

Credit Suisse Securities (Europe) Limited

Annual Report 2014



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Board of Directors as at 30 March 2015

Noreen Doyle (Chair and Independent Non-Executive)

Gael de Boissard (CEO)

Jason Forrester

Paul Ingram

Richard Thornburgh (Independent Non-Executive)

Stephen Kingsley (Independent Non-Executive)

Company Secretary

Paul E Hare

Company Registration Number

891554

Strategic Report for the Year ended 31 December 2014

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2014.

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.

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. Its 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.

The Company has branch operations in Frankfurt, Paris, Amsterdam, Milan, Seoul, Warsaw and Stockholm. The Frankfurt, Paris, Amsterdam, Milan, 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.

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 two divisions, Investment Banking and Private Banking & Wealth Management, which co-operate closely to provide holistic financial solutions based on innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 45,800 employees from approximately 150 different nations.

Management and Governance

A number of management and governance changes have been effected. Jason Forrester and Paul Ingram were appointed as Directors of the CSS(E)L Group's Board. Chris Carpmal, Eric Varvel, Michael Hodgson and Gary Bullock have resigned. The Board approved the formation of an advisory Board Remuneration

Committee, comprising of Non-Executive Directors and chaired by Noreen Doyle, on 28 August 2014.

Principal Product areas

The CSS(E)L Group has three principal business divisions which are managed as part of the Investment Banking Division of CS group:

- The Equity Division engages in a broad range of equity activities for investors including sales, trading, brokerage and market making in international equity and equity related securities, futures and both OTC and exchange traded options. Additionally, the Prime Services business provides brokerage services to hedge funds.
- The Fixed Income Division ('FID') provides a range of derivative products including forward rate agreements, interest rate and currency swaps, interest rate options, bond options, insurance, commodities and credit derivatives for the financing, risk management and investment needs of its customers. FID also engages in underwriting, securitising, trading and distributing a broad range of financial instruments in developed and emerging markets including US Treasury and government agency securities, US and foreign investment-grade and high yield corporate bonds, money market instruments, life finance transactions, foreign exchange and real estate related assets.
- The Investment Banking Division's ('IBD') activities include financial advisory services regarding mergers and acquisitions, origination and distribution of equity and fixed income securities, leveraged finance and private equity investments and, in conjunction with the FID and Equity businesses, capital raising services.

Included within the three principal divisions are the Non-Strategic Units that were created during 2013 to further accelerate a reduction of capital and costs associated with non-strategic activities and positions and to shift resources to focus on strategic businesses and growth initiatives.

Economic environment

In 2014 economic conditions improved in the US but remained challenging in the Eurozone. In the UK, the annual rate of Consumer Price Index ('CPI') inflation decreased to 0.5% at the end of December 2014 compared to 2.0% at the end of 2013. The Bank of England ('BOE') maintained interest rates at 0.5% throughout the year and the stock of asset purchases financed by the issuance of central bank reserves at GBP 375 billion. The unemployment rate dropped to 5.8% at the end of December 2014 from 7.1% at the end of 2013. However, low average wage inflation was cited as a growing concern for monetary policymakers and is likely to have a bearing on the timing of any interest rate decision. UK Gross Domestic Product ('GDP') grew by 0.5%. GDP was 2.7% higher in Q4 2014 compared with the same quarter a year ago.

Economic growth in the Eurozone remained weak, impacted by rising uncertainty and geopolitical tensions weighing on the

economies. While a recession was avoided in Europe, the risk of deflation in certain Eurozone countries increased sharply. The European Central Bank ('ECB') cut its policy rate 0.05%, introduced a negative deposit rate and purchase programme for private sector assets, and injected new liquidity into the banking system. In December 2014, the Swiss National Bank ('SNB') announced a negative interest rate in order to make Swiss franc deposits less attractive. On January 15, 2015, the SNB decided to discontinue the minimum exchange rate of CHF 1.20 per euro and to lower the interest rate by 50 basis points (0.75%) on sight deposits that exceed a certain threshold. It also decreased the target range for the three-month Swiss Franc LIBOR. These decisions led to a significant strengthening of the Swiss franc against all major currencies and a decrease in Swiss franc interest rates. European equities faced a less favourable economic environment and uncertainties surrounding the anticipated ECB actions also impacted them.

Most fixed income assets delivered a strong performance in 2014. In Credit Markets, Credit spreads widened in the second half of the year. Easing of monetary policy in Eurozone helped to weaken Euro against US dollar. The Credit Suisse commodities benchmark decreased 26% for the year, mainly due to energy prices. The Gold market had a less turbulent year, but prices ended 1% lower due to lack of investor demand. European equities faced a less favourable economic environment and uncertainties surrounding the anticipated ECB actions also impacted them. Global equity underwriting volumes increased 18%, driven by a 62% increase in Europe, while global debt underwriting volumes decreased slightly compared to 2013.

