Credit Suisse Securities (Europe) Limited

Annual Report 2017

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Board of Directors as at 29 March 2018
Noreen Doyle (Chair and Independent Non-Executive)
David Mathers (CEO)
Alison Halsey (Independent Non-Executive)
Robert Endersby (Independent Non-Executive)
John Devine (Independent Non-Executive)
Andreas Gottschling (Non-Executive)
Caroline Waddington (CFO)
Christopher Horne (Deputy CEO)
Paul Ingram (CRO)
Jonathan Moore
Michael DiIorio
Company Secretary
Paul E Hare

Company Registration Number	00891554

Noreen Doyle

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 Advisory Remuneration Committee (2015-present)
	Chair of the Nomination Committee (2014–present)
	Member of the Risk Committee (2013-present)
	Member of the Audit Committee (2011-2017)
	Chair of the Risk Committee (2016)
	Chair of the Audit Committee (2011-2012)
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, 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, the Corporate Governance & Nominating Committee and the Executive Finance Committee, member of the Safety & Sustainability Committee

St Mary's University, Twickenham, London, member of the Board of Governors

Tuck European Advisory Board, member

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

Sarita Kenedy East Foundation, trustee

David Mathers

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

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)
	Chair of the Conflicts Committee (2017-present)
	Co-Chair of the Conflicts Committee (2016–2017)
	Member of the Advisory Remuneration Committee (2015-2017)
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	ACA (FCA 1990), 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

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 Advisory Remuneration Committee (2016-present)
	Member of the Conflicts Committee (2017-present)
	Co-Chair of the Conflicts Committee (2016–2017)
	Member of the Nomination Committee (2016-2017)
2012–2014	Danske Bank Group / Danske Bank A/S
	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

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

John Devine

British Citizen

Non-Executive

Board member since 2017

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director (2017-present)
	Member of the Audit Committee (2017-present)
	Member of the Nomination Committee (2017-present)
	Member of the Conflicts Committee (2017-present)
2008-2010	Threadneedle Asset Management
	Chief Operating Officer
1988-2008	Merrill Lynch and Co.
	SVP Head of Global Operations and Technology (2005-2008)
	MD and FVP Global CFO Global Markets and Investment Banking (2001-2005)
	CFO International, London (1999-2001)
	FVP, CFO Global Operations and Technology, New York (1998-1999)
	CFO Global Fixed Income and Derivatives, London (1997-1998)
	Director, CFO Asia Pacific Region, Hong Kong (1992-1997)
	Various other senior positions (1988-1992)
1987-1988	Prudential Bache Securities
	Head of Computer and Derivatives Audit
1986-1987	Manufacturers Hanover Trust
	Senior Auditor, Derivatives and FX

Education

1981	BA, Geography, Preston Polytechnic
1996	CIPFA, Chartered Institute of Public Finance & Accountancy

Other activities and functions

Standard Life Aberdeen PLC, Director, Chair of Audit Committee, Member of Risk Committee and Remuneration Committee

Citco Custody (UK) Ltd and Citco Custody Holding Ltd Malta, Director, Chair of Audit Committee, Member of Risk Committee and Nominations Committee

Andreas Gottschling

German Citizen

Non-Executive

Board member since 2018

Professional history

2018–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Non-Executive Director
	Member of the Risk Committee
	Member of the Advisory Remuneration Committee
2017-present	Credit Suisse AG & Credit Suisse Group AG
	Non-Executive Director
	Member of the Risk Committee
2013-2016	Erste Group Bank, Austria
	Chief Risk Officer and Member of the Management Board
2012-2013	McKinsey and Company, Switzerland
	Senior Advisor, Risk Practice
2005-2012	Deutsche Bank, UK and Switzerland
	Member of the Risk Executive Committee & Divisional Board (2005-2012)
	Global Head Operational Risk (2006-2010)
2003-2005	LGT Capital Management, Switzerland
	Head of Quant Research
2000-2003	Euroquants, Germany
	Consultant
2000-2000	Washington State University, Pullman, USA
	Faculty Member, Department of Finance, Business School
1997-2000	Deutsche Bank, Germany
	Head of Quantitative Analysis

Education

1997	PhD MA Economics, University of California, San Diego, USA
1991	Postgraduate Studies in Physics, Mathematics and Economics, Harvard University, Cambridge, USA
1990	Intermediate Diploma in Mathematics and Economics, University of Freiburg, Germany
1986	International Baccalaureate, United World College of the Atlantic, Wales, UK

Caroline Waddington

British Citizen

Board member since 2017

Chief Financial Officer

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2017–present)
	Managing Director, Regional CFO for UK Regulated Entities, Chair of the UK Pension Committee (2017-present)
	Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2017-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
	Auditor

Education

1994	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 Horne

British Citizen

Board member since 2015

Deputy Chief Executive Officer

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)
	Member of the Supervisory Board of Credit Suisse (Poland) SP. z o. o (2010-2013)
	Member of the Management Committee of Credit Suisse AG, London Branch (2010-2011)
	COO of the European Investment Banking Department (2005–2008)
	Managing Director, Global Mergers and Acquisitions Group (2004–2005)
	Co-head of Corporate Advisory & Finance within Global Industrial & Services in Europe (2001–2004)
	COO of Credit Suisse First Boston's European Mergers & Acquisitions Department and European Corporate Advisory & Finance team (1999–2000)
1990–1997	BZW, London
	Investment Banker
1986–1990	Deloitte Haskins & Sells
	Auditor

Education

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

Other activities and functions

UK Finance, Capital Markets and Wholesale Products and Services Board, member

Paul Ingram

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
	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

Jonathan Moore

British Citizen

Board member since 2017

Professional history

2001–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2017-present)
	Head of Global Credit Products EMEA & Senior Manager for Credit & Client in UK (2017-present)
	Co-Head of Global Credit Products in EMEA (2015-2017)
	Head of Trading for Global Credit Products in EMEA (2009-2015)
	Global Head of Structured Credit Trading (2008-2009)
	Investment Grade, Asset Swap & Illiquid Credit Trading (2002-2008)
	Investment Grade, Credit Research Analyst (2001-2002)

Education

2000	BSc Mathematics, University of Nottingham

Other activities and functions

Association for Financial Markets in Europe, Director

Michael DiIorio

American Citizen

Board member since 2017

Professional history

2017–present	Credit Suisse International Credit Suisse Securities (Europe) Limited
	Executive Director (2017-present)
	EMEA Head for Global Markets Equities (2017–present)
2013-2017	Barclays Capital, London
	Global Head of Equity Sales
2010-2013	Barclays Capital, Hong Kong
	Asia Pacific Head of Equities (2011-2013)
	Asia Pacific Head of Equity Trading (2010-2011)
2008-2010	Nomura, Hong Kong
	Asia Pacific Head of Equity Trading
2007-2008	Lehman Brothers, Hong Kong
	Asia Pacific Head of Equity Trading
2003-2007	Lehman Brothers, London
	Head of Flow Equity Derivatives Trading
2000-2003	Nations – CRT, Frankfurt and London
	Head of Europe
1996-2000	Nations – CRT, Frankfurt
	Single Stock Derivatives Trading
1995-1995	Barclays de Zoete Wedd (Frankfurt)
	Equity Derivatives Sales Trading

Education

1995	BA Economics and Mathematical Sciences, University of North Carolina at Chapel Hill

Strategic Report for the year ended 31 December 2017

The Directors present their Annual Report and the Consolidated Financial Statements for the year ended 31 December 2017.

BUSINESS REVIEW

Profile

The Credit Suisse Securities (Europe) Limited Group (the 'CSS(E)L Group') consists of the Company, its consolidated subsidiaries and structured entities. The Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Company ('CSS(E)L') and in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

CSS(E)L's principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis. It 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 M&A, corporate sales and restructurings, divestitures and takeover defence strategies and provides equity and debt underwriting capabilities for entrepreneurs, 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.

Credit Suisse Securities (Europe) Limited (the 'Company') is a wholly owned subsidiary of Credit Suisse Investment Holdings (UK) (the 'Parent') and indirectly wholly owned subsidiary of Credit Suisse Group AG ('CSG'). It is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA.

The Company has branch operations in, Paris, Seoul, Warsaw, Frankfurt and Stockholm. Paris, Warsaw and Stockholm branches provide equity broking and investment banking services. In addition to providing these activities, the Seoul branch has approval from South Korea's Financial Supervisory Commission to engage in over-the-counter ('OTC') derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains representative offices in Switzerland. The Frankfurt branch sold its business to a subsidiary of the CSG during the year.

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 46,840 employees from approximately 150 different nations.

Management and Governance

The CSS(E)L Board of Directors ('Board') is responsible for governance arrangements that ensure effective and prudent management of CSS(E)L, 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	Advisory Remuneration Committee	Conflicts Committee
Noreen Doyle, Chair	2011	Independent	-	Member	Chair	Chair	-
David Mathers, CEO	2016	-	-	-	-	-	-
Alison Halsey	2015	Independent	Chair	Member	Member	-	Chair
Robert Endersby	2016	Independent	Member	Chair	-	Member	Member
John Devine	2017	Independent	Member	-	Member	-	Member
Andreas Gottschling	2018	-		Member	-	Member	-
Caroline Waddington, CFO	2017	-	-	-	-	-	-
Christopher Horne, Deputy CEO	2015	-	-	-	-	-	-
Paul Ingram, CRO	2015	-	-	-	-	-	-
Jonathan Moore	2017	-	-	-	-	-	-
Michael DiIorio	2017	-	-	-	-	-	-

Board and Mangement

A number of management and governance changes have been effected since 1 January 2017. Caroline Waddington, Michael DiIorio and Jonathan Moore have been appointed as Executive Directors and John Devine and Andreas Gottschling have been appointed as Non-Executive Directors. Andreas Gottschling is also a Non-Executive Director of Credit Suisse AG and CSG. Eraj Shirvani and Robert Arbuthnott have resigned as Executive Directors as a result of changes in responsibilities and Stephen Dainton resigned from the Company.

As required by the PRA & FCA, Senior Managers & Certification Regime ('SMCR') has been in operation for the past 2 years. 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 United Kingdom ('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 captured 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.

Principal Business Areas

CSS(E)L has two principal business lines:

- **Global Markets** brings together equity sales and trading, credit products and trading as well as structured lending and selected derivative capabilities to create a fully integrated franchise for clients. Global Markets provides a broad range of financial products and services to client driven businesses and also supports the CS group's private banking businesses and their clients. The suite of products and services includes global securities sales, trading and execution, prime brokerage and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors, such as pension and hedge funds.
- The **Investment Banking & Capital Markets** division offers a broad range of products and services which includes advisory services related to mergers and acquisitions, 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 developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CSS(E)L and that help clients unlock capital and value in order to achieve their strategic goal. The UK business was sold to Credit Suisse International ('CSi') in 2015. The Company still operates investment banking services from the Paris Branch and also in the Frankfurt Branch until the business was sold during 2017.

CSS(E)L facilitates the Asia Pacific business line to deliver a range of financial products and services is offered focusing on corporate and institutional clients.

The Strategic Resolution Unit ('SRU') was created to allow the right-sizing of business divisions from a capital perspective and includes portfolios from the former non-strategic units plus transfers of current exposures from the business divisions. The SRU in the Company consists primarily of the legacy life finance business. The portfolio includes a tail of long-dated trades. The primary focus of the SRU is on the rapid wind-down of assets with high capital usage and costs in order to reduce the negative impact on the overall CSS(E)L Group performance. It is intended that the SRU business line is wound down by the end of 2018.

Asia Pacific and SRU have been established as separate lines of business to provide clearer accountability, governance and reporting.

Economic Environment

During 2017 the financial markets were subdued as a result of a number of political developments both domestically and globally. These included the UK's decision to leave the EU post the referendum in June 2016, the US presidential election result in November 2016, several European elections in 2017 and the UK General Election in June 2017.

The annual rate of Consumer Prices Index including owner occupiers costs ('CPIH') inflation increased to 2.7% year on year in December 2017 from 1.7% year on year at the end of December 2016. In November 2017, the Bank of England ('BOE') announced an increase in the base interest rate of 0.25% to 0.5%. This was the first rate increase in a decade, and was a response to the increase in inflationary pressure after the UK Referendum. The UK unemployment rate has dropped marginally to 4.4% at the end of December 2017 from 4.8% at the end of December 2016. Looking at 2017 as a whole, UK Gross Domestic Product ('GDP') growth slowed slightly to 1.7% year on year from 2% in 2016. The European Central Bank ('ECB') announced that all its main interest rates would remain unchanged until after its quantitative easing program ends and that it was ready to extend the asset purchase program in amount and duration in case of emerging downside risks to inflation and the economy. It also announced that it would halve its monthly net asset purchases in January 2018 to EUR 30 billion and continue to purchase assets until at least September 2018. The United States ('US') Federal Reserve ('FED') raised the federal funds rate three times in 2017 by 25 basis points each, bringing the rate to 1.25 – 1.5%. The British Pound was stronger at the end of 2017 in response to the European Council voting to allow Brussels' negotiators to begin discussing the future relationship of the UK with the EU as well as the increase in interest rates by the Bank of England. The rate rise helped lift the British Pound from the post UK referendum lows it saw relative to the Euro in August 2017.

The global financial system continues to strengthen following regulatory enhancements, extraordinary policy support and a cyclical upturn in growth. Tighter regulation and heightened market scrutiny has led to improved capital and liquidity buffers resulting in stronger Statements of Financial Position. Progress is being made on remaining legacy issues and business model challenges following the 2008-2009 financial crisis and its aftermath. Past misconduct fines and litigation have eased from a high level. Banks have made progress in cleaning up legacy assets by carving out non-core portfolios for aggressive disposal and runoff.

Although the cyclical pickup in global economic activity is positive, the recovery is not yet complete as inflation remains subdued and below target in most advanced economies. Commodity exporters have been particularly hit as their adjustment to a sharp stepdown in foreign earnings continues and while short-term risks are broadly balanced, medium-term risks are still tilted to the downside.

Inflation rates are expected to recover slowly with continued support from accommodative monetary policies still required. The key challenge confronting the policy makers is to ensure financial vulnerabilities are contained while remaining supportive of the global recovery. Rising debt loads and overstretched asset valuations are a risk that could undermine market confidence in the future, with repercussions that could put global growth at risk. Steady growth in China has eased concerns about a near-term slowdown and spillovers to the global economy however there is a risk that size, complexity and pace of growth could indicate elevated financial stability risks.

The market reaction to these events has resulted in subdued client trading activity and low volatility.

Key Performance Indicators ('KPIs')

The Company 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 Company'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 a profitable and capital efficient business. Capital intensive businesses are closely monitored and reviewed.

	2017	2016 [1]
Earnings		
Net profit/(loss) before tax (USD million):		
Continued	(487)	(102)
Discontinued	96	122
Total	(391)	20

	2017	2016
Capital		
Risk Weighted Assets (USD million)	27,472	30,391
Tier 1 capital (USD million)	6,697	7,227
Return on Tier 1 capital	(5.84)%	0.28%

	2017	2016
Liquidity		
Liquidity Buffer (USD million)	17,884	20,636

	2017	2016
Consolidated Statement of Financial Position		
Total Assets (USD million)	123,782	118,953
Total Asset growth/(reduction)	4.06%	(17.13%)
Return on Total Assets	(0.32)%	0.02%

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

More details of the Earnings and Consolidation Statement of Financial Position can be found in the Performance section.

Capital

The decrease in Risk Weighted Assets ('RWA') by USD 3 billion to USD 27 billion was a result of the transfer of the Asia Pacific and Prime Services businesses from CSS(E)L to other CS entities, as well as the restructuring of significant trades in the Strategic Resolution Unit.

Liquidity

The liquidity buffer reduced by USD 3 billion to USD 18 billion (2016: USD 21 billion) primarily due to the ongoing transfer of the Prime Services platform to Credit Suisse AG, Dublin Branch resulting in a reduction in risk for the CSS(E)L Group.

Performance

Consolidated Statement of Income

For the year ended 31 December 2017, the CSS(E)L Group reported a loss before tax from continuing operations of USD 487 million (2016: USD 102 million loss). In addition, the CSS(E)L Group reported a gain before tax from discontinued operations of

USD 96 million (2016: USD 122 million). Income tax expense across continuing and discontinuing operations for the year ended 31 December 2017 was USD 58 million (2016: USD 48 million). The CSS(E)L Group reported a net loss attributable to shareholders of USD 449 million (2016: USD 28 million loss). Net revenues from continuing operations amounted to USD 973 million (2016: USD 995 million).

In 2017, Global Markets revenues decreased 27% year on year to USD 962 million, as continued challenging trading conditions resulted in low levels of client activity. Within Global Markets, Equities revenues decreased by 27% to USD 658 million. Prime Services revenues decreased by 19% to USD 346 million primarily in the emerging markets with low client appetite for swaps as well as lower futures volumes due to lack of market volatility. Systematic Market Making reported revenues of USD 2 million for 2017, a decrease of 99% compared with 2016. The reduction in revenues was driven by the exit of the business.

Global Markets Credit products reduced by 19% to USD 324 million primarily due to Global Credit Product revenues which reduced by 9% to USD 305 million. This was mainly driven by reduced revenues in the Automobiles, Utilities and Finance sectors from both primary and secondary markets. Securitised Products also reduced by 69% to USD 19 million due to a reduction in repurchase agreement trading.

Asia Pacific revenues reduced by 24% to USD 202 million, as a result of reduced swap financing revenue for the Hong Kong and Japan markets and reduced fees from client trading activity across all Asian markets.

SRU remained flat year on year.

The CSS(E)L group's operating expenses (including Continued and Discontinued operations, refer to Note 25 – Discontinued Operations and Assets Held for Sale) increased by USD 194 million to USD 1,715 million (2016: USD 1,521 million). Compensation and Benefits reduced by USD 82 million to USD 554 million driven by lower salary costs of USD 190 million due to a reduction in headcount mainly driven by the transfer of employees to the UK Service Company, Credit Suisse Services AG, London Branch as well as the cost reduction programs run in the UK and globally. This was offset by an increase in deferred compensation of USD 69 million due to the valuation of deferred compensation linked to the CSG share price, which increased in 2017.

General and administrative expenses increased by USD 247 million to USD 1,122 million due to:

- Reduction in expense recharges of USD 277 million to other CS group companies in line with the reduction of chargeable costs such as salaries and professional service costs following the setup of the UK Service Company, Credit Suisse Services, AG London Branch as well as the cost reduction program run in the UK and globally.
- Increase in Professional Services with other CS entities USD 154 million following the transfer of all corporate function staff who perform multiple material legal entity critical functions and critical service contracts into Credit Suisse Services AG, London Branch in June 2017.
- Increase in provisions of USD 67 million in relation to litigation.
- Offset by a reduction in Professional Services of USD 175 million driven by a reduction in contractor services and legal fees.
- A further reduction in IT and machinery expenses of USD 50 million primarily due to a reduction in depreciation.

The effective tax rate for the period to December 2017 is higher than the UK statutory tax rate. The material items impacting the effective tax rate are permanent differences, non-recoverable foreign taxes, prior year adjustments and deferred tax not recognised. Similarly, the effective tax rate for the period to December 2016 was higher than the UK statutory tax rate. In that period, the material items impacting the effective tax were permanent differences, non-recoverable foreign taxes and prior year adjustments.

Discontinued Operations and Assets Held for Sale

CSS(E)L Group has been migrating part of the Prime Services business to Credit Suisse AG (acting through its Dublin branch) and is expected to substantially complete the migration in 2018. CSS(E)L Group is also planning to transfer the remainder of the Prime Service assets and liabilities to CSi which is now expected to commence in 2019. Due to the timeline to completion being greater than 12 months, the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are no longer met. The prior period results on the Consolidated Statement of income have been restated to conform with current presentation as a continuing operation.

CSS(E)L sold the majority of its assets and liabilities in Frankfurt Branch to Credit Suisse (Deutschland) AG in 2017 which qualifies for discontinued operations treatment under IFRS, and post-tax profit or loss of this branch has been classified as discontinued operations in CSS(E)L Group's Consolidated Statement of Income. USD 88 million of assets and USD 86 million of liabilities have been transferred to Credit Suisse (Deutschland) AG. Net cash inflows relating to operational activities were USD 42 million. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

Please see Note 25- Discontinued Operations and Asset Held for sale in the accounts for further details.

Consolidated Statement of Financial Position

As at 31 December 2017 the CSS(E)L Group had total assets of USD 124 billion (31 December 2016: USD 119 billion). The reason for the increase in total assets of USD 5 billion is due to increased lending by Treasury of excess cash generated by the business divisions to Credit Suisse AG, London Branch reflected in an increase in Interest bearing deposits with banks of USD 12 billion. This increase is offset by a reduction in business assets, primarily in Securities purchased under resale agreements and Securities borrowing transactions of USD 8 billion and Trading financial assets at fair value through profit and loss of USD 3 billion when combining both the continued and discontinued assets. Business asset reduction is primarily due to the transfer of assets to Credit Suisse AG, Dublin Branch.

Due to the changes mentioned with respect to Discontinued Operations and Assets or Liabilities held for sale, various assets and liabilities have been moved out of Assets or Liabilities held for sale and into their respective Financial Statement of Position category:

- Assets and liabilities held for sale decreased by USD 30 billion and USD 17 billion respectively;
- Offsetting this, Securities purchased under resale agreements and securities borrowing transactions and Securities sold under repurchase agreements and securities lending transactions have increased by USD 11 billion and USD 14 billion respectively;
- Trading financial assets and liabilities at fair value through profit or loss have also increased by USD 9 billion and USD 5 billion respectively; and
- Financial assets and liabilities designated at fair value through profit or loss have increased by USD 2 billion and USD 5 billion respectively.

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

- A decrease in long term debt of USD 3 billion driven by a change in funding terms to short term borrowings with Credit Suisse AG, London Branch in order to meet short term liquidity requirements; and
- Sub-ordinated debt of USD 1.3 billion was repaid to other CS group entities.

Total shareholder's equity has remained stable at USD 8 billion (31 December 2016: USD 8 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 for CSS(E)L Group were USD 2.7 billion (2016: USD 3.1 billion), equivalent to 2.22% (2016: 2.62%) of total assets.

Total Level 3 liabilities for CSS(E)L Group were USD 0.9 billion (2016: USD 0.8 billion), equivalent to 0.73% (2016: 0.70%) of total liabilities.

Off-balance sheet arrangements are highlighted in Note 33 – Guarantees and Commitments and Note 34 – Interests in Other Entities.

The CSS(E)L Group has incurred substantial taxes in the UK during 2017, including Bank Levy of USD 27 million (2016: USD 37 million), employer's national insurance of USD 67 million (2016: USD 70 million) and irrecoverable UK value added tax ('VAT') of USD 72 million (2016: USD 72 million). As disclosed in Note 41 – Country-by-Country Reporting, Corporation taxes paid in the United Kingdom ('UK') for CSS(E)L are nil (2016: USD Nil) as the Company has not made taxable profits during the year. The CSS(E)L Group has paid USD 24 million (2016: USD 31 million) in taxes in branches located outside of the UK.

Principal Risks and Uncertainties

The Company 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, Cyber risk and Reputational risk. These are detailed in Note 38 – Financial Risk Management.

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 financial institutions in general and many of the reforms being discussed in wider forums have and will continue to change the way in which financial services is structured affecting the CSS(E)L Group business model.

Outlook

CSS(E)L Group is focused on businesses in which the Company has a competitive advantage and is able to operate profitably with an attractive return on capital in the new regulatory environment, and therefore will continue in the short term to refocus resources on opportunities in high-returning businesses such as Cash Equities, residual Prime Service business, and Global Credit Products, and to reduce the impact of the SRU.

As part of the changing business footprint, the Strategic Resolution Unit manages the effective wind down of businesses and positions that do not fit the Company's strategic direction in the most efficient manner possible. The SRU consolidates the remaining portfolios from former non-strategic units plus additional activities and businesses from the former Investment Banking division that are no longer considered strategic. In the first quarter of 2017, a plan to accelerate the release of capital from the SRU was announced and a plan to wind down the division by the end of 2018 without an adverse incremental impact to existing targets. Any residual operations and assets of the Strategic Resolution Unit are expected to be absorbed into the rest of the CSS(E)L Group from 2019 onwards. The Strategic Resolution Unit portfolio primarily comprises the legacy life finance business for which the run off is projected to be gradual due to the long-dated nature of the portfolio.

A disciplined approach to cost management is being rigorously executed across the Company to lower the cost base and increase positive leverage. The Company will continue to optimise resource allocation and focus on high returning, scalable opportunities.

During 2017, the CSS(E)L group moved all staff working in corporate functions, who perform multiple material legal entity critical functions and critical service contracts, into Credit Suisse Services AG, London Branch. Credit Suisse Services AG, London Branch is a branch of Credit Suisse Services AG (the Service Company parent entity), established in Switzerland. The 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. The set-up of this new entity was in response to the global Too-Big-To-Fail legislation, where major banks are required to prepare and implement Recovery and Resolution Plans ('RRPs').

CSS(E)L Group will additionally continue to focus on optimising its risk weighted assets as well as focusing on costs with a view to returning to profit, and therefore capital accretion, in the future.

Political Outlook

Following 2016's UK Referendum and European Elections as well as the US Presidential Elections, 2017 began with fears that a global wave of populism would see a succession of 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 European exit.

The Financial Policy Committee ('FPC') issued its Financial Stability Report in November 2017, assessing the overall risks to the UK Financial system. Following a stress test during 2017, it views the UK banking system to be resilient to deep simultaneous recessions in the UK and global economies, large falls in asset prices and a separate stress of misconduct costs. However, the combination of a disorderly European exit, a severe global recession and stressed misconduct costs could result in more severe conditions than in the stress test. In such circumstances, capital buffers would be drawn down substantially, more than in the stress test and, as a result, banks would be more likely to restrict lending to the real economy. 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. The FPC continues to assess the risks of disruption to UK financial services arising from a European exit so that preparations can be made and action taken to mitigate them. Based on this, the FPC increased the UK countercyclical capital buffer rate of 1% (Dec 2016: 0%) and will reconsider its adequacy during the first half of 2018, in light of the evolution of the overall risk environment.

The results of the UK's snap general election may serve to soften the terms of a European exit, although the scale of negotiations to be completed by March 2019 means that much uncertainty remains over the final terms of the UK exit. The UK economy performed better than expected in 2017 however growth still remains at its weakest in five years. CSS(E)L maintained a country rating of AA with negative outlook for the UK owing to the broad uncertainties around the exit negotiations, however there has not been any instances of related counterparty distress in the CSS(E)L portfolio.

CSS(E)L is exploring solutions to various outcomes, following the triggering of Article 50 in March 2017 including a hard European exit, 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 European markets through Credit Suisse affiliates in Continental Europe.

Regulatory Market Changes

CSS(E)L 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 regulation has been implemented. 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 CSS(E)L Group and other in-scope, "Phase 1", market participants were introduced in the U.S., Japan and Canada on 1 September 2016 and in most other global financial centres on 4 February 2017. Each year for the next 4 years the in-scope market participants qualifying for Initial Margin conditions will increase. Variation Margin conditions impacting the majority of the clients of CSS(E)L Group became effective across most jurisdictions on 1 March 2017. CSS(E)L Group has assessed the impact of increased liquidity requirements to fund these margin requirements.

Markets in Financial Instruments Directive II ('MiFID II') and the Markets in Financial Instruments Regulation ('MiFIR') have applied since 3 January 2018. MiFID II and MiFIR have introduced a number of significant changes to the regulatory framework established by the Markets in Financial Instruments Directive ('MiFID') and the European Commission has adopted a number of delegated and implementing measures, which supplement their requirements. In particular, MiFID II and MiFIR have introduced enhanced organisational and business conduct standards that apply to investment firms. These include, but are not limited to, standards for managing conflicts of interest, best execution, enhanced investor protection, including client classification, the requirement to assess suitability and the appropriateness in providing investment services to clients and client and transaction reporting.

In addition to the introduction of enhanced organisational and business conduct standards, MiFID II and MiFIR have also required changes to certain market structures and business operating models. These include an increased emphasis towards on-venue trading through the introduction of mandatory trading obligations and new category of trading venue (Organised Trading Facility), increased pre- and post-trade transparency through the extension of the systematic internaliser regime to non-equity instruments and the unbundling of payment for research and other benefits from payment flows associated with the volumes of executed transactions.

CSS(E)L is finalising its implementation of the MiFID II programme and is monitoring the impact of this new regulation on clients and market behaviour more broadly.

Resolution Regime

The Bank Recovery and Resolution Directive ('BRRD') establishes a framework for the recovery and resolution of credit institutions and investment firms. The BRRD introduces requirements for recovery and resolution plans, provides for bank resolution tools, including bail-in for failing banks and certain companies, and establishes country-specific bank resolution financing arrangements. In addition, as part of their powers over companies in resolution, resolution authorities are empowered to replace a company's senior management, transfer a company's rights, assets and liabilities to another person, take a company into public ownership, and close out and terminate a company's financial contracts or derivatives contracts. Companies are required to produce recovery plans, describing proposed arrangements to permit it to restore its viability, while resolution authorities are empowered to produce resolution plans which describe how a company may be resolved in an orderly manner, were it to fail.

Under the BRRD, the resolution authority can increase the capital of a failing or failed company through bail-in: i.e, the write-down, reduction or cancellation of liabilities held by unsecured creditors, or their conversion to equity or other securities. All of a company's liabilities are subject to bail-in, unless explicitly excluded by the BRRD because they are, for example, covered deposits, secured liabilities, or liabilities arising from holding client assets or client money.

The BRRD also requires banks to hold a certain amount of bail-inable loss-absorbing capacity at both individual and consolidated levels. This requirement is known as the MREL, and is conceptually similar to the Total Loss Absorbing Capacity ('TLAC') framework.

Litigation

The main litigation matters are set out in Note 33 – Guarantees and Commitments.

Liquidity

The Company's Liquidity position is managed in accordance with Liquidity Risk Metrics set both externally and internally. The Liquidity Coverage Ratio ('LCR'), as set by the Prudential Regulation Authority ('PRA') based on calculations in accordance with the EBA requirements, ensures adequate unencumbered High Quality Liquid Assets ('HQLA') that can easily be converted to cash to meet liquidity needs in 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 its 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 internal liquidity risk metrics alongside the regulatory metrics mentioned above, taking account of the current regulatory regime and any forthcoming changes to the regulatory framework or to the Company's business strategy. The CS group continues to provide confirmation that it will provide sufficient funding to CSS(E)L Group to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations.

Significant Accounting Developments

The CSS(E)L Group adopted the IFRS 9 Financial Instruments accounting standard on 1 January 2018. In July 2014, the International Accounting Standards Board ('IASB') 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. The CSS(E)L Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39 until at the latest the requirements on macro hedging are finalised and released. IFRS 9 also requires extensive new disclosures as well as the revision of current disclosure requirements under IFRS 7 Financial Instruments: Disclosures. The CSS(E)L Group also elected to adopt transitional arrangements for capital.

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 significant changes were introduced for 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. 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.

The CSS(E)L Group adopted IFRS 15 and clarification to IFRS 15 on 1 January 2018. 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.

In April 2016, the IASB issued Clarifications to IFRS 15 Revenue from Contracts with Customers (Clarifications to IFRS 15). The Clarifications to IFRS 15 are intended to address implementation questions that were discussed by the Joint Transition Resource Group for Revenue Recognition on licences of intellectual property, identifying performance obligations, principal versus agent application guidance and transition.

For further information on the guidance in IFRS 9 and IFRS 15, as well as the implementation status for the CSS(E)L Group, please refer to the 'Standards and Interpretations endorsed by the EU and not yet effective' section in Note 2 – Significant Accounting Policies.

The CSS(E)L Group will adopt IFRS 16 Leases on 1 January 2019. IFRS 16 was issued in January 2016 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. 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. For further information on the guidance in IFRS 16, please refer to the 'Standards and Interpretations endorsed by the EU and not yet effective' section in Note 2- Significant Accounting Policies.

Cyber Risk

The financial industry continued to face rapidly evolving cyber threats from a variety of actors who are driven by monetary, political and other motivations. The Company continues to invest significantly in the CSS(E)L information and cybersecurity program to strengthen abilities to anticipate, defend, detect and recover from cyber-attacks. The Company regularly assesses the effectiveness of the key controls and conducts ongoing employee training and awareness activities in order to embed a strong cyber risk culture.

Key Credit Risk Developments

The Company has a global portfolio, which is dominated by exposures to counterparties in financial sectors, including banks, central counterparties, traditional "real money" funds and hedge funds. The strength of the Company's credit portfolio has been supported by changes in the CSS(E)L Credit Risk Framework. CSS(E)L's principal activities are the arranging of financing for clients in the international capital markets, the provision of financial advisory services and acting as a dealer in securities, derivatives and foreign exchange on a principal and agency basis. There were no material changes in portfolio composition during the reporting period.

Europe

Despite widespread concern in early 2017 that elections in several large and influential European countries would see a wave of populist anti-EU leaders voted into power, promoting fears over the long-term future of the EU, the outlook for Europe in general is positive and economic forecasts have been revised upwards. In contrast, the UK's decision to leave the EU has resulted in a weaker outlook for economic growth. While the initial shock from the June 2016 vote has diminished, there remains significant uncertainty around future trade and political relationships after the UK leaves the EU. The Company has a material UK credit portfolio which continues to perform, and we have not observed any deterioration in credit quality as a result of the UK referendum vote. However, we remain vigilant in considering the impact of UK referendum in all credit decisions.

South Korea

CSS(E)L has assigned a country credit rating of AA- to South Korea, 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, healthy balance sheet with manageable levels of government debt and sufficient current surplus account. However, uncertainty remains over North Korea and the risks it poses to the South Korean economy and while CSS(E)L expects the status quo to prevail, CSS(E)L also anticipates occasional episodes of elevated tension. South Korea's export-driven economy could also be challenged by a possible rise in protectionism and anti-globalisation. Exposure to South Korea is made up of short-term listed derivatives, securities borrowing and lending, and money market transactions in CSS(E)L's Seoul Branch. In 2017 the Central Counterparty Clearing House ('CCP'), Korea Exchange ("KRX"), changed its rules, enabling foreign members to separate client and house exposures. As a clearing member of KRX, CSS(E)L, Seoul Branch has reduced its exposure to the CCP by adopting a new account structure for client activity.

Selected Credit Risk Exposure Views by Country and Industry Segment

CSS(E)L Group's credit portfolio benefits from geographical diversification, by virtue of a balanced risk appetite framework which dynamically adjusts to market conditions. As part of proactive risk management, limits are adjusted to avoid the build-up of concentrations to risky or volatile industries and countries. The risk management framework includes country and industry limits, and the execution of scenario analyses which translate aggregate exposures into potential losses under forward looking narratives.

The following table shows the largest exposures in CSS(E)L by country. Two of the three largest country exposures are in large developed countries with stable economies (United States and United Kingdom), while CSS(E)L also has exposure in the South Korea in relation to its Seoul Branch. CSS(E)L 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 Credit Default Swaps ('CDS') and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

	Sovereign		Financial Institutions		Corporate		**Total**		Annual Δ		
31 December 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	37	37	2,507	2,439	18	18	**2,562**	**2,494**	(402)	(218)	24%
United Kingdom	0	0	2,799	2,202	162	162	**2,961**	**2,364**	525	361	23%
South Korea	0	0	758	757	0	0	**758**	**757**	130	129	7%
Germany	0	0	422	422	80	80	**502**	**502**	(124)	(113)	5%
France	0	0	416	380	85	85	**501**	**465**	(64)	19	5%
Netherlands	0	0	248	248	67	67	**315**	**315**	110	110	3%
Total	**37**	**37**	**7,150**	**6,448**	**412**	**412**	**7,599**	**6,897**	**175**	**288**	**67%**

31 December 2016 (USD millions)	Sovereign Gross Exposure	Sovereign Net Exposure	Financial Institutions Gross Exposure	Financial Institutions Net Exposure	Corporate Gross Exposure	Corporate Net Exposure	**Total Gross Exposure**	**Total Net Exposure**
United States	0	0	2,921	2,669	43	43	**2,964**	**2,712**
United Kingdom	0	0	2,375	1,942	61	61	**2,436**	**2,003**
South Korea	0	0	628	628	0	0	**628**	**628**
Germany	0	0	538	527	88	88	**626**	**615**
France	0	0	454	335	111	111	**565**	**446**
Netherlands	0	0	154	154	51	51	**205**	**205**
Total	**0**	**0**	**7,070**	**6,255**	**354**	**354**	**7,424**	**6,609**

The following table shows the three largest exposures in CSS(E)L by industry segment, all of which are in financial sectors. CSS(E)L has no material exposures to non-financial industries.

Industry Segments (USD millions)	**2017** Gross Exposure	**2017** Net Exposure	**2017** Net Exposure as % of All Industry Segment Exposures	2016 Gross Exposure	2016 Net Exposure	Annual Δ Gross Exposure	Annual Δ Net Exposure
Funds, Assets, Trusts, and Other Financial Vehicles	4,175	3,228	38%	4,113	3,377	62	(149)
Commercial Banks	2,502	2,042	24%	2,000	1,812	503	231
Central Clearing Parties	931	931	11%	1,148	1,148	(216)	(216)
Total	**7,608**	**6,201**	**73%**	**7,261**	**6,337**	**349**	**(134)**

More detailed analysis of counterparty risk can be found in the Basel III 2017 Pillar 3 Disclosures.

