primary significant unobservable input for callable Constant Maturity Swap ('CMS') spread exotics and represents the idea that prices and returns eventually move back towards the historical average.

Funding Spread

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

Basis Spread

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

Capitalisation Rate

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

Contingent Probability

Contingent probability is the primary significant unobservable input for contingent foreign exchange forward trades where the delivery or exercise and the premium payment are contingent on an event such as completion of an M&A deal or regulatory approval for a product.

Mortality Rate

Mortality rate is the primary significant unobservable input for variable annuity-backed loans with early termination clause based on mortality or lapse of the policy holders.

Fund NAV

Fund NAV is the primarily significant unboservable input for fund investments that are not listed where the fund net asset value is used as fair market value for practical expediency.

Sensitivity analysis of unobservable input parameters

The fair value of certain financial instruments recognised in the Condensed Consolidated Interim Financial Statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data. The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

	Reflected in net income/(loss)	
	Favourable changes	Unfavourable changes
As at 30 June 2017 (USD million)		
Derivative assets and liabilities	197	(211)
Assets-backed securities, loans and derivatives	20	(21)
Debt and equity securities	50	(18)
Loans	35	(20)
Total	**302**	**(270)**
As at 31 December 2016 (USD million)		
Derivative assets and liabilities	238	(265)
Assets-backed securities, loans and derivatives	18	(19)
Debt and equity securities	41	(14)
Loans	22	(21)
Total	**319**	**(319)**

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Derivative assets and liabilities include primarily equity, foreign exchange, credit and interest rate derivatives. The primary parameters subjected to sensitivity analysis included correlations, volatilities and credit spreads. Correlation sensitivities for equity and interest rate positions were subjected to equal movements up and down. The movements varied by product and existing levels of correlation based upon management judgement. Volatility sensitivities are predominantly equity volatilities and are generally subjected to a 5% to 10% movement up and down. Credit spread sensitivities were subjected to generally equal movements up and down based upon management judgement and underlying market conditions.

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

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

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

Recognition of trade date profit

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or until the fair value is expected to become observable. The following table sets out the aggregate difference yet to be recognised in profit or loss at the beginning and period of year with a reconciliation of the changes of the balance during the period for trading assets and liabilities:

	6M17	2016
Deferred trade date profit (USD million)		
Balance at the beginning of period	413	310
Increase due to new trades	93	181
Reduction due to passage of time	(63)	(32)
Reduction due to redemption, sales, transfers or improved observability	(30)	(46)
Balance at the end of period	**413**	**413**

23 Financial Instruments Risk Position

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

There have been no material changes in the risk management policies since the year ended 31 December 2016.

Development of trading portfolio risks

The table below shows the trading related market risk exposure for the CSi group, as measured by ten-day 99% Value at Risk ('VaR'). The VaR model used by the CSi group is based on a historical simulation approach over a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Ten-day, 99% VaR – trading portfolios

	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
30 June 2017 (USD million)						
Average	30	8	6	13	(30)	27
Minimum	19	4	2	8	– [2]	16
Maximum	48	13	10	30	– [2]	47
End of period	22	7	10	9	(28)	20
31 December 2016 (USD million)						–
Average	32	17	6	27	(34)	49
Minimum	16	4	2	17	– [2]	27
Maximum	46	30	15	42	– [2]	85
End of period	37	16	2	27	(40)	43

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

VaR results

The Bank's ten-day, 99% regulatory VaR as of 30 June 2017 was USD 20 million (31 December 2016: USD 43 million).

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

Interest rate sensitivity position in the non-trading portfolio

Interest rate risk on banking book positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would be USD

0.4 million as of 30 June 2017 compared to USD 0.2 million as of 31 December 2016. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves. As of 30 June 2017, the fair value impacts of 200-basis-point move in yield curves (no flooring at zero) were:

A fair value gain of USD 43 million (31 December 2016: loss of USD 2 million) for a +200bps move.

A fair value loss of USD 99 million (31 December 2016: loss of USD 72 million) for a -200bps move.

Net Counterparty Exposure before Collateral by Internal Rating

	6M17		2016	
	USD million	%	USD million	%
AAA	991	2	938	2
AA+ to AA-	10,122	23	12,375	23
A+ to A-	14,278	33	20,301	36
BBB+ to BBB-	12,089	27	13,790	25
BB+ to BB-	2,630	6	3,722	7
B+ and below	3,988	9	3,802	7
	44,098	**100**	**54,928**	**100**

Net Unsecured Exposure by Internal Rating (including provisions)

	6M17		2016	
	USD million	%	USD million	%
AAA	501	3	476	2
AA+ to AA-	4,003	23	5,407	23
A+ to A-	6,190	36	11,056	47
BBB+ to BBB-	3,259	20	3,777	16
BB+ to BB-	731	4	752	3
B+ and below	2,461	14	2,170	9
	17,145	**100**	**23,638**	**100**

24 Subsequent events

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

Independent Review Report to Credit Suisse International

Conclusion

We have been engaged by Credit Suisse International ("the Bank") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the Condensed Consolidated Statements of Income, Comprehensive Income, Financial Position, Changes in Equity and Cash Flows for the six months ended 30 June 2017 and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

This report is made solely to the Bank in accordance with the terms of our engagement to assist the Bank in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Bank those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank for our review work, for this report, or for the conclusions we have reached.

Dean Rogers

For and on behalf of KPMG LLP
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