Key performance indicators ('KPIs')

The Company uses profitability and the return on capital as the primary KPIs to manage the financial position of the Company. In a changing regulatory environment and with the increasing cost of capital these KPIs are critical to the successful management of the business to the Company's objectives. Profitability and risk weighted assets are reviewed at the business line level to promote a profitable and capital efficient business is maintained and developed; capital intensive businesses are closely monitored and reviewed.

Earnings	2014	2013
Net Loss after tax (USD millions)	(553)	(381)
Capital & Consolidated Statement of Financial Position		
Tier 1 capital (USD Millions)	7,391	7,115
Return on Tier 1 capital	(7.5)%	(5.4)%
Total Assets (USD Millions)	193,438	216,119
Total Asset reduction	(10.4)%	(8.1)%
Return on Total Assets	(0.3)%	(0.2)%

Performance

Consolidated Statement of Income

For the year ended 31 December 2014, the CSS(E)L Group reported a net loss attributable to shareholders of USD 553 million (2013: USD 381 million loss). Net revenues amounted to USD 1,979 million (2013: USD 2,086 million). After operating

expenses the CSS(E)L Group reported a loss before tax of USD 402 million (2013: USD 323 million loss).

The 2014 financial performance of the CSS(E)L Group was driven by continued global unrest coming from political events resulting in risk appetites continuing to fall.

The Equities division remained relatively flat year on year. Increased revenues were seen in Prime Services, reflecting a strong market share, continued portfolio optimisation and increased trading and clearing activity. Cash equities performed slightly better than last year however not as well as expected due to European political and economic turmoil resulting in customers holding back on their client trading. This was offset by a reduction of revenues in Systematic Market Making Group following a strong performance in 2014.

Fixed Income recorded lower revenues primarily due to a reduction in the Securitised Products following the transfer of this business to a CS group entity in United States of America during 2014. Rates also reported lower revenues due to spreads continuing to tighten with reduced client activity as risk appetites continued to fall.

The Investment Banking Division recorded increased revenues primarily due to the underwriting and advisory results within the Capital Markets reflecting strong equity underwriting issuance, including initial public offerings.

The effective tax rate for 2014 was (37.5)% (2013: (18.0)%). The effective tax rate is higher than the UK statutory tax rate due to primarily a decrease in the deferred tax asset of USD 153 million as a result of impairment and other permanent tax adjustments.

The CSS(E)L Group adopted the application of funding valuation adjustments ('FVA') on uncollateralised derivatives towards the end of the year. The one time transitional charge at adoption was USD 18 million.

The various changes in the Swiss market in relation to foreign exchange and negative interest rates did not and will not have a detrimental impact to the earnings of the Company.

Consolidated Statement of Financial Position

CSS(E)L Group's total assets decreased by 10.4%. There is continued focus within the CSS(E)L Group to reduce its assets primarily due to continued focus on regulatory capital requirements, costs and fees associated with holding a large Consolidated Statement of Financial Position. The reduction can be seen on the Trading financial assets at fair value through profit or loss, Financial assets designated at fair value through profit and loss and Other assets.

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 3.4 billion (2013: USD 3.4 billion), which was equivalent to 1.77% (2013: 1.56%) of total assets.

Total Level 3 liabilities for CSS(E)L Group were USD 0.7 billion (2013: USD 0.9 billion) which was equivalent to 0.37% (2013: 0.44%) of total liabilities.

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

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, and Reputational risk. These are detailed in Note 38 – Financial Instruments Risk Position.

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

The liquidity coverage ratio ('LCR') and the net stable funding ratio ('NSFR') have been introduced by the Basel Committee to measure the liquidity risk and will be implemented in 2015 and 2016 respectively.

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. 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 for the foreseeable future.

The Company is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Company has put in place processes and controls to monitor and manage the Company's capital adequacy. No breaches were reported to the PRA during the year.

Changes made to the capital structure and subordinated debt during 2014 are set out in Note 27 – Share Capital and Share Premium and Subordinated Debt is included within Note 25 – Long Term Debt.

Outlook

CSS(E)L Group remains committed to offering its clients a broad spectrum of equities, fixed income, and investment banking advisory products and services. 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 to refocus resources on opportunities in high-returning businesses such as Cash Equities, Prime Services, Global Credit Products and Investment Banking Division, and to reduce the impact of the Non-Strategic Units.