Capital Resources

The Company 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 Company's business model and includes reviewing potential opportunities to repay capital to shareholders. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

The Company 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.

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

During the year, USD 1.3 billion of subordinated debt was repaid to CS PSL GmbH. Changes in senior and subordinated debt are set out in Note 24 – Long Term Debt. Changes in capital are set out in Note 27 – Share Capital and Share Premium.

Corporate Governance

Internal Control and Financial Reporting

Board Responsibility

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

The key procedures that have been established are designed to provide effective internal control within the CSS(E)L Group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the CSS(E)L Group have been in place throughout the year and up to 29 March 2018, the date of approval of the Credit Suisse Securities (Europe) Limited Annual Report for 2017.

The Risk Appetite Statement is formally reviewed and assessed at least once a year by the Board. Key risks are also formally reviewed and assessed on a quarterly basis by the Board Risk Committee and the Board as required. In addition, key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of policies and processes such as credit and market risk limits and other operational metrics, including authorisation limits, and segregation of duties.

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

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

The Board's primary functions and types of decisions taken by the Board are:

Strategy and Management

- Set local strategy and oversee that the management of CSS(E)L is in line with the strategy of the CSG;
- Act in good faith in the best interests of CSS(E)L, exercise independent judgement and avoid conflicts of interest where possible;
- In the event of conflicts of interest arising, declare and manage such conflicts;
- Act in accordance with the Management of Conflicts of Interest Memorandum;
- Ensure arrangements are made for CSS(E)L to fulfill statutory duties, operating within the rules and regulations of all applicable jurisdictions;
- Ensure that CS group policies applicable to CSS(E)L are in accordance with the law and with regulatory requirements and are being properly implemented at the entity level;
- Manage CSS(E)L business within the overall business framework of CSG, delegating specific powers to Board Committees;
- Ensure that CSS(E)L subsidiaries, branches and representative offices are adequately controlled and governed;
- Review the application of the business strategy recommended by executive management ensuring that it does not expose CSS(E)L to unacceptable risk;
- Provide direction for and challenge to management;
- Review CSS(E)L performance and monitor the execution of business strategy;
- Ensure that CSS(E)L has adequate financial resources to meet its objectives and manage risk;
- Review material new business proposals;
- Review standard reporting, including entity financials, market and risk exposures, capital, liquidity and funding; and
- Review reports by Board Committee Chairs on material issues.

Conduct, Ethics and Culture

- Review the programmes to support an appropriate culture, conduct and behaviour in business areas relevant to CSS(E)L;
- Review the decisions made by the CSS(E)L Executive Committee relating to the registration of Senior Managers that are not members of the Board;
- Ensure that HR policies are in accordance with the law and regulatory requirements, are appropriate, and do not expose CSS(E)L to unacceptable risk and are properly implemented; and
- Review reports prepared by Compliance on the operation and effectiveness of CSS(E)L whistleblowing systems and controls.

Risk Management

- Review and approve the risk policies, risk appetite, framework and risk limits for CSS(E)L;
- Review CSS(E)L material credit, market, operational, conduct, and reputational risk exposures, liquidity and liability management and the Capital Framework to ensure the safety and soundness of operations;
- Consider the risk systems and controls to ensure a reasonable level of assurance that the appetite of risk that CSS(E)L will incur is consistent with that which the Board considers it prudent for CSS(E)L to take; and
- Review risk limits or exceptions escalated from the Board Risk Committee.

Financial Reporting and Internal Control

- Review and approve Annual Financial Statements, including the Directors' Report;
- Review and approve the annual Strategy and Plan;
- Review and approve the control frameworks for all business booked into CSS(E)L and the framework for all CSS(E)L support functions;
- Consider reports relating to entity financials including Financial Accounting, Product Control and Tax, market and credit risk exposures, capital, liquidity and funding, internal control, regulatory, legal or compliance escalated from Divisional and Board committees; and
- Consider the adequacy of management information.

Board Evaluation

Each year, the Board undertakes a formal Board Evaluation against the responsibilities listed in its Terms of Reference and the Board's objectives to assess Board effectiveness and to decide on future objectives and focus topics in light of the CS group strategy, and to identify internal briefings / training required by individual Directors. The Evaluation assists the Board Nomination Committee to assess the composition and performance of the Board, and knowledge, skills, experience and diversity of Board members and Board succession planning. From time to time, the Board will mandate an external advisor to facilitate the evaluation; usually the evaluation is internal for two years and external for every third year. Towards the end of 2017, the Board mandated an external firm to perform an evaluation of the Board, which will be conducted during 2018. The Board has approved the Board Committees objectives for 2018.

Board Training

In addition to Board Director Induction, Board Directors undertake internal briefings and training which are tailored to CSS(E)L business strategy, Board objectives and decisions to be taken by the Board, and an external Board governance course for professional development.

Board Meetings

Ten Board meetings and one Board Strategy Onsite were held in 2017. All members of the Board are expected to spend the necessary time outside of these meetings to discharge their responsibilities. The Chair convenes the meetings with sufficient notice and prepares an agenda. The Chair has the discretion to invite management to attend the meetings. The Board also holds separate private sessions without management present. Minutes are kept of the Board proceedings.

Meeting Attendance

The members of the Board are encouraged to attend all Board and Committee meetings on which they serve.

Meeting Attendance

	Board of Directors	Audit Committee	Risk Committee	Nomination Committee	Advisory Remuneration Committee	Conflicts Committee
in 2017						
Total number of meetings held	10	5	6	5	5	3
Number of members who missed no meetings	8	4	3	4	3	3
Number of members who missed one meeting	4	–	–	–	–	–
Number of members who missed two or more meetings	–	–	–	–	–	–
Meeting attendance, in %	95	100	100	100	100	100

[1] The Board consisted of nine members as of the beginning of the year and ten members at the end of the year respectively, with three members resigning during the year and four members being appointed.
[2] The Audit/Nomination/Remuneration Committee consisted of three members as of the beginning of the year and at the end of the year, with one member resigning and one being appointed.
The Risk Committee consisted of three members at the beginning and at the end of the year.
[3] The Conflicts Committee consists of three members.

Committees

Certain responsibilities are delegated to Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight. The Chair of each Board Committee reports to the Board.

Credit Suisse Securities (Europe) Limited Audit Committee

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

- assessing the overall integrity of the financial statements and disclosures;
- reporting to the CSS(E)L Board on the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting;
- monitoring the adequacy and integrity of the financial accounting process and the effectiveness of internal quality controls;
- monitoring processes to ensure compliance with legal and regulatory requirements;
- assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- being responsible for contributing to the procedure for the selection of the External Auditors and recommending the External Auditors to be appointed;
- monitoring the qualifications, independence and performance of the External Auditors including the suitability of the External Auditors' provision (if any) of non-audit services to CSS(E)L;
- monitoring the statutory audit of CSS(E)L financial statements, in particular its performance, taking into account any findings and conclusions by the competent authority; and
- reviewing the independence, integrity and adequacy of resourcing, and overseeing the performance of CSS(E)L Internal Audit Department, in particular its implementation of an audit plan to examine and evaluate the adequacy and effectiveness of CSS(E)L systems, internal control and arrangements.

In reviewing the Credit Suisse Securities (Europe) Ltd Annual Report 2017, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities and the recoverability of deferred tax asset. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriated funding to maintain adequate capital and liquidity positions.

The Audit Committee members are Alison Halsey (Chair), John Devine (from 1 November 2017), Noreen Doyle (to 1 November 2017) and Robert Endersby.

Credit Suisse Securities (Europe) Limited Risk Committee

The Risk Committee's primary function is to assist the Board in fulfilling its risk management responsibilities as defined by applicable law and regulations, CSS(E)L articles and internal regulations, by periodically:

- providing advice to the Board on CSS(E)L overall risk appetite and assisting the Board in overseeing the implementation of that strategy by management;
- reviewing and approving the strategies and policies for taking up, managing, monitoring and mitigating the risks CSS(E)L is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- reviewing the independence, integrity and adequacy of resourcing, and overseeing the performance of the risk management function of CSS(E)L in particular as it relates to market, credit, and liquidity and funding risks and non-financial risks such as legal, strategic and business risks; and group risk;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance of the CCRO compliance function of CSS(E)L including processes and organizational structures to detect and monitor any risk of failure to comply with applicable regulatory requirements or that CSS(E)L may be used to further financial crime;

- reviewing the adequacy of CSS(E)L capital and its allocation to CSS(E)L businesses;
- reviewing risk limits and regular risk reports including Risk Appetite and making recommendations to the Board;
- reviewing the Internal Capital Adequacy Assessment Process ('ICAAP') and providing input into the range of scenarios and analyses that management should consider;
- reviewing the adequacy of the management of reputational risks; and
- reviewing the adequacy of the management of operational risks.

The Risk Committee members are Robert Endersby (Chair), Noreen Doyle, Andreas Gottschling (from 1 January 2018) and Alison Halsey.

Credit Suisse Securities (Europe) Limited Nomination Committee

The duties of the Nomination Committee are to:

- engage a broad set of qualities and competencies when recruiting members to the Board and put in place a policy promoting diversity on the Board;
- identify and recommend for approval, by the Company shareholder, candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Board;
- make recommendations to the Board concerning the Chair and member of the Board committees;
- prepare a description of the roles for a particular appointment, and assess the time commitment required;
- periodically assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;
- periodically assess the knowledge, skills and experience of individual members of the Board, and report this to the Board;
- periodically review the policy of the Board for selection and appointment of senior management and make recommendations to the Board;
- take account of the need to ensure that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Company as a whole; and
- recommend to the Board the appointment and removal of Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO').

The Nomination Committee members are Noreen Doyle (Chair), John Devine (from 1 November 2017), Alison Halsey and Robert Endersby (to 1 November 2017). The NC complies with the requirements defined in the PRA handbook for 'General Organisational Requirements', chapter 6 (Nomination committee).

Credit Suisse Securities (Europe) Limited Advisory Remuneration Committee

The purpose of the Advisory Remuneration Committee is to advise the CSG Compensation Committee in respect of matters relating to remuneration for the employees of CSS(E)L Group, in particular members of the CSS(E)L Executive Committee, PRA/FCA Code Staff and other individuals, whose role, has been identified as having a potential impact on risk.

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

The Advisory Remuneration Committee members are Noreen Doyle (Chair), Alison Halsey (to 1 November 2017), Robert Endersby and Andreas Gottschling (from 1 January 2018).

Credit Suisse Securities (Europe) Limited Conflicts Committee

The Conflicts Committee consists of three independent Non-Executive Directors, Alison Halsey (Chair), John Devine (from 1 November) and Robert Endersby. The Committee reviews the effectiveness of the Conflicts Management Framework ('Framework') annually. The Conflicts Committee reviewed and concluded that the Framework operated effectively in 2017.

Board Diversity Policy

CSS(E)L recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse board. The Board Diversity Policy sets out the approach to diversity on the Board of Directors. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Committee will consider these differences in determining the optimum composition of the Board and when possible will be balanced appropriately. The Board have reached its target of at least 25% female representation on the board and will continue to monitor the target in 2017 through periodic reviews of structure, size, composition and performance of the Board.

The aforementioned Board responsibilities and Board committees comply with the requirements defined in the PRA handbook for 'General Organisational Requirements', chapter 5 (Management Body).

Risk Management

Overview

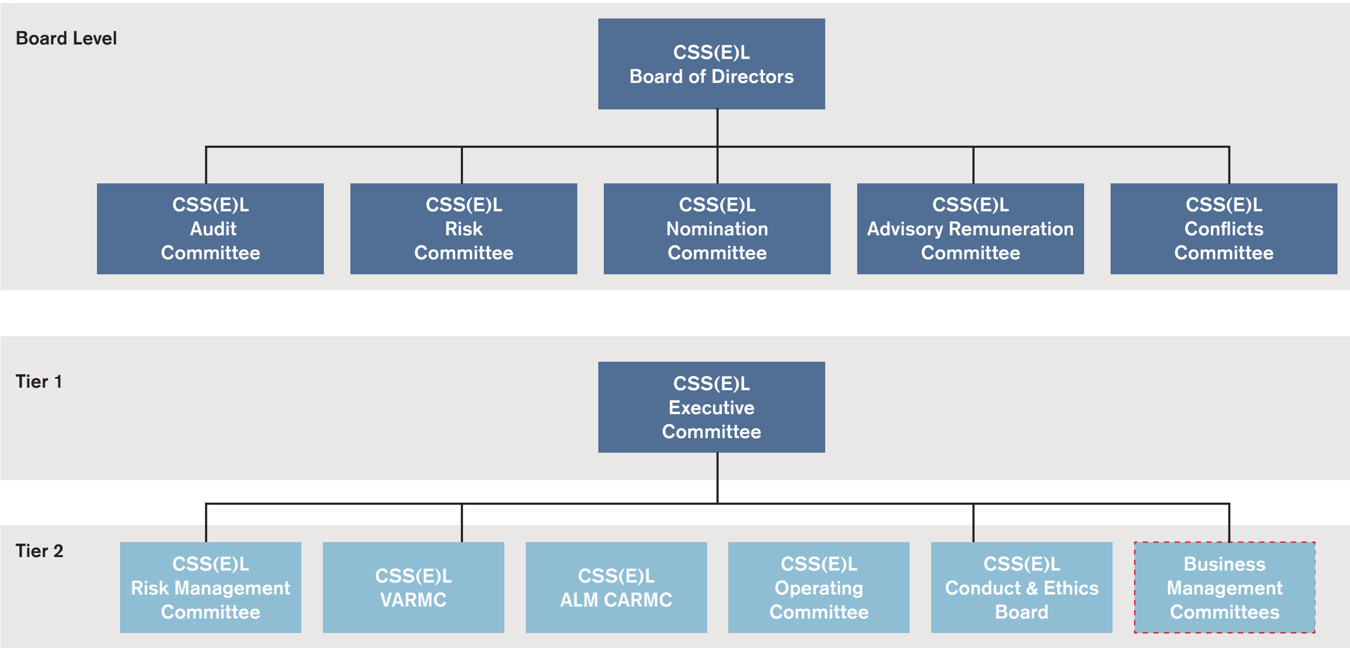
The Company's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Company's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of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

Risk Governance

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

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

Summary of Key Governance Committees



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

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

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

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

- CSS(E)L Valuation Risk Management Committee ('CSS(E)L VARMC') is the most senior decision making forum for valuation issues in CSS(E)L, and is run as a sub-committee of CSG VARMC. Its purpose is to:
  - i review, challenge and ratify/modify conclusions from Inventory Valuation Reviews; and

ii direct resolution of significant inventory valuation issues. It also establishes non-actionable variance thresholds (both positive and negative) that are to be monitored on a monthly basis.

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

- CSS(E)L Operating Committee ('CSS(E)L OpCo'): The CSS(E)L OpCo is chaired by the Deputy CEO and, provides a forum for the effective management of operational and control matters across business areas and central functions, including the projects portfolio, on a front-to-back basis. Its purpose is to:
  i ensure effective performance and control of business areas and central functions;
  ii ensure resolution of Audit points and compliance with regulatory requirements, including compliance with the Client Assets Sourcebook ('CASS') regime;
  iii ensure the policy framework is fit for purpose, including the adoption of new policies, as appropriate;
  iv provide oversight over operational activities including remote booking activity, outsourcing activities and the governance of the legal entity branch, subsidiary and representation office network; and
  v provide oversight over projects, management initiatives and new business activities.

- CSS(E)L Conduct & Ethics Board ('CSS(E)L CEB'): The CSS(E)L CEB is chaired by the CEO, CSS(E)L and is run as a sub-committee of the Group CEB. Its purpose is to:
  i establish, run and monitor a structured approach to embed an appropriate culture in CSS(E)L on behalf of the CSS(E)L Board and Chair;
  ii support the Divisions and Functions to roll-out their change vision to embed the Conduct and Ethics Standards, ensuring a coordinated and appropriate approach in CSS(E)L;
  iii implement and embed the governance framework mandated by the Group CEB, ensuring coordination with Divisional/Corporate Functions CEBs;
  iv review disciplinary cases and provide feedback to those responsible for disciplinary decisions for future reference; and
  v ensure compliance with local regulation and statutory requirements.

- CSS(E)L Business Management Committees ('CSS(E)L BMC'): Divisional CEOs have established management committee structures to undertake the management of divisional operations. Certain of these committees have a key role to play in UK governance, with reporting requirements into the CSS(E)L Executive Committee in relation to the activities of CSS(E)L. The CSS(E)L Executive Committee establishes governance requirements appropriate to its UK specific remit and agrees with the relevant committee procedures for the ongoing management of, and reporting against, these requirements. The following divisional committees are responsible for identifying issues relevant to those requirements, for escalation to the CSS(E)L Executive Committee:
  i Global Markets ('GM'), Credit and GM Client Strategy and Key Account Management Governance Committee;
  ii GM Equities and International Trading Solutions ('ITS'), Equity Derivatives & Investor Products Governance Committee;
  iii ITS Fixed Income & Wealth Management Products Supervisory and Senior Manager Oversight Forum;
  iv Investment Banking & Capital Markets ('IBCM') Europe, Middle East and Africa ('EMEA') Management Committee;
  v Strategic Resolution Unit ('SRU') UK Investment Banking ('IB') Senior Manager Committee; and

Risk Organisation

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

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

The Risk Management department in 2017, comprised of:

- Market (Traded and Non Traded) and Liquidity Risk Management;
- Credit Risk Management; and
- Enterprise & Operational Risk Management.

The CSS(E)L CRO is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions:

- The Market and Liquidity Risk Management ('MLRM') department is responsible for assessing, monitoring and managing the market and liquidity risk profiles of the Company and recommends corrective action where necessary;
- Credit Risk Management ('CRM') is responsible for approving credit limits, monitoring, and managing individual exposures,

and assessing and managing the quality of credit portfolios and allowances; and
- Enterprise and Operational Risk Management ('EORM') provides holistic risk coverage focusing on cross-functional and cross-divisional risk governance, frameworks, best practice, policies and processes. It drives risk reporting and analysis and provides risk coverage for enterprise, operational, model, reputational and CRO relevant regulatory risk management.

These areas form part of a matrix management structure with reporting lines into both the Company CRO and the relevant Global Risk Head. Furthermore, these departments are supported by a global infrastructure and data process which is largely maintained by the central, Risk and Finance Data and Reporting ('RFDAR') group as well as the CRO change team which is responsible for the delivery of the strategic and regulatory change portfolio sponsored by the Risk division.

Risk Appetite

A sound system of risk limits is fundamental to effective risk management. The limits define CSS(E)L Group's risk appetite given management capabilities, the market environment, business strategy and financial resources available to absorb potential losses. The overall risk limits for the Company are set by the Board.

Within the bounds of the overall risk appetite of the Company, as defined by the limits set by the Board, the CSS(E)L CRO is the nominated executive who is responsible for implementing a limit framework. The Company has a range of more granular limits for individual businesses, concentrations and specific risks, including limits on transactions booked from remote locations.

Market risk limit measures are typically based on Value at Risk ('VaR') and scenario analysis, although they also include risk sensitivities, notionals and other metrics. Liquidity risk limits include regulatory and internal metrics based on computing liquidity inflows and outflows under stress scenarios over different time horizons. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty, country, industry, product and scenario limits, which are used to mitigate concentration risks. These risk limits are generally set to ensure that any meaningful increase in risk exposures is promptly identified, analysed and, where necessary, escalated to more senior levels of management. In addition, the Company has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (Company-wide statements linked to risk and control indicators) terms. Alignment to business strategy is a key requirement to ensure the Risk Appetite framework is effective in managing to the entities' acceptable risk profile and acting as an early warning indicator for material changes in risk profile. Capital Limits for each material risk type are determined by Enterprise Risk Management and cascaded to each risk area for use as a calibration point for the lower level limit cascade. Limits are reviewed quarterly against the capital plan and are aligned to divisional limits which are cascaded by finance covering all risk types.

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

The Company's financial risk management objectives and policies and the exposure of the CSS(E)L Group to market risk, credit risk, liquidity risk, currency and operational risk are outlined in Note 38 – Financial Risk Management.

Corporate and Social Responsibility

CS group publishes a comprehensive Corporate Responsibility Report which can be found on CS group's website at www.credit-suisse.com/crr. The Corporate Responsibility Report describes how Credit Suisse assumes its various responsibilities towards society and the environment across CSG including CSS(E)L.

Environmental Matters

CS group believes that it is in the interests of both the Company and its clients to develop and support measures that contribute to a more environmentally sustainable economy. These commitments are based on the Code of Conduct, which lists "Sustainability" as one of the six professional standards. The "Statement on Sustainability" explains the aims relating to the balancing of economic, environmental and social issues when performing activities as a Company. The UN Global Compact and the Sustainable Development Goals adopted by the UN in 2015 are other important points of reference.

In CS group's banking businesses, environmental and social aspects are considered when managing transaction-related risks. By applying Reputational Risk Review Process, CS group assesses whether projects or client activities could pose a major risk to the environment, the climate or biodiversity. In CSS(E)L, decisions regarding reputational risks are made by one or two Reputational Risk Approvers, or escalated to the CSS(E)L Reputational risk Committee. If necessary, decisions can be further escalated to the Global Reputational Risk and Sustainability Committee (Refer to the Corporate Governance section for further information on the Risk Committees).

To open up sources of capital for the development of future markets, CS group also offers clients a broad range of investment products and services with a focus on environmental and social themes. To further facilitate projects and initiatives that make a positive economic and social impact, CS group established the impact Advisory and Finance Department ('IAF') in 2017.

Further information:
- Environmental and Social Risk Management: www.credit-suisse.com/riskmanagement.
- Climate Change; the "Statement on Climate Change": www.credit-suisse.com/climate.
- Biodiversity and Natural Capital: www.credit-suisse.com/conservationfinance.
- Environmental Management: www.credit-suisse.com/environmentalmanagement.

In 2017, the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ('TCFD') published their final recommendations with recommendations for the voluntary reporting on material risks and opportunities arising from climate change. CS group publicly supported the recommendations at the One Planet Summit in Paris in December 2017. CS group has assessed its readiness to adopt the recommendations and established a cross-functional project team to address gaps over 2018 and 2019. Additionally, CSS(E)L welcomes the TCFD's recommendations and will monitor progress towards implementation.

Economy and Society

The primary function of a global bank is to be a reliable and professional partner to clients around the world, offering them a range of financial products and services to meet their individual needs. In this context, CS group performs functions that are viewed as systemically relevant, including deposit-taking and lending. CS group plays an important role as a financial intermediary, bringing together borrowers and lenders of capital globally, from companies and public sector bodies to private individuals and institutions. CS group supplies businesses with the capital resources they need to expand their activities and finance innovation, thus helping to drive economic growth and job creation.

By assuming market and credit risks, banks make an important contribution to the efficient functioning of the economic system. Effective risk management is an important part of this process. In the credit business, for example, CS group analyses, measures and monitors credit risk exposures and charge appropriate interest rates on loans. CS group's capital policy is intended to ensure that it is capable of absorbing potential credit losses in a variety of stress scenarios. CS group achieves this by supporting growth, partnering with entrepreneurs; by being an integral part of the economy and society, maintaining a constructive dialogues with various stakeholders and broader social commitments.

CSS(E)L, together with the Credit Suisse ('CS') EMEA foundation, has focused on improving the educational attainment, aspiration and employability of disadvantaged young people. Building on the CS group's sponsorship relationship with the National Gallery and the CS EMEA Foundation's founding partnership with City Year UK, CS group supported the design and delivery of a collaborative education outreach program to tackle the inequality that exists around access to the arts. The program gives at-risk young people access to the Gallery's collection, facilitated by expert educators from the Gallery as well as trained City Year UK volunteers. Over 50 students participated in the program during the 2016-2017 school year. The benefits of the program are twofold – pupils are given the freedom to explore their creativity in ways that have a positive impact on their critical thinking skills and confidence, while City Year UK volunteers develop leadership and creative skills, as well as their confidence in talking about art.

More details can be found at www.credit-suisse.com/responsibility/society

Employee matters

The success of CSS(E)L ultimately depends on the skills, experience and business conducts of its employees. In order to offer clients best-in-class banking solutions and services, CS group need to attract and retain the most talented professionals. CS group offers exciting and challenging career prospects, progressive employment conditions and wide-ranging training and development opportunities. As a result, CS group employees benefit from attractive long-term career prospects in an international working environment.

CSS(E)L provides a wide range of attractive opportunities for young professionals and graduates who are interested in pursuing a career at CS group. Junior hires receive specific training, mentoring and career advice, aiding their transition to full-time employment. An example is the award winning Steps to Success program, now in its fifth intake, which offers university scholarship funding for UK students from underprivileged and underrepresented backgrounds.

Corporate Employee Policy

The CSS(E)L Group adopts the CS group's policies which are committed to providing equal opportunities for all employees, irrespective of factors such as race, gender, sexual orientation, gender reassignment, religion or belief, age, marital or family status, or disability or any other characteristic protected by applicable law.

CSS(E)L is committed to delivering on a global Diversity and Inclusion strategy, ensuring a working environment free from discrimination. This commitment can be seen in many programmes and networks in place, which are firmly embedded within the UK businesses and are an essential element of the CSS(E)L working culture.

CSS(E)L has been focusing on gender diversity for a number of years, including assessing gender representation across the UK businesses to see if there is more CSS(E)L could be doing to increase the number of senior women in the organisation. This has led to an enhancement in CSS(E)L's existing gender strategy to concentrate on key elements across the employee lifecycle. As part of this goal, in June 2016 CSG was one of the first signatories to Her Majesty's Treasury Women in Finance Charter and will aim for a minimum of 35% female representation on its management committees by the end of 2020. This, combined with existing high profile initiatives such as 'Real Returns' (a programme designed to re-engage talented senior professionals and help facilitate their transition back into the workforce), will be at the heart of CSS(E)L's continued drive for tangible and positive change in diversity, making it truly reflective of the communities we live in, partner with and serve.

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

The CSS(E)L Group is committed to ensuring it has an appropriate corporate culture, reflecting a focus on risk, ethics and values. The CSS(E)L Group believes having the right culture will deliver a number of other benefits including the opportunity to create a competitive advantage. Leveraging the CS group's corporate values, the UK Culture Program was set up to articulate the culture aspired to for CS in the UK and also to create the right environment for those who work here, encouraging individuals to behave consistently in line with these aspirations.

In 2017, CS group launched of a set of new Conduct and Ethics Standards, new governance was implemented in the UK to manage the delivery of a Culture Program and the disciplinary process. As such, the UK Culture Steering Committee and the Disciplinary Review Committee became the UK Conduct and Ethics Board ('UK CEB').

The UK CEB has two related purposes:

- to establish a clearly articulated and strong corporate culture across the UK based on the global conduct and ethics standards; and
- to ensure disciplinary decisions for UK employees, and employees outside of the UK who are in the scope of the UK regulators, are fair, consistent and meet the expectations of the CS group CEB, the UK CEB and the UK regulators.

With regards to disciplinary decisions the UK CEB:

- reviews the outcome of disciplinary cases on a quarterly retrospective basis (the "ex-post facto review") to assess fairness and consistency and meeting both internal and external expectations;
- considers the impact of a disciplinary sanction on compensation, rating and promotion eligibility;
- monitors the conduct and ethics trends in the UK;
- implements mitigating measures to ensure disciplinary infractions are not repeated in alignment with the Divisions/Corporate Functions and escalating concerns to the relevant CEB; and
- collaborates with Divisional/Corporate Functions and any other regional CEBs to ensure the way in which they address misconduct for employees in the scope of the UK Legal Entities meets with the expectations of the UK CEB and UK regulators.

The CS group currently supports internal employee networks worldwide that serve as a platform for the exchange of knowledge and experience, fostering mutual understanding and helping to strengthen corporate culture. The networks within the Company, which are run by employees on a voluntary basis, and focus on gender, families, lesbian, gay, bisexual and transgender individuals, the older and younger generations and employees from various ethnic backgrounds. The networks within the Company also support veterans, employees with physical disabilities, mental health issues and employees who have responsibilities of care.

CS group is committed to its policies on equal employment opportunity and dignity at work for all staff. In the event that an employee becomes disabled during employment, CS group makes every effort to enable their employment to continue, putting in place appropriate adjustments and training where required. CS group aims to treat such employees no differently from employees without a disability throughout their career, including in relation to training, career development and promotion opportunities. CS group offers a range of flexible medical benefits and also income protection benefits for employees who, whether temporarily or permanently, are unable to work due to disability. CS group has a thriving Wellbeing and Care employee network.

CS group is committed to keeping employees informed of changes within the organisation, including but certainly not limited to, financial and economic factors affecting the performance of the CS group and CSS(E)L. This is achieved using many different approaches, such as town hall meetings with senior management, management meetings across the bank, webcasts, a dynamic intranet, active employee networks and electronic bulletins focused on specific issues. In addition, employee consultation takes pace in various forms on certain topics. Employee feedback is frequently sought and is encouraged. CS group's compensation policy includes a performance-related employee share plan.

Respect for Human Rights

CS group strive to assume responsibilities in the area of human rights in accordance with the International Bill of Human Rights as well as the corresponding principles on human and labour rights set out in the UN Global Compact. CS group takes account of these principles in its own policies and business activities. The "Statement on Human Rights" describes the foundations of CS group's responsibility to respect human rights and the approaches, processes and tools used to implement it.

Equally, CS group expects its business partners to recognize and uphold human rights. More details can be found at www.credit-suisse.com/humanrights.

Modern Slavery & Human Trafficking

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

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

The complete statement, made pursuant to section 54, Part 6 of the Modern Slavery Act 2015, is publicly available and can be found at www.credit-suisse.com. In 2017, CS group in the UK became accredited as a Living Wage Employer. Further information can be found at: www.credit-suisse.com/corporate/en/responsibility/banking/human-rights.html.

Anti-Corruption and Bribery Matters

CS group strives to prevent the improper use of products and service by third parties. As part of the efforts to fulfill its due diligence requirements, CS group uses strict internal control policies. The policies govern topics such as business relations with political exposed persons, the prevention of money laundering and terrorist financing, and adherence to applicable economic and trade sanctions laws. CS group has a range of policies, procedures and internal controls, with requirements such as the screening of third parties who conduct business for or on behalf of CS group and dedicated controls related to gifts and entertainment, internships and other employment opportunities, charitable contributions and sponsorship. Furthermore, the CS group is actively involved in the development and implementation of industry standards to combat money laundering and corruption.

The CS group undergoes a bank-wide standardised Reputational Risk Review Process. Employees are required to regularly complete mandatory online training courses on topics ranging from the prevention of money laundering, terrorist financing and corruption to compliance with economic sanctions. Additionally, employees have duty to report concerns of potential legal, regulatory or ethical misconduct to their line managers or to Compliance and Regulatory Affairs. Employees worldwide also have the option of calling CS group Integrity Hotline, where they can report such issues anonymously, where permitted by local law.

By Order of the Board

Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
29 March 2018

Directors' Report for the year ended 31 December 2017

International Financial Reporting Standards

The CSS(E)L Group and Company 2017 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the directors on 29 March 2018.

Dividends

No dividends were paid or are proposed for the year ended 31 December 2017 (2016: USD Nil).

Directors

The names of the directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2016 and up to the date of this report are as follows:

Appointment	
Caroline Waddington	31 March 2017
John Devine	01 November 2017
Michael DiIorio	07 December 2017
Jonathan Moore	07 December 2017
Andreas Gottschling	01 January 2018
Resignation	
Stephen Dainton	26 January 2017
Robert Arbuthnott	31 March 2017
Eraj Shirvani	01 December 2017

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the CSS(E)L Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the CSS(E)L Group and Company financial statements for each financial year. Under that law they have elected to prepare both the CSS(E)L Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the CSS(E)L Group and Company and of their profit or loss for that period.

In preparing each of the CSS(E)L Group and Company financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSS(E)L Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the CSS(E)L Group and Company and enable them to ensure that its Group and Company financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

The Directors confirm that to the best of their knowledge:

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

Risk and Capital

The way in which these risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 38 – Financial Risk Management.

Changes made to the capital structure are set out in Note 27 – Share Capital and Share Premium.

Further Developments and Employees
Further developments impacting the Company and information in relation to employees is detailed in the Strategic Report.

Branches and Representative Offices
The details of the location of the Company's branches and representative offices are detailed in the Profile section of the Strategic Report.

Disclosure of Information to Auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which CSS(E)L Group's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that CSS(E)L Group's auditor is aware of that information.

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

In view of EU rules with respect to mandatory auditor rotation for certain of CSG significant subsidiaries, the CSG Audit Committee has decided to pursue a rotation of the CSG auditor effective no later than for the audit of the fiscal year ending 31 December 2021.

By Order of the Board

Caroline Waddington
Director

One Cabot Square
London E14 4QJ
29 March 2018

Independent Auditor's Report to the Members of Credit Suisse Securities (Europe) Limited

We have audited the financial statements of Credit Suisse Securities (Europe) Limited ("the Group and Company") for the year ended 31 December 2017 which comprise the Consolidated and Company Statements of Financial Position as at 31 December 2017, and the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated and Company Statements of Cash Flows for the year then ended, and notes to the financial statements, including the significant accounting policies set out in note 2.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the CSS(E)L Group's loss for the year then ended;
- the CSS(E)L Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Going concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic Report and Directors' Report
The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the Strategic Report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:
- we have not identified material misstatements in the Strategic Report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Directors' responsibilities
As explained more fully in their statement set out on page 27, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

R. Faulkner

Richard Faulkner
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29 March 2018

Financial Statements for the year ended 31 December 2017

Consolidated Statement of Income for the Year ended 31 December 2017

	Reference to note	2017	2016[1]
Consolidated Statement of Income (USD million)			
Continuing Operations			
Interest income	4	1,115	1,150
Interest expense	4	(1,271)	(1,348)
Net interest expense		(156)	(198)
Commission and fee income	5	666	628
Commission and fee expense	5	(148)	(182)
Net commission and fee income		518	446
Net gains from financial assets/liabilities at fair value through profit or loss	6	672	820
Other expenses/revenues	7	(61)	(73)
Net revenues		**973**	**995**
Compensation and benefits	8	(520)	(532)
General, administrative and trading expenses	9	(906)	(555)
Restructuring expenses	10	(34)	(10)
Total operating expenses		**(1,460)**	**(1,097)**
Loss before taxes from continuing operations		**(487)**	**(102)**
Income tax expense from continuing operations	11	(11)	(5)
Loss after taxes from continuing operations		**(498)**	**(107)**
Discontinued Operations			
Profit before tax from discontinued operations	25	**96**	**122**
Income tax expense from discontinued operations	11,25	(47)	(43)
Profit after taxes from discontinued operations		**49**	**79**
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		**(449)**	**(28)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details. 2016 numbers have been further restated due to negative interest for securities purchased/ sold under resale/ repurchase agreements and securities borrowing/ lending transactions

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2017

CSS(E)L Group and Company	2017	2016
Consolidated Statement of Comprehensive Income (USD million)		
Net loss	**(449)**	**(28)**
Re-measurement of net defined benefit asset	(10)	184
Total items that will not be reclassified to net income	**(10)**	**184**
Foreign currency translation differences	76	(17)
Net investment hedge – net (loss)/gain	(57)	10
Cash flow hedges – reclassified to profit or loss	–	6
Net gain on available for sale securities taken to equity	10	–
Total items that may be reclassified to net income	**29**	**(1)**
Other comprehensive income, net of tax	**19**	**183**
Total comprehensive (loss)/income	**(430)**	**155**
Attributable to Credit Suisse Securities (Europe) Limited shareholders	(430)	155

Refer to Note 26 Accumulated Other Comprehensive Income for details.

The Company's loss after tax was USD 449 million for the year ended 31 December 2017 (2016: Loss USD 28 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Company.

Consolidated Statement of Financial Position as at 31 December 2017

	Reference to note		end of
		2017	2016
Assets (USD million)			
Cash and due from banks		2,662	3,187
Interest bearing deposits with banks		20,272	8,763
Securities purchased under resale agreements and securities borrowing transactions	13	22,725	11,686
Trading financial assets at fair value through profit or loss	14	23,132	13,880
of which positive market values from derivative instruments	14	3,956	3,345
Financial assets designated at fair value through profit or loss	15	25,272	23,613
Financial assets available-for-sale	16	39	33
Current tax assets		179	117
Deferred tax assets	12	10	18
Other assets	17	8,049	6,213
Property and equipment	19	1	7
Intangible Assets	20	1	1
Assets held for sale	25	21,440	51,435
Total assets		**123,782**	**118,953**
Liabilities (USD million)			
Deposits	21	62	169
Securities sold under repurchase agreements and securities lending transactions	13	14,268	72
Trading financial liabilities at fair value through profit or loss	14	12,616	7,537
of which negative market values from derivative instruments	14	4,185	2,964
Financial liabilities designated at fair value through profit or loss	15	28,456	23,810
Short term borrowings	22	5,512	3,667
Current tax liabilities		30	1
Deferred tax liabilities	12	127	52
Other liabilities	17	17,420	18,078
Provisions	23	2	6
Long term debt	24	21,683	24,762
Liabilities held for sale	25	15,884	32,670
Total liabilities		**116,060**	**110,824**
Shareholders' equity (USD million)			
Share capital	27	3,859	3,859
Share premium	27	5,661	5,661
Capital contribution		5,685	5,662
Retained earnings		(7,474)	(7,025)
Accumulated other comprehensive income	26	(9)	(28)
Total shareholders' equity		**7,722**	**8,129**
Total liabilities and shareholders' equity		**123,782**	**118,953**

Approved by the Board of Directors on 29 March 2018 and signed on its behalf by:

Caroline Waddington
Director

The notes on pages 39 to 145 form an integral part of the Financial Statements.

Company Statement of Financial Position as at 31 December 2017

	Reference to note		end of
		2017	2016
Assets (USD million)			
Cash and due from banks		2,640	3,183
Interest bearing deposits with banks		20,272	8,763
Securities purchased under resale agreements and securities borrowing transactions	13	22,725	11,686
Trading financial assets at fair value through profit or loss	14	23,143	14,433
of which positive market values from derivative instruments	14	3,967	3,898
Financial assets designated at fair value through profit or loss	15	25,214	23,010
Financial assets available-for-sale	16	39	33
Current tax assets		179	117
Deferred tax assets	12	10	18
Other assets	17	8,061	6,189
Property and equipment	19	1	7
Intangible Assets	20	1	1
Assets held for sale	25	21,440	51,435
Total assets		**123,725**	**118,875**
Liabilities (USD million)			
Deposits	21	62	169
Securities sold under repurchase agreements and securities lending transactions	13	14,268	72
Trading financial liabilities at fair value through profit or loss	14	12,587	7,505
of which negative market values from derivative instruments	14	4,156	2,932
Financial liabilities designated at fair value through profit or loss	15	28,446	23,798
Short term borrowings	22	5,512	3,667
Current tax liabilities		30	1
Deferred tax liabilities	12	127	52
Other liabilities	17	17,406	18,048
Provisions	23	2	6
Long term debt	24	21,683	24,762
Liabilities held for sale	25	15,884	32,670
Total liabilities		**116,007**	**110,750**
Shareholders' equity			
Share capital	27	3,859	3,859
Share premium	27	5,661	5,661
Capital contribution		5,685	5,662
Retained earnings		(7,478)	(7,029)
Accumulated other comprehensive income	26	(9)	(28)
Total shareholders' equity		**7,718**	**8,125**
Total liabilities and shareholders' equity		**123,725**	**118,875**

Approved by the Board of Directors on 29 March 2018 and signed on its behalf by:

Caroline Waddington
Director

The notes on pages 39 to 145 form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI [1]	**Total share-holders' equity**
2017 Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2017		**3,859**	**5,661**	**5,662**	**(7,025)**	**(28)**	**8,129**
Foreign exchange translation differences		–	–	–	–	76	76
Net gain on hedges of net investments in foreign entities taken to equity		–	–	–	–	(57)	(57)
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	–	–
Cash flow hedges – reclassified to profit or loss		–	–	–	–	–	–
Re-measurement of defined benefit asset		–	–	–	–	(10) [2]	(10)
Net gain on available for sale securities taken to equity		–	–	–	–	10	10
Net loss recognised directly in retained earnings and AOCI		**–**	**–**	**–**	**–**	**19**	**19**
Net loss for the year		–	–	–	(449)	–	(449)
Total comprehensive loss recognised for the year		**–**	**–**	**–**	**(449)**	**19**	**(430)**
Gain from sale of business to a common controlled entity		–	–	23	–	–	23
Balance at 31 December 2017		**3,859**	**5,661**	**5,685**	**(7,474)**	**(9)**	**7,722**
2016 Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2016		**3,859**	**5,661**	**5,662**	**(6,997)**	**(211)**	**7,974**
Foreign exchange translation differences		–	–	–	–	(17)	(17)
Net gain on hedges of net investments in foreign entities taken to equity		–	–	–	–	10	10
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	–	–
Cash flow hedges – reclassified to profit or loss		–	–	–	–	6	6
Re-measurement of defined benefit asset		–	–	–	–	184 [2]	184
Net loss recognised directly in AOCI		**–**	**–**	**–**	**–**	**183**	**183**
Net loss for the year		–	–	–	(28)	–	(28)
Total comprehensive loss recognised for the year		**–**	**–**	**–**	**(28)**	**183**	**155**
Balance at 31 December 2016		**3,859**	**5,661**	**5,662**	**(7,025)**	**(28)**	**8,129**

[1] AOCI refers to Accumulated Other Comprehensive Income.
[2] Disclosed net of tax.

Company Statement of Changes in Equity for the year ended 31 December 2017

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI [1]	Total share-holders' equity
2017 Company statement of changes in equity (USD million)							
Balance at 1 January 2017		**3,859**	**5,661**	**5,662**	**(7,029)**	**(28)**	**8,125**
Foreign exchange translation differences		–	–	–	–	76	76
Net gain on hedges of net investments in foreign entities taken to equity		–	–	–	–	(57)	(57)
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	–	–
Cash flow hedges – reclassified to profit or loss		–	–	–	–	–	–
Re-measurement of defined benefit asset		–	–	–	–	(10) [2]	(10)
Net gain on available for sale securities taken to equity		–	–	–	–	10	10
Net loss recognised directly in retained earnings and AOCI		**–**	**–**	**–**	**–**	**19**	**19**
Net loss for the year		–	–	–	(449)	–	(449)
Total comprehensive loss recognised for the year		**–**	**–**	**–**	**(449)**	**19**	**(430)**
Increase in Capital Contribution from sale of business to a common control entity		–	–	23	–	–	23
Balance at 31 December 2017		**3,859**	**5,661**	**5,685**	**(7,478)**	**(9)**	**7,718**
2016 Company statement of changes in equity (USD million)							
Balance at 1 January 2016		**3,859**	**5,661**	**5,662**	**(7,001)**	**(211)**	**7,970**
Foreign exchange translation differences		–	–	–	–	(17)	(17)
Net gain on hedges of net investments in foreign entities taken to equity		–	–	–	–	10	10
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	–	–
Cash flow hedges – reclassified to profit or loss		–	–	–	–	6	6
Re-measurement of defined benefit asset		–	–	–	–	184 [2]	184
Net loss recognised directly in AOCI		**–**	**–**	**–**	**–**	**183**	**183**
Net loss for the year		–	–	–	(28)	–	(28)
Total comprehensive loss recognised for the year		**–**	**–**	**–**	**(28)**	**183**	**155**
Balance at 31 December 2016		**3,859**	**5,661**	**5,662**	**(7,029)**	**(28)**	**8,125**

[1] AOCI refers to Accumulated Other Comprehensive Income.
[2] Disclosed net of tax.

The notes on pages 39 to 145 form an integral part of the Financial Statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Reference to notes	2017 [1]	2016 [1]
Cash flows from operating activities (USD million)			
(Loss)/Profit before tax for the period		(391)	20
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
Impairment, depreciation and amortisation	19,20	1	3
Pension plan charge		(17)	(83)
Foreign exchange losses / (gains)		718	(1,303)
Accrued interest on long term debt		387	447
Share-based payment expense		(106)	(9)
Cash generated/(used in) before changes in operating assets and liabilities		**592**	**(925)**
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		(11,509)	937
Securities purchased under resale agreements and securities borrowing transactions	13,25	7,891	667
Trading financial assets at fair value through profit or loss	14,25	2,711	8,656
Financial assets designated at fair value through profit or loss	15,25	(1,659)	4,974
Other assets		(2,633)	3,823
Net (increase) /decrease in operating assets		**(5,199)**	**19,057**
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	13,25	6,315	(10,978)
Short term borrowings	22	1,845	906
Trading financial liabilities at fair value through profit or loss	14,25	(1,140)	(4,912)
Financial liabilities designated at fair value through profit or loss	15,25	4,270	(1,918)
Accrued expenses and other liabilities		(3,249)	(6,689)
Provisions	23	(4)	4
Net increase /(decrease) in operating liabilities		**8,037**	**(23,587)**
Income taxes paid		(83)	(31)
Income tax refunded		87	16
Pension plan contribution	28	(6)	(11)
Net cash from/(used in) operating activities		**3,428**	**(5,481)**
Cash flows from investing activities (USD million)			
Proceeds from Financial assets available-for-sale	16	8	–
Proceeds from sale of premises, equipment and intangible assets	19,20	151	141
Capital expenditure for property, equipment and intangible assets	19,20	(152)	(151)
Net cash from/(used in) from investing activities		**7**	**(10)**
Cash flows from financing activities (USD million)			
Issuance of long term debt (including long term debt at fair value through profit or loss)	24	10,282	6,308
Repayment of long term debt	24	(14,158)	(6,513)
Increase In capital contribution due to sale of business to common control entity		23	–
Net cash provided by financing activities		**(3,853)**	**(205)**
Net decrease in cash and cash equivalents		**(418)**	**(5,696)**
Cash and cash equivalents at beginning of period		3,018	8,714
Cash and cash equivalents at end of period		**2,600**	**3,018**
Cash and due from banks		2,662	3,187
Deposits	21	(62)	(169)
Cash and cash equivalents at end of period		**2,600**	**3,018**

[1] The Group has elected to present a 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 25. 2016 numbers have been restated to conform to the current year's presentation.

Company Statement of Cash Flows for the year ended 31 December 2017

	Reference to notes	2017 [1]	2016 [1]
Cash flows from operating activities (USD million)			
(Loss)/Profit before tax for the period		(391)	20
Adjustments to reconcile net profit to net cash used in operating activities			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
Impairment, depreciation and amortisation	19,20	1	3
Pension plan charge		(17)	(83)
Foreign exchange losses / (gains)		718	(1,303)
Accrued interest on long term debt		387	447
Share-based payment expense		(106)	(9)
Cash generated/(used in) before changes in operating assets and liabilities		**592**	**(925)**
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		(11,509)	937
Securities purchased under resale agreements and securities borrowing transactions	13,25	7,891	667
Trading financial assets at fair value through profit or loss	14,25	3,253	8,670
Financial assets designated at fair value through profit or loss	15,25	(2,204)	4,952
Other assets		(2,669)	3,827
Net (increase) /decrease in operating assets		**(5,238)**	**19,053**
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	13,25	6,315	(10,978)
Short term borrowings	22	1,845	906
Trading financial liabilities at fair value through profit or loss	14,25	(1,137)	(4,909)
Financial liabilities designated at fair value through profit or loss	15,25	4,272	(1,916)
Accrued expenses and other liabilities		(3,233)	(6,691)
Provisions	23	(4)	4
Net increase /(decrease) in operating liabilities		**8,058**	**(23,584)**
Income taxes paid		(83)	(31)
Income tax refunded		87	16
Pension plan contribution	28	(6)	(11)
Net cash from/(used in) operating activities		**3,410**	**(5,482)**
Cash flows from investing activities (USD million)			
Proceeds from Financial assets available-for-sale	16	8	–
Proceeds from sale of premises, equipment and intangible assets	19,20	151	141
Capital expenditure for property, equipment and intangible assets	19,20	(152)	(151)
Net cash from/(used in) investing activities		**7**	**(10)**
Cash flows from financing activities (USD million)			
Issuances of long term debt (including long term debt at fair value through profit or loss)	24	10,282	6,308
Repayment of long term debt	24	(14,158)	(6,513)
Increase In capital contribution due to sale of business to common control entity		23	–
Net cash provided by financing activities		**(3,853)**	**(205)**
Net decrease in cash and cash equivalents		**(436)**	**(5,697)**
Cash and cash equivalents at beginning of period		3,014	8,711
Cash and cash equivalents at end of period		**2,578**	**3,014**
Cash and due from banks		2,640	3,183
Deposits	21	(62)	(169)
Cash and cash equivalents at end of period		**2,578**	**3,014**

[1] The Company has elected to present a 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 25. 2016 numbers have been restated to conform to the current year's presentation.

Notes to the consolidated financial statements

Notes to the Financial Statements for the year ended 31 December 2017

1 General

Credit Suisse Securities (Europe) Limited is domiciled in the United Kingdom. The address of the CSS(E)L Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2017 comprise Credit Suisse Securities (Europe) Limited and its subsidiaries (including structured entities). The Consolidated Financial Statements were authorised for issue by the Directors on 29 March 2018.

2 Significant Accounting Policies

a) Statement of compliance

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

b) Basis of preparation

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

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

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

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

Standards and Interpretations effective in the current period

The CSS(E)L Group has adopted the following amendments in the current year.

- **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 adoption of the Amendments to IAS 12 on 1 January 2017, did not have a material impact to the CSS(E)L 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. As the Amendments to IAS 7 impact disclosures only, the adoption on 1 January 2017, did not have an impact to the CSS(E)L Group's financial position, results of operation or cash flows. The reconciliation is disclosed in the Cash Flow Statement.
- **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 adoption of the Improvements to IFRSs 2014-2016 on 1 January 2017, did not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

Standards and Interpretations endorsed by the EU and not yet effective

The CSS(E)L Group is not yet required to adopt the following standards and interpretations which are issued by IASB but not yet effective.

- **IFRS 9 Financial Instruments:** In July 2014, the IASB issued IFRS 9 as a complete standard which replaces IAS 39. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The CSS(E)L Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39, until at the latest the requirements on macro hedging are finalised and released. The amendments to IFRS 7 resulting from IFRS 9 also require new disclosures as well as the revision of current disclosure requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

In October 2017, the IASB issued Prepayments Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The CSS(E)L Group has early adopted this amendment in 2018.

Under IFRS 9, financial assets will be classified on the basis of two criteria: 1) the business model of why financial assets are held and how they 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 (FVOCI) or Fair value through Profit & Loss (FVTPL). For equity investments that are not held for trading, the CSS(E)L Group may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). 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 OCI rather than profit or loss.

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost as well as certain loan commitments and financial guarantee contracts. The CSS(E)L Group's financial assets measured at amortised cost include cash and due from banks, interest bearing deposits with banks, securities purchased under resale agreements and securities borrowing transactions as well as receivables. The impairment requirements will change from an incurred loss model to an expected credit loss ("ECL") model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

All financial assets will attract a 12 month ECL on origination (Stage 1) except for financial assets purchased or originated credit impaired. Therefore impairment will be recognized earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired (Stage 3).

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).

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 significant increase in credit risk process will have no effect on certain portfolios, mainly prime brokerage margin lending, accrual accounted securities purchased under resale agreements and securities borrowing transactions, due to the risk management practices adopted, including regular margin calls. ECL on these positions is expected to be low. If margin calls are not satisfied, the position will be closed out immediately with any shortfall generally classified as a Stage 3 position.

A financial asset moves into Stage 3 when it becomes credit-impaired. The definition of credit-impaired under IFRS 9 will be similar to the current indicators in IAS 39 of objective evidence of impairment. Under the new impairment guidance there will be no change to the write-off policy compared to IAS 39.

For financial instruments that are not credit-impaired at the reporting date (Stage 1 or Stage 2), the CSS(E)L Group will measure expected credit losses by applying a probability to default/loss-given default approach ('PD/LGD approach'). Under the PD/LGD approach, term structures of point-in-time, forward-looking PDs, LGDs and exposure at defaults will be estimated. The definition of default for IFRS 9 purposes will be aligned with the current regulatory definition of default which is based on 90 days past due and unlikely to pay on material obligation.

The CSS(E)L Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all fee receivables. To measure the expected credit losses, the CSS(E)L Group will apply a provision matrix in the form of aging analysis, including relevant forward looking information. The fee receivables do not contain a significant financing component in accordance with IFRS 15.

The CSS(E)L Group does not have any material classification changes to financial assets or financial liabilities nor were there any impacts due to modifications of financial assets or financial liabilities.

In addition, the CSS(E)L Group does not have any material impact on impairment and therefore the adoption of IFRS 9 on 1 January 2018 did not have any material impact on the entity's financial position, results of operations or cash flows. There is no material impact on regulatory capital from the adoption of the IFRS 9 impairment requirements either.

- **IFRS 15 Revenue from Contracts with Customers:** In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 requires that an entity 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 that 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). 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 replaces existing revenue guidance in IFRS.

IFRS 15 and Clarifications to IFRS 15 are effective for annual reporting periods beginning on or after 1 January 2018.

The CSS(E)L Group established a cross-functional implementation team and governance structure for the project. The CSS(E)L Group's implementation efforts includes 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.

The CSS(E)L Group adopted the guidance in IFRS 15 and Clarifications to IFRS 15 on 1 January 2018 using the cumulative effect transition approach with a transition adjustment recognised in retained earnings without restating comparatives. As a result of adoption, there was no impact on retained earnings due to timing of the recognition of certain fees. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs. Advisory contracts may have one or more services that meet the definition of a performance obligation. The assessment of what is the promised service in an advisory contract requires judgement. As a result of the CSS(E)L Group's assessment of performance obligations within advisory contracts, the CSS(E)L Group did not identify any changes in the timing of the recognition of certain fees.

Additionally, the new revenue recognition criteria will require the CSS(E)L Group to present reimbursed expenses in fund management and in investment banking advisory, and revenues related to Revenue Share Agreements and Transfer Pricing Adjustments gross of offsetting expenses in contrast to prior periods in which the financial statements presented these amounts net; this change in presentation from net to gross would have increased the revenues and expenses in 2017 by USD 189 million, which the previously stated transition amount excludes.

Furthermore with the adoption of the new revenue recognition standard the brokerage, clearing and exchange expenses, which are incurred when buying or selling exchange traded cash securities, exchange traded derivatives or centrally cleared OTC derivatives on behalf of customers, are offset against the commission income. This change from gross to net presentation would have decreased the revenues and expenses in 2017 by USD 5 million, which the previously stated transition amount excludes.

- **IFRS 16 Leases:** In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) superseding IAS 17 'Lease', IFRIC 4 'Determining whether and Arrangement contains a Lease', SIC-15 'Operating Lease-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 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 CSS(E)L Group is required to distinguish between finance leases, which are recognised on the 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. Early adoption is permitted for entities that apply IFRS 15 'Revenue from Contracts with Customers' at or before the initial application of IFRS 16, however the CSS(E)L Group will not be adopting early. The CSS(E)L Group has established a cross-functional implementation team and governance structure for the project. The CSS(E)L Group is currently reviewing its existing contracts to determine the impact of the adoption of IFRS 16. The CSS(E)L 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 CSS(E)L Group's financial position, results of operations and cash flows.

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

The CSS(E)L 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.

- **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. As all the Credit Suisse Group share awards are already valued based on the current Credit Suisse Group share price, the Amendments to IFRS 2 will not have a material impact to the CSS(E)L 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 CSS(E)L Group's currently evaluating the impact of adopting IFRIC 23 on the CSS(E)L Group's financial position, results of operations and cash flows.
- **Annual Improvements to IFRSs 2015-2017 Cycle:** In December 2017, the IASB issued 'Annual Improvements to IFRSs 2015-2017 cycle' (Improvements to IFRSs 2015-2017). The Improvements to IFRSs 2015-2017 are effective for annual periods beginning on or after 1 January 2019. The CSS(E)L Group is currently evaluating the impact of adopting the Improvements to IFRSs 2015-2017.

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

c) Basis of consolidation

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

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

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

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

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

d) Equity method investments

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

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

e) Foreign currency

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

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

f) Cash and due from Banks

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

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

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

- The CSS(E)L Group will pass through to the client all interest paid by the CCP, Broker or Deposit Bank on cash deposits;
- The CSS(E)L Group is not permitted to transform cash balances into other assets; and
- The CSS(E)L Group does not guarantee and is not liable to the client for the performance of the CCP, Broker or Deposit Bank.

Then cash collected from clients and remitted to the CCP, Broker or Deposit Bank is not reflected on the CSS(E)L Group's Consolidated Statement of Financial Position. Examples include initial margin where the CSS(E)L Group acts as Broker in an agency capacity and cash designated as client money under the Client Assets ('CASS') client money rules of the UK's Financial Conduct Authority ('FCA').

g) Interest income and expense

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

h) Commissions and fees

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

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

Incremental costs that are directly attributable to securing investment management contracts may be deferred to match the revenue recognised in relation to that transaction. These costs are recognised as and when the CSS(E)L Group recognises the related revenue.

i) Income tax

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

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

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

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

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

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

Additional income taxes that may arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in the Consolidated Statement of Income for the periods presented is included in Note 11 – Income Tax.

Tax contingencies

The CSS(E)L Group may accrue for tax contingencies on a best estimate basis. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

j) Securities purchased or sold under resale agreements or repurchase agreements

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

The CSS(E)L Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

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

k) Securities borrowing and lending transactions

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

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

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

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

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

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

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

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

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

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

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

Financial assets available for sale

Financial assets that are not classified at fair value through profit or loss, as loans and receivables or as held-to-maturity investments are classified as available-for-sale. Certain marketable equity securities are classified as available-for-sale.

Equity securities available for sale

Equity securities classified as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the securities. Securities available-for-sale are carried at fair value with the changes in fair value reported in AOCI until such investments are sold or impaired. For equity securities available-for-sale, the gain or loss is recognised in AOCI including any related foreign exchange component. Gains and losses recorded in AOCI are transferred to the Consolidated Statement of Income on disposal of assets available-for-sale and presented as other revenues. Generally, the weighted average cost method is used to determine the gain or loss on disposals. Dividend income on available-for-sale financial assets is presented in net interest income.

The CSS(E)L Group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that an asset or group of assets available-for-sale is impaired. In the case of equity securities available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost that is if the fair value has been below cost for more than six months or by more than 20%. Where there is evidence of impairment, the cumulative unrealised loss previously recognised in AOCI within equity is transferred to the Consolidated Statement of Income for the period and reported in other revenues. This amount is determined as the difference between the acquisition cost and current fair value of the asset less any impairment loss on that investment previously recognised in the Consolidated Statement of Income. Impairment losses on equity securities available-for-sale are not reversed; increases in their fair value after impairment are recognised in AOCI.

m) Property and equipment

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

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

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

Long leasehold buildings	67 years
Leasehold improvements	lower of lease term or useful life, generally not exceeding 10 years
Computer equipment	2–7 years
Office equipment	5 years

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

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

n) Intangible Assets

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

Internally developed software that is capitalised is depreciated on a straight-line basis over a maximum useful life of seven years. The amortisation of the intangible assets is included in the 'General, Administrative and Trading expenses' in the Consolidated Statement of Income. The carrying amounts of the CSS(E)L Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in Consolidated Statement of Income.

o) Deposits

Deposits include overdrawn bank accounts. Deposits are initially recognised at fair value and subsequently recognised at amortised cost, which represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums.

p) Provisions

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

q) Long term debt

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

r) Disposal Groups and Discontinued Operations

A disposal group comprising assets and liabilities is classified as held for sale if it is highly probable that it will be recovered primarily through sale rather than through continuing use.

A disposal group is generally measured at the lower of its carrying amount and fair value less costs to sell. However, certain assets, such as deferred tax assets, assets arising from employee benefits, financial assets and the related liabilities are exempt from this measurement requirement. Rather, those assets and liabilities are measured in accordance with other applicable IFRSs. The disposal groups presented in CSS(E)L Group's Statement of Financial Position consist exclusively of assets and liabilities that are measured in accordance with other applicable IFRSs.

A discontinued operation is a component of CSS(E)L Group that either has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Income is re-presented as if the operation had been discontinued from the start of the comparative year.

s) Retirement benefit costs

The CSS(E)L Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CSG schemes, in which the Company is the sponsoring entity. CSS(E)L Group's Defined Benefit Obligations ('DBO') are calculated using the projected unit credit method. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred. Remeasurements of the net defined benefit liability are recognised immediately in Other Comprehensive Income ('OCI'). The CSS(E)L Group uses the spot rate approach for the valuation of the UK pension plan, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service cost and interest costs. CSS(E)L Group determined the interest income on plan assets for the period by applying the single equivalent discount rate determined for the interest cost to the plan asset value. The service costs, net interest income and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Consolidated Statement of Income. The CSS(E)L Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The Company has no contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

t) Share-based payments

The Company grants shares in its ultimate parent, Credit Suisse Group ('CSG') to certain employees. The Company pays for CSG shares at market value at the time of settlement to employees.
The share-based awards are classified as a cash-settled share based payment plan. A liability equal to the portion of the services

received is recognised at the current market value determined at each balance sheet date.

The expense for share-based payments is determined by treating each tranche as a separate grant of share awards and is accrued over the vesting period for each tranche, unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

Share awards are made to employees in one of the following ways:
(a) Phantom Share Awards;
(b) Special Awards, which are typically awarded upon hiring of certain senior employees or in relation to business acquisitions. The terms (including amount, vesting, settlement, etc) of special awards vary from award to award;
(c) Performance Share Awards;
(d) Contingent Capital Share Awards.

Phantom Share and Performance Share Awards are generally accrued over the 3 or 4 year vesting period. For certain employees, Phantom Shares and Performance Share Awards granted in 2017 will be accrued over a longer vesting period of 5 to 7 years.

Certain awards vest at grant date and are therefore accrued fully at grant date. Special Awards are accrued over the vesting period as per award terms.

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

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

u) Other compensation plans

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

v) Derivative financial instruments and hedging

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

Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities'.

Embedded derivatives

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

Hedge accounting

Where hedge accounting is applied, the CSS(E)L Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The CSS(E)L Group discontinues hedge accounting prospectively in circumstances where:

- it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item (including forecasted transactions);
- the derivative expires or is sold, terminated, or exercised;
- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- the CSS(E)L Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

Net investment hedges

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging instrument is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. The CSS(E)L Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

Cash flow hedge accounting

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in AOCI as part of shareholders' equity. These amounts are reclassified into the Consolidated Statement of Income when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the Consolidated Statement of Income or when the hedged item is disposed of). Hedge ineffectiveness is recorded in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

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

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

w) Financial guarantee contracts

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

Financial guarantee contracts are initially recognised in the Consolidated Financial Statements at fair value on the date the guarantee was given, which is generally the fee received or receivable. Subsequent to initial recognition, the CSS(E)L Group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required to settle any financial obligation arising as of the Statement of Financial Position date when it is probable that the financial obligation will occur. Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

x) Operating leases

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

If the CSS(E)L Group is the lessor in an operating lease it continues to present the asset subject to the lease in its Financial Statements and recognises lease income on a straight line basis over the period of the lease.

Subleases

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

y) Contingent liabilities

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

z) Recognition and derecognition

Recognition

The CSS(E)L Group recognises financial instruments on its Consolidated Statement of Financial Position when the CSS(E)L Group becomes a party to the contractual provisions of the instrument.

Regular-way securities transactions

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

Derecognition

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

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

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

Securitisation

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

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

aa) Netting

The CSS(E)L Group only offsets financial assets and liabilities and presents the net amount on the Consolidated Statement of Financial Position where it:

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

In many instances the CSS(E)L Group's net position on multiple bilateral OTC derivative transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements normally ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, because such contracts are not currently enforceable in the normal course of business and the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 Financial Instruments: Presentation (IAS 32) to offset transactions falling under Master Netting Agreements. For certain derivative transactions cleared with a central clearing counterparty (CCP) , the offsetting criteria under IAS 32 are met because the CSS(E)L Group has the current legally enforceable right to set off (based on the offsetting provisions in the CCP rulebook) and the intention to settle net or simultaneously (considering the daily payment process with the CCP). For securities purchased or sold under resale agreements or repurchase agreements, such legally enforceable agreements qualify for offsetting under IAS 32, if the gross settlement mechanism for these transactions has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle and will therefore meet the net settlement criterion as an equivalent.

ab) Dividends

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the Consolidated Financial Statements are reasonable and consistently applied.

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

(i) Income tax;
(l) Financial assets and liabilities at fair value through profit or loss;
(p) Provisions;
(s) Retirement benefit costs;
(t) Share-based payments;
(v) Derivative financial instruments and hedging;
(y) Contingent liabilities;
(z) Recognition and derecognition.

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

Taxes

Deferred tax valuation

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

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Company. 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 are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSS(E)L Group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA. Please see Note 12 – Deferred Taxes for more information.

Fair Value

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

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

In addition, the CSS(E)L Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment judgement, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments comprise of life finance instruments and OTC derivatives, including longevity swaps.

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

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

For OTC derivatives, the impact of changes in both the CSS(E)L Group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swaps ('CDS') prices. The adjustments also take into account contractual factors designed to reduce the CSS(E)L 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 CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

As of the end of 2017, 44.24% and 41.20% of the total assets and total liabilities, respectively, were measured at fair value (2016: 46.91% and 40.33%, respectively). The CSS(E)L Group Level 3 assets were USD 2.74 billion (2016: USD 3.12 billion), which was equivalent to 2.22% (2016: 2.62%) of total assets and 5.01% of total assets measured at fair value (2016: 5.59%).

For further information on the fair value hierarchy and a description of the valuation techniques, refer to Note 35 – Financial Instruments.

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

Control processes are applied to ensure that the fair value of the financial instruments reported in the CSS(E)L Group and Company Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. For further information related to the CSS(E)L Group's control and governance processes on the fair value of financial instruments please refer Note 35 – Financial Instruments.

Disposal Group and Discontinued Operations

The classification of assets and liabilities as a disposal group held for sale and the related presentation of discontinued operations requires a judgement by management, as to whether it is highly probable that the assets and liabilities will be recovered primarily through a sale, rather than through continuing use. The evaluation performed by management focused on the timing of these plans within the wider strategic plan of the company and the reduction plans of the SRU. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Events or circumstances may extend the period to complete the sale beyond one year. The estimate of the time period required until the transfer of a disposal group held for sale is recognised as a completed sale represents a critical accounting estimate. Note 25 – Discontinued Operations and Assets Held for Sale discloses those disposal groups for which management expects that a completed sale will be recognised within one year or for which events or circumstances have extended the period to complete the sale beyond one year.

Retirement Benefit Costs

The following relates to the assumptions the Company, as sponsor of the defined benefit plans, has made in arriving at the valuations of the various components of the defined benefit plans.

The calculation of the expense and liability associated with the defined benefit pension plans requires the use of assumptions, which include the discount rate and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets.

Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of benefit cost recorded in future years.

The discount rate used in determining the benefit obligation and the benefit cost are based on yield curves, constructed from high-quality corporate bonds. Credit Suisse uses the spot rate approach for the valuation of the UK Plan, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service costs and interest costs. Please see Note 28 – Retirement Benefit Obligations for more information.

Share-based payments

The CSS(E)L Group uses the liability method to account for its share-based payment plans, which requires the CSS(E)L Group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit awards that contain earnings performance conditions are marked-to-market based on CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience. Please see Note 29 – Employee Share-based Compensation and Other Compensation Benefits for more information.

Transfer Pricing

Transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required. Please see Note 30 – Related Parties for more information.

Contingencies and loss provisions

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. Please see Note 23 – Provisions for more information.

Litigation contingencies

The CSS(E)L Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. A provision is recognised if, and only if a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event). In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, are not established for matters when losses cannot be reasonably estimated. Please see Note 23 – Provisions for more information.

Structured Entities

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

Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSS(E)L Group may hold interests in the structured entities. If the CSS(E)L Group controls the structured entity then that entity is included in the CSS(E)L Group's consolidated financial statements. The CSS(E)L Group discloses information about significant judgements and assumptions made in determining whether the CSS(E)L Group has (joint) control of, or significant influence over, another entity including structured entities. The CSS(E)L Group also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity. Please see Note 34 – Interests in Other Entities for more information.

4 Net Interest Expense

	2017	2016 [1]
Net interest expense (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	531	549
Financial assets designated at fair value through profit or loss	448	493
Other	136	108
Interest income	**1,115**	**1,150**
Deposits	(3)	(3)
Securities sold under repurchase agreements and securities lending transactions	(417)	(531)
Financial liabilities designated at fair value through profit or loss	(300)	(316)
Short term borrowings	(52)	(64)
Long term debt	(320)	(319)
Other	(179)	(115)
Interest expense	**(1,271)**	**(1,348)**
Net interest expense	**(156)**	**(198)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details. 2016 numbers have been further restated due to negative interest for securities purchased/sold under resale /repurchase agreements and securities borrowing/lending transactions.

For the securities purchased under resale agreements and securities borrowing transactions if the interest rate is negative the associated interest expense is recorded in interest expense. For securities sold under repurchase agreements and securities lending transactions if the interest rate is negative the associated interest income is recorded in interest income.

5 Net Commissions and Fee Income

	2017	2016 [1]
Commission and fee income/(expense) (USD million)		
Underwriting	268	165
Brokerage	370	415
Underwriting and brokerage	**638**	**580**
Other customer services	28	48
Total commission and fee income	**666**	**628**
Brokerage	(103)	(110)
Other customer services	(45)	(72)
Total commission and fee expense	**(148)**	**(182)**
Net commission and fee income	**518**	**446**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

Fee expense represents fees paid to affiliates and exchanges on exchange traded products under agency agreements.

6 Net Gains from Financial Assets/Liabilities at Fair Value through Profit or Loss

	2017	2016[1]
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	128	(44)
Foreign exchange	627	(321)
Equity	(349)	562
Net income on trading financial assets and trading financial liabilities	223	331
Other	43	292
Total net gains from financial assets/liabilities at fair value through profit or loss	**672**	**820**
Of which:		
Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	1	(4)
Other financial assets designated at fair value through profit or loss	(29)	69
of which related to credit risk	–	(1)
Securities sold under repurchase agreements and securities lending transactions	(1)	(2)
Long term debt	7	(1)
Other financial liabilities designated at fair value through profit or loss	(6)	1
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	**(28)**	**62**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

7 Other Revenues

	2017	2016[1]
Other revenues (USD million)		
Revenue sharing agreements	(87)	(77)
Other	26	4
Total other revenues	**(61)**	**(73)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

8 Compensation and Benefits

	2017	2016[1]
Compensation and benefits (USD million)		
Salaries and variable compensation	(437)	(444)
Social security	(67)	(60)
Pensions	(1)	(10)
Other	(15)	(18)
Total compensation and benefits	**(520)**	**(532)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 30 – Related Parties. Staff costs and staff numbers do not differ between CSS(E)L Group and Company.

The decrease in staff costs is primarily driven by a reduction in salaries due to employees transferring from CSS(E)L to CS Services AG London Branch due to Service Co initiative and due to continuing business migrations and cost reduction program in 2017, offset by higher variable compensation on deferred compensation awards.

The CSS(E)L Group incurs compensation and benefits costs which are recharged to the relevant CS group companies through 'Expenses receivable from other Credit Suisse group companies' in Note 9 – General, Administrative and Trading Expenses.

9 General, Administrative and Trading Expenses

	Reference to note	2017	2016 [1]
General, administrative and trading expenses (USD million)			
Brokerage charges and clearing house fees		(144)	(104)
Trading expenses		**(144)**	**(104)**
Occupancy expenses		(99)	(101)
IT and machinery		(122)	(164)
Depreciation expense	19	(1)	(1)
Provisions	23	(73)	(6)
Travel and entertainment		(11)	(13)
Auditors' remuneration		(2)	(2)
Professional services		(366)	(389)
UK Bank levy		(18)	(35)
Non income taxes		(112)	(103)
Marketing data, publicity and subscription		(22)	(24)
Communication expenses		(22)	(27)
Other		(9)	(20)
General and administrative expenses		**(857)**	**(885)**
Expenses receivable from other Credit Suisse group companies		95	434
Total General, administrative and trading expenses		**(906)**	**(555)**

[1] 2016 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

The CSS(E)L Group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses receivable from other CS group companies'. The recharges comprise of compensation and benefit expenses and general administrative expenses. See Note – 30- Related Parties.

Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.13 million (2016: USD 1.03 million).

The following fees were payable by the CSS(E)L Group to the auditor, KPMG LLP.

CSS(E)L Auditor's Remuneration (USD '000)	2017	2016
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	(1,131)	(1,033)
Fees payable to CSS(E)L Group's auditor and its associates for other services	(42)	–
Audit-related assurance services	(582)	(392)
Other assurance services	(109)	(25)
Total Fees	**(1,864)**	**(1,450)**

10 Restructuring Expenses

In connection with the strategic review of the CS group, restructuring expenses of USD 34 million (2016: USD 10 million) were recognised during 2017. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards.

	2017	2016
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	(26)	(10)
of which severance	(17)	(8)
of which accelerated deferred compensation	(9)	(2)
General and administrative-related expenses	(8)	–
Total Restructuring expenses by type	**(34)**	**(10)**

	2017			2016		
	Severance expenses	General and administrative-expenses	Total	Severance expenses	General and administrative-expenses	Total
Restructuring provision (USD million)						
Balance at beginning of period	**13**	**–**	**13**	**42**	**–**	**42**
Net additional charges	17	–	17	8	–	8
Utilisation	(20)	–	(20)	(37)	–	(37)
Balance at end of period	**10**	**–**	**10** [1]	**13**	**–**	**13**

[1] The restructuring liability as shown in the table above have been included in Note 17 – Other Assets and Other Liabilities.

Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 7.3 million and unsettled cash based deferred compensation of USD 1.1 million have been included in 'Share-based compensation liability' and 'Others', respectively in Note 17 – Other Assets and Other Liabilities. The settlement date for the unsettled share-based compensation remains unchanged.

11 Income Tax

CSS(E)L Group and Company	2017	2016
Current and deferred taxes (USD million)		
Current tax expense for the period [1]	(28)	(91)
Adjustments in respect of previous periods	58	34
Income tax benefit/(expense)	**30**	**(57)**
Deferred tax		
Origination and reversal of temporary differences	(87)	8
Adjustments in respect of previous periods	(1)	1
Deferred income tax (expense)/benefit	**(88)**	**9**
Income tax expense	**(58)**	**(48)**

[1] Withholding taxes are included within income taxes.

Current tax of USD Nil (2016: USD Nil) and deferred tax of USD 2 million (2016: USD (62) million) were credited/(debited) directly to equity. Further information about deferred income tax is presented in Note 12 – Deferred Taxes.

Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	2017	2016 [2]
Reconciliation of taxes computed at the UK statutory rate (USD million)		
(Loss)/Profit before tax	(391)	20
(Loss)/ Profit before tax multiplied by the UK statutory rate of corporation tax @ 19.25% (2016: 20%)	75	(4)
Other permanent differences	10	19
Impact of UK bank corporation tax surcharge	35	6
Non-recoverable foreign taxes including withholding taxes	(84) [1]	(91) [1]
Adjustments to current tax in respect of previous periods	58	34
Adjustments to deferred tax in respect of previous periods	(1)	1
Net impact of deferred tax not recognised	(139)	(13)
Tax rate differential	(16)	–
Other	4	–
Income tax expense	**(58)**	**(48)**

[1] Withholding taxes are included within income taxes.
[2] 2016 numbers have been restated to conform to the current year's presentation.

12 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using a recoverable tax rate of 25% (2016: 25%) which includes the impact of the UK banking surcharge. Deferred taxes are calculated on carry forward tax losses using recoverable tax rates of 17% or 25% (2016: 17% or 25%).

Legislation has been enacted which reduces the UK corporation tax rate to 19% with effect from 1 April 2017 and then 17% with effect from 1 April 2020.

There are restrictions on the use of tax losses carried forward. However, these are not expected to have a material impact on the recoverability of the net deferred tax asset.

CSS(E)L Group and Company	**2017**	2016
Deferred tax (USD million)		
Deferred tax assets	10	18
Deferred tax liabilities	(127)	(52)
Net position	**(117)**	**(34)**
Balance at 1 January, net position	**(34)**	**18**
(Debit)/Credit to income for the year	(87)	9
Tax booked to other comprehensive income	2	(62)
Adjustments related to the previous year	(1)	1
Other movements	–	1
Exchange differences	3	(1)
Balance at 31 December, net position	**(117)**	**(34)**

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

Components of net deferred tax assets

CSS(E)L Group and Company	**2017**	2016
Components of net deferred tax assets (USD million)		
Share-based compensation	63	100
Decelerated tax depreciation	31	30
Other short term temporary differences	28	34
Tax losses	16	29
Deferred tax assets netted against deferred tax liabilities	(128)	(175)
Balance at 31 December	**10**	**18**

Components of net deferred tax liabilities

CSS(E)L Group and Company	**2017**	2016
Components of deferred tax liabilities (USD million)		
Pensions and other post-retirement benefits	(255)	(227)
Deferred tax liabilities netted against deferred tax assets	128	175
Balance at 31 December	**(127)**	**(52)**

Details of the tax effect of temporary differences

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

CSS(E)L Group and Company	2017	2016
Tax effect of temporary differences (USD million)		
Share-based compensation	(37)	(54)
Decelerated tax depreciation	1	(2)
Other short term temporary differences	(8)	–
Tax losses	(13)	29
Pensions and other post-retirement benefits	(30)	36
Total deferred tax (expense)/benefit in the Statement of Income	**(87)**	**9**

The deferred tax expense in Other Comprehensive Income related to:

CSS(E)L Group and Company	2017	2016
Tax expense in Other Comprehensive Income (USD million)		
Defined benefit Liability/(Asset)	2	(62)
Total deferred tax benefit/(expense) in the Statement of Other Comprehensive Income	**2**	**(62)**

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 Company. 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 are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in 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 896 million (2016: USD 759 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 deferred tax asset balance is no longer probable.

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

The following table summarises the financial assets resulting from the securities purchased under resale agreements, at their respective carrying values:

CSS(E)L Group and Company	2017	2016
Securities purchased under resale agreements and securities borrowing transactions (USD million)		
Securities purchased under resale agreements	11,751	11,686
Deposits paid for securities borrowed	10,974	–
Total Securities purchased under resale agreements and securities borrowing transactions	**22,725**	**11,686**

The following table summarises the financial liabilities resulting from the securities lent under repurchase agreements and securities lending transactions, at their respective carrying values:

CSS(E)L Group and Company	2017	2016
Securities sold under repurchase agreements and securities lending transactions (USD million)		
Securities sold under repurchase agreements	118	72
Deposits received for securities lent	14,150	–
Total Securities sold under repurchase agreements and securities lending transactions	**14,268**	**72**

See Note 15 – Financial Assets and Liabilities Designated at Fair Value through Profit or Loss for Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements that are measured at fair value. Increase in Deposits paid for securities borrowed and Deposits received for securities lent is primarily driven by the changes made to discontinued operations and assets held for sale as business moved into continuing operation. Refer Note 25 for details.

Securities Borrowed, Lent and Purchased/Sold under Resale/ Repurchase Agreements are mainly due within one year.

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

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

	CSS(E)L Group		Company	
Securities purchased under resale agreements and securities borrowing transactions (USD million)	**2017**	2016	**2017**	2016
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	2,473	2,603	2,473	2,603
Equity securities	16,703	7,932	16,703	7,932
Derivative instruments	3,956	3,345	3,967	3,898
Total trading financial assets at fair value through profit or loss	**23,132**	**13,880**	**23,143**	**14,433**
Trading financial liabilities at fair value through profit or loss (USD million)				
Debt securities	2,072	1,787	2,072	1,787
Equity securities	6,359	2,786	6,359	2,786
Derivative instruments	4,185	2,964	4,156	2,932
Total trading financial liabilities at fair value through profit or loss	**12,616**	**7,537**	**12,587**	**7,505**

Debt securities primarily consist of corporate bonds and government securities. Increase in Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss is primarily driven by the changes made to discontinued operations in 2017. Refer Note 25 – Discontinued Operations and Assets Held for Sale for details.

Trading financial assets include USD 14,247 million (2016: USD 16,809 million) which are encumbered, representing debt and equity securities from both continued and discontinued operations. Refer Note – 36 Assets Pledged or Assigned. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

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

	CSS(E)L Group		Company	
	2017	2016	**2017**	2016
Financial assets designated at fair value through profit or loss (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	23,749	21,568	23,749	21,568
Other financial assets designated at fair value through profit or loss	1,523	2,045	1,465	1,442
Total financial assets designated at fair value through profit or loss	**25,272**	**23,613**	**25,214**	**23,010**

Of the financial assets designated at fair value through profit or loss, securities purchased under resale agreements and securities borrowing transactions were elected to alleviate an accounting mismatch while other financial assets designated at fair value through profit or loss were elected because they are managed on a fair value basis.

For the change in fair value of reverse repurchase agreements, the CSS(E)L Group's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the CSS(E)L Group does not enter into hedges to mitigate credit exposure to the counterparties. Also, given that the credit exposure is eliminated to a large extent, the mark-to-market changes attributable to credit risk are insignificant.

Other financial assets designated at fair value through profit or loss are exposed to credit risk and the maximum fair value maximum exposure to credit risk as at 31 December 2017 and 31 December 2016 for the CSS(E)L Group as well as the Company equals their fair value.

The movement in fair values that is attributable to changes in the credit risk of the financial assets designated at fair value through profit or loss during the period ended 31 December 2017 was USD 4 million for CSS(E)L Group and Company in the Statement of Income (2016: USD 1 million for CSS(E)L Group and Company). The remaining changes in fair value are mainly due to movements in market risk.

Central to the calculation of fair value for life settlement contracts, included in 'Other financial assets designated at fair value through profit or loss', is the estimate of mortality rates. Individual mortality rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organisation together with an individual-specific multiplier. Individual-specific multipliers are determined based on data obtained from third-party life expectancy data providers, which examine insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.

	CSS(E)L Group		Company	
	2017	2016	**2017**	2016
Financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	28,111	23,707	28,111	23,707
Long term debt	345	94	335	82
Other financial liabilities designated at fair value through profit or loss	–	9	–	9
Total financial liabilities designated at fair value through profit or loss	**28,456**	**23,810**	**28,446**	**23,798**

Of the financial liabilities designated at fair value through profit or loss, securities sold under repurchase agreements and securities lending transactions were elected to alleviate an accounting mismatch while long term debt and other financial liabilities designated at fair value through profit or loss were elected because they are managed on a fair value basis.

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

The carrying amount of long term debt is USD 34 million higher than the principal amount that the CSS(E)L Group and Company would be contractually required to pay to the holder of these financial liabilities at maturity (2016: USD 96 million higher (CSS(E)L Group and Company).

16 Financial Assets Available-For-Sale

CSS(E)L Group and Company	**2017**	2016
Financial assets available-for-sale (USD million)		
Equity securities available-for-sale	39	25
Total securities available-for-sale	**39**	**25**
Other	–	8
Total financial assets available-for-sale	**39**	**33**

Equity securities includes investments in non-marketable exchanges and financial clearing houses whereby the CSS(E)L Group and Company are not required to hold shares as part of its membership, for which the CSS(E)L Group and Company have neither significant influence nor control over the investee. These securities are held at fair value with any unrealised gains or losses taken through equity.

Other includes investments in non-marketable exchanges and financial clearing houses whereby the CSS(E)L Group and Company are required to hold shares as part of its membership, for which the CSS(E)L Group has neither significant influence nor control over the investee.

CSS(E)L Group and Company	Amortised cost	Gross unrealised gains	Fair Value
Equity securities available-for-sale (USD million)			
31 December 2017	-	35	39
31 December 2016	-	25	25

17 Other Assets and Other Liabilities

	CSS(E)L Group		Company	
	2017	2016	**2017**	2016
Other assets (USD million)				
Brokerage receivables (refer to Note 18)	3,803	2,909	3,803	2,909
Interest and fees receivable	1,038	962	1,038	962
Derivative instruments used for hedging (refer to Note 32)	–	9	–	9
Cash collateral on derivative and non-derivative instruments	**2,118**	**1,211**	**2,118**	**1,211**
Banks	1,032	467	1,032	467
Customers	1,086	744	1,086	744
Prepaid expenses	3	38	3	38
Other	1,087	1,084	1,099	1,060
Total other assets	**8,049**	**6,213**	**8,061**	**6,189**

Other assets are mainly due within one year.

	CSS(E)L Group		Company	
	2017	2016 [1]	**2017**	2016 [1]
Other liabilities (USD million)				
Brokerage payables (refer to Note 18)	2,196	1,648	2,196	1,648
Interest and fees payable	1,113	279	1,113	279
Cash collateral on derivative and non-derivative instruments	**13,417**	**14,523**	**13,417**	**14,523**
Banks	8,576	10,066	8,576	10,066
Customers	4,841	4,457	4,841	4,457
Share-based compensation liability	122	116	122	116
Other	572	1,512	558	1,482
Total other liabilities	**17,420**	**18,078**	**17,406**	**18,048**

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

Cash collateral on non-derivatives for 2017 includes financial guarantees which have been cash collateralised of USD 6,000 million (2016: USD 7,500 million) provided by Credit Suisse AG London branch to reduce regulatory capital charges on related party exposures. Included in above are Other Loans and Receivables, none of which are past due. Other liabilities include liability towards restructuring cost of USD 10 million (2016 : USD 13 million) – Refer Note 10- Restructuring Expenses.

18 Brokerage Receivables and Brokerage Payables

The CSS(E)L Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The CSS(E)L Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold or purchased, in which case the CSS(E)L Group would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is considered to be reduced. The CSS(E)L Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

CSS(E)L Group and Company	**2017**	2016
Brokerage receivables (USD million)		
Due from customers	1,112	986
Due from banks, brokers and dealers	2,691	1,923
Total brokerage receivables	**3,803**	**2,909**
Brokerage payables (USD million)		
Due to customers	919	595
Due to banks, brokers and dealers	1,277	1,053
Total brokerage payables	**2,196**	**1,648**

Brokerage receivables and payables include transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers which have not settled as at the reporting date (excluding debt and equity securities which have not reached their settlement date as these are recognised on settlement date of the transaction), receivables and payables from the Prime Brokerage business and cash collateral from futures trading.

Included within payables are liabilities identified in respect of either initial margin or client money received from clients, but only where it has been determined that the cash received represents an asset of the CSS(E)L Group. The CSS(E)L Group and Company held USD 1,899 million of client money as at 31 December 2017 (2016: USD 1,860 million), USD 810 million as of 31 December 2017 (2016: USD 1,264 million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSS(E)L Group and Company. This cash, when recognised on the balance sheet, is recorded under ‘Cash and due from banks’ and ‘Other assets’.

19 Property and Equipment

CSS(E)L Group and Company	Leasehold Improvements	Computer Equipment	Office Equipment	**Total**
2017				
Cost (USD million)				
Cost as at 1 January 2017	**14**	**13**	**11**	**38**
Additions	–	–	1	1
Disposals	–	(1)	–	(1)
Other movements	(11)	(1)	(8)	(20)
Cost as at 31 December 2017	**3**	**11**	**4**	**18**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2017	**12**	**10**	**9**	**31**
Charge for the year	–	1	–	1
Disposals	–	(1)	–	(1)
Other movements	(9)	–	(5)	(14)
Accumulated depreciation as at 31 December 2017	**3**	**10**	**4**	**17**
Net book value as at 1 January 2017	**2**	**3**	**2**	**7**
Net book value as at 31 December 2017	**–**	**1**	**–**	**1**
2016				
Cost (USD million)				
Cost as at 1 January 2016	**13**	**11**	**9**	**33**
Additions	7	1	2	10
Disposals	(1)	–	(2)	(3)
Other movements	(5)	1	2	(2)
Cost as at 31 December 2016	**14**	**13**	**11**	**38**
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2016	**11**	**9**	**9**	**29**
Charge for the year	1	1	1	3
Disposals	(1)	–	(2)	(3)
Other movements	1	–	1	2
Accumulated depreciation as at 31 December 2016	**12**	**10**	**9**	**31**
Net book value as at 1 January 2016	**2**	**2**	**–**	**4**
Net book value as at 31 December 2016	**2**	**3**	**2**	**7**

Leasehold improvements relate to improvements to land and buildings that have been occupied on commercial lease terms by the CSS(E)L Group and other CS group companies.

No interest has been capitalised in the current year within property and equipment (2016: USD Nil).

No impairment charges were recorded in 2017 and 2016 for property and equipment.

20 Intangible Assets

CSS(E)L Group and Company	Right to Use Leisure Facility	Internally Developed Software	Total
2017			
Cost (USD million)			
Cost as at 1 January 2017	**4**	**–**	**4**
Additions	–	151	151
Disposals	–	(151)	(151)
Cost as at 31 December 2017	**4**	**–**	**4**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2017	**(3)**	**–**	**(3)**
Amortisation for the year	–	–	–
Impairment	–	–	–
Disposals	–	–	–
Accumulated amortisation as at 31 December 2017	**(3)**	**–**	**(3)**
Net book value as at 1 January 2017	**1**	**–**	**1**
Net book value as at 31 December 2017	**1**	**–**	**1**
Net book value as at 1 January 2016			
Cost (USD million)			
Cost as at 1 January 2016	**4**	**–**	**4**
Additions	–	141	141
Disposals	–	(141)	(141)
Cost as at 31 December 2016	**4**	**–**	**4**
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2016	**3**	**–**	**3**
Amortisation for the year	–	–	–
Impairment	–	–	–
Disposals	–	–	–
Accumulated amortisation as at 31 December 2016	**3**	**–**	**3**
Net book value as at 1 January 2016	**1**	**–**	**1**
Net book value as at 31 December 2016	**1**	**–**	**1**

No interest has been capitalised within intangible assets (2016: USD Nil).

The internally developed software – work in progress investment during 2017 was transferred from CSS(E)L to CSi as all CSS(E)L assets gets capitalised in CSi.

No impairment charges was recorded on right to use leisure facility. No impairment charges were recorded for internally developed software in 2017 and 2016. The right to use leisure facility is held in the Seoul Branch. This asset was impaired in 2015. This asset is held in the Seoul Branch. The assets' fair value was calculated based on an average from external price quotes and is level 2 of the fair value hierarchy. The fair value of the asset is also equal to its recoverable amount.

21 Deposits

CSS(E)L Group and Company	2017	2016
Deposits from banks (USD million)		
Interest-bearing demand deposits	60	146
Non-interest bearing demand deposits	–	23
Time Deposits	2	–
Total deposits	**62**	**169**

22 Short Term Borrowings

CSS(E)L Group and Company	**2017**	2016
Short-term borrowings (USD million)		
Short term borrowings:		
from banks	4,244	2,403
from customers	1,268	1,264
Total short term borrowings	**5,512**	**3,667**

23 Provisions

CSS(E)L Group and Company	Property	Litigation	**Total**
Provisions (USD million)			
Balance at 1 January 2017	1	5	6
Charges during the year	–	73	73
Utilised during the year	–	(77)	(77)
Balance at 31 December 2017	**1**	**1**	**2**

CSS(E)L Group and Company	Property	Litigation	**Total**
Provisions (USD million)			
Balance at 1 January 2016	1	1	2
Charges during the year	–	7	7
Utilised during the year	–	(3)	(3)
Balance at 31 December 2016	**1**	**5**	**6**

Property provision

The property provision mainly relates to property (Hanwha Building, Seoul) reinstatement obligations that will be incurred when the leases expire.

Litigation provision

In the year, CSSEL incurred an increase in litigation expenses in relation to certain transactions in the Strategic Resolution Unit division. The CSS(E)L Group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are more likely than not and can be reasonably estimated. General Counsel in consultation with the business reviews CS group's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant. The litigation provision relates to legal cases that the Company is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2017.

24 Long Term Debt

CSS(E)L Group and Company	**2017**	2016
Long-term debt (USD million)		
Senior debt	19,433	21,261
Subordinated debt	2,250	3,501
Total long term debt	**21,683**	**24,762**

Senior Debt

In response to the UK liquidity requirements required by the PRA as set out in its policy statement (PS) 09/16, new term profiles were put in place from Credit Suisse AG (London Branch). Senior Debt as at 31 December 2017 comprises:

CSS(E)L Group and Company	Counterparty Name	Date of facility	
Outstanding as at December 2017			
EUR 5,940 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
GBP 5,500 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
USD 3,675 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
USD 625 million	Credit Suisse Investment Holdings (UK)	14 December 2017	729 days MREL instruments
USD 625 million	Credit Suisse Investment Holdings (UK)	14 December 2017	1460 days MREL instruments

Senior Debt as at December 2016 comprises:

CSS(E)L Group and Company	Counterparty Name	Date of facility	
Outstanding as at December 2016			
EUR 2,700 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
GBP 5,500 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
USD 11,675 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen

During 2017, 400 days call evergreen loans of USD 8,000 million from Credit Suisse AG (London Branch) was repaid. The currency composition of these evergreen loans funding changed due to currency specific requirements resulting in further issuance of evergreen call loans, denominated in Euro and GBP with Credit Suisse AG (London Branch).

Subordinated Debt

At 31 December 2017, subordinated debt comprises an amount of USD 2,250 million (2016: USD 3,501 million). This comprised of USD 2,250 million (2016 : USD 2,250 million) advanced by Credit Suisse Investment UK Limited and Credit Suisse PSL Gmbh USD Nil (2016 : USD 1,251 million).

During 2017, the Directors have approved a capital restructure of CSS(E)L to repatriate Tier 2 Subordinated debt capital of USD 1,250 million to Credit Suisse PSL Gmbh. In addition, the entity has issued internal MREL (Minimum Requirement for own funds and Eligible Liabilities) of USD 1,250 million with counterparty Credit suisse Investment Holdings (UK) to replace the existing subordinated loan facility.

On 15 April 2014 as part of restructuring of subordinated debt Company borrowed USD 1,500 million from Credit Suisse Investment UK Limited. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 342 basis points per annum. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and PRA. The earliest date at which the Company may make a repayment is 15 April 2019. The maturity of the loan is 15 April 2026. In addition to this the Company borrowed additional USD 750 million under the subordinated loan facility dated 14th April 2014. The maturity of additional loan is 29 December 2025.

Pursuant to amendments in IAS 7 – Cash Flow Statement, below is the reconciliation of liabilities arising from financing activities.

		Cash Flows		Non Cash Changes		
Group and Company	Opening Balance	Issuances	Repayments and other movements	Acquisition	Translation FX and Interest movements	Closing Balance
Long term debt (USD million)						
Long term debt	24,762	10,282	(14,158)	–	797	21,683
Total Long Term Debt	**24,762**	**10,282**	**(14,158)**	**–**	**797**	**21,683**

25 Discontinued Operations and Assets Held for Sale

The CSS(E)L Group has committed to sell its Prime Services business to Credit Suisse AG (acting through its Dublin branch) since 2016. The plan has subsequently been revised and the Company intends to move certain assets and liabilities to CSi. CSS(E)L Group is transferring part of the Prime Services business to Credit Suisse AG (acting through its Dublin branch) on a phased basis and will record the sale as completed when the majority of client balances have migrated to Credit Suisse AG (acting through its Dublin branch). Part of the business has been migrated in 2017, the rest is expected to be materially completed in 2018 and continues to qualify for discontinued operations treatment under IFRS, and post-tax profit or loss of these individual businesses has been classified as discontinued operations in CSS(E)L 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. During 2017 USD 11,102 million assets and USD 8,389 million liabilities have been transferred, the transfer will continue through 2018. Cash inflow relating to operational activities in 2017 were USD 3,711 million (2016: Cash outflow of USD 9,528 million).

The revised plan to transfer the rest of the Prime Services assets and liabilities to CSi is expected to commence in 2019. Due to the timeline to completion being greater than 12 months, there is no longer a requirement to classify the assets and liabilities within Discontinued Operations and Assets Held for Sale. The prior period results on the Consolidated Statement of Income have been restated to conform with current presentation as a continuing operation.

CSS(E)L sold the majority of its assets and liabilities in Frankfurt Branch to Credit Suisse (Deutschland) AG in 2017 for USD 23 million which qualifies for discontinued operations treatment under IFRS, and post-tax profit or loss of this branch has been classified as discontinued operations in CSS(E)L Group's Consolidated Statement of Income. USD 88 million of assets and USD 86 million of liabilities have been transferred to Credit Suisse (Deutschland) AG. Net cash inflows relating to operational activities were USD 42 million. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

The majority of the Systematic Market Making ('SMM') business was closed during 2016, with the remainder being completed in early 2017. The remaining assets and liabilities were closed out and these represent equity securities and listed derivative positions. In 2017 CSS(E)L Group has closed out USD 995 million of assets and USD 1,006 million of liabilities. Cash outflow relating to operational activities for 2017 were USD 45 million (2016: Cash inflow of USD 126 million). None of the net profit or loss in relation to this business is attributable to non-controlling interest.

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.

Details of the assets and liabilities in relation to the business are provided in the table below:

CSS(E)L Group and Company	Prime Services	Systematic Market Making	Total
2017			
Statement of Financial Position for discontinued operations (USD million)			
Securities purchased under resale agreements and securities borrowing transactions	9,800	–	**9,800**
Trading financial assets at fair value through profit or loss	6,313	–	**6,313**
of which positive market values from derivative instruments	1,749	–	**1,749**
Other Assets	5,327	–	**5,327**
Total assets held for sale	**21,440**	**–**	**21,440**
Securities sold under repurchase agreements and securities lending transactions	3,886	–	**3,886**
Trading financial liabilities at fair value through profit or loss	6,640	–	**6,640**
of which negative market values from derivative instruments	1,330	–	**1,330**
Financial liabilities designated at fair value through profit or loss	109	–	**109**
Other Liabilities	5,249	–	**5,249**
Total liabilities held for sale	**15,884**	**–**	**15,884**

CSS(E)L Group and Company	Prime Services	Systematic Market Making	Total
2016			
Statement of Financial Position for discontinued operations (USD million)			
Securities purchased under resale agreements and securities borrowing transactions	28,730	–	**28,730**
Trading financial assets at fair value through profit or loss	17,292	984	**18,276**
of which positive market values from derivative instruments	2,059	45	**2,104**
Other Assets	4,418	11	**4,429**
Total assets held for sale	**50,440**	**995**	**51,435**
Securities sold under repurchase agreements and securities lending transactions	11,767	–	**11,767**
Trading financial liabilities at fair value through profit or loss	11,860	999	**12,859**
of which negative market values from derivative instruments	1,972	51	**2,023**
Financial liabilities designated at fair value through profit or loss	485	–	**485**
Other Liabilities	7,552	7	**7,559**
Total liabilities held for sale	**31,664**	**1,006**	**32,670**

The results of operations of the businesses sold have been reflected in Profit/(Loss) after taxes from discontinued operations in the consolidated statements for the relevant periods presented. 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 are no cumulative incomes 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 an increase of USD 405 million (2016: USD 2,400 million) in total assets and total liabilities in the Consolidated Statement of Financial Position (total assets increased from USD 123,377 million (2016: USD 116,553 million) to USD 123,782 million (2016: USD 118,953 million) and total liabilities increased from USD 115,655 million (2016: USD 108,424 million) to USD 116,060 million (2016: USD 110,824 million).

CSS(E)L Group and Company	Prime Services	Investment Banking	Frankfurt Branch	Milan Branch	Prime Listed Derivatives	Systematic Market Making	**Total**
2017							
Statement of Income for discontinued operations (USD million)							
Interest income	283	–	–	–		2	**285**
Interest expense	(383)	–	–	–		(2)	**(385)**
Net interest expense	**(100)**	**–**	**–**	**–**	**–**	**–**	**(100)**
Commission and fee income	6		14	–		–	**20**
Commission and fee expense	(6)		–	–	–	–	**(6)**
Net commission and fee income/(expense)	**–**	**–**	**14**	**–**	**–**	**–**	**14**
Net gains from financial assets/liabilities at FV through profit or loss	397	–	1	–		4	**402**
Other revenues/(expenses)	11		22		–	2	**35**
Net revenues	**308**	**–**	**37**	**–**	**–**	**6**	**351**
Compensation and benefits	(14)		(17)			(3)	**(34)**
Restructuring Expenses			(5)				**(5)**
General and administrative expenses	(197)		(7)	–		(12)	**(216)**
Total operating expense	**(211)**	**–**	**(29)**	**–**	**–**	**(15)**	**(255)**
Profit/(Loss) before tax	**97**	**–**	**8**	**–**	**–**	**(9)**	**96**
Income tax credit/(charge)	(35)	–	(14)	–	–	2	**(47)**
Net income attributed to discontinued operations	**62**	**–**	**(6)**	**–**	**–**	**(7)**	**49**
2016							
Statement of Income for discontinued operations (USD million)							
Interest income	473	–	–	–	6	–	**479**
Interest expense	(592)	–	–	–	(6)	(21)	**(619)**
Net interest expense	**(119)**	**–**	**–**	**–**	**–**	**(21)**	**(140)**
Commission and fee income	14	–	–	–	–	–	**14**
Commission and fee expense	3	–	–	–	–	–	**3**
Net commission and fee income/(expense)	**17**	**–**	**–**	**–**	**–**	**–**	**17**
Net gains/(losses) from financial assets/liabilities at FV through profit or loss	454	–	1	–	8	162	**625**
Other revenues/(expenses)	(4)	11	47	1	–	(11)	**44**
Net revenues	**348**	**11**	**48**	**1**	**8**	**130**	**546**
Compensation and benefits	(33)	6	(27)	3	(1)	(52)	(104)
General and administrative expenses	(176)	(13)	(8)	–	(25)	(98)	(320)
Total operating expense	**(209)**	**(7)**	**(35)**	**3**	**(26)**	**(150)**	**(424)**
Profit/(Loss) before tax	**139**	**4**	**13**	**4**	**(18)**	**(20)**	**122**
Income tax credit/(charge)	(43)	–	–	–	–	–	**(43)**
Net income attributed to discontinued operations	**96**	**4**	**13**	**4**	**(18)**	**(20)**	**79**

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. The proceeds of the sales of the businesses are recorded as an adjustment to Capital Contribution, rather than in profit or loss due to the two parties being under common control.

26 Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Gains/ (losses) on cash flow hedges	Unrealised gain/(loss) on Pension Fund	Cumulative translation adjustment	Unrealised gains/ (losses) on financial assets available for sale	**Accumulated other comprehensive income**
2017					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2017	**–**	**297**	**(350)**	**25**	**(28)**
Increase/(decrease):					
Foreign exchange translation differences	–	–	76	–	76
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	–
Cash flow hedges – reclassified to income statement		–	–	–	–
Net gain on hedges of net investments in foreign entities taken to equity	–	–	(57)	–	(57)
Net gain on available for sale securities taken to equity	–	–	–	10	10
Re-measurement of defined benefit liability/(asset)	–	(10) [1]	–	–	(10)
Balance at 31 December 2017	**–**	**287**	**(331)**	**35**	**(9)**
2016					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2016	**(6)**	**113**	**(343)**	**25**	**(211)**
Increase/(decrease):					
Foreign exchange translation differences	–	–	(17)	–	(17)
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	–
Cash flow hedges – reclassified to income statement	6	–	–	–	6
Net gain on hedges of net investments in foreign entities taken to equity	–	–	10	–	10
Re-measurement of defined benefit liability/(asset)	–	184 [1]	–	–	184
Balance at 31 December 2016	**–**	**297**	**(350)**	**25**	**(28)**

[1] Disclosed net of tax

27 Share Capital and Share Premium

CSS(E)L Group and Company	**2017**	2016
Share Capital (USD million)		
Opening balance	**3,859**	**3,859**
38,593,205,060 ordinary voting shares of USD 0.10 each	3,859	3,859
Total called-up share capital	**3,859**	**3,859**
Share Premium (USD million)		
Share Premium	5,661	5,661
Total share premium	**5,661**	**5,661**

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

28 Retirement Benefit Obligations

The Company has several pension schemes covering substantially all employees, including defined benefit pension plans and defined contribution pension plans, mainly located in the UK but also in other European and Asian locations. The most material pension arrangement is operated in the UK, where a funded, final salary defined benefit arrangement is operated ('UK Plan'). The assets of this plan are held independently of the Company's assets in separate trustee administered funds. Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the board of trustees. The UK Plan is closed to future defined benefit accrual however past service benefits for active members are still linked to pensionable salary. Smaller defined benefit plans are operated elsewhere, consisting of unfunded plans in Germany and France and a funded plan in Korea. A full actuarial valuation is completed by independent actuaries for these schemes once a year using the projected unit credit method and updated for each Consolidated Statement of Financial Position date. The Company does not contribute to any other post-retirement defined benefit plans.

Profile of the pension plans

Approximately 4% of the UK Plan's obligations are attributable to current employees, 77% to former employees yet to retire and 19% to current pensioners and dependants of former members currently in receipt of benefits. The liabilities of the other plans in aggregate are broadly split 17% to current employees, 79% to former employees yet to retire and 4% to current pensioners and dependents of former members. The UK Plan duration is an indicator of the weighted-average time until benefits payments are made.

For the UK Plan as a whole the duration is around 24 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 27 years), deferred members (duration of 25 years) and current pensioners and dependents of former members currently in receipt of benefits (duration of 16 years).

The following disclosures contain the balances for the entire defined benefit plans, including the plan sponsored by the Company in the UK, of which the Company is one of many participants, who are all related parties under common control. The Company has no contractual agreement or stated policy for charging the net defined benefit cost to the participating entities, therefore as the legal sponsor, the Company accounts for the entire plan using defined benefit accounting.

All expenses arising from retirement benefit obligations are recorded in the Consolidated Statement of Income under 'Compensation and benefits'.

Defined benefit pension and other post-retirement defined benefit plans

	UK		International	
CSS(E)L Group and Company	**2017**	2016	**2017**	2016
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Operating Cost				
Current service costs on benefit obligation	5	5	2	2
Past service costs (including curtailments)	(10)	–	–	–
Administrative expense	2	2	–	–
Financing Cost				
Net Interest (credits)/costs	(26)	(30)	1	1
Defined benefit (credits)/costs	**(29)**	**(23)**	**3**	**3**

	UK		International	
CSS(E)L Group and Company	**2017**	2016	**2017**	2016
Remeasurements in OCI (USD million)				
Return on plan assets (in excess of)/below that recognised in net interest	(71)	(683)	–	–
Actuarial (gains)/losses due to changes in financial assumptions	50	461	(2)	9
Actuarial (gains)/losses due to changes in demographic assumptions	(16)	(17)	–	–
Actuarial (gains)/losses due to liability experience	58	(15)	–	(1)
Adjustments due to asset ceiling	–	–	–	–
Total amount recognised in OCI	**21**	**(254)**	**(2)**	**8**
Total amount recognised in profit and loss and OCI	**(9)**	**(277)**	**2**	**11**

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2017 and 2016, and the amounts included in the Consolidated Statement of Financial Position for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2017 and 2016 respectively:

	UK		International	
CSS(E)L Group and Company	**2017**	2016	**2017**	2016
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Defined benefit obligation – 1 January	**1,869**	**1,745**	**73**	**65**
Current service cost	5	5	2	2
Interest cost	50	61	1	1
Actuarial (gains)/losses on assumptions	34	444	(2)	8
arising out of changes in demographic assumptions	(16)	(17)	–	–
arising out of changes in financial assumptions	50	461	(2)	8
Actuarial (gains)/losses – experience	58	(15)	–	–
Benefit payments	(211)	(70)	(1)	(1)
Past service costs (including curtailments)	(10)	–	–	–
Special termination benefits	–	–	–	1
Effect of business combinations and disposals	–	–	(11)	–
Settlement payments	–	–	(1)	–
Exchange rate losses/(gains)	177	(301)	10	(2)
Defined benefit obligation – 31 December	**1,972**	**1,869**	**71**	**74**
Fair value of plan assets – 1 January	**2,841**	**2,578**	**10**	**10**
Interest on plan assets	76	91	–	–
Actuarial gains/(losses) on plan assets	71	683	–	–
Actual return on plan assets	**147**	**774**	**–**	**–**
Employer contributions	5	9	1	2
Administrative expense	(2)	(2)	–	–
Benefit payments	(211)	(70)	(1)	–
Settlement payments	–	–	(1)	–
Exchange rate gains/(losses)	273	(448)	1	(1)
Fair value of plan assets – 31 December	**3,053**	**2,841**	**10**	**11**
Total funded status – 31 December				
Plan assets	3,053	2,841	10	11
Defined benefit obligation related to funded plans	(1,972)	(1,869)	(11)	(13)
Funded status for funded plans	**1,081**	**972**	**(1)**	**(2)**
Defined benefit obligation related to non-funded plans	–	–	(61)	(61)
Funded status recognised – 31 December	**1,081**	**972**	**(62)**	**(63)**

During 2017 there was a curtailment in relation to active members in the UK switching to a new defined contribution pension plan. The Defined Benefit Obligation ('DBO') was reduced by USD 10 million as a result of members foregoing the salary link on their benefits. Benefit payments include USD 193 million (2016: USD 56 million) of transfers where deferred members have initiated on an individual basis to transfer their pension to another pension scheme.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the UK plan was carried out by a qualified actuary as at 31 December 2014 and showed a surplus of GBP 39.1 million. The next funding valuation will be as at 31 December 2017.

For additional Pension Fund security, the Company has pledged securities of GBP 225 million as at 31 December 2017. These securities are included in the balances in Note 36 (Assets Pledged or Assigned). At 31 December 2017 and 2016 the pension fund plan assets hold no material amounts of CSS(E)L Group debt and equity securities.

Movement in the Pension Asset/Liability recognised in the Consolidated Statement of Financial Position:

	UK		International	
CSS(E)L Group and Company (USD million)	**2017**	2016	**2017**	2016
At 1 January	972	833	(63)	(55)
Total amount recognised in profit and loss and OCI (charge)/credit	9	277	(2)	(11)
Other economic events	–	–	11	–
Contributions paid	5	9	1	2
Gains/(Losses) due to changes in exchange rates	95	(147)	(8)	1
At 31 December	**1,081**	**972**	**(61)**	**(63)**

The Company recognises the surplus in the UK Plan in accordance with the requirements of IFRIC 14. The trustees of the UK Plan do not have the unilateral right to commence wind-up of the scheme. Thus, the Company assumes that the scheme continues in existence until the last benefit payments are made to members, at which point any residual assets are returned to the employer in line with the rules of the scheme. The Company will review the IASB's amendments to IFRIC 14 and how it will affect its ability to receive a refund of surplus once finalised.