While the industry still faces significant adjustments to new regulatory requirements, CSS(E)L Group has significantly evolved its business model to one that is compliant with the Basel III regulatory framework.

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. In the longer term this may include optimisation of businesses and costs across the Credit Suisse UK legal entities.

Corporate Governance

Internal Control

The directors are ultimately responsible for the effectiveness of internal control in CSS(E)L Group. Procedures have been designed for safeguarding the 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 CSS(E)L Group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by CSS(E)L Group have been in place throughout the year and up to 30 March 2015, the date of approval of the Consolidated Annual Report for 2014.

Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as credit, market, operational and other 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 budgeting procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget and prior year, and other performance data.

Committees

The Board delegates certain functions and responsibilities to the following committees:

Credit Suisse Securities (Europe) Limited Audit Committee

The purpose of the Committee is to:

- review the Internal Audit Plan to ensure its adequacy, as it pertains to CSS(E)L Group;
- review systems of accounting, internal controls, and compliance with regulatory and legal requirements, and on litigation;
- review quality and accuracy of financial reporting to external bodies;
- review other Internal Audit, regulatory examination reports and External Audit reports and management letters;
- review with the management and jointly with the Credit Suisse Securities (Europe) Limited Risk Committee, significant operational risk matters involving business processes and system infrastructure;
- review with management and jointly with the Credit Suisse Securities (Europe) Limited Risk Committee, significant matters of potential reputational risk;
- review the Annual Financial Statements on behalf of the Board; and
- report significant issues to the Board.

The Audit Committee members are Stephen Kingsley (Chair), Noreen Doyle and Richard Thornburgh.

In reviewing the Credit Suisse Securities (Europe) Limited Annual Report 2014, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the 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 appropriate funding to maintain adequate capital and liquidity positions.

Credit Suisse Securities (Europe) Limited Risk Committee

The purpose of the Committee is to:

- review and assess the integrity and adequacy of the risk management function of the CSS(E)L Group including processes and organisational structures;
- review and assess the CSS(E)L Group's credit, market and operational risk including any large exposures;
- review the Internal Capital Adequacy Assessment Process ('ICAAP');
- review with the management and jointly with the Credit Suisse Securities (Europe) Limited Audit Committee, significant operational risk matters involving business processes and system infrastructure;
- review and assess the adequacy of the risk measurement methodologies including the Risk Appetite framework;
- review other major risk concentration as deemed appropriate;
- monitor the adequacy of the business continuity program;
- review with management and jointly with the Credit Suisse Securities (Europe) Limited Audit Committee, significant matters of potential reputational risk;
- review and advise on risk adjustments to remuneration schemes; and
- report significant issues to the Board.

The Risk Committee members are Richard Thornburgh (Chair), Noreen Doyle and Stephen Kingsley.

Credit Suisse Securities (Europe) Limited Nomination Committee

The purpose of the Committee is to:

- engage a broad set of qualities and competences when recruiting members to the Board of Directors ('BoD') and put in place a policy promoting diversity on the BoD;
- identify and recommend for approval, by the Company shareholder (Credit Suisse Group AG / Credit Suisse AG) candidates to fill BoD vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the BoD;
- make recommendations to the BoD concerning the role of chairman and membership of the board committees, in consultation with the chairmen of those committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- decide on a target for the representation of the under-represented gender in the BoD and prepare a policy on how to increase the under-represented gender in the BoD to meet that target;
- periodically, and at least annually, assess the structure, size, composition and performance of the BoD and make recommendations to the BoD with regard to any changes;

- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the BoD and of the BoD collectively, and report this to the BoD;
- periodically review the policy of the BoD for selection and appointment of senior management and review with the Chief Executive Officer ('CEO') the appointment of senior management; and
- in performing its duties and to the extent possible on an on-going basis, take account of the need to ensure that the BoD's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Company as a whole.

The Credit Suisse Securities (Europe) Limited Nomination Committee members are Noreen Doyle (Chair), Stephen Kingsley and Richard Thornburgh.

Credit Suisse Securities (Europe) Limited advisory Board Remuneration Committee

The purpose of the Committee is to:

- advise CSG Compensation Committee in respect of matters relating to remuneration for the employees of CSS(E)L Group including members of the UK Investment Bank Executive Committee, code staff and material risk takers.

The Credit Suisse Securities (Europe) Limited advisory Board Remuneration Committee members are Noreen Doyle (Chair), Stephen Kingsley and Richard Thornburgh.

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 identified other employees.