For the UK Plan a net loss of USD 21 million was recorded in OCI for the year ending 31 December 2017. This was mainly due to losses on the benefit obligation resulting from a reduction in the discount rate as well as experience losses which were partially offset by gains on the asset portfolio. For the year ending 31 December 2016 a net gain of USD 254 million was recorded in OCI for the UK Plan mainly resulting from significant gains on the asset portfolio partially offset by an increase in the benefit obligation due to a significant decrease in the discount rate.

Assumptions

The assumptions used in the measurement of the benefit obligation and defined benefit cost for the main defined benefit pension plan as at 31 December were as follows:

	UK		International	
CSS(E)L Group and Company (31 December in %)	**2017**	2016	**2017**	2016
Benefit obligation				
Discount rate	2.45%	2.65%	2.10%	1.80%
Retail Price Inflation	3.11%	3.15%	0.00%	–
Consumer Price Inflation	2.01%	2.05%	1.80%	1.80%
Pension increases	2.97%	3.00%	1.50%	1.50%
Salary increases	3.26%	3.30%	3.50%	3.50%
Defined benefit costs				
Discount rate – Service costs	2.65%	3.90%	1.80%	2.50%
Discount rate – Interest costs	2.51%	3.90%	1.80%	2.50%
Salary increases	3.30%	3.25%	3.50%	3.60%

For discounting expected future cash flows in the UK, Credit Suisse adopted the "spot rate approach" for the valuation as of December 31, 2016, whereby individual spot rates on the yield curve are applied to each year's cash flow in measuring the plan's benefit obligation as well as future service costs and interest costs. Under the previous methodology, a single weighted average discount rate derived from the yield curve was applied to each cash flow.

Mortality Assumptions

The life expectancy assumptions for 2017 have been updated from those used for 2016 to reflect the final CMI model released in early 2017.

The assumptions for life expectancy for the 2017 UK benefit obligation pursuant to IAS 19 are based on the 'SAPS 2 light' base table with improvements in mortality in line with the final CMI model with S=7.5, and a scaling factor of 95%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.50% p.a.

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

	2017	2016
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28.6	28.8
Females	29.7	29.9
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	30.4	30.5
Females	31.5	31.7

Sensitivity Analysis

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

	UK				International			
2017	DBO (USD million)	Increase %	DBO (USD million)	Decrease %	DBO (USD million)	Increase %	DBO (USD million)	Decrease %
Benefit obligation								
One-percentage point change								
-1% / +1% Discount rate	2,497	27%	1,572	(20%)	85	18%	61	(15%)
+1% / -1% Inflation rate	2,311	17%	1,698	(14%)	76	6%	67	(6%)
+1% / -1% Salary increases rate	1,975	–	1,967	–	73	2%	71	(1%)
+1 / -1 year to life expectancy at 60	2,034	3%	1,910	(3%)	73	2%	70	(2%)

	UK				International			
2016	DBO (USD million)	Increase %	DBO (USD million)	Decrease %	DBO (USD million)	Increase %	DBO (USD million)	Decrease %
Benefit obligation								
One-percentage point change								
-1% / +1% Discount rate	2,382	27%	1,472	(21%)	90	23%	61	(17%)
+1% / -1% Inflation rate	2,185	17%	1,598	(14%)	81	11%	68	(8%)
+1% / -1% Salary increases rate	1,878	–	1,860	–	76	4%	70	(5%)
+1 / -1 year to life expectancy at 60	1,906	2%	1,831	(2%)	76	3%	71	(3%)

The sensitivity analysis above has been derived using a number of additional full valuation runs that have been carried out using the same data as that used for calculating the 31 December 2017 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being (partially) matched to the obligations.

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

Plan assets and investment strategy

Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the Board of Trustees. The trustees in administration of UK Plan aim to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, together with agreed contributions from the Company, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funding status and financial market condition.

The Fund has a hedging target of around 100% of interest rate and inflation risk arising from the Technical Provisions measure of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the Technical Provisions measure of the liabilities is calculated. Equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as, property and corporate bonds are used to enhance long term returns while improving portfolio diversification.

Investment risk is monitored and measured on an ongoing basis with quarterly investment and funding reports together with periodic asset/liability analysis and reviews of the inflation and interest rate hedge.

Risks Associated with UK Plan

The UK Plan exposes the Company to a number of risks, the most significant of which are:

Asset volatility

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

Changes in bond yields

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

Inflation Risk

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

Life expectancy

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

Balances and amounts for the current and previous periods for which the CSS(E)L Group prepared IFRS accounts are as follows:

CSS(E)L Group and Company (USD Million)	**2017**	2016
Defined benefit obligation	2,043	1,942
Fair value of plan assets	3,064	2,851
Funded status, surplus/(deficit)	1,022	909
Experience gains/(losses) on plan liabilities [1]	(59)	16
Experience gains/(losses) on plan assets	71	683

[1] This item consists of gains/(losses) in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

Estimated future benefit payments

	Defined Benefit Pension Plan	
	UK Plans	International Plans
Estimated future benefit payments (USD million)		
2018	18	2
2019	19	1
2020	23	1
2021	27	1
2022	30	1
For five years thereafter	220	11

The future estimated benefit payments assume alternative benefit options that a member can choose instead of a pension are not elected, i.e. deferred members do not elect to transfer their pension arrangement to another pension scheme before retirement and members do not elect to convert pension into lump sum at retirement.

Expected Contributions

Expected contributions to defined benefit plans for the year ending 31 December 2018 are USD 2.3 million for UK Plans and USD 0.5 million for International plans.

Plan Assets Allocations

			2017					2016
(USD Million)	Quoted	Unquoted	**Total**	% of total fair value of scheme assets	Quoted	Unquoted	Total	% of total fair value of scheme assets
Cash and cash equivalents	–	182	182	6.0%	–	124	124	4.4%
Debt Securities	2,457	234	2,691	88.2%	1,581	210	1,791	63.0%
of which governments	1,664	–	1,664	54.6%	1,008	–	1,008	35.5%
of which corporates	793	234	1,027	33.6%	573	210	783	27.6%
Equity Securities	–	50	50	1.6%	192	245	437	15.4%
Derivatives	–	34	34	1.1%	–	314	314	11.0%
Alternative investments	–	96	96	3.1%	–	175	175	6.2%
of which hedge funds	–	28	28	0.9%	–	116	116	4.1%
of which other	–	68	68	2.2%	–	59	59	2.1%
Total plan assets UK Plans	**2,457**	**596**	**3,053**	**100.0%**	**1,773**	**1,068**	**2,841**	**100.0%**
Debt Securities	10	–	10		10	–	10	100.0%
Total plan assets International Plans	**10**	**–**	**10**	**100.0%**	**10**	**–**	**10**	**100.0%**

Cash and cash equivalents include shares of separately managed funds and repurchase agreements for which the asset value is generally determined based on inputs other than quoted prices.

The fixed income securities include government bonds which are generally based on quoted prices. Corporate debt securities include individual positions and separately managed funds. They are generally based on inputs other than quoted prices that are observable directly or indirectly. For positions for which market prices are not available, valuations are based on yields reflecting the perceived risk of the issuer and the maturity of the position, recent disposals in the market or other modelling techniques, which may involve judgement.

Equities include common stock and shares of separately managed funds. These are based on quoted prices or other inputs that are observable directly or indirectly. Shares of managed funds which are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured at fair value using their net asset value ('NAV').

Derivatives consist of a variety of products to manage market risks (e.g. interest, inflation). These include OTC and exchange-traded derivatives. The fair value of OTC derivatives is determined on the basis of inputs that include those characteristics of the derivative that have a bearing on the economics of the instrument. The fair value of exchange- traded derivatives is typically derived from observable exchange prices and/or observable inputs.
Alternative investments primarily consist of investments in hedge funds and real estate investments. Alternative investments that are not directly quoted on a public stock exchange and/or for which a fair value is not readily determinable, are measured using their NAV.

The Company also contributes to various defined contribution pensions primarily in the United Kingdom. The contributions in these plans during 2017 and 2016 were USD 30 million and USD 42 million respectively.

29 Employee Share-based Compensation and Other Compensation Benefits

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

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

Total compensation (income)/expense for cash-settled share-based compensation plans recognised during 2017 and 2016 was USD 79 million and USD (18) million respectively. The total stock award liability recorded as at 31 December 2017 was USD 129 million (2016: USD 116 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2017 CHF 17.40 (2016: CHF 14.61). The average weighted fair value of awards granted in 2017 was

CHF 14.40 (2016: CHF 17.20). The intrinsic value of vested share based awards outstanding as at year end was USD 35 million (2016: USD 20 million).

The recognition of compensation expense for the deferred compensation awards granted in February 2018 began in 2018 and thus had no impact on the 2017 financial statements.

Performance Share Awards ('PSA')

Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions. Performance share awards granted until 2015 were subject to a negative adjustment in the event of a negative strategic ROE of CSG, which was calculated based on Core Results, adjusted for the goodwill impairment charge related to the re-organisation of the former Investment Banking division. However, following the change in CSG financial reporting structure in 2015, the strategic Return on Equity ('ROE') is no longer calculated, and consequently, any negative adjustment to performance share awards is subject to the discretion of the Compensation Committee. Starting in 2016, the ROE calculation was based on adjusted results, which the Compensation Committee considered as the most accurate reflection of the operating performance of the businesses.

Performance share awards granted from 2016 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of December 31, 2017, or a negative CSG ROE, whichever results in a larger adjustment. For employees in Corporate Functions and the Strategic Resolution Unit, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

The number of performance share awards was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the ten business days ended February 28, 2018. The fair value of each performance share award was CHF 17.22, the CSG share price on the grant date. While performance share awards granted between January 1, 2014 and December 31, 2015 did not include the rights to receive dividend equivalents, performance share awards granted after January 1, 2016 include the rights to received dividend equivalents, upon vesting.

The majority of performance share awards granted include the right to receive dividend equivalents upon vesting.

There was no negative adjustment applied to performance share awards granted in 2017 or in previous years as the 2017 divisional adjusted results and adjusted ROE of CSG were both positive.

Movements in the number of PSA outstanding were as follows:

CSS(E)L Group and Company	**2017**	2016
Number of units (millions)		
As at 1 January	3.46	4.79
Granted	1.96	1.57
Shares transferred in/out	(0.58)	(0.16)
Delivered	(1.78)	(2.57)
Forfeited	(0.13)	(0.17)
As at 31 December	**2.93**	**3.46**

Phantom Share Awards

Share awards granted in February 2018 are similar to those granted in February 2017. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ('CSG') share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery.

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

The number of share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as shares by the average price of CSG share over the ten business days ended February 28, 2018. The fair value of each share award was CHF 17.22, the CSG share price on the grant date.

The majority of share awards granted include the right to receive dividend equivalents upon vesting.

Movements in the number of Phantom Share outstanding were as follows:

CSS(E)L Group and Company	**2017**	2016
Number of units (millions)		
As at 1 January	5.72	7.24
Granted	3.48	3.94
Shares transferred in/out	(0.19)	(0.65)
Delivered	(3.74)	(4.58)
Forfeited	(0.27)	(0.23)
As at 31 December	**5.00**	**5.72**

Contingent Capital Awards

Contingent Capital Awards ('CCA') were granted in February 2018, February 2017, January 2016, 2015 and 2014 to certain employees as part of the 2017, 2016, 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted certain employees, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination:

- CCA granted in 2018, 2017, 2016, 2015 and 2014 that are denominated in US dollars and vest three, five and seven years from the date of grant receive interest rate equivalents at a rate of 3.05%,4.27%, 5.41%, 5.75% and 5.33%, respectively, per annum over the six-month US dollar London Interbank Offered Rate ('LIBOR');
- CCA granted in 2018, 2017, 2016, 2015 and 2014 that are denominated in Swiss francs and vest three years from the date of grant receive interest rate equivalents at a rate of 2.24%,3.17%, 4.23%, 4.85% and 4.75% per annum over the six-month Swiss franc LIBOR.

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that CSG has issued.

As CCA qualify as going-concern loss-absorbing capital of CSG, the timing and form of distribution upon settlement is subject to approval by FINMA. At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by CSG. In the case of a cash settlement, the CCA award will be converted into the local currency of each respective employee.

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

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

Total compensation expense recognised for Feb17, Jan16, Jan15 and Jan14 CCA during the year ended December 31, 2017 was USD 18 million (2016: USD 19 million).

Contingent Capital Share Awards

In March 2016, the CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57/USD 15.02. CCA holders elected to convert USD 16 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 9%. Each Contingent Capital share award had a grant-date fair value of CHF 14.45/USD 14.90 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

Movements in the number of Contingent Capital Shares outstanding were as follows:

CSS(E)L Group and Company	**2017**	2016
Number of units (millions)		
As at 1 January	0.87	–
Granted	0.02	1.06
Shares transferred in/out	(0.03)	0.01
Delivered	(0.42)	(0.19)
Forfeited	(0.01)	(0.01)
As at 31 December	**0.43**	**0.87**

Other variable compensation
During 2017, CSG granted deferred cash retention awards relating to the reorganisation of the Asia Pacific business. These awards will be expensed over a two-year period from the grant date.

In 2016, CSG granted deferred cash retention awards relating to the reorganisation of the Global Markets and Investment Banking & Capital Markets businesses. These awards will be expensed over a period of up to seven years from the grant date. Amortisation of these awards was recognised in the Corporate Center.

Total compensation expense recognised for APAC retention during the year ended December 31, 2017 was USD 1 million (2016: Nil).

Total compensation expense recognised during the year ended December 31, 2017 was USD 1 million (2016: USD 1 million).

Plus Bond awards
Certain employees received a portion of 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award was essentially a fixed income instrument, denominated in US dollars, which provided a coupon payment that was commensurate with market-based pricing. Plus Bond award holders were entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond settled in July 2016 based on the amount of the initial award less any portfolio losses, in excess of a first loss portion retained by CSG of USD 600 million. The value of the Plus Bond awards was based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities (ABS) that were held in inventory by various trading desks. The Plus Bond award plan contributed to a reduction of CSG's risk-weighted assets and constituted a risk transfer from CSG to the Plus Bond award holders. Final payout upon settlement of these awards was 100% of the amount awarded.

Total compensation expense recognised during the year ended December 31, 2017 was USD Nil (2016: USD 1 million).

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

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

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

- **Capital Opportunity Facility ('COF'):** participants elected for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions, to be entered into with CSG, chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and
- **Contingent Capital Awards('CCA'):** participants elected to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. Settlement of the PAF2 CCA occurred in the first half of 2016, following regulatory approvals. Final payout upon settlement of these awards was 94% of the amount awarded.

Total compensation expense recognised for the COF during the year ended December 31, 2017 was USD 2 million (2016: USD 2 million).

Total compensation (income)/expense recognised for the PAF2 CCA during the year ended December 31, 2017 was USD Nil (2016: USD (6) million).

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

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

The PAF awards, which had a contractual term of eight years, are fully vested. Each PAF holder received a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders received an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders received a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool. During 2017, the final settlement of the outstanding PAF awards was made.

Total compensation expense recognised during the year ended December 31, 2017 was USD (0.2) million (2016: USD 1 million).

Stock Options

Under the Credit Suisse Group Master Share Plan, for employees in Asia-Pacific region, the last grant of options over CSG registered shares was in September 2003 under the Option Reduction Program. The new options were granted in exchange for previously granted options under the CSG Share Plan. All option awards related to service provided in prior years were fully expensed during the year of service. The exercise price of options granted is generally the market value of CSG registered shares on the date of grant or higher as in the case of the options granted under the Option Reduction Program. All options currently held by employees are fully vested and exercisable. The options generally have a contractual option term of ten years except for the options granted under the Option Reduction Program which has a term of seven years. The liability for these awards is held in the books of CSG and therefore, any fair value changes are reflected in the books of CSG. CSG has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options and their related weighted average exercise prices:

		2017		2016
CSS(E)L Group and Company	in Units	Weighted average exercise price (CHF)	in Units	Weighted average exercise price (CHF)
As at 1 January	–	–	16,367	73.06
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Expired	–	–	16,367	73.06
As at 31 December	**–**	**–**	**–**	**–**

The number of options exercisable as at year end was Nil (2016: Nil). The average weighted exercise price of options exercisable at year end was CHF Nil (2016: Nil). Weighted average remaining contractual life of options is Nil years (2016: Nil years). The intrinsic value of vested options outstanding as at year end was USD Nil (2016: USD Nil).

Share options outstanding at the end of the year were as follows:

	Exercise Price (CHF)	**2017**	2016
Jan 2005 Options	48.05	–	–
Jan 2006 Options	73.06	–	–

30 Related Parties

The Company is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The Company's parent company, Credit Suisse Investment Holdings (UK), which holds all of the voting rights in the undertaking, is incorporated in the UK. The registered address of CSG is Paradeplatz 8, 8070 Zurich, Switzerland and that of Credit Suisse Investment Holdings (UK) is One Cabot Square, London E14 4QJ.

The Company acts primarily in the investment banking sector as a financial intermediary for fellow CS group companies in providing investment banking and securities products and services for the Americas, European and Asian regions. The Company acts as one of the main booking entities in the European region for transacting in securities and derivatives. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties. The Company has extensive transfer pricing policies (revenue sharing and cost plus agreements) to govern its intercompany relationships.

The Company employs a large number of the London based employees and is the sponsoring company for the UK defined benefit pension plan. The Company also holds leases and service contracts in the UK. The costs associated with these are allocated to fellow CS group companies (see 'Expenses receivable from other CS group companies' in Note 9 – General, Administrative and Trading Expenses based on detailed cost allocation statistics. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

Transactions with CS Investment Holdings (UK) have been reported as 'Parent' and with other CS group companies are under 'Fellow group companies'.

a) Related party assets and liabilities

CSS(E)L Group	31 December 2017 Parent	31 December 2017 Fellow group companies	31 December 2017 Total	31 December 2016 Parent	31 December 2016 Fellow group companies	31 December 2016 Total
Assets (USD million)						
Cash and due from banks	–	898	898	–	1,848	1,848
Interest bearing deposits with banks	–	20,272	20,272	–	8,763	8,763
Securities purchased under resale agreements and securities borrowing transactions	–	21,238	21,238	–	11,639	11,639
Trading financials assets designated at fair value through profit or loss	–	2,420	2,420	–	2,537	2,537
Financial assets designated at fair value through profit or loss	–	6,091	6,091	–	9,915	9,915
Other assets	2	2,292	2,294	–	1,315	1,315
Assets Held for sale	–	8,602	8,602	–	25,686	25,686
Total assets	**2**	**61,813**	**61,815**	**–**	**61,703**	**61,703**
Liabilities and Equity (USD million)						
Deposits	–	15	15	–	3	3
Securities sold under repurchase agreements and securities lending transactions	–	13,822	13,822	–	72	72
Trading financial liabilities designated at fair value through profit or loss	–	2,500	2,500	–	2,221	2,221
Financial liabilities designated at fair value through profit or loss	–	19,246	19,246	–	15,334	15,334
Short term borrowings	–	5,512	5,512	–	3,667	3,667
Other liabilities	100	9,592	9,692	–	10,768	10,768
Long term debt	1,250	20,433	21,683	–	24,762	24,762
Liabilities Held for sale	–	4,286	4,286	–	11,443	11,443
Share capital	3,859	–	3,859	3,859	–	3,859
Share premium	5,661	–	5,661	5,661	–	5,661
Capital contribution	5,685	–	5,685	5,662	–	5,662
Total liabilities and equity	**16,555**	**75,406**	**91,961**	**15,182**	**68,270**	**83,452**

CSS(E)L Company	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
	31 December 2017				31 December 2016			
Assets (USD million)								
Cash and due from banks	–	898	–	898	–	1,848	–	1,848
Interest bearing deposits with banks	–	20,272	–	20,272	–	8,763	–	8,763
Securities purchased under resale agreements and securities borrowing transactions	–	21,238	–	21,238	–	11,639	–	11,639
Trading financials assets designated at fair value through profit or loss	–	2,420	11	2,431	–	2,534	12	2,546
Financial assets designated at fair value through profit or loss	–	6,091	–	6,091	–	9,915	–	9,915
Other assets	2	2,293	–	2,295	–	1,315	–	1,315
Assets Held for sale	–	8,602	–	8,602	–	25,686	–	25,686
Total assets	**2**	**61,814**	**11**	**61,827**	**–**	**61,700**	**12**	**61,712**
Liabilities and Equity (USD million)								
Deposits	–	15	–	15	–	3	–	3
Securities sold under repurchase agreements and securities lending transactions	–	13,822	–	13,822	–	72	–	72
Trading financial liabilities designated at fair value through profit or loss	–	2,464	7	2,471	–	2,182	6	2,188
Financial liabilities designated at fair value through profit or loss	–	19,238	–	19,238	–	15,322	–	15,322
Short term borrowings	–	5,512	–	5,512	–	3,667	–	3,667
Other liabilities	100	9,592	–	9,692	–	10,768	–	10,768
Long term debt	1,250	20,433	–	21,683	–	24,762	–	24,762
Liabilities Held for sale	–	4,286	–	4,286	–	11,443	–	11,443
Share capital	3,859	–	–	3,859	3,859	–	–	3,859
Share premium	5,661	–	–	5,661	5,661	–	–	5,661
Capital contribution	5,685	–	–	5,685	5,662	–	–	5,662
Total liabilities and equity	**16,555**	**75,362**	**7**	**91,924**	**15,182**	**68,219**	**6**	**83,407**

Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
	31 December 2017 [1]			31 December 2016		
Credit Guarantees	–	206	206	–	194	194
Commitments to purchase cash securities <1 year	–	3,444	3,444	–	2,494	2,494
Total	**–**	**3,650**	**3,650**	**–**	**2,688**	**2,688**

[1] Above table shows off-balance sheet transactions of continued and discontinued operations.

b) Related party revenues and expenses

CSS(E)L Group (USD million)	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
	31 December 2017 [1]			31 December 2016		
Interest income	–	632	632	–	375	375
Interest expense	(2)	(961)	(963)	–	(809)	(809)
Net interest expense	**(2)**	**(329)**	**(331)**	**–**	**(434)**	**(434)**
Commissions and fee income/(expense)	–	(134)	(134)	–	(157)	(157)
Revenue sharing agreements' expense	–	(55)	(55)	–	(30)	(30)
Other Revenue	–	6	6	–	–	–
Total non-interest revenues	**–**	**(183)**	**(183)**	**–**	**(187)**	**(187)**
Net revenue/(expense)	**(2)**	**(512)**	**(514)**	**–**	**(621)**	**(621)**
Total operating expenses	**(2)**	**(180)**	**(182)**	**–**	**244**	**244**

[1] Above table shows revenues and expenses of continued and discontinued operations.

c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

(USD '000)	2017	2016
Emoluments	2,550	2,548
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	1,116	584
Amounts Delivered under Share Based Awards	1,196	1,333
Total	**4,862**	**4,465**
Compensation for loss of office	2	**5**
Bank's contributions to defined contribution plan	49	44
Total	**4,913**	**4,514**

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards and are only given to Executive Directors. The Non-Executive Directors only receive a fixed fee. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

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

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 1,786,000 (2016: USD 1,412,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 1,000 (2016: USD 7,000). There were no contributions made for defined benefit lump sum (2016: USD Nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Company's accounts for directors in accordance with IFRS requirements for 2017 was USD 10,306,000 (2016: USD 4,437,000).

Number of Directors and Benefits	2017	2016
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	9	6
No Scheme	4	4
Both defined contribution and defined benefit	–	1
Both defined contribution and defined benefit lump sum	–	1
Directors in respect of whom services were received or receivable under long term incentive schemes	8	9

Remuneration of Key Management Personnel

(USD' 000)	2017	2016
Remuneration of Key Management Personnel		
Emoluments	5,821	6,212
Long term incentive schemes	4,608	2,321
Total	**10,429**	**8,533**
Compensation for loss of office	12	–
Bank's contributions to defined contribution plan	116	118
Bank's contributions to defined benefits sum plan	–	206
Total	**10,557**	**8,857**

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

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSS(E)L Group, directly or indirectly, including any director of the CSS(E)L Group.

Key management personnel include Directors and the members of the CSS(E)L Executive Committee.

CSG Shares awarded to Key Management Personnel

	2017	2016
Number of shares	317,660	331,140

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

d) Loans and Advances to Directors and Key Management Personnel

Loans outstanding to or due from Directors or Key management personnel of the CSS(E)L Group at 31 December 2017 were USD 4,000 (2016: USD 6,000), of which loans to Directors were USD 2,000 (2016: USD 2,000).

31 Employees

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

CSS(E)L Group and Company (Number)	**2017**	2016
Business Functions	1,008	1,415
Corporate Functions	1,504	2,515
Total	**2,512**	**3,930**

The CSS(E)L Group receives a range of services from related CS group companies. The headcount related to these services received is not included in the above numbers. Additionally CSS(E)L is the main CS employing company in the UK and provides a number of services to other related CS group companies. The headcount related to these services is included in the above numbers. Decrease in head count is due to the movement of resources to other entities within the UK (mainly Credit Suisse Services AG, London Branch) as well as the current Strategic Cost Reduction Program that has seen a reduction of roles in the UK.

32 Derivatives and Hedging Activities

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

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

On the date the derivative contract is entered into, the CSS(E)L Group designates the derivative as belonging to one of the following categories:

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

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

	31 December 2017				31 December 2016			
	Trading [1]		Hedging		Trading		Hedging	
CSS(E)L Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	12	1	–	–	13	17	–	–
Swaps	1,057	1,164	–	–	1,228	1,289	–	–
Options bought and sold (OTC)	2	6	–	–	1	4	–	–
Interest rate products	**1,071**	**1,171**	**–**	**–**	**1,242**	**1,310**	**–**	**–**
Forwards and forward rate agreements	260	268	–	–	500	236	9	–
Swaps	148	100	–	–	236	166	–	–
Options bought and sold (OTC)	2	2	–	–	19	19	–	–
Foreign exchange products	**410**	**370**	**–**	**–**	**755**	**421**	**9**	**–**
Forwards and forward rate agreements	3	–	–	–	2	4	–	–
Swaps	3,156	3,206	–	–	2,582	2,525	–	–
Options bought and sold (OTC)	3	4	–	–	–	–	–	–
Options bought and sold (traded)	47	34	–	–	9	11	–	–
Equity/indexed-related products	**3,209**	**3,244**	**–**	**–**	**2,593**	**2,540**	**–**	**–**
Credit Swaps	**8**	**53**	**–**	**–**	**7**	**26**	**–**	**–**
Life finance related mortality swaps and others	1,007	677	–	–	856	694	–	–
Other products	**1,007**	**677**	**–**	**–**	**856**	**694**	**–**	**–**
Total derivative instruments	**5,705**	**5,515**	**–**	**–**	**5,453**	**4,991**	**9**	**–**

[1] Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations in 2017 are USD 1,749 million (2016: USD 2,104 million) and USD 1,330 million (2016 : USD: 2,023 million) respectively. Refer to Note 25- Discontinued Operations and Assets Held for Sale. Replacement value indicates Fair value.

	2017		2016	
CSS(E)L Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	5,705	5,515	5,462	4,991
Replacement values (trading and hedging) after netting	5,705	5,515	5,458	4,987

[1] Replacement value indicates Fair value.

Company	31 December 2017				31 December 2016			
	Trading [1]		Hedging		Trading		Hedging	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	12	1	–	–	13	17	–	–
Swaps	1,057	1,164	–	–	1,228	1,289	–	–
Options bought and sold (OTC)	2	6	–	–	1	4	–	–
Interest rate products	**1,071**	**1,171**	**–**	**–**	**1,242**	**1,310**	**–**	**–**
Forwards and forward rate agreements	260	269		–	500	236	9	–
Swaps	148	99	–	–	236	166	–	–
Options bought and sold (OTC)	2	2	–	–	19	19	–	–
Foreign exchange products	**410**	**370**	**–**	**–**	**755**	**421**	**9**	**–**
Forwards and forward rate agreements	3	–	–	–	2	4	–	–
Swaps	3,156	3,206	–	–	2,582	2,525	–	–
Options bought and sold (OTC)	3	4	–	–	–	–	–	–
Options bought and sold (traded)	47	34	–	–	9	11	–	–
Equity/indexed-related products	**3,209**	**3,244**	**–**	**–**	**2,593**	**2,540**	**–**	**–**
Credit Swaps	**8**	**53**	**–**	**–**	**7**	**26**	**–**	**–**
Life finance related mortality swaps and others	1,018	648	–	–	1,409	662	–	–
Other products	**1,018**	**648**	**–**	**–**	**1,409**	**662**	**–**	**–**
Total derivative instruments	**5,716**	**5,486**	**–**	**–**	**6,006**	**4,959**	**9**	**–**

[1] Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations in 2017 are USD 1,749 million (2016: USD 2,104 million) and USD 1,330 million (2016 : USD: 2,023 million) respectively. Refer to Note 25- Discontinued Operations and Assets Held for Sale. Replacement value indicates Fair value.

Company	2017		2016	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	5,716	5,468	6,015	4,959
Replacement values (trading and hedging) after netting	5,716	5,468	6,011	4,955

[1] Replacement value indicates Fair value.

Trading Activities

The CSS(E)L Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the CSS(E)L Group's derivatives held as at 31 December 2017 were used for trading activities.

Economic Hedges

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

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;
- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities; and
- credit derivatives to manage credit risk on certain loan portfolios.

Net Investment Hedges

The CSS(E)L Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The fair value of open derivative transactions used as net investment hedges for the CSS(E)L Group and Company as at 31 December 2017 was an asset of USD Nil (2016: liability of USD 9 million). There are no ineffective net investment hedges as of 31 December 2017.

Hedge effectiveness assessment

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

Disclosures relating to contingent credit risk

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

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

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

33 Guarantees and Commitments

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

	Maturity						
CSS(E)L Group and Company	<year	1-3 years	3-5 years	>5 years	**Total gross amount**	Collateral received	Net of collateral
31 December 2017							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	206	206	–	206
Total guarantees	**–**	**–**	**–**	**206**	**206**	**–**	**206**

	Maturity						
CSS(E)L Group and Company	<year	1-3 years	3-5 years	>5 years	**Total gross amount**	Collateral received	Net of collateral
31 December 2017							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	12	–	–	–	12	12	–
Commitments to purchase cash securities <1 year	7,828	–	–	–	7,828	–	7,828
Total other commitments	**7,840**	**–**	**–**	**–**	**7,840**	**12**	**7,828**

	Maturity						
CSS(E)L Group and Company	<year	1-3 years	3-5 years	>5 years	**Total gross amount**	Collateral received	Net of collateral
31 December 2016							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	194	194	–	194
Total guarantees	**–**	**–**	**–**	**194**	**194**	**–**	**194**

CSS(E)L Group and Company	Maturity <year	1-3 years	3-5 years	>5 years	**Total gross amount**	Collateral received	Net of collateral
31 December 2016							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	75	–	–	–	75	–	75
Commitments to purchase cash securities <1 year	8,146 [1]	–	–	–	8,146	–	8,146
Commitments in underwriting securities <1 year	–	–	–	–	–	–	–
Total other commitments	**8,221**	**–**	**–**	**–**	**8,221**	**–**	**8,221**

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

Forward reverse repo agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates.

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

Commitments to purchase cash securities represents the value of debt and equity cash security contracts which requires CSS(E)L Group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

Commitment in underwriting securities represents CSS(E)L Group future obligations in the capacity of underwriter of equity and debt securities.

Lease Commitments

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

	2017	2016
Operating lease commitments (USD million)		
Up to 1 year	18	19
From 1 year and no later than 5 years	75	77
From 5 years and over	248	250
Future operating lease commitments	**341**	**346**

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

CSS(E)L Group and Company	**2017**	2016
Net rental expense (USD million)		
Minimum rentals	18	19
Total net rental expenses	**18**	**19**

The rental expenses include service charges of USD 2 million (2016: USD 2 million). During the year, there was sublease rental income of USD 0.03 million (2016 : USD Nil).

Contingent Liabilities and Other Commitments

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

In late 2014, the Monte dei Paschi di Siena Foundation ('Foundation') filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from Credit Suisse Securities (Europe) Limited (CSS(E)L), Banca Leonardo & Co S.p.A. and former members of the Foundation's management committee. The lawsuit relates to the fairness opinions CSS(E)L and Banca Leonardo & Co S.p.A. delivered to the Foundation in connection with the EUR 9 billion acquisition of Banca Antonveneta S.p.A. by Banca Monte dei Paschi di Siena S.p.A. (BMPS) in 2008. BMPS funded the acquisition by a EUR 5 billion rights offer and the issuance of irredeemable securities convertible into BMPS shares, in which the Foundation invested EUR 2.9 billion and EUR 490 million respectively. The Foundation alleges that the fairness opinions were issued in the absence of key financial information. CSS(E)L believes that the claim lacks merit and is not supported by the available evidence. In November 2017, the Civil Court of Milan rejected the Foundation's claims, ruling in favour of CSS(E)L. In January 2018, the Foundation filed an appeal against this ruling.

34 Interests in Other Entities

Subsidiaries

Composition of the Group

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

The following table sets forth all the subsidiaries the CSS(E)L Group owns, directly or indirectly.

Composition of the Group

Company Name	Domicile [1]	Currency	Percentage of ownership held 2017	Percentage of ownership held 2016
Credit Suisse First Boston Trustees Limited	United Kingdom	USD	100%	100%
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	USD	100%	100%
Credit Suisse Client Nominees (UK) Limited	United Kingdom	USD	100%	100%
Credit Suisse AF Trust	United States of America	USD	100%	100%
CSSEL Bare Trust	United States of America	USD	100%	100%
CSSEL Guernsey Bare Trust	Guernsey	USD	100%	–
Credit Suisse Guernsey AF Trust	Guernsey	USD	100%	–
Redwood – Master Client Trust	United States of America	USD	100%	100%
Redwood Master Trust I	United States of America	USD	100%	100%
Redwood Master Trust II	United States of America	USD	100%	100%
Redwood Trust I	United States of America	USD	100%	100%
Redwood Trust II	United States of America	USD	100%	100%
Redwood Funding Trust I	United States of America	USD	100%	100%
Redwood Funding Trust II	United States of America	USD	100%	100%
Redwood Guernsey I Master Trust	Guernsey	USD	100%	–
Redwood Guernsey II Master Trust	Guernsey	USD	100%	–
Redwood Guernsey I Funding Trust	Guernsey	USD	100%	–
Redwood Guernsey II Funding Trust	Guernsey	USD	100%	–
Redwood Guernsey I SPIA Trust	Guernsey	USD	100%	–
Redwood Guernsey II SPIA Trust	Guernsey	USD	100%	–
Sail Master Trust I	United States of America	USD	100%	100%
Sail Master Trust II	United States of America	USD	100%	100%
Sail Trust I	United States of America	USD	100%	100%
Sail Trust II	United States of America	USD	100%	100%
Sail Funding Trust I	United States of America	USD	100%	100%
Sail Funding Trust II	United States of America	USD	100%	100%
Sail Guernsey I Master Trust	Guernsey	USD	100%	–
Sail Guernsey II Master Trust	Guernsey	USD	100%	–
Sail Guernsey I Funding Trust	Guernsey	USD	100%	–
Sail Guernsey II Funding Trust	Guernsey	USD	100%	–
Sail Guernsey I SPIA Trust	Guernsey	USD	100%	–
Sail Guernsey II SPIA Trust	Guernsey	USD	100%	–
Positive – Master Client LLC	United States of America	USD	100%	100%

[1] Detailed Registered Office Address mentioned in Note-42 CSS(E)L's Subsidiaries and Associates

There are no material differences between the date of the end of the reporting period of the financial statements of the CSS(E)L Group and those of any of its subsidiaries (including any consolidated structured entities).

There were no significant changes in ownership during the year ended 31 December 2017 in relation to the CSS(E)L Group's subsidiaries that resulted in a loss of control.

There were no significant changes in ownership during the year ended 31 December 2017 that resulted in a change in the consolidation conclusion.

The CSS(E)L Group has not provided financial or other support to consolidated structured entities that it was not contractually required to provide.

The CSS(E)L Group does not have the intention to provide financial or other support to consolidated structured entities that it is not contractually required to provide.

Restrictions

The CSS(E)L Group and its subsidiaries have certain restrictions which may restrict the ability of the CSS(E)L Group to access or use the assets and settle the liabilities of the CSS(E)L Group. These restrictions may be statutory, contractual or regulatory in nature.

The Company must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements set out in the EU Capital Requirements Regulation ('CRR') and additionally as laid down by the PRA. The Company has put into place processes and controls to monitor and manage its capital adequacy. For more information regarding the Company's capital adequacy and how the capital resources are managed and monitored please refer to Note 40 – Capital Adequacy.

CSS(E)L is required to maintain minimum levels of capital in the form of equity shares and reserves to meet PRA requirements.

Restricted assets include those assets protected under client segregation rules. Please refer to Note 18 – Brokerage Receivables and Brokerage Payables for further information.

CSS(E)L Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning the counterparty has the right to resell or repledge the pledged asset. Please refer to Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for more information on encumbered assets.

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

Unconsolidated structured entities

The CSS(E)L Group has interests in structured entities which are not consolidated. An interest is either a contractual or non-contractual involvement that exposes the CSS(E)L Group to variability in returns from the performance of another entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. The CSS(E)L Group does not have an interest in another entity solely because of a Typical Customer Supplier Relationship such as, fees other than management and performance fees that are passively earned and are typically one-off in nature.

Type of structured entity

Securitisations

Securitisations are primarily Commercial Mortgage Backed Securities ('CMBS'), Residential Mortgage Backed Securities ('RMBS') and Asset Backed Securities ('ABS') vehicles. The CSS(E)L Group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to structured entities related to certain securitisation transactions.

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

Loans

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

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

Collateralised Debt Obligations ('CDO')

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

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSS(E)L Group.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the CSS(E)L Group's Consolidated Statement of Financial Position, the maximum exposure to loss and the total assets of the unconsolidated structured entities.

Interests in unconsolidated structured entities

2017	Structured entity type		Structured entity type
Balance sheet line item (USD millions)	Securiti-sations	CDO	**Total**
Other liabilities	8	–	8
Maximum exposure to loss	**–**	**–**	**–**
Unconsolidated structured entity assets	**10,768**	**485**	**11,253**

2016	Structured entity type		Structured entity type
Balance sheet line item (USD millions)	Securiti-sations	CDO	**Total**
Other liabilities	–	–	–
Maximum exposure to loss	**–**	**–**	**–**
Unconsolidated structured entity assets	**11,498**	**340**	**11,838**

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

Income from interests in unconsolidated structured entities

2017				Income earned
Structured entity type (USD millions)	Fair value gain/(loss)	Interest income	Commission and fees	**Total**
Securitisations	3	5	1	9
Total	**3**	**5**	**1**	**9**

2016				Income earned
Structured entity type (USD millions)	Fair value gain/(loss)	Interest income	Commission and fees	**Total**
Securitisations	4	10	11	25
Total	**4**	**10**	**11**	**25**

The table above shows the income earned from unconsolidated structured entities during the reporting period. Income from unconsolidated structured entities comprises changes in the fair value, interest income, commission and fees income of interests held with the unconsolidated structured entities.

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

The table below shows information about unconsolidated structured entities sponsored by the CSS(E)L Group where no interest is held by the CSS(E)L Group.

Sponsored unconsolidated structured entities

2017	Income/(losses)			
Structured entity type (USD millions)	Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	Total
CDO	–	–	–	–
Loans	–	(12)	–	(12)
Securitisations	–	–	2	2
Total	**–**	**(12)**	**2**	**(10)**

2016	Income/(losses)			
Structured entity type (USD millions)	Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	Total
CDO	–	–	–	–
Loans	–	19	–	19
Securitisations	–	–	1	1
Total	**–**	**19**	**–**	**20**

The table above shows the income earned from the unconsolidated structured entities during the reporting period. Income from unconsolidated structured entities includes, but is not limited to recurring and non-recurring fees, interest and dividends income, gains or losses from the transfer of assets and liabilities and changes in the fair value of derivative instruments and other instruments held at fair value.

The CSS(E)L Group has not provided financial or other support to unconsolidated structured entities that it was not contractually required to provide.

The CSS(E)L Group does not have the intention to provide financial or other support to unconsolidated structured entities that it is not contractually required to provide.

35 Financial Instruments

The disclosure of the CSS(E)L Group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit); and
- Fair value of financial instruments not carried at fair value.

Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSS(E)L Group's financial instruments.

Financial assets and liabilities by categories

31 December 2017					Carrying amount	Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Available-for-sale	Other amortised cost	
Financial Assets						
Cash and due from banks	**2,662**	–	–	–	2,662	**2,662**
Interest-bearing deposits with banks	**20,272**	–	–	–	20,272	**20,272**
Securities purchased under resale agreements and securities borrowing transactions	**22,725**	–	–	–	22,725	**22,725**
Trading financial assets at fair value through profit or loss	**23,132**	23,132	–	–	–	**23,132**
Financial assets designated at fair value through profit or loss	**25,272**	–	25,272	–	–	**25,272**
Financial assets available-for-sale	**39**	–	–	39	–	**39**
Other assets	**8,049**	–	–	–	8,049	**8,049**
Assets held for sale	**21,440**	6,313	–	–	15,127	**21,440**
Total financial assets	**123,591**	**29,445**	**25,272**	**39**	**68,835**	**123,591**

31 December 2017				Carrying Amount	Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
Financial Liabilities					
Deposits	**62**	–	–	62	**62**
Securities sold under repurchase agreements and securities lending transactions	**14,268**	–	–	14,268	**14,268**
Trading financial liabilities at fair value through profit or loss	**12,616**	12,616	–	–	**12,616**
Financial liabilities designated at fair value through profit or loss	**28,456**	–	28,456	–	**28,456**
Short term borrowings	**5,512**	–	–	5,512	**5,512**
Other liabilities	**17,420**	–	–	17,420	**17,420**
Long term debt	**21,683**	–	–	21,683	**21,695**
Liabilities held for sale	**15,884**	6,640	109	9,135	**15,884**
Total financial liabilities	**115,901**	**19,256**	**28,565**	**68,080**	**115,913**

Financial assets and liabilities by categories

31 December 2016					Carrying amount	Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Available-for-sale	Other amortised cost	
Financial Assets						
Cash and due from banks	**3,187**	–	–	–	3,187	**3,187**
Interest-bearing deposits with banks	**8,763**	–	–	–	8,763	**8,763**
Securities purchased under resale agreements and securities borrowing transactions	**11,686**	–	–	–	11,686	**11,686**
Trading financial assets at fair value through profit or loss	**13,880**	13,880	–	–	–	**13,880**
Financial assets designated at fair value through profit or loss	**23,613**	–	23,613	–	–	**23,613**
Financial assets available-for-sale	**33**	–	–	33	–	**33**
Other assets	**5,269**	–	–	–	5,269	**5,269**
Assets held for sale	**51,435**	18,276	–	–	33,159	**51,435**
Total financial assets	**117,866**	**32,156**	**23,613**	**33**	**62,064**	**117,866**

31 December 2016					Total fair value
				Carrying Amount	
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
Financial Liabilities					
Deposits	**169**	–	–	169	**169**
Securities sold under repurchase agreements and securities lending transactions	**72**	–	–	72	**72**
Trading financial liabilities at fair value through profit or loss	**7,537**	7,537	–	–	**7,537**
Financial liabilities designated at fair value through profit or loss	**23,810**	–	23,810	–	**23,810**
Short term borrowings	**3,667**	–	–	3,667	**3,667**
Other liabilities	**17,658**	–	–	17,658	**17,658**
Long term debt	**24,762**	–	–	24,762	**24,762**
Liabilities held for sale	**32,670**	12,859	485	19,326	**32,670**
Total financial liabilities	**110,345**	**20,396**	**24,295**	**65,654**	**110,345**

Financial assets and liabilities by categories

31 December 2017						Total fair value
					Carrying amount	
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Available-for-sale	Other amortised cost	
Financial Assets						
Cash and due from banks	**2,640**	–	–	–	2,640	**2,640**
Interest-bearing deposits with banks	**20,272**	–	–	–	20,272	**20,272**
Securities purchased under resale agreements and securities borrowing transactions	**22,725**	–	–	–	22,725	**22,725**
Trading financial assets at fair value through profit or loss	**23,143**	23,143	–	–	–	**23,143**
Financial assets designated at fair value through profit or loss	**25,214**	–	25,214	–	–	**25,214**
Financial assets available-for-sale	**39**	–	–	39	–	**39**
Other assets	**8,061**	–	–	–	8,061	**8,061**
Assets held for sale	**21,440**	6,313	–	–	15,127	**21,440**
Total financial assets	**123,534**	**29,456**	**25,214**	**39**	**68,825**	**123,534**

31 December 2017					Total fair value
				Carrying Amount	
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
Financial Liabilities					
Deposits	**62**	–	–	62	**62**
Securities sold under repurchase agreements and securities lending transactions	**14,268**	–	–	14,268	**14,268**
Trading financial liabilities at fair value through profit or loss	**12,587**	12,587	–	–	**12,587**
Financial liabilities designated at fair value through profit or loss	**28,446**	–	28,446	–	**28,446**
Short term borrowings	**5,512**	–	–	5,512	**5,512**
Other liabilities	**17,406**	–	–	17,406	**17,406**
Long term debt	**21,683**	–	–	21,683	**21,695**
Liabilities held for sale	**15,884**	6,640	109	9,135	**15,884**
Total financial liabilities	**115,848**	19,227	28,555	68,066	**115,860**

Financial assets and liabilities by categories

31 December 2016			Carrying amount			Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Available-for-sale	Other amortised cost	
Financial Assets						
Cash and due from banks	**3,183**	–	–	–	3,183	**3,183**
Interest-bearing deposits with banks	**8,763**	–	–	–	8,763	**8,763**
Securities purchased under resale agreements and securities borrowing transactions	**11,686**	–	–	–	11,686	**11,686**
Trading financial assets at fair value through profit or loss	**14,433**	14,433	–	–	–	**14,433**
Financial assets designated at fair value through profit or loss	**23,010**	–	23,010	–	–	**23,010**
Financial assets available-for-sale	**33**	–	–	33	–	**33**
Other assets	**5,245**	–	–	–	5,245	**5,245**
Assets held for sale	**51,435**	18,276	–	–	33,159	**51,435**
Total financial assets	**117,788**	**32,709**	**23,010**	**33**	**62,036**	**117,788**

31 December 2016		Carrying Amount			Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
Financial Liabilities					
Deposits	**169**	–	–	169	**169**
Securities sold under repurchase agreements and securities lending transactions	**72**	–	–	72	**72**
Trading financial liabilities at fair value through profit or loss	**7,505**	7,505	–	–	**7,505**
Financial liabilities designated at fair value through profit or loss	**23,798**	–	23,798	–	**23,798**
Short term borrowings	**3,667**	–	–	3,667	**3,667**
Other liabilities	**17,647**	–	–	17,647	**17,647**
Long term debt	**24,762**	–	–	24,762	**24,762**
Liabilities held for sale	**32,670**	12,859	485	19,326	**32,670**
Total financial liabilities	**110,290**	**20,364**	**24,283**	**65,643**	**110,290**

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 CSS(E)L 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 CSS(E)L 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 grade debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSS(E)L 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 judgement, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. These instruments include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related securities, private equity investments, certain loans and credit products including leveraged finance and certain high yield bonds, and life finance instruments.

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 CSS(E)L 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 CSS(E)L Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the

CSS(E)L 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 CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

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 CSS(E)L 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 CSS(E)L Group reflects the net maximum exposure to credit risk for its derivative instruments where the CSS(E)L 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 CSS(E)L 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) input other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These inputs reflect the CSS(E)L 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 include the CSS(E)L Group's own data. The CSS(E)L Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

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

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

31 December 2017 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**426**	**1,974**	**73**	**–**	**2,473**
Of which foreign governments	422	197	3	–	622
Of which corporates	4	1,762	69	–	1,835
Of which residential mortgage backed securities	–	15	1	–	16
Equity securities	**16,337**	**356**	**10**	**–**	**16,703**
Derivatives	**15**	**2,932**	**1,009**	**–**	**3,956**
Of which interest rate products	3	1,066	2	–	1,071
Of which foreign exchange products	1	291	–	–	292
Of which equity/index-related products	11	1,567	–	–	1,578
Of which credit derivatives	–	8	–	–	8
Of which other derivatives	–	–	1,007	–	1,007
Trading financial assets at fair value through profit or loss	**16,778**	**5,262**	**1,092**	**–**	**23,132**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**34,054**	**–**	**(10,305)** [1]	**23,749**
Loans	**–**	**–**	**10**	**–**	**10**
Of which loans to financial institutions	–	–	10	–	10
Other financial assets designated at fair value through profit or loss	**–**	**–**	**1,513**	**–**	**1,513**
Of which life finance instruments	–	–	1,513	–	1,513
Financial assets designated at fair value through profit or loss	**–**	**34,054**	**1,523**	**(10,305)**	**25,272**
Financial assets available-for-sale	**–**	**–**	**39**	**–**	**39**
Debt	**11**	**41**	**–**	**–**	**52**
Of which foreign governments	–	–	–	–	–
Of which corporates	11	41	–	–	52
Equity securities	**4,417**	**84**	**11**	**–**	**4,512**
Derivatives	**–**	**1,670**	**79**	**–**	**1,749**
Of which interest rate products	–	–	–	–	–
Of which foreign exchange products	–	118	–	–	118
Of which equity/index-related products	–	1,552	79	–	1,631
Of which credit derivatives	–	–	–	–	–
Trading financial assets at fair value through profit or loss	**4,428**	**1,795**	**90**	**–**	**6,313**
Assets Held for Sale	**4,428**	**1,795**	**90**	**–**	**6,313**
Total assets at fair value	**21,206**	**41,111**	**2,744**	**(10,305)**	**54,756**

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

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

31 December 2017 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	**Total at fair value**
Liabilities (USD million)					
Debt securities	**640**	**1,432**	**–**	**–**	**2,072**
Of which foreign governments	638	109	–	–	747
Of which corporates	2	1,323	–	–	1,325
Equity securities	**6,144**	**215**	**–**	**–**	**6,359**
Derivatives	**–**	**3,506**	**679**	**–**	**4,185**
Of which interest rate products	–	1,169	2	–	1,171
Of which foreign exchange products	–	275	–	–	275
Of which equity/index-related products	–	2,009	–	–	2,009
Of which credit derivatives	–	53	–	–	53
Of which other derivatives	–	–	677	–	677
Trading financial liabilities at fair value through profit or loss	**6,784**	**5,153**	**679**	**–**	**12,616**
Securities sold under resale agreements and securities borrowing transactions	**–**	**38,416**	**–**	**(10,305)** [1]	**28,111**
Long Term Debt	**–**	**268**	**77**	**–**	**345**
Of which other debt instruments	–	268	77	–	345
Financial liabilities designated at fair value through profit or loss	**–**	**38,684**	**77**	**(10,305)**	**28,456**
Debt	**5**	**15**	**–**	**–**	**20**
Of which foreign governments	1	–	–	–	1
Of which corporates	4	15	–	–	19
Equity securities	**5,237**	**34**	**19**	**–**	**5,290**
Derivatives	**–**	**1,252**	**78**	**–**	**1,330**
Of which interest rate products	–	–	–	–	–
Of which foreign exchange products	–	95	–	–	95
Of which equity/index-related products	–	1,157	78	–	1,235
Of which credit derivatives	–	–	–	–	–
Long-term debt	**–**	**109**	**–**	**–**	**109**
Of which debt instruments	**–**	109	**–**	**–**	109
Liabilities held for sale	**5,242**	**1,410**	**97**	**–**	**6,749**
Total liabilities at fair value	**12,026**	**45,247**	**853**	**(10,305)**	**47,821**

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

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

31 December 2017 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**426**	**1,974**	**73**	**–**	**2,473**
Of which foreign governments	422	197	3	–	622
Of which corporates	4	1,762	69	–	1,835
Of which residential mortgage backed securities	–	15	1	–	16
Equity securities	**16,337**	**356**	**10**	**–**	**16,703**
Derivatives	**15**	**2,951**	**1,001**	**–**	**3,967**
Of which interest rate products	3	1,066	2	–	1,071
Of which foreign exchange products	1	291	–	–	292
Of which equity/index-related products	11	1,567	–	–	1,578
Of which credit derivatives	–	8	–	–	8
Of which other derivatives	–	19	999	–	1,018
Trading financial assets at fair value through profit or loss	**16,778**	**5,281**	**1,084**	**–**	**23,143**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**34,054**	**–**	**(10,305)** [1]	**23,749**
Loans	**–**	**–**	**10**	**–**	**10**
Of which loans to financial institutions	–	–	10	–	10
Other financial assets designated at fair value through profit or loss	**–**	**–**	**1,455**	**–**	**1,455**
Of which life finance instruments	–	–	1,455	–	1,455
Financial assets designated at fair value through profit or loss	**–**	**34,054**	**1,465**	**(10,305)**	**25,214**
Financial assets available-for-sale	**–**	**–**	**39**	**–**	**39**
Debt	**11**	**41**	–	–	**52**
Of which corporates	11	41	–	–	52
Equity securities	**4,417**	**84**	**11**	**–**	**4,512**
Derivatives	**–**	**1,670**	**79**	**–**	**1,749**
Of which interest rate products	–	–	–	–	–
Of which foreign exchange products	–	118	–	–	118
Of which equity/index-related products	–	1,552	79	–	1,631
Trading financial assets at fair value through profit or loss	**4,428**	**1,795**	**90**	**–**	**6,313**
Assets Held for Sale	**4,428**	**1,795**	**90**	**–**	**6,313**
Total assets at fair value	**21,206**	**41,130**	**2,678**	**(10,305)**	**54,709**

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

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

31 December 2017 Company	Level 1	Level 2	Level 3	Impact of netting	**Total at fair value**
Liabilities (USD million)					
Debt securities	**640**	**1,432**	–	–	**2,072**
Of which foreign governments	638	109	–	–	747
Of which corporates	2	1,323	–	–	1,325
Equity securities	**6,144**	**215**	**–**	**–**	**6,359**
Derivatives	**–**	**3,525**	**631**	**–**	**4,156**
Of which interest rate products	–	1,169	2	–	1,171
Of which foreign exchange products	–	275	–	–	275
Of which equity/index-related products	–	2,009	–	–	2,009
Of which credit derivatives	–	53	–	–	53
Of which other derivatives	–	19	629	–	648
Trading financial liabilities at fair value through profit or loss	**6,784**	**5,172**	**631**	**–**	**12,587**
Securities sold under resale agreements and securities borrowing transactions	**–**	**38,416**	**–**	**(10,305)** [1]	**28,111**
Long Term Debt	**–**	**266**	**69**	**–**	**335**
Of which other debt instruments	–	266	69	–	335
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**
Of which failed sales	–	–	–	–	–
Financial liabilities designated at fair value through profit or loss	**–**	**38,682**	**69**	**(10,305)**	**28,446**
Debt	**5**	**15**	–	–	**20**
Of which foreign governments	1	–	–	–	1
Of which corporates	4	15	–	–	19
Equity securities	**5,237**	**34**	**19**	**–**	**5,290**
Derivatives	**–**	**1,252**	**78**	**–**	**1,330**
Of which interest rate products	–	–	–	–	–
Of which foreign exchange products	–	95	–	–	95
Of which equity/index-related products	–	1,157	78	–	1,235
Of which credit derivatives	–	–	–	–	–
Long-term debt	–	**109**	–	–	**109**
Of which debt instruments	–	109	–	–	109
Liabilities held for sale	**5,242**	**1,410**	**97**	–	**6,749**
Total liabilities at fair value	**12,026**	**45,264**	**797**	**(10,305)**	**47,782**

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

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

31 December 2016 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**810**	**1,721**	**72**	**–**	**2,603**
Of which foreign governments	810	213	–	–	1,023
Of which corporates	–	1,506	68	–	1,574
Of which residential mortgage backed securities	–	2	4	–	6
Equity securities	**7,573**	**336**	**23**	**–**	**7,932**
Derivatives	**10**	**2,517**	**822**	**(4)**	**3,345**
Of which interest rate products	–	1,237	–	–	1,237
Of which foreign exchange products	1	750	–	–	751
Of which equity/index-related products	9	487	2	(4) [1]	494
Of which credit derivatives	–	1	6	–	7
Of which other derivatives	–	42	814	–	856
Others	–	–	–	–	–
Trading financial assets at fair value through profit or loss	**8,393**	**4,574**	**917**	**(4)**	**13,880**
Interest-bearing deposits with banks, securities purchased under resale agreements and securities borrowing transactions	**–**	**–**	**–**	**–**	**–**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**30,586**	**170**	**(9,188)** [2]	**21,568**
Loans	**–**	**–**	**49**	**–**	**49**
Of which loans to financial institutions	–	–	49	–	49
Other financial assets designated at fair value through profit or loss	**–**	**73**	**1,923**	**–**	**1,996**
Of which life finance instruments	–	–	1,767	–	1,767
Of which failed purchases	–	73	156	–	229
Financial assets designated at fair value through profit or loss	**–**	**30,659**	**2,142**	**(9,188)**	**23,613**
Financial assets available-for-sale	**–**	**–**	**33**	**–**	**33**
Debt	**–**	**187**	**–**	**–**	**187**
Of which foreign governments	–	6	–	–	6
Of which corporates	–	181	–	–	181
Equity securities	**15,817**	**157**	**11**	**–**	**15,985**
Derivatives	**–**	**2,086**	**18**	**–**	**2,104**
Of which interest rate products	–	5	–	–	5
Of which foreign exchange products	–	4	–	–	4
Of which equity/index-related products	–	2,077	18	–	2,095
Of which other derivatives	–	–	–	–	–
Trading financial assets at fair value through profit or loss	**15,817**	**2,430**	**29**	**–**	**18,276**
Securities purchased under resale agreements and securities borrowing tranascations	**–**	**–**	**–**	**–**	**–**
Assets Held for Sale	**15,817**	**2,430**	**29**	**–**	**18,276**
Total assets at fair value	**24,210**	**37,663**	**3,121**	**(9,192)**	**55,802**

[1] Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.
The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[2] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.
The impact of netting represents an adjustment related to counterparty netting.

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

31 December 2016 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	**Total at fair value**
Liabilities (USD million)					
Debt securities	**732**	**1,054**	**1**	**–**	**1,787**
Of which foreign governments	732	101	–	–	833
Of which corporates	–	953	1	–	954
of which collateral debt obligation	–	–	–	–	**–**
Equity securities	**2,760**	**26**	**–**	**–**	**2,786**
Derivatives	**11**	**2,301**	**656**	**(4)**	**2,964**
Of which interest rate products	–	1,307	2	–	1,309
Of which foreign exchange products	–	421	–	–	421
Of which equity/index-related products	11	504	3	(4) [1]	514
Of which credit derivatives	–	26	–	–	26
Of which other derivatives	–	43	651	–	694
Others	–	–	–	–	**–**
Trading financial liabilities at fair value through profit or loss	**3,503**	**3,381**	**657**	**(4)**	**7,537**
Securities sold under resale agreements and securities borrowing transactions	**–**	**32,895**	**–**	**(9,188)** [2]	**23,707**
Long Term Debt	**–**	**–**	**94**	**–**	**94**
Of which treasury debt over two years	–	–	–	–	**–**
Of which non-recourse liabilities	–	–	–	–	**–**
Of which other debt instruments	–	–	94	–	94
Other financial liabilities designated at fair value through profit or loss	**–**	**9**	**–**	**–**	**9**
Of which failed sales	–	9	–	–	9
Financial liabilities designated at fair value through profit or loss	**–**	**32,904**	**94**	**(9,188)**	**23,810**
Debt	**–**	**141**	**–**	**–**	**141**
Of which foreign governments	–	11	–	–	11
Of which corporates	–	130	–	–	130
Equity securities	**10,627**	**62**	**6**	**–**	**10,695**
Derivatives	**–**	**1,999**	**24**	**–**	**2,023**
Of which interest rate products	–	1	–	–	1
Of which foreign exchange products	–	–	–	–	**–**
Of which equity/index-related products	–	1,998	24	–	2,022
Of which other derivatives	–	–	–	–	**–**
Securities sold under repurchase agreements and securities lending transactions	–	–	–	–	–
Long-term debt	**–**	**485**	**–**	**–**	**485**
Of which debt instruments	**–**	485	**–**	**–**	485
Liabilities held for sale	**10,627**	**2,687**	**30**	**–**	**13,344**
Total liabilities at fair value	**14,130**	**38,972**	**781**	**(9,192)**	**44,691**

1 Trading Financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

2 Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

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

31 December 2016 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	**810**	**1,721**	**72**	**–**	**2,603**
Of which foreign governments	810	213	–	–	1,023
Of which corporates	–	1,506	68	–	1,574
Of which residential mortgage backed securities	–	2	4	–	6
Equity securities	**7,573**	**336**	**23**	**–**	**7,932**
Derivatives	**10**	**2,536**	**1,356**	**(4)**	**3,898**
Of which interest rate products	–	1,237	–	–	1,237
Of which foreign exchange products	1	750	–	–	751
Of which equity/index-related products	9	487	2	(4) [1]	494
Of which credit derivatives	–	1	6	–	7
Of which other derivatives	–	61	1,348	–	1,409
Trading financial assets at fair value through profit or loss	**8,393**	**4,593**	**1,451**	**(4)**	**14,433**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**30,586**	**170**	**(9,188) [2]**	**21,568**
Loans	**–**	**–**	**49**	**–**	**49**
Of which loans to financial institutions	–	–	49	–	49
Other financial assets designated at fair value through profit or loss	**–**	**73**	**1,320**	**–**	**1,393**
Of which life finance instruments	–	–	1,320	–	1,320
Of which failed purchases	–	73	–	–	73
Financial assets designated at fair value through profit or loss	**–**	**30,659**	**1,539**	**(9,188)**	**23,010**
Financial assets available-for-sale	**–**	**–**	**33**	**–**	**33**
Debt	–	187	–	–	187
Of which foreign governments	–	6	–	–	6
Of which corporates	–	181	–	–	181
Equity securities	15,817	157	11	–	15,985
Derivatives	–	2,086	18	–	2,104
Of which interest rate products	–	5	–	–	5
Of which foreign exchange products	–	4	–	–	4
Of which Precious metal contracts	–	–	–	–	–
Of which equity/index-related products	–	2,077	18	–	2,095
Of which credit derivatives	–	–	–	–	–
Of which other derivatives	–	–	–	–	–
Trading financial assets at fair value through profit or loss	**15,817**	**2,430**	**29**	–	**18,276**
Securities purchased under resale agreements and securities borrowing transactions	**–**	**–**	**–**	**–**	**–**
Assets Held for Sale	**15,817**	**2,430**	**29**	**–**	**18,276**
Total assets at fair value	**24,210**	**37,682**	**3,052**	**(9,192)**	**55,752**

[1] Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.
The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[2] Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.
The impact of netting represents an adjustment related to counterparty netting.

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

31 December 2016 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	**732**	**1,054**	**1**	**–**	**1,787**
Of which foreign governments	732	101	–	–	833
Of which corporates	–	953	1	–	954
Equity securities	**2,760**	**26**	**–**	**–**	**2,786**
Derivatives	**11**	**2,320**	**605**	**(4)**	**2,932**
Of which interest rate products	–	1,307	2	–	1,309
Of which foreign exchange products	–	421	–	–	421
Of which equity/index-related products	11	504	3	(4) [1]	514
Of which credit derivatives	–	26	–	–	26
Of which other derivatives	–	62	600	–	662
Trading financial liabilities at fair value through profit or loss	**3,503**	**3,400**	**606**	**(4)**	**7,505**
Securities sold under resale agreements and securities borrowing transactions	**–**	**32,895**	**–**	**(9,188) [2]**	**23,707**
Long Term Debt	**–**	**–**	**82**	**–**	**82**
Of which structured notes over two years	–	–	–	–	–
Of which other debt instruments	–	–	82	–	82
Other financial liabilities designated at fair value through profit or loss	**–**	**9**	**–**	**–**	**9**
Of which failed sales	–	9	–	–	9
Financial liabilities designated at fair value through profit or loss	**–**	**32,904**	**82**	**(9,188)**	**23,798**
Debt	**–**	**141**	**–**	**–**	**141**
Of which foreign governments	–	11	–	–	11
Of which corporates	–	130	–	–	130
Equity securities	**10,627**	**62**	**6**	**–**	**10,695**
Derivatives	**–**	**1,999**	**24**	**–**	**2,023**
Of which interest rate products	–	1	–	–	1
Of which foreign exchange products	–	–	–	–	–
Of which equity/index-related products	–	1,998	24	–	2,022
Of which other derivatives	–	–	–	–	–
Long-term debt	**–**	**485**	**–**	**–**	**485**
Of which debt instruments	–	485	–	–	485
Liabilities held for sale	**10,627**	**2,687**	**30**	**–**	**13,344**
Total liabilities at fair value	**14,130**	**38,991**	**718**	**(9,192)**	**44,647**

[1] Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.
The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.
[2] 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.

Transfers between level 1 and level 2

Transfers out of level 1 to level 2 are primarily driven by debt and equity securities where there is lack of activity in market or low trading volume. Transfers to level 1 out of level 2 are primarily driven by debt and equity securities where the values become observable or higher trading volume and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

The following table shows the transfers from level 1 to level 2 and from level 2 to level 1 of the fair value hierarchy.

	2017 [1]		2016 [1]	
CSS(E)L Group and Company (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	280	826	1,312	673
Total transfers in assets at fair value	**280**	**826**	**1,312**	**673**
Liabilities				
Trading financial liabilities at fair value through profit or loss	182	127	46	70
Total transfers in liabilities at fair value	**182**	**127**	**46**	**70**

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

Movements of level 3 instruments

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

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

As at December 2017	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**72**	**21**	**(19)**	**54**	**(35)**	**–**	**–**	**1**	**(21)**	–	**73**
Of which foreign governments	–	–	–	3	–	–	–	–	–	–	3
Of which corporates	68	21	(19)	49	(33)	–	–	1	(18)	–	69
Of which residential mortgage backed securities	4	–	–	2	(2)	–	–	–	(3)	–	1
Of which commercial mortgage backed securities	–	–	–	–	–	–	–	–	–	–	–
Equity securities	**23**	**9**	**(3)**	**7**	**(34)**	**–**	**–**	**1**	**7**	**–**	**10**
Derivatives	**822**	**–**	**–**	**–**	**–**	**337**	**(214)**	**–**	**64**	**–**	**1,009**
Of which interest rate products	**–**	**–**	**–**	**–**	**–**	**2**	**(2)**	**–**	**2**	**–**	**2**
Of which equity/index-related products	2	–	–	–	–	9	(11)	–	–	–	–
Of which credit derivatives	6	–	–	–	–	–	(1)	–	(5)	–	–
Of which other derivatives	814	–	–	–	–	326	(200)	–	67	–	1,007
Trading financial assets at fair value through profit or loss	**917**	**30**	**(22)**	**61**	**(69)**	**337**	**(214)**	**2**	**50**	**–**	**1,092**
Securities purchased under resale agreements and securities borrowing transactions	**170**	**–**	**–**	**–**	**–**	**26**	**(196)**	**–**	**–**	**–**	**–**
Loans	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**10**
Of which loans to financial institutions	49	–	–	–	–	–	–	–	(39)	–	10
Other financial assets designated at fair value through profit or loss	**1,923**	**–**	**–**	**227**	**(647)**	**–**	**–**	**–**	**10**	**–**	**1,513**
Of which life finance instruments	1,767	–	**–**	199	(463)	–	–	–	10	–	1,513
Of which failed purchases	156	–	–	28	(184)	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss	**2,142**	**–**	**–**	**227**	**(647)**	**26**	**(196)**	**–**	**(29)**	**–**	**1,523**
Financial assets available-for-sale	**33**	–	–	–	(7)	–	–	–	–	13	**39**
Equity securities	**11**	**–**	**–**	**–**	**(2)**	**–**	**–**	**1**	**1**	**–**	**11**
Derivatives	**18**	**29**	**(14)**	**–**	**–**	**2**	**(15)**	**21**	**38**	**–**	**79**
Of which equity/index-related products	18	29	(14)	–	–	2	(15)	21	38	–	79
Assets held for sale	**29**	**29**	**(14)**	**–**	**(2)**	**2**	**(15)**	**22**	**39**	**–**	**90**
Total assets at fair value	**3,121**	**59**	**(36)**	**288**	**(725)**	**365**	**(425)**	**24**	**60**	**13**	**2,744**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2017	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**1**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**
Of which corporates	1	–	–	–	(1)	–	–	–	–	–	–
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**656**	**–**	**–**	**–**	**–**	**256**	**(268)**	**–**	**35**	**–**	**679**
Of which interest rate products	2	–	–	–	–	3	–	–	(3)	–	2
Of which equity/index-related products	3	–	–	–	–	15	(22)	–	4	–	–
Of which credit derivatives	–	–	–	–	–	–	–	–	–	–	–
Of which other derivatives	651	–	–	–	–	238	(246)	–	34	–	677
Trading financial liabilities at fair value through profit or loss	**657**	**–**	**–**	**–**	**(1)**	**256**	**(268)**	**–**	**35**	**–**	**679**
Long term debt	**94**	**–**	**–**	**–**	**–**	**14**	**(31)**	**–**	**–**	**–**	**77**
Of which non recourse liabilities										–	
Of which other debt instruments	94	–	–	–	–	14	(31)	–	–	–	77
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Of which failed sales	–	–	–	–	–	–	–	–	–	–	
Financial liabilities designated at fair value through profit or loss	**94**	**–**	**–**	**–**	**–**	**14**	**(31)**	**–**	**–**	**–**	**77**
										–	
Equity securities	**6**	**40**	**(8)**	**3**	**(9)**	**–**	**–**	**(7)**	**(6)**	**–**	**19**
Derivatives	**24**	**7**	**(21)**	**–**	**–**	**10**	**(153)**	**28**	**183**	**–**	**78**
Of which equity/index-related products	24	7	(21)	–	–	10	(153)	28	183	–	78
Liabilities held for sale	**30**	**47**	**(29)**	**3**	**(9)**	**10**	**(153)**	**21**	**177**	**–**	**97**
Total liabilities at fair value	**781**	**47**	**(29)**	**3**	**(10)**	**280**	**(452)**	**21**	**212**	**–**	**853**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2017	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**72**	**21**	**(19)**	**54**	**(35)**	**–**	**–**	**1**	**(21)**	**–**	**73**
Of which foreign governments	–	–	–	3	–	–	–	–	–	–	3
Of which corporates	68	21	(19)	49	(33)	–	–	1	(18)	–	69
Of which residential mortgage backed securities	4	–	–	2	(2)	–	–	–	(3)	–	1
Of which commercial mortgage backed securities											
Equity securities	**23**	**9**	**(3)**	**7**	**(34)**	**–**	**–**	**1**	**7**	**–**	**10**
Derivatives	**1,356**	**–**	**–**	**–**	**–**	**368**	**(789)**	**–**	**66**	**–**	**1,001**
Of Which interest rate products	–	–	–	–	–	2	(2)	–	2	–	2
Of which equity/index-related products	2	–	–	–	–	9	(11)	–	–	–	–
Of which credit derivatives	6	–	–	–	–	–	(1)	–	(5)	–	–
Of which other derivatives	1,348	–	–	–	–	357	(775)	–	69	–	999
Trading financial assets at fair value through profit or loss	**1,451**	**30**	**(22)**	**61**	**(69)**	**368**	**(789)**	**2**	**52**	**–**	**1,084**
Securities purchased under resale agreements and securities borrowing transactions	**170**	**–**	**–**	**–**	**–**	**26**	**(196)**	**–**	**–**	**–**	**–**
Loans	**49**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**10**
Of which loans to financial institutions	49	–	–	–	–	–	–	–	(39)	–	10
Other financial assets designated at fair value through profit or loss	**1,320**	**–**	**–**	**272**	**(121)**	**–**	**–**	**–**	**(16)**	**–**	**1,455**
Of which life finance instruments	1,320	–	–	272	(121)	–	–	–	(16)	–	1,455
Financial assets designated at fair value through profit or loss	**1,539**	**–**	**–**	**272**	**(121)**	**26**	**(196)**	**–**	**(55)**	**–**	**1,465**
Financial assets available-for-sale	**33**	**–**	**–**	**–**	**(7)**	**–**	**–**	**–**	**–**	**13**	**39**
Equity securities	**11**	**–**	**–**	**–**	**(2)**	**–**	**–**	**1**	**1**	**–**	**11**
Derivatives	**18**	**29**	**(14)**	**–**	**–**	**2**	**(15)**	**21**	**38**	**–**	**79**
Of which equity/index-related products	18	29	(14)	–	–	2	(15)	21	38	–	79
Assets held for sale	**29**	**29**	**(14)**	**–**	**(2)**	**2**	**(15)**	**22**	**39**	**–**	**90**
Total assets at fair value	**3,052**	**59**	**(36)**	**333**	**(199)**	**396**	**(1,000)**	**24**	**36**	**13**	**2,678**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2017	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**1**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**
Of which corporates	1	–	–	–	(1)	–	–	–	–	–	–
Equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**605**	**–**	**–**	**–**	**–**	**248**	**(263)**	**–**	**41**	**–**	**631**
Of which interest rate products	2	–	–	–	–	3	–	–	(3)	–	2
Of which equity/index-related products	3	–	–	–	–	15	(22)	–	4	–	–
Of which credit derivatives	–	–	–	–	–	–	–	–	–	–	–
Of which other derivatives	600	–	–	–	–	230	(241)	–	40	–	629
Trading financial liabilities at fair value through profit or loss	**606**	**–**	**–**	**–**	**(1)**	**248**	**(263)**	**–**	**41**	**–**	**631**
Long term debt	**82**	**–**	**–**	**–**	**–**	**13**	**(28)**	**–**	**2**	**–**	**69**
Of which structured notes over two years											
Of which other debt instruments	82	–	–	–	–	13	(28)	–	2	–	69
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Of which failed sales	–	–	–	–	–	–	–	–	–	–	–
Financial liabilities designated at fair value through profit or loss	**82**	**–**	**–**	**–**	**–**	**13**	**(28)**	**–**	**2**	**–**	**69**
Equity securities	**6**	**40**	**(8)**	**3**	**(9)**	**–**	**–**	**(7)**	**(6)**	**–**	**19**
Derivatives	**24**	**7**	**(21)**	**–**	**–**	**10**	**(153)**	**28**	**183**	**–**	**78**
Of which equity/index-related products	24	7	(21)	–	–	10	(153)	28	183	–	78
Liabilities held for sale	**30**	**47**	**(29)**	**3**	**(9)**	**10**	**(153)**	**21**	**177**	**–**	**97**
Total liabilities at fair value	**718**	**47**	**(29)**	**3**	**(10)**	**271**	**(444)**	**21**	**220**	**–**	**797**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**127**	**4**	**(13)**	**155**	**(171)**	**–**	**–**	**–**	**(30)**	**–**	**72**
Of which corporates	113	2	(10)	154	(165)	–	–	–	(26)	–	68
Of which residential mortgage backed securities	14	2	(3)	1	(6)	–	–	–	(4)	–	4
Of which commercial mortgage backed securities	–	–	–	–	–	–	–	–	–	–	–
Equity securities	**101**	**22**	**(50)**	**85**	**(122)**	**–**	**–**	**(2)**	**(11)**	**–**	**23**
Derivatives	**808**	**–**	**–**	**–**	**–**	**311**	**(369)**	**–**	**72**	**–**	**822**
Of which equity/index-related products	–	–	–	–	–	1	–	–	1	–	2
Of which credit derivatives	8	–	–	–	–	–	(2)	–	–	–	6
Of which other derivatives	800	–	–	–	–	310	(367)	–	71	–	814
Trading financial assets at fair value through profit or loss	**1,036**	**26**	**(63)**	**240**	**(293)**	**311**	**(369)**	**(2)**	**31**	**–**	**917**
Securities purchased under resale agreements and securities borrowing transactions	**160**	**–**	**–**	**–**	**–**	**232**	**(223)**	**–**	**1**	**–**	**170**
Loans	**45**	**–**	**–**	**–**	**–**	**85**	**(87)**	**–**	**6**	**–**	**49**
Of which loans to financial institutions	45	–	–	–	–	85	(87)	–	6	–	49
Other financial assets designated at fair value through profit or loss	**2,043**	**–**	**–**	**247**	**(436)**	**–**	**–**	**–**	**69**	**–**	**1,923**
Of which life finance instruments	1,898	–	–	240	(429)	–	–	–	58	–	1,767
Of which failed purchases	145	–	–	7	(7)	–	–	–	11	–	156
Financial assets designated at fair value through profit or loss	**2,248**	**–**	**–**	**247**	**(436)**	**317**	**(310)**	**–**	**76**	**–**	**2,142**
Financial assets available-for-sale	**33**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33**
Equity securities	**–**	**16**	**–**	**15**	**(26)**	**–**	**–**	**–**	**6**	**–**	**11**
Derivatives	**30**	**19**	**(2)**	**–**	**–**	**2**	**(43)**	**2**	**10**	**–**	**18**
Of which equity/index-related products	30	19	(2)	–	–	2	(43)	2	10	–	18
Assets held for sale	**30**	**35**	**(2)**	**15**	**(26)**	**2**	**(43)**	**2**	**16**	**–**	**29**
Total assets at fair value	**3,347**	**61**	**(65)**	**502**	**(755)**	**630**	**(722)**	**–**	**123**	**–**	**3,121**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua- nces	Settle- ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
CSS(E)L Group Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**3**	**–**	**(3)**	**7**	**(3)**	**–**	**–**	**–**	**(3)**	**–**	**1**
Of which corporates	3	–	(3)	7	(3)	–	–	–	(3)	–	1
Equity securities	**4**	**1**	**–**	**3**	**(8)**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**604**	**2**	**–**	**–**	**(2)**	**282**	**(240)**	**(1)**	**11**	**–**	**656**
Of which interest rate products	2	–	–	–	–	–	–	–	–	–	2
Of which equity/index-related products	5	–	–	–	–	–	–	–	(2)	–	3
Of which credit derivatives	1	2	–	–	–	–	(1)	(1)	(1)	–	–
Of which other derivatives	596	–	–	–	(2)	282	(239)	–	14	–	651
Trading financial liabilities at fair value through profit or loss	**611**	**3**	**(3)**	**10**	**(13)**	**282**	**(240)**	**(1)**	**8**	**–**	**657**
Long term debt	**103**	**–**	**–**	**–**	**–**	**21**	**(31)**	**–**	**1**	**–**	**94**
Of which non recourse liabilities	–	–	–	–	–	–	–	–	–	–	–
Of which other debt instruments	103	–	–	–	–	21	(31)	–	1	–	94
Other financial liabilities designated at fair value through profit or loss	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**
Of which failed sales	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**
Financial liabilities designated at fair value through profit or loss	**104**	**–**	**–**	**–**	**–**	**21**	**(31)**	**–**	**–**	**–**	**94**
Equity securities	**–**	**7**	**–**	**3**	**–**	**–**	**–**	**–**	**(4)**	**–**	**6**
Derivatives	**49**	**17**	**(12)**	**–**	**–**	**11**	**(49)**	**5**	**3**	**–**	**24**
Of which equity/index-related products	49	17	(12)	–	–	11	(49)	5	3	–	24
Liabilities held for sale	**49**	**24**	**(12)**	**3**	**–**	**11**	**(49)**	**5**	**(1)**	**–**	**30**
Total liabilities at fair value	**764**	**27**	**(15)**	**13**	**(13)**	**314**	**(320)**	**4**	**7**	**–**	**781**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/ (Losses) included in OCI	**Balance at end of period**
Company Assets								On transfers in/out [1]	On all other		
Assets at fair value (USD million)											
Debt securities	**127**	**4**	**(13)**	**155**	**(171)**	**–**	**–**	**–**	**(30)**	**–**	**72**
Of which foreign governments	–	–	–	–	–	–	–	–	–	–	–
Of which corporates	113	2	(10)	154	(165)	–	–	–	(26)	–	68
Of which residential mortgage backed securities	14	2	(3)	1	(6)	–	–	–	(4)	–	4
Of which commercial mortgage backed securities	–	–	–	–	–	–	–	–	–	–	–
Equity securities	**101**	**22**	**(50)**	**85**	**(122)**	**–**	**–**	**(2)**	**(11)**	**–**	**23**
Derivatives	**1,376**	**–**	**–**	**–**	**–**	**289**	**(369)**	**–**	**60**	**–**	**1,356**
Of which equity/index-related products	–	–	–	–	–	1	–	–	1	–	2
Of which credit derivatives	8	–	–	–	–	–	(2)	–	–	–	6
Of which other derivatives	1,368	–	–	–	–	288	(367)	–	59	–	1,348
Trading financial assets at fair value through profit or loss	**1,604**	**26**	**(63)**	**240**	**(293)**	**289**	**(369)**	**(2)**	**19**	**–**	**1,451**
Securities purchased under resale agreements and securities borrowing transactions	**160**	**–**	**–**	**–**	**–**	**232**	**(223)**	**–**	**1**	**–**	**170**
Loans	**45**	**–**	**–**	**–**	**–**	**85**	**(87)**	**–**	**6**	**–**	**49**
Of which loans to financial institutions	45	–	–	–	–	85	(87)	–	6	–	49
Other financial assets designated at fair value through profit or loss	**1,418**	**–**	**–**	**132**	**(254)**	**–**	**–**	**–**	**24**	**–**	**1,320**
Of which life finance instruments	1,418	–	–	132	(254)	–	–	–	24	–	1,320
Of which failed purchases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial assets designated at fair value through profit or loss	**1,623**	**–**	**–**	**132**	**(254)**	**317**	**(310)**	**–**	**31**	**–**	**1,539**
Financial assets available-for-sale	**33**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33**
Equity securities	**–**	**16**	**–**	**15**	**(26)**	**–**	**–**	**–**	**6**	**–**	**11**
Derivatives	**30**	**19**	**(2)**	**–**	**–**	**2**	**(43)**	**2**	**10**	**–**	**18**
Of which equity/index-related products	30	19	(2)	–	–	2	(43)	2	10	–	18
Assets held for sale	**30**	**35**	**(2)**	**15**	**(26)**	**2**	**(43)**	**2**	**16**	**–**	**29**
Total assets at fair value	**3,290**	**61**	**(65)**	**387**	**(573)**	**608**	**(722)**	**–**	**66**	**–**	**3,052**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

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

As at December 2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issua-nces	Settle-ments	Trading revenues		Gains/(Losses) included in OCI	**Balance at end of period**
Company Liabilities								On transfers in/out [1]	On all other		
Liabilities at fair value (USD million)											
Debt securities	**3**	**–**	**(3)**	**7**	**(3)**	**–**	**–**	**–**	**(3)**	**–**	**1**
Of which corporates	3	–	(3)	7	(3)	–	–	–	(3)	–	1
Equity securities	**4**	**1**	**–**	**3**	**(8)**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**571**	**2**	**–**	**–**	**–**	**253**	**(232)**	**(1)**	**12**	**–**	**605**
Of which interest rate products	2	–	–	–	–	–	–	–	–	–	2
Of which equity/index-related products	5	–	–	–	–	–	–	–	(2)	–	3
Of which credit derivatives	1	2	–	–	–	–	(1)	(1)	(1)	–	–
Of which other derivatives	563	–	–	–	–	253	(231)	–	15	–	600
Trading financial liabilities at fair value through profit or loss	**578**	**3**	**(3)**	**10**	**(11)**	**253**	**(232)**	**(1)**	**9**	**–**	**606**
Long term debt	**92**	**–**	**–**	**–**	**–**	**21**	**(32)**	**–**	**1**	**–**	**82**
Of which structured notes over two years	–	–	–	–	–	–	–	–	–	–	–
Of which other debt instruments	92	–	–	–	–	21	(32)	–	1	–	82
Other financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Of which failed sales	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial liabilities designated at fair value through profit or loss	**92**	**–**	**–**	**–**	**–**	**21**	**(32)**	**–**	**1**	**–**	**82**
Equity securities	**–**	**7**	**–**	**3**	**–**	**–**	**–**	**–**	**(4)**	**–**	**6**
Derivatives	**49**	**17**	**(12)**	**–**	**–**	**11**	**(49)**	**5**	**3**	**–**	**24**
Of which equity/index-related products	49	17	(12)	–	–	11	(49)	5	3	–	24
Liabilities held for sale	**49**	**24**	**(12)**	**3**	**–**	**11**	**(49)**	**5**	**(1)**	**–**	**30**
Total liabilities at fair value	**719**	**27**	**(15)**	**13**	**(11)**	**285**	**(313)**	**4**	**9**	**–**	**718**

[1] For all the transfers to level 3 or out of level 3, the CSS(E)L 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)

	As at 31 December 2017		As at 31 December 2016	
Trading revenues (USD million)	**CSS(E)L Group**	**Company**	**CSS(E)L Group**	**Company**
Net realised/unrealised gains/(losses) included in net revenues	**(149)**	**(181)**	**112**	**53**
Whereof:				
Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date				
Trading financial assets at fair value through profit or loss	61	60	28	28
Financial assets designated at fair value through profit or loss	9	(16)	52	21
Trading financial liabilities at fair value through profit or loss	(62)	(63)	(54)	(54)
Financial liabilities designated at fair value through profit or loss	3	6	3	3
Changes in unrealised gains/(losses) relating to assets and liabilities held for sale as of the reporting date				
Financial assets held for sale	58	58	4	4
Financial liabilities held for sale	(74)	(74)	(1)	(1)
Net realised/unrealised gains/(losses) included in OCI	**–**	**–**	**–**	**–**
Whereof:				
Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date				
Financial assets available for sale	–	–	–	–
Financial liabilities held for sale	–	–	–	–
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	**(5)**	**(29)**	**32**	**1**

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

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

Transfers in and out of level 3

Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of level 3 in 2017 amounted to USD 30 million and USD 22 million, respectively for Group and Company. USD 21 million of transfers into level 3 was related to debt securities and USD 9 million of transfer into level 3 related to equity securities due to limited observability of pricing data and reduced pricing information from external providers. USD 19 million of transfers out of level 3 largely comprises of debt securities and USD 3 million was related to equity securities due to improved observability of pricing data and increased availability of pricing information from external providers.

Assets held for sale transferred into and out of level 3 in 2017 amounted to USD 29 million and USD 14 million, respectively for Group and Company. USD 29 million of assets held for sale transfers into level 3 was related to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

Trading financial assets transferred into and out of level 3 in 2016 amounted to USD 26 million and USD 63 million, respectively for Group and Company. USD 4 million of transfers into level 3 was related to debt securities and USD 22 million of transfer into level 3 related to equity securities due to limited observability of pricing data and reduced pricing information from external providers USD 50 million of transfers out of level 3 largely comprises equity securities due to improved observability of pricing data and increased availability of pricing information from external providers.

Assets held for sale transferred into and out of level 3 in 2016 amounted to USD 35 million and USD 2 million, respectively for Group and Company. USD 19 million of assets held for sale transfers into level 3 was related to derivatives and USD 16 million relates to equity securities due to limited observability of pricing data and reduced pricing information from external providers.

Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of level 3 in 2017 amounted to USD Nil for Group and Company both.

Trading financial liabilities transferred into and out of level 3 in 2016 amounted to USD 3 million for Group and Company both.

Liabilities held for sale transferred into and out of level 3 in 2017 amounted to USD 47 million and USD 29 million, respectively for Group and Company. USD 47 million of liabilities held for sale transfers into level 3 relates to USD 40 million Equity and USD 7 million derivatives due to limited observability of pricing data and reduced pricing information from external providers.

Liabilities held for sale transferred into and out of level 3 in 2016 amounted to USD 24 million and USD 12 million, respectively for Group and Company. USD 17 million of transfers into level 3 was related to derivatives, due to limited observability of pricing data and reduced pricing information from external providers.

Qualitative disclosures of valuation techniques

The CSS(E)L 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 CSS(E)L 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 CSS(E)L 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 Financial Accounting 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 run as a sub-committee of CSG VARMC and is comprised of Credit Suisse Group AG's Executive Board members, CEO CSS(E)L, CFO CSS(E)L, CRO CSS(E)L and the UK heads of the business and control functions meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSS(E)L Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive 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 CSS(E)L 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. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable inputs for those classified as level 3 are funding spread and general collateral rate.

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 CSS(E)L Group with the right to liquidate the collateral held.

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 modelling techniques, which may involve judgement. Those securities where the 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 modelling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. The significant unobservable input is price. 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).

CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDOs 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 RMBS, CMBS and CDOs 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. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. 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.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralised bond and loan obligations are split into various structured tranches and each tranche is valued based upon its individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

Equity securities

The majority of the CSS(E)L 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, convertible bonds or equity securities with restrictions that are not traded in active markets. The significant unobservable input is price.

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 marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modelling 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.

The CSS(E)L Group's valuation of derivatives includes an adjustment for the cost of funding uncollateralised OTC derivatives. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or 'CVA') is considered when measuring the fair value of assets and the impact of changes in the CSS(E)L Group's own credit spreads (known as debit valuation adjustments or 'DVA') is considered when measuring the fair value of its liabilities.

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, volatility skew, prepayment rate, credit spread, basis spread 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 modelling 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 and correlation.

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 price, correlation, volatility, skew, buyback probability and gap risk.

Credit derivatives

Credit derivatives include index and single name CDS 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 and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

Other derivatives

Other derivatives include longevity swaps where the CSS(E)L Group enters into longevity and mortality swap transactions with institutional investors to transfer mortality risk. Generally, in a longevity swap, counterparty 'A' pays life contingent premiums to counterparty 'B' and in return receive death benefit at maturity of the underlying life. Longevity swaps are also structured to exchange fixed vs life contingent cash flows without any referenced death benefits. The longevity swaps cash flows may also be credit linked to underlying insurance carriers. Longevity swaps are valued using the discounted cash flow model and the primary unobservable input is market implied remaining life expectancy.

Other financial assets designated at fair value through profit or loss

Life Finance Instruments

Life finance instruments include Single Premium Immediate Annuities ('SPIA'), life settlement and premium finance instruments. SPIAS are valued using discounted cash flow models and are purchased with an upfront payment to receive life contingent annuity income stream. Annuity streams are fixed and received until the individual matures. SPIAS annuity helps finance ongoing premium obligation on the underlying policies and also acts as mortality hedge. Life settlement and premium finance instruments are valued using proprietary models with the primary input being market implied remaining life expectancy. Life settlement policies are life insurance policies issued by insurance companies and pay a lump sum death benefit upon insured's death to beneficiaries in return for premiums paid over the life of an individual. Premium finance is where the CSS(E)L Group finances policy premiums for the insured / borrower set up as an Irrevocable Life Insurance Trust in return for receiving the majority of the insured's death benefit at maturity. The primary unobservable input for SPIAs, life settlement and premium finance instruments is market implied remaining life expectancy.

Loans

Loans include fully funded swaps, which are valued using discounted cash flow models. The primary unobservable input is market implied remaining life expectancy.

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 'Analysis of financial instruments by categories' above on pages 95 to 97. These instruments include: cash and due from banks, 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 instruments with a significant unobservable input of price, funding spread, general collateral rate and market implied remaining life expectancy (for life finance instruments), in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of market implied remaining life expectancy (for life settlement instruments and premium finance instruments), in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value.

Interrelationships between significant unobservable inputs

There are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will 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.

Quantitative information about level 3 assets and liabilities at fair value

As at 31 December 2017 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1,2]
Assets						
Trading financial Assets at fair value through profit or loss						
Debt securities	**73**					
Of which corporates	69					
Of which	38	Market comparable	Price, in %	–	105	87
Equity securities	**21**					
Of which	20	Vendor price	Price in actuals	–	2,080	15
Derivatives	**1,088**					
Of which equity/ index-related products	79					
Of which	68	Vendor price	Price in actuals		79	6
Of which other derivatives	1,007					
Of which	505	Discounted cash flows	UK Mortality	76	92	90
Of which	492	Discounted cash flows	Market implied remaining life expectancy, in years	2	17	6
Financial assets designated at fair value through profit or loss						
Financial assets designated at fair value through profit or loss	**1,523**					
Of which life finance instruments	1,513					
Of which	1,406	Discounted cash flows	Market implied remaining life expectancy, in years	2	18	7
Of which	113	Discounted cash flows	UK Mortality	76	92	91
Financial assets available-for-sale	**39**					
Of which	20	Vendor price	Price, in actuals	–	2,080	35
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity securities	**19**					
Of which	17	Vendor price	Price in actuals	–	154	10
Derivatives	**757**					
Of which equity/ index-related products	78					
Of which	78	Vendor price	Price in actuals	–	53	12
Of which other derivatives	679					
Of which	647	Discounted cash flows	Market implied remaining life expectancy, in years	2	20	6
Long-term debt	**77**					
Of which other debt instruments	56	Discounted cash flows	Market implied remaining life expectancy, in years	2	17	6

[1] Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.

[2] Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations.

As at 31 December 2016 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average [1,2]
Assets						
Trading financial Assets at fair value through profit or loss						
Debt securities	**72**					
Of which corporates	68					
Of which	54	Market comparable	Price, in %	–	123	38
Equity securities	**34**					
Of which	29	Vendor price	Price in actuals	–	100	24
Derivatives	**840**					
Of which equity/ index-related products	20					
Of which	18	Vendor price	Price in actuals	–	43	1
Of which other derivatives	814					
Of which	390	Discounted cash flows	UK Mortality	76	92	91
Of which	421	Discounted cash flows	Market implied remaining life expectancy, in years	2	18	6
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	**170**					
Of which	118	Discounted cash flows	Funding spread, in bps	350	450	361
Of which	52	Discounted cash flows	General collateral rate, in %	10	101	27
Other financial assets designated at fair value through profit or loss	**1,923**					
Of which life finance instruments	1,767					
Of which	1,653	Discounted cash flows	Market implied remaining life expectancy, in years	2	19	7
Financial assets available-for-sale	**33**					
Of which	25	Vendor price	Price, in actuals	25	1,077	625
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity securities	**6**					
Of which	6	Vendor price	Price in actuals	–	71	4
Derivatives	**680**					
Of which equity/ index-related products	27					
Of which	27	Vendor price	Price in actuals	–	43	1
Of which other derivatives	651					
Of which	615	Discounted cash flows	Market implied remaining life expectancy, in years	2	21	7
Long-term debt	**94**					
Of which other debt instruments	78	Discounted cash flows	Market implied remaining life expectancy, in years	2	18	7

[1] Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.
[2] Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations.

Qualitative discussion of the ranges of significant unobservable inputs

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

Market implied remaining life expectancy

The CSS(E)L Group's market implied remaining life expectancy determines an individual's mortality curve and is the primary unobservable input used on various longevity instruments including life settlements, premium finance, SPIAS and longevity swaps. Market implied remaining life expectancy is determined based on individual's gender, age, and health status. It is calibrated to the market data when transaction data is available.

Mortality Rate

Mortality rate is the primary significant unobservable input for pension swaps. The expected present value of future cash flow of the trades depend on the mortality of individuals in the pension fund who are grouped into categories such as gender, age, pension amount, and other factors.

Price

Bond equivalent price is a primary significant unobservable input for bonds and equities. 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.

Funding spread

Funding spread is the primary significant unobservable input for Structured Entities 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.

General collateral rate

General collateral rate is the primary significant unobservable input for repurchase/resale transactions involving emerging markets bonds.

Credit spread

Credit spread is the primary significant input for CDS trades. 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.

Sensitivity of fair values to reasonably possible alternative assumptions

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

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

	As at 31 December 2017		As at 31 December 2016	
CSS(E)L Group and Company	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
Impact on net income/(loss)(USD million)				
Life insurance products	162	(189)	130	(137)
Derivative assets and liabilities	11	(11)	17	(17)
Debt and equity securities	12	(5)	14	(6)
Total	**185**	**(205)**	**161**	**(160)**

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.

Life insurance products, both physical and synthetic, are sensitive to mortality assumption. Sensitivity analysis is carried out by stressing market life expectancy of each underlying product in months between 2 to 9 months. Asset backed securities include RMBS and CDO positions. RMBS positions were subjected to sensitivities on price which were generally subjected to an 8% movement up and down of the price of the security.

Debt and equity securities include corporate bonds. The parameter subjected to sensitivity for corporate debt is price. Corporate debt positions are generally subjected to movements up and down of 3% to 4% of the price of the security.

The sensitivities applied to the unobservable parameters are in all cases dependent upon management judgement and derived from multiple sources including historical and statistical information as well as analysing the range of bids and offers on observable market information as a proxy for the unobservable portion of the market.

Recognition of trade date profit/loss

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 Statement of Income at the beginning of the year and end of the year with a reconciliation of the changes of the balance during the year.

CSS(E)L Group and Company	**2017**	2016
Deferred trade date profit and loss (USD million)		
Balance at 1 January	80	110
Reduction due to passage of time	(17)	(30)
Balance at 31 December	**63**	**80**

Fair value of financial instruments not carried at fair value

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

As at 31 December 2017 CSS(E)L Group (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets					
Cash and due from banks	2,662	–	–	–	2,662
Interest-bearing deposits with banks	–	20,271	–	–	20,271
Securities purchased under resale agreements and securities borrowing transactions	–	23,323	–	(598)	22,725
Other financial assets	–	8,049	–	–	8,049
Assets held for sale	–	15,127	–	–	15,127
Total fair value of financial assets	**2,662**	**66,770**	**–**	**(598)**	**68,834**
Liabilities					
Deposits	62	–	–	–	62
Securities sold under repurchase agreements and securities lending transactions	–	14,866	–	(598)	14,268
Short term borrowings	–	5,512	–	–	5,512
Long term debt	–	21,695	–	–	21,695
Other financial liabilities	–	17,420	–	–	17,420
Liabilities held for sale	–	9,135	–	–	9,135
Total fair value of financial liabilities	**62**	**68,628**	**–**	**(598)**	**68,092**

As at 31 December 2017 Company (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets					
Cash and due from banks	2,640	–	–	–	2,640
Interest-bearing deposits with banks	–	20,272	–	–	20,272
Securities purchased under resale agreements and securities borrowing transactions	–	23,323	–	(598)	22,725
Other financial assets	–	8,061	–	–	8,061
Assets held for sale	–	15,127	–	–	15,127
Total fair value of financial assets	**2,640**	**66,783**	**–**	**(598)**	**68,825**
Liabilities					
Deposits	62	–	–	–	62
Securities sold under repurchase agreements and securities lending transactions	–	14,866	–	(598)	14,268
Short term borrowings	–	5,512	–	–	5,512
Long term debt	–	21,695	–	–	21,695
Other financial liabilities	–	17,406	–	–	17,406
Liabilities held for sale	–	9,135	–	–	9,135
Total fair value of financial liabilities	**62**	**68,614**	**–**	**(598)**	**68,078**

As at 31 December 2016 CSS(E)L Group (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets					
Cash and due from banks	3,187	–	–	–	3,187
Interest-bearing deposits with banks	–	8,763	–	–	8,763
Securities purchased under resale agreements and securities borrowing transactions	–	12,072	–	(386)	11,686
Other financial assets	–	5,269	–	–	5,269
Assets held for sale	–	33,159	–	–	33,159
Total fair value of financial assets	**3,187**	**59,263**	**–**	**(386)**	**62,064**
Liabilities					
Deposits	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	–	458	–	(386)	72
Short term borrowings	–	3,667	–	–	3,667
Long term debt	–	24,762	–	–	24,762
Other financial liabilities	–	17,658	–	–	17,658
Liabilities held for sale	–	19,326	–	–	19,326
Total fair value of financial liabilities	**169**	**65,871**	**–**	**(386)**	**65,654**

As at 31 December 2016 Company (USD million)	Level 1	Level 2	Level 3	Impact of Netting	**Total at fair value**
Assets					
Cash and due from banks	3,183	–	–	–	3,183
Interest-bearing deposits with banks	–	8,763	–	–	8,763
Securities purchased under resale agreements and securities borrowing transactions	–	12,072	–	(386)	11,686
Other financial assets	–	5,245	–	–	5,245
Assets held for sale	–	33,159	–	–	33,159
Total fair value of financial assets	**3,183**	**59,239**	**–**	**(386)**	**62,036**
Liabilities					
Deposits	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	–	458	–	(386)	72
Short term borrowings	–	3,667	–	–	3,667
Long term debt	–	24,762	–	–	24,762
Other financial liabilities	–	17,647	–	–	17,647
Liabilities held for sale	–	19,326	–	–	19,326
Total fair value of financial liabilities	**169**	**65,860**	**–**	**(386)**	**65,643**

36 Assets Pledged or Assigned

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

CSS(E)L Group and Company (USD million)	**2017**	2016
Assets pledged or assigned		
Trading financial assets at fair value through profit or loss	14,247	16,809
Collateral received		
Fair value of collateral received with the right to resell or repledge	155,130	146,014
Of which sold or repledged	126,291	115,621

Assets pledged or assigned represents the Statements of Financial Position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivative instruments. Refer to Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2017 and 2016, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSS(E)L Group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation requirements under securities laws and regulations, derivative transactions, and bank loans.

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

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

37 Derecognition of Financial Assets

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

Transferred Financial Assets that are not derecognised in their entirety

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

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

Carrying amount of transferred assets not derecognised and associated liabilities

		2017		2016
CSS(E)L Group (USD million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase agreements and Securities lending agreements	14,247	14,247	16,809	16,809
Other	–	–	530	9

Company (USD million)	2017 Carrying amount of assets	2017 Carrying amount of associated liabilities	2016 Carrying amount of assets	2016 Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase agreements and Securities lending agreements	14,247	14,247	16,809	16,809
Other	–	–	9	9

The CSS(E)L Group also participates in securities lending agreements where the counterparty provides security as collateral. The carrying amount of the assets not derecognised in such transactions is equal to USD 2,817 million (2016: USD 1,359 million).

Where the CSS(E)L Group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement. The counterparties to the associated liabilities included above, have full recourse to the CSS(E)L Group.

Assets not derecognised are included in Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss and corresponding liabilities in Note 13 – Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements and Note 15 – Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss.

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

38 Financial Risk Management

Risks Detail

i) Market risk

Overview

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

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

Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR is applicable for market risk exposures with price histories. Positions product can be aggregated in several ways, across risk factors, products and businesses. For example, interest rate risk includes risk arising from money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk across different asset classes, businesses and divisions, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and other relevant parameters serve as a basis for the statistical VaR model underlying the potential loss estimation. The Company uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS').

The Company uses a historical simulation model for the majority of the risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and other relevant parameters applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on the correlation between risk factors.

In 2017, the Company changed the VaR model. The previous model used a three-year historical dataset where all events were weighted in the same way; this was enhanced by a scaling technique that automatically increased VaR if the short-term market volatility were higher than the long-term volatility, The new model introduced in 2017 uses a two-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the model uses a time-weighting scheme in which more recent events are assigned a higher weight in the calculation. This results in a more responsive VaR model, as the impact of changes in the overall market volatility is reflected promptly in the VaR model output.

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

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

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

Scenario analysis

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

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

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

Trading portfolios

Risk measurement and management

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

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio. This classification of assets as trading is based on the trading intent and for the purpose of analysing the Company's market risk exposure, not for financial statement purposes.

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

Development of trading portfolio risks

The table below shows the trading-related market risk exposure for CSS(E)L Group, as measured by regulatory ten-day, 99% VaR. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio.

Ten-day, 99% VaR – trading portfolios

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit [1]	Total
2017 (USD million)						
Average	**11**	**1**	**–**	**8**	**(5)**	**15**
Minimum	6	1	-	5	- [2]	11
Maximum	15	3	1	17	- [2]	25
End of period	14	1	–	5	(4)	16
2016 (USD million)						
Average	**10**	**3**	**2**	**24**	**(8)**	**31**
Minimum	6	1	–	8	– [2]	15
Maximum	16	9	5	39	– [2]	48
End of period	12	2	–	12	(5)	21

[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 CSS(E)L Group's ten-day, 99% regulatory VaR as of 31 December 2017 decreased by 21% to USD 16 million compared to 31 December 2016 (USD 21 million).

Banking portfolios

Risk measurement and management

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

Development of non-trading portfolio risks

Interest rate risk on non-trading 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 have amounted to USD (0.1) million as at 31 December 2017 compared to USD 0.0 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 31 December 2017 the fair value impacts of a 200-basis-point move in yield curves (no flooring at zero) were:

- A fair value loss of USD 28 million (2016 loss of USD 9 million) for a +200bps move.
- A fair value gain of USD 13 million (2016 loss of USD 10 million) for a -200bps move.

ii) Liquidity Risk

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

CS group wide management of liquidity risk

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

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

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

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

The funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. To address short term liquidity needs in any stress, a liquidity buffer consisting of a portfolio of highly liquid securities and cash is maintained which can be utilised in the event of a crisis. The principal measure used to monitor the structural liquidity position of the Company and as the basis for funds transfer pricing policy is the Net Stable Funding Ratio ('NSFR'). This is complemented by CS's internal liquidity barometer, which measures survival days under stressed conditions and considers the adjusted market value of unencumbered assets (including cash) against the aggregate value of expected contractual, contingent and client behavioural liquidity outflows. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

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

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

On the regulatory front, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring, includes a liquidity coverage ratio ('LCR') and an NSFR.

The LCR addresses liquidity risk over a 30-day period. The LCR aims to ensure that Company have a stock of unencumbered high-quality liquid assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a Company's assets and activities over a one-year horizon. The NSFR is intended to ensure that the Company maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR.

The standard is defined as the ratio of available stable funding over the amount of required stable funding.

It should be noted that local regulators are free to interpret the BCBS proposals and have implemented various aspects differently including timescales for implementation of the LCR and NSFR.

Legal entity management of liquidity risk

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

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

Following global regulatory developments, the European Banking Authority ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under CRDIV guidelines, the LCR was initially introduced with a minimum requirement of 80% on October 1, 2015 with an increase to 90% from January 1, 2017 and full compliance by January 1, 2018 (one year prior to BCBS guidelines). The NSFR was expected to be introduced on January 1, 2018 in-line with the BCBS proposal, however in November 2016 the European Commission confirmed that it will not apply at a level of 100% until two years after the date of entry in to force of the proposed regulation. The date of entry into force is not yet known.

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

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

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

The legal entity risk appetite and assumptions underlying the relevant stress tests, which form part of CSS(E)L's liquidity risk management framework, are reviewed by Risk and Treasury and ultimately approved by the Company's Board of Directors on at least an annual basis or as market conditions dictate.

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

Incremental to the Company's unsecured funding sources from CS, the Company has the ability to access secured funding markets via repurchase and stock lending agreements. These funding streams provide diversification to the funding profile of the entity.

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

CSS(E)L Group	On Demand	Current: Due within 3 months	Current: Between 3 and 12 months	Current: Total	Noncurrent: Between 1 and 5 years	Noncurrent: Due after 5 years	Noncurrent: Total	Total
2017 Contractual maturity of Financial Liabilities (USD million)								
Deposits	62	–	–	62	–	–	–	62
Securities sold under repurchase agreements and securities lending transactions	10,033	–	4,234	14,267	1	–	1	14,268
Trading financial liabilities at fair value through profit or loss	12,616	–	–	12,616	–	–	–	12,616
Financial liabilities designated at fair value through profit or loss	20,246	7,750	298	28,294	123	39	162	28,456
Short term borrowings	–	1,438	4,074	5,512	–	–	–	5,512
Other liabilities	11,420	–	6,000	17,420	–	–	–	17,420
Long term debt	–	68	203	271	20,081	2,503	22,584	22,855
Perpetual debt	–	–	–	–	–	–	–	–
Liabilities held for sale	14,614	–	1,270	15,884	–	–	–	15,884
Total financial liabilities	**68,991**	**9,256**	**16,079**	**94,326**	**20,205**	**2,542**	**22,747**	**117,073**
2016 Contractual maturity of Financial Liabilities (USD million)								
Deposits	169	–	–	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	72	–	–	72	–	–	–	72
Trading financial liabilities at fair value through profit or loss	7,537	–	–	7,537	–	–	–	7,537
Financial liabilities designated at fair value through profit or loss	17,482	5,972	261	23,715	27	68	95	23,810
Short term borrowings	–	742	2,925	3,667	–	–	–	3,667
Other liabilities	10,578	–	7,500	18,078	–	–	–	18,078
Long term debt	–	61	182	243	21,801	2,689	24,490	24,733
Perpetual debt	–	–	–	–	–	1,251	1,251	1,251
Liabilities held for sale	24,066	–	8,119	32,185	485	–	485	32,670
Total financial liabilities	**59,904**	**6,775**	**18,987**	**85,666**	**22,313**	**4,008**	**26,321**	**111,987**

CSS(E)L Company	On Demand	Current: Due within 3 months	Current: Between 3 and 12 months	Current: Total	Noncurrent: Between 1 and 5 years	Noncurrent: Due after 5 years	Noncurrent: Total	Total
2017 Contractual maturity of Financial Liabilities (USD million)								
Deposits	62	–	–	62	–	–	–	62
Securities sold under repurchase agreements and securities lending transactions	10,033	–	4,234	14,267	1	–	1	14,268
Trading financial liabilities at fair value through profit or loss	12,587	–	–	12,587	–	–	–	12,587
Financial liabilities designated at fair value through profit or loss	20,244	7,750	298	28,292	123	31	154	28,446
Short term borrowings	–	1,438	4,074	5,512	–	–	–	5,512
Other liabilities	11,406	–	6,000	17,406	–	–	–	17,406
Long term debt	–	68	203	271	20,081	2,503	22,584	22,855
Perpetual debt	–	–	–	–	–	–	–	–
Liabilities held for sale	14,614	–	1,270	15,884	–	–	–	15,884
Total financial liabilities	**68,946**	**9,256**	**16,079**	**94,281**	**20,205**	**2,534**	**22,739**	**117,020**
2016 Contractual maturity of Financial Liabilities (USD million)								
Deposits	169	–	–	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	72	–	–	72	–	–	–	72
Trading financial liabilities at fair value through profit or loss	7,505	–	–	7,505	–	–	–	7,505
Financial liabilities designated at fair value through profit or loss	17,482	5,972	261	23,715	27	56	83	23,798
Short term borrowings	–	742	2,925	3,667	–	–	–	3,667
Other liabilities	10,548	–	7,500	18,048	–	–	–	18,048
Long term debt	–	61	182	243	21,801	2,689	24,490	24,733
Perpetual debt	–	–	–	–	–	1,251	1,251	1,251
Liabilities held for sale	24,066	–	8,119	32,185	485	–	485	32,670
Total financial liabilities	**59,842**	**6,775**	**18,987**	**85,604**	**22,313**	**3,996**	**26,309**	**111,913**

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. They have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (i.e. no maturity dates), the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the Company to put or call the positions at short notice.

iii) Currency Risk

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

The Company has approval to manage its own trading profit and loss related foreign exchange risk through a formal trading mandate and has defined risk limits using the VaR methodology. Its currency exposure within the non-trading portfolios is managed through the CS group levelling process as set out in the Corporate Foreign Exchange Policy. Both these methodologies are discussed in more detail in section i) Market Risk, of this note.

iv) Credit Risk

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

Definition of credit risk

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

Credit risk management approach

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

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

Counterparty and transaction rating

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

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

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

Credit Risk Overview

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

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2017. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSS(E)L Group would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

Maximum exposure to credit risk:

			Group			Company
	Gross	Collateral	**Net**	Gross	Collateral	**Net**
2017 Maximum exposure to credit risk (USD million) [1]						
Cash and due from banks	2,662	–	2,662	2,640	–	2,640
Interest-bearing deposits with banks	20,272	–	20,272	20,272	–	20,272
Securities purchased under resale agreements and securities borrowing transactions	32,525	32,525	–	32,525	32,525	–
Trading financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**
Debt securities	2,525	–	2,525	2,525	–	2,525
Derivative trading positions	5,689	5,088	601	5,716	5,089	627
Financial assets designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**–**
Securities purchased under resale agreements and securities borrowing transactions	23,748	23,373	375	23,748	23,373	375
Other	2,874	–	2,874	1,466	–	1,466
Financial assets available-for-sale	39	–	39	39	–	39
Other assets	12,324	5,205	7,119	12,324	5,205	7,119
Maximum exposure to credit risk – total assets	**102,658**	**66,191**	**36,467**	**101,255**	**66,192**	**35,063**
Off-balance sheet items						
Loan commitments and other credit related commitments	4,602	–	4,602	4,602	–	4,602
Maximum exposure to credit risk – total off-balance sheet	**4,602**	**–**	**4,602**	**4,602**	**–**	**4,602**
Maximum exposure to credit risk	**107,260**	**66,191**	**41,069**	**105,857**	**66,192**	**39,665**
2016 Maximum exposure to credit risk (USD million)						
Cash and due from banks	3,187	–	3,187	3,183	–	3,183
Interest-bearing deposits with banks	8,763	–	8,763	8,763	–	8,763
Securities purchased under resale agreements and Securities borrowing transactions	40,416	37,391	3,025	40,416	37,391	3,025
Trading financial assets at fair value through profit or loss						
Debt securities	2,790	–	2,790	2,790	–	2,790
Derivative trading positions	5,449	4,884	565	6,002	5,258	744
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	21,568	21,568	–	21,568	21,568	–
Other	2,045	–	2,045	1,442	–	1,442
Financial assets available-for-sale	33	–	33	33	–	33
Other assets	9,656	4,195	5,461	9,656	4,195	5,461
Maximum exposure to credit risk – total assets	**93,907**	**68,038**	**25,869**	**93,853**	**68,412**	**25,441**
Off-balance sheet items						
Loan commitments and other credit related commitments	5,920	–	5,920	5,920	–	5,920
Maximum exposure to credit risk – total off-balance sheet	**5,920**	**–**	**5,920**	**5,920**	**–**	**5,920**
Maximum exposure to credit risk	**99,827**	**68,038**	**31,789**	**99,773**	**68,412**	**31,361**

[1] Above table includes both continued and discontinued operations.

The CSS(E)L Group is exposed to credit risk as a result of a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

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

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSS(E)L Group holds against loans in the form of guarantees, cash and marketable securities. The CSS(E)L Group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 15 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSS(E)L Group the right to liquidate the collateral held. Reverse repos are included either within Securities purchased under resale agreements or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSS(E)L Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 13 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

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

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 33 – Guarantees and Commitments.

For further information on collateral held as security that the CSS(E)L Group is permitted to sell or repledge refer to Note 36 – Assets Pledged or Assigned.

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

Risk Mitigation

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

Counterparty Exposure before Collateral by Rating

Company	**2017**		2016	
	USD million	%	USD million	%
AAA	162	2	17	0
AA+ to AA-	3,824	48	3,692	47
A+ to A-	3,006	37	3,264	41
BBB+ to BBB-	703	9	470	6
BB+ to BB-	182	2	388	5
B+ and below	152	2	62	1
	8,029	**100**	**7,893**	**100**

Unsecured Exposure by Counterparty Rating

Company	**2017**		2016	
	USD million	%	**USD million**	%
AAA	162	3	17	0
AA+ to AA-	3,174	48	3,260	48
A+ to A-	2,592	39	3,084	44
BBB+ to BBB-	478	7	422	6
BB+ to BB-	69	1	101	1
B+ and below	145	2	48	1
	6,620	**100**	**6,932**	**100**

The above tables include all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades on a net counterparty exposure basis for the Company. The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

Wrong-way risk (‘WWR’)

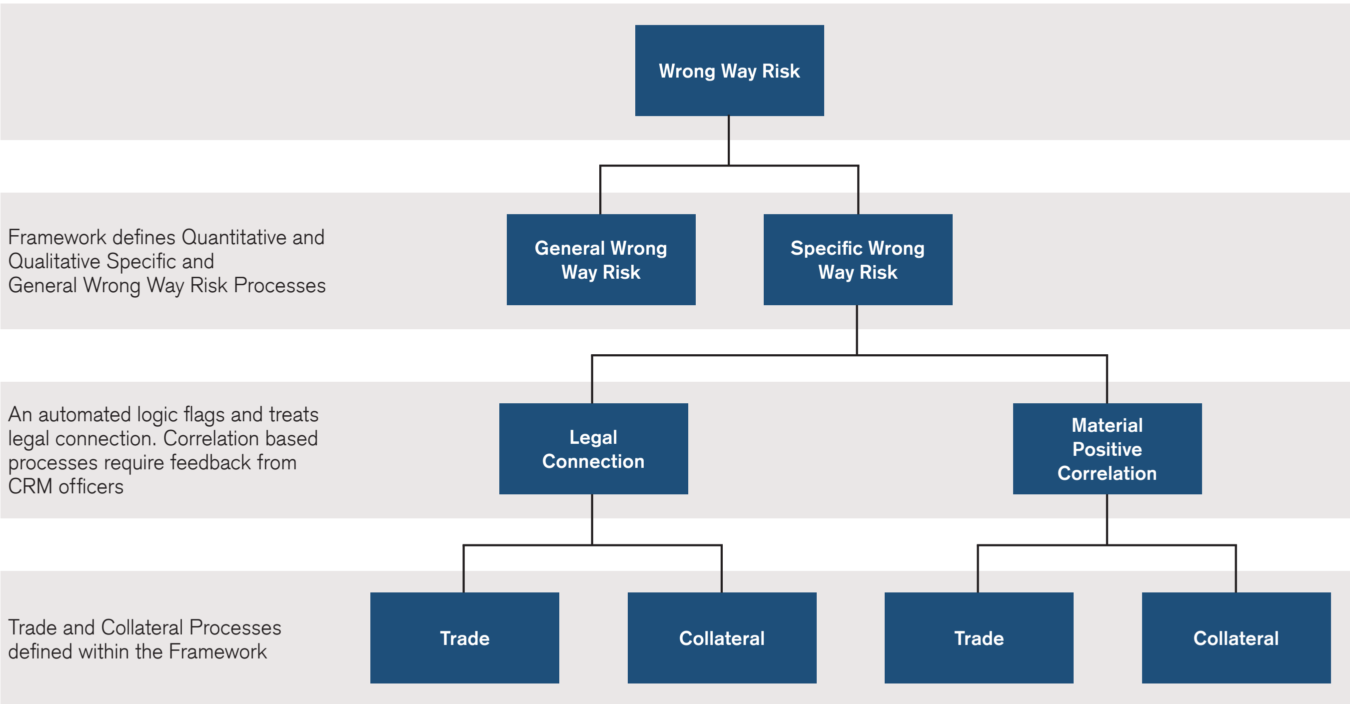
Wrong-way exposures

In a wrong-way trading situation, the Company’s exposure to the counterparty increases while the counterparty’s financial health and its ability to pay on the transaction diminishes. Capturing WWR requires the establishment of basic assumptions regarding correlations within a given trading product. The Company has multiple processes that allows us to capture and estimate WWR.

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

Exposure adjusted risk calculation
WWR can arise from different business relationships.

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



With respect to general WWR, a scenario based exposure add-on is applied to those counterparties identified following the quantitative and qualitative review from Credit Officers.

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

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

In those instances where market convention and/or products preclude a value-for-value exchange, the CSS(E)L Group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSS(E)L Group leverages clearing houses, central counterparties and central settlement services, and will also net gross cash flows with a given counterparty where possible. It proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counter party.

v) Country Risk
Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency

markets. CSS(E)L has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSS(E)L Group.

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

vi) Legal and Regulatory Risk

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

The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the General Counsel and Compliance department and outside legal counsel and other external specialists. In addition, the CS group is an active participant in a number of key industry and other professional market forums including International Swaps and Derivatives Association ('ISDA'), Association for Financial Markets in Europe ('AFME') and UK Finance which inter alia focus on improving levels of market and product standardisation, legal definition and protocol.

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

The financial services industry continues to be affected by significant complexity of ongoing regulatory reforms, alongside more recently, the potential impacts of Brexit. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the results of operations.

vii) Operational Risk

Definition

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

Sources of operational risk

Operational risk is inherent in most aspects of CSS(E)L's business, including the systems and processes that support CSS(E)L's activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorised trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Operational risk and management approach

Enterprise Risk & Control Framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. CSS(E)L believes that effective management of operational risk requires a common operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. CSS(E)L started to introduce CSS(E)L's current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, CSS(E)L has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together. In 2016 the Enterprise Risk and Control Framework ('ERCF') was established which integrates the Operational Risk Framework with Compliance related components to provide coverage for operational risks, including compliance and conduct risk.

The ERCF provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks while providing individual businesses with sufficient flexibility to tailor specific components to reflect the risks that they run. The main components of the framework are described below:

- **Governance and policies:** The framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. CSS(E)L utilises a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- **Risk appetite:** Risk Appetite is the amount and type of risk CSS(E)L is willing to accept in pursuit of the Company's strategic objectives. It is set by management for a set of core risk metrics and periodically recalibrated to align with the strategy. Senior management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided.
- **Risk register:** The register comprises a catalog of inherent operational risks arising as a consequence of CSS(E)L's business activities and is the most granular classification of operational risks used by CSS(E)L. It provides a standardised terminology of inherent risks across CSS(E)L covering inherent operational risks on a front-to-back basis, i.e. risks inherent in business divisions and Corporate Functions. It also provides the basis to identify, assess, mitigate and monitor operational risk throughout the CS group, as well as providing the capability to aggregate and report residual operational risk exposure. As such, it also constitutes the basis for conducting Risk and Control Self-Assessments and identification of Top ERCF Risks.
- **Internal control:** CSS(E)L utilises a comprehensive set of internal controls that are designed to ensure that CSS(E)L's activities follow agreed policies and that processes operate as intended. ERCF defines the guidance to ensure that controls are executed, assessed and evidenced on a consistent and comprehensive basis, with a focus on CSS(E)L's key risks and controls. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other framework components, such as in the Risk and Control Self-Assessment process.
- **Metrics:** Metrics are risk and control indictors that provide information on operational risk exposures and the effectiveness of controls, respectively. From their monitoring, trends in indicator performance can be used to assess whether risks or controls are improving or deteriorating. Metrics form a part of measuring ERCF Risk Appetite and assessing the Top ERCF Risks, as well as being used by business divisions and Corporate Functions to inform the Risk and Control Self-Assessment process.
- **Incident data:** CSS(E)L uses the output of investigations into internal and relevant external incidents to inform its risk measurement and management processes. This includes both incidents that result in economic losses or those which provide information on potential control gaps, even if no losses occurred. Internal and external incidents are subject to separate review and assessment processes that reflect differences in the amounts of available information and degree of applicability to CSS(E)L.
- **Risk and control self-assessments:** The Risk and Control Self-Assessment ('RCSA') process is a comprehensive, bottom-up assessment of the key operational risks in each business division and Corporate Function. It comprises a self-assessment for all applicable inherent risks, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The RCSA process utilises other components of the ERCF, such as metrics and incident data, and generates outputs that are used to manage and monitor CSS(E)L's residual risks. The self-assessments are subject to review and challenge by the independent risk oversight functions, including Enterprise & Operational Risk Management, along with quality assurance to ensure that they have been conducted appropriately. At a minimum, business divisions and Corporate Functions must conduct an RCSA within each calendar year though more frequent updates may be triggered by material changes to the business environment or risk profile.
- **Reverse stress testing:** Reverse stress testing is a complementary tool that introduces a more forward-looking element into the RCSA process. It assumes that a business has suffered an adverse outcome, such as a large operational risk loss, and requires consideration of the events that could have led to the result. As such, it allows for the consideration of risks beyond normal business expectations and it challenges common assumptions about the risk profile, the emergence of new risks or interactions between existing risks, as well as the performance of expected control and mitigation strategies.
- **Top operational risks and remediation plans:** A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- **Issues and Action Management:** The Issues and Actions Management component within ERCF provides a governance structure and process for how CSS(E)L responds to operational risk incidents and breaches of risk appetite. The purpose of Issues and Actions Management is to ensure that operational risk incidents and risk appetite breaches of various types and severity are reviewed by appropriate levels of governance and to provide guidance on the range of possible management responses.
- **Scenarios and capital modelling:** Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorised trading. These scenarios help businesses assess the suitability of controls in the light of potential losses. Regulatory capital is determined using the Business Indicator Approach and supplemented by scenario analysis. These capital requirements are allocated to individual businesses for performance measurement purposes and to incentivise appropriate management actions. In addition to managing and mitigating operational risks under the operational risk

framework through business- and risk-related processes and organisation, CSS(E)L also transfers the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

- **Change assessments:** An independent assessment is performed to understand the impact from major change programs on the operational risk profile. This is designed to ensure that at a minimum the risks from those change initiatives deemed critical for the company's success are identified, assessed and managed throughout the life of each program using the relevant components of the ERCF.

Operational risk governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The Enterprise & Operational Risk Management function is responsible for the overall design of the operational risk management framework, operational risk capital modelling and providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant CSS(E)L operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the CSS(E)L Board and Board Risk with standing updates to the CSS(E)L Risk Management committee and CSS(E)L Operational Risk & Compliance committee.

viii) Conduct Risk

Conduct risk is the risk that poor conduct by the CSS(E)L Group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which CSS(E)L operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorised trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, trade processing errors, inaccurate benchmark submissions, failure to safeguard client data or assets, and breaches of regulatory rules or laws by individual employees or market conduct.

CSS(E)L seeks to promote good behaviour and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening CSS(E)L's reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviours. In addition, the Conduct and Ethics Standards establish group-wide standards and further embed clear expectations of Conduct and Ethics in Credit Suisse's employees. They ensure that the right things are done in the right way.

The Code of Conduct and the set of Conduct and Ethics Standards are linked to CSS(E)L's employee performance assessment and compensation processes.

ix) Technology Risk

Technology risk deserves particular attention given the complex technological landscape that covers our business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to our operations.

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. Technology risk is inherent not only in our IT assets, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. We seek to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. We require our critical IT systems to be identified, secure, resilient and available and support our ongoing operations, decision making, communications and reporting. Our systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of our customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share.

Cyber risk, which is part of technology risk, is the risk that we will be compromised as a result of cyber attacks, security breaches, unauthorised access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. We could also be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures. Technology risks are managed through our technology risk management program, business continuity management plan and business contingency and resiliency plans and feature in our overall operational risk assessment.

x) Reputational Risk

The Credit Suisse ('CS') Code of Conduct states that 'Our most valuable asset is our reputation'. CS' reputation is driven by the perception of key stakeholders such as clients, shareholders, the media and the public. The CS Global Policy on Reputational Risk ('the Policy') states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, action or client relationship, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The Company's Board has formally delegated reputational risk issues to CSS(E)L RRRP which includes an overview of the transaction or action being considered, the risks identified and relevant mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by the UK Senior Manager in the relevant division, and assuming they are supportive of the proposal are then subsequently referred to one of CS group's Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on Company's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee ('the Committee') for further discussion, review and final decision. The Committee is comprised of senior Company entity management across divisions and corporate functions.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to CSS(E)L RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the Committee.

39 Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other financial assets and financial liabilities that:

- are offset in the CSS(E)L Group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the CSS(E)L Group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the tables below. They are not offset in the Consolidated Statement of Financial Position.

Derivatives

The CSS(E)L Group transacts bilateral OTC derivatives mainly under International Swaps and Derivatives Association ('ISDA') Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSS(E)L Group or the counterparties or following other predetermined events. In addition CSS(E)L Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges respectively central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

To meet criterion (1), the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
  - i the normal course of business;
  - ii the event of default; and
  - iii the event of insolvency or bankruptcy of the entity and all of the counterparties.

Criterion (2) may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g., derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Under IFRS, the CSS(E)L Group has elected to account for substantially all hybrid financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables Offsetting of 'Funded Derivatives' on page 143.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of derivative instruments

	2017			2016		
CSS(E)L Group (USD million)	Gross	Offsetting	Net [2]	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	5,615	–	5,615	5,342	(4)	5,338
Derivative instruments not subject to enforceable master netting agreements [1]	90	–	90	120	–	120
Total derivative instruments presented in the Consolidated Statement of Financial Position	**5,705**	**–**	**5,705**	**5,462**	**(4)**	**5,458**
of which recorded in trading financial assets at fair value through profit or loss	5,705	–	5,705	5,453	(4)	5,449
of which recorded in other assets	–	–	–	9	–	9
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	5,359	–	5,359	4,794	(4)	4,790
Derivative instruments not subject to enforceable master netting agreements [1]	156	–	156	197	–	197
Total derivative instruments presented in the Consolidated Statement of Financial Position	**5,515**	**–**	**5,515**	**4,991**	**(4)**	**4,987**
of which recorded in trading financial liabilities at fair value through profit or loss	5,515	–	5,515	4,991	(4)	4,987
of which recorded in other liabilities	–	–	–	–	–	–

[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.
[2] Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 1,749 and USD 1,330 respectively

	2017			2016		
Company (USD million)	Gross	Offsetting	Net [2]	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	5,615	–	5,615	5,895	(4)	5,891
Derivative instruments not subject to enforceable master netting agreements [1]	101	–	101	120	–	120
Total derivative instruments presented in the Company Statement of Financial Position	**5,716**	**–**	**5,716**	**6,015**	**(4)**	**6,011**
of which recorded in trading financial assets at fair value through profit or loss	5,716	–	5,716	6,006	(4)	6,002
of which recorded in other assets	–	–	–	9	–	9
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	5,359	–	5,359	4,762	(4)	4,758
Derivative instruments not subject to enforceable master netting agreements [1]	127	–	127	197	–	197
Total derivative instruments presented in the Company Statement of Financial Position	**5,486**	**–**	**5,486**	**4,959**	**(4)**	**4,955**
of which recorded in trading financial liabilities at fair value through profit or loss	5,486	–	5,486	4,959	(4)	4,955
of which recorded in other liabilities	–	–	–	–	–	–

[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.
[2] Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 1,749 and USD 1,330 respectively

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Reverse repurchase and repurchase agreements may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations.

Bilateral as well as centrally cleared reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements respectively the terms of the rules and regulations governing the central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

The net settlement criterion in (2) will also be met, if the CSS(E)L Group can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

The amounts offset are measured on the same basis as the underlying transaction (i.e. on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Securities lending and borrowing transactions may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Position because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Position apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held. As is the case in the CSS(E)L Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2017 and December 31, 2016. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g. in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities purchased under resale agreements and securities borrowing transactions

			2017			2016
CSS(E)L Group and Company (USD million)	Gross	Offsetting	Net [3]	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	44,880	(10,903)	33,977	41,607	(9,574)	32,033
Securities borrowing transactions	20,107	–	20,107	28,052	–	28,052
Total subject to enforceable master netting agreements	**64,987**	**(10,903)**	**54,084**	**69,659**	**(9,574)**	**60,085**
Total not subject to enforceable master netting agreements [1]	**1,919**	**–**	**1,919**	**1,897**	**–**	**1,897**
Total	**66,906**	**(10,903)**	**56,003**	**71,556**	**(9,574)**	**61,982** [2]

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] USD 34,053 million (2016: USD 21,569 million) of the total net amount are reported at fair value.
[3] Above table includes both continued and discontinued operations.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities sold under repurchase agreements and securities lending transactions

			2017			2016
CSS(E)L Group and Company (USD million)	Gross	Offsetting	Net [3]	Gross	Offsetting	Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	38,677	(10,903)	27,774	32,930	(9,574)	23,356
Securities lending transactions	19,778	–	19,778	13,137	–	13,137
Total subject to enforceable master netting agreements	**58,455**	**(10,903)**	**47,552**	**46,067**	**(9,574)**	**36,493**
Total not subject to enforceable master netting agreements [1]	**432**	**–**	**432**	**413**	**–**	**413**
Total	**58,887**	**(10,903)**	**47,984**	**46,480**	**(9,574)**	**36,906** [2]

[1] Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.
[2] USD 38,416 million (2016: USD 23,707 million) of the total net amount are reported at fair value.
[3] Above table includes both continued and discontinued operations.

The following table presents the gross amount of Prime Brokerage Receivables and Funded Derivative Assets subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Assets not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of prime brokerage receivables and funded derivative assets

			2017			2016
CSS(E)L Group (USD million)	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	5,205	–	5,205	4,195	–	4,195
Funded derivative assets subject to enforceable master netting agreements	–	–	–	–	–	–
Total subject to enforceable master netting agreements	**5,205**	**–**	**5,205**	**4,195**	**–**	**4,195**
Total not subject to enforceable master netting agreements [1]	**28**	**–**	**28**	**120**	**–**	**120**
Total	**5,233**		**5,233**	**4,315**	**–**	**4,315**

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

			2017			2016
Company (USD million)	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	5,205	–	5,205	4,195	–	4,195
Funded derivative assets subject to enforceable master netting agreements	–	–	–	–	–	–
Total subject to enforceable master netting agreements	**5,205**	**–**	**5,205**	**4,195**	**–**	**4,195**
Total not subject to enforceable master netting agreements [1]	**28**	**–**	**28**	**120**	**–**	**120**
Total	**5,233**	**–**	**5,233**	**4,315**	**–**	**4,315**

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

Funded Derivative Assets are recorded in Financial Assets Designated at Fair Value Through Profit and Loss and Prime Brokerage Receivables are recorded in Other Assets in the Consolidated Statement of Financial Position.

The following table presents the gross amount of Prime Brokerage Payables and Funded Derivative Liabilities subject to enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Liabilities not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of prime brokerage payables and funded derivative liabilities

			2017			2016
CSS(E)L Group (USD million)	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	4,602	–	4,602	6,314	–	6,314
Funded derivative liabilities subject to enforceable master netting agreements	415	–	415	485	–	485
Total subject to enforceable master netting agreements	**5,017**	**–**	**5,017**	**6,799**	**–**	**6,799**
Total not subject to enforceable master netting agreements [1]	**570**	**–**	**570**	**1,142**	**–**	**1,142**
Total	**5,587**	**–**	**5,587**	**7,941**	**–**	**7,941**

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

			2017			2016
Company (USD million)	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	4,602	–	4,602	6,314	–	6,314
Funded derivative liabilities subject to enforceable master netting agreements	415	–	415	485	–	485
Total subject to enforceable master netting agreements	**5,017**	**–**	**5,017**	**6,799**	**–**	**6,799**
Total not subject to enforceable master netting agreements [1]	**570**	**–**	**570**	**1,142**	**–**	**1,142**
Total	**5,587**	**–**	**5,587**	**7,941**	**–**	**7,941**

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

Funded Derivative Liabilities are recorded in Financial Liabilities Designated at Fair Value Through Profit and Loss and Prime Brokerage Payables are recorded in Other liabilities in the Consolidated Statement of Financial Position.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and funded derivatives not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the Consolidated Statement of Financial Position

				2017				2016
CSS(E)L Group (USD million)	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	5,705	(3,655)	(1,433)	**617**	5,338	(3,849)	(1,035)	**454**
Securities purchased under resale agreements	33,977	(33,952)	(25)	**–**	32,033	(32,009)	(24)	**–**
Securities borrowing transactions	20,107	(20,037)	–	**70**	28,052	(26,883)	–	**1,169**
Prime brokerage receivables	5,205	–	(5,205)	**–**	4,195	–	(4,195)	**–**
Total financial assets subject to enforceable master netting agreements	**64,994**	**(57,644)**	**(6,663)**	**687**	**69,618**	**(62,741)**	**(5,254)**	**1,623**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	5,515	(3,085)	(629)	**1,801**	4,790	(3,304)	(356)	**1,130**
Securities sold under repurchase agreements	27,774	(27,719)	(55)	**–**	23,356	(23,343)	(13)	**–**
Securities lending transactions	19,778	(19,778)	–	**–**	13,137	(13,137)	–	**–**
Prime brokerage payables	4,602	–	–	**4,602**	6,314	–	–	**6,314**
Funded derivative instruments	415	–	–	**415**	485	–	–	**485**
Total financial liabilities subject to enforceable master netting agreements	**58,084**	**(50,582)**	**(684)**	**6,818**	**48,082**	**(39,784)**	**(369)**	**7,929**

[1] Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.
[2] The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Amounts not offset in the Company Statement of Financial Position

	2017				2016			
Company (USD million)	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure	Net [1]	Financial instruments [2]	Cash collateral received/ pledged [2]	Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	5,716	(3,655)	(1,433)	**628**	5,891	(4,077)	(1,180)	**634**
Securities purchased under resale agreements	33,977	(33,952)	(25)	**–**	32,033	(32,009)	(24)	**–**
Securities borrowing transactions	20,107	(20,037)	–	**70**	28,052	(26,883)	–	**1,169**
Prime brokerage receivables	5,205	–	–	**5,205**	4,195	–	(4,195)	**–**
Funded derivative instruments	–	–	–	**–**	–	–	–	**–**
Total financial assets subject to enforceable master netting agreements	**65,005**	**(57,644)**	**(1,458)**	**5,903**	**70,171**	**(62,969)**	**(5,399)**	**1,803**
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	5,486	(3,085)	(629)	**1,772**	4,758	(3,361)	(356)	**1,041**
Securities sold under repurchase agreements	27,774	(27,719)	(55)	**–**	23,356	(23,343)	(13)	**–**
Securities lending transactions	19,778	(19,778)	–	**–**	13,137	(13,137)	–	**–**
Prime brokerage payables	4,602	–	–	**4,602**	6,314	–	–	**6,314**
Funded derivative instruments	415	–	–	**415**	485	–	–	**485**
Total financial liabilities subject to enforceable master netting agreements	**58,055**	**(50,582)**	**(684)**	**6,789**	**48,050**	**(39,841)**	**(369)**	**7,840**

[1] Net amount presented in the Company Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.
[2] The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Company Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use of CDSs. Therefore the net exposure presented in the table above is not representative for the CSS(E)L Group's counterparty exposure.

40 Capital Adequacy

The Company's capital adequacy is managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union regulations as set by the European Banking Authority ('EBA'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD'), collectively referred to as CRDIV.

The CS group considers a strong and efficient capital position to be a priority. Consistent with this, the Company closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework or to the Company's business model. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Multi-year business forecasts and capital plans are prepared by the Company, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios, as part of the ICAAP. Within these stress tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for any Supervisory Review and Evaluation Process ('SREP') review that the PRA conducts when assessing an institution's level of regulatory capital.

Own Funds

Own Funds comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity (Common Equity Tier 1 ('CET1')). This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital equals the sum of these with adjustments including regulatory deductions and prudential filters.

The Company's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its businesses. The capital management framework is designed to ensure that own funds are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

During 2017, USD 1.25 billion of Tier 2 subordinated debt was repaid, this comprised of USD 1.25 billion to Credit Suisse PSL and USD 0.6 million to Credit Suisse Finance BV. In 2016 there was no repayment of subordinated debt or shareholders' equity repatriation.

Other movements in own funds were as follows:

Company (USD million)	2017	2016
Own Funds		
Own Funds at 1 January	**10,728**	**10,625**
Change in Tier 1 Instruments:	–	–
Change in Tier 2 Instruments:		
Subordinated Debt Issued	–	–
Subordinated Debt Repayment	(1,251)	–
Profit and loss and movements in other comprehensive income	(407)	155
Net movement in regulatory deductions and prudential filters	(123)	(52)
Own Funds at 31 December	**8,947**	**10,728**

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2017 (CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2016). The risk weighted assets reflect the credit, market, operational and other risks of the Company calculated using methodologies set out in the CRR.

The Company must at all times monitor and demonstrate compliance with the relevant own funds requirements of the CRR. The Company has put in place processes and controls to monitor and manage its own funds and no breaches were reported to the PRA during the year.

The following table sets out details of the Company's own funds at 31 December 2017 and 2016.

Company (USD million)	2017	2016
Own Funds		
Total shareholders' equity	7,718	8,125
Other deductions:		
Regulatory deductions	(1)	(1)
Excess of expected loss amounts over credit risk adjustments	(34)	(41)
Defined benefit pension fund assets	(812)	(729)
Securitisation positions	(21)	(3)
DTA on non-temporary differences	(21)	–
Prudential filters	(132)	(124)
Total Tier 1 capital	**6,697**	**7,227**
Tier 2 capital		
Subordinated debt	2,250	3,501
Total Tier 2 capital	**2,250**	**3,501**
Total Tier 1 and Tier 2 capital	**8,947**	**10,728**
Own Funds	**8,947**	**10,728**

41 Country-by-Country Reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, and their turnover, pre-tax profit or loss, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2017.

All amounts for CSS(E)L, its subsidiaries and branches are reported in USD, (the functional currency of the Company).

Basis of preparation

- **Country:** The geographical location of CSS(E)L, its material branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The countries are listed in the table below.
- **Entity details:** the name of the entity, the entity type, and the nature of activity is defined in these elements. CSS(E)L including its branches, is an investment firm whose activities include arranging finance for clients in the international capital markets, providing financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis. CSS(E)L's material subsidiaries are disclosed separately.
- **Average Number of Employees:** Defined as the number of employees on a full time equivalent basis, compensated directly by the entity.
- **Turnover:** Defined as net revenues, and is consistent with CSS(E)L's financial statements. Net revenues include total income before impairment and operating expenses, but after net interest, net commissions/fees income and investment and trading income.
- **Pre Tax Profit/(Loss):** Definition of profit/(loss) before tax is consistent with that within CSS(E)L's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSS(E)L in each country and does not include taxes refunded back to CSS(E)L on account of tax overpayments in prior years during 2017 or 2016. Other taxes paid are detailed in the Strategic Report, and throughout the Annual Report.
- **Public Subsidies Received:** Interpreted as direct support by the government and there were no public subsidies received by CSS(E)L in 2017 (2016 : Nil).

Country-by-Country report for the year ended 31 December 2017

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Corporation Taxes Paid USD Million [2]	Public Subsidies Received
United Kingdom							
Credit Suisse Securities (Europe) Limited	Parent	Investment firm	2,304	1,129	(459)	–	–
CSFB Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	.	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
Italy							
Credit Suisse Securities (Europe) Limited, Milan Branch	Branch	Branch of an investment firm	–	–	–	–	–
Sweden							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	1	1	–	–	–
France							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	62	56	(2)	2	–
Poland							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	–	1	–	–	–
Germany							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	54	36	3	3	–
The Netherlands							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	–	–	–	–	–
South Korea							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	91	101	67	19	–
Credit Suisse Securities (Europe) Limited	Consolidated [1]		2,512	1,324	(391)	24	–

[1] Variable Interest entities are not included in the above reporting for a full list please see Note 34.
[2] The Corporation taxes paid above do not include taxes refunded during 2017. Taxes refunded during 2017 for CSS(E)L amounted to USD 87 million.

Although no Corporation Taxes were paid in the UK, the Company incurred Bank Levy of USD 27 million, employees social security of USD 67 million and irrecoverable UK value added tax of USD 72 million.

Country-by-Country report for the year ended 31 December 2016

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Corporation Taxes Paid USD Million [2]	Public Subsidies Received
United Kingdom							
Credit Suisse Securities (Europe) Limited	Parent	Investment firm	3,666	1,260	(105)	–	–
CSFB Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
Italy							
Credit Suisse Securities (Europe) Limited, Milan Branch	Branch	Branch of an investment firm	–	1	3	–	–
Sweden							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	1	1	–	–	–
France							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	87	100	11	10	–
Poland							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	4	2	1	–	–
Germany							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	77	48	8	2	–
The Netherlands							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	–	–	–	–	–
South Korea							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	95	129	102	19	–
Credit Suisse Securities (Europe) Limited	Consolidated [1]		3,930	1,541	20	31	–

[1] Variable Interest entities are not included in the above reporting for a full list please see Note 34.
[2] The Corporation taxes paid above do not include taxes refunded during 2016. Taxes refunded during 2016 for CSS(E)L amounted to USD 1.5 million.

Although no Corporation Taxes were paid in the UK, the Company incurred Bank Levy of USD 37 million, employees social security of USD 70 million and irrecoverable UK value added tax of USD 72 million.

42 CSS(E)L's Subsidiaries and Associates

In accordance with Section 409 of the Companies Act 2006 a list of CSS(E)L's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2017 is disclosed below.

	Country [2]	Security	Immediate parent	Total (%)
31 December 2017				
Subsidiaries				
Credit Suisse First Boston Trustees Limited	United Kingdom	Ordinary Shares	CSS(E)L	100
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	Ordinary Shares	CSS(E)L	100
Credit Suisse Client Nominees (UK) Limited	United Kingdom	Ordinary Shares	CSS(E)L	100
Credit Suisse AF Trust	USA	Beneficiary	CSS(E)L	100
CSSEL Bare Trust	USA	Beneficiary	CSS(E)L	100
CSSEL Guernsey Bare Trust	Guernsey	Beneficiary	CSS(E)L	100
Credit Suisse Guernsey AF Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood – Master Client Trust	USA	Beneficiary	CSS(E)L	100
Redwood Master Trust I	USA	Beneficiary	CSS(E)L	100
Redwood Master Trust II	USA	Beneficiary	CSS(E)L	100
Redwood Trust I	USA	No Shares	Redwood Master Trust I	– [1]
Redwood Trust II	USA	No Shares	Redwood Master Trust II	– [1]
Redwood Funding Trust I	USA	No Shares	Redwood Master Trust I	– [1]
Redwood Funding Trust II	USA	No Shares	Redwood Master Trust II	– [1]
Redwood Guernsey I Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey II Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey I Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey II Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey I SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Redwood Guernsey II SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Master Trust I	USA	Beneficiary	CSS(E)L	100
Sail Master Trust II	USA	Beneficiary	CSS(E)L	100
Sail Trust I	USA	No Shares	Sail Master Trust I	– [1]
Sail Trust II	USA	No Shares	Sail Master Trust II	– [1]
Sail Funding Trust I	USA	No Shares	Sail Master Trust I	– [1]
Sail Funding Trust II	USA	No Shares	Sail Master Trust II	– [1]
Sail Guernsey I Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey II Master Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey I Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey II Funding Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey I SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Sail Guernsey II SPIA Trust	Guernsey	Beneficiary	CSS(E)L	100
Positive – Master Client LLC	USA	Beneficiary	CSS(E)L	100

[1] Subsidiaries included in Note 34 – Interests in Other Entities, where CSSEL does not hold any share capital.
[2] Detailed Registered Office Address mentioned in below Table.

CSG is the ultimate parent for the above subsidiaries.

31 December 2017

Subsidiaries	Country	Registered Office
Credit Suisse First Boston Trustees Limited	United Kingdom	One Cabot Square London E14 4QJ -United Kingdom
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	One Cabot Square London E14 4QJ -United Kingdom
Credit Suisse Client Nominees (UK) Limited	United Kingdom	One Cabot Square London E14 4QJ -United Kingdom
Credit Suisse AF Trust	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
CSSEL Bare Trust	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
CSSEL Guernsey Bare Trust	Guernsey	Primary MasterBareAF PTC Limited Third Floor, La Plaiderie Chambers La Plaiderie, St. Peter Port Guernsey GY1 1 WG -Guernsey
Credit Suisse Guernsey AF Trust	Guernsey	Primary MasterBareAF PTC Limited Third Floor, La Plaiderie Chambers La Plaiderie, St. Peter Port Guernsey GY1 1 WG -Guernsey
Redwood – Master Client Trust	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Master Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Master Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Funding Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Funding Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Guernsey I Master Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Redwood Guernsey II Master Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Redwood Guernsey I Funding Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Redwood Guernsey II Funding Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Redwood Guernsey I SPIA Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Redwood Guernsey II SPIA Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Sail Master Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Master Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Funding Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Funding Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Guernsey I Master Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Sail Guernsey II Master Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Sail Guernsey I Funding Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Sail Guernsey II Funding Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Sail Guernsey I SPIA Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Sail Guernsey II SPIA Trust	Guernsey	Third Floor, La Plaiderie Chambers La Plaiderie St Peter Port GY1 1WG -Guernsey
Positive – Master Client LLC	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA

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