Risk management

Overview

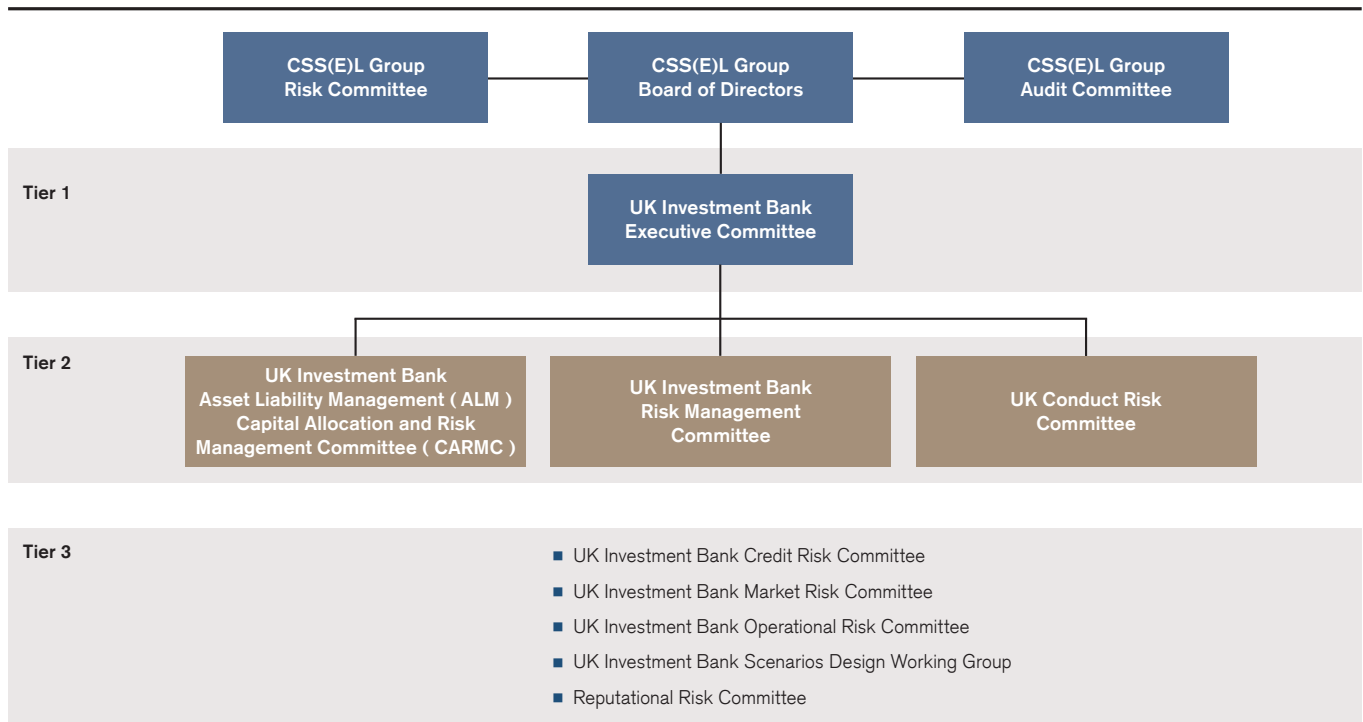
The Company's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Company's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect the Company's financial strength and reputation, while ensuring that capital 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, operational and reputational 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, to ensure the appropriate flow of information.

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

Summary of Key Risk Governance Committees



The key risk committees which support the Board of Directors are:

- UK Investment Bank Executive Committee ('UK IB ExCo'): this is the primary management committee of the entity and is charged with managing all aspects of the Company including strategy, culture, revenue, risk and control, cost and people.
- UK IB Asset Liability Management ('ALM') Capital Allocation and Risk Management Committee ('CARMC'): responsible for assisting the Board of Directors in providing a robust governance and oversight function with respect to capital, liquidity and funding-related matters in the Company.
- UK Investment Bank Risk Management Committee ('UK IB RMC'): The Board of Directors set the overall framework for risk appetite. The authority to establish more granular limits within the bounds of its overall risk limits is delegated to the UK IB RMC, which is chaired by the Company's Chief Risk Officer ('CRO') and consists of senior risk and business managers. The purpose of the UK IB RMC is to:
 - i ensure that proper standards for risk oversight and management are established and operational;
 - ii make recommendations to the Board on risk appetite;
 - iii review the ICAAP; and
 - iv define and establish risk limits for both individual businesses and at the portfolio level within authorities delegated by the Board
- UK Conduct Risk Committee ('UK CRC'): responsible for enabling the Company to review the effectiveness of the Company's conduct risk framework and challenge business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk. The UK CRC is tasked with sponsoring and reviewing appropriate policies and procedures and monitoring peer group and regulatory statements and developments in the

conduct risk space. The UK CRC will consider reports covering conduct risk identification, conduct risk mitigation and conduct risk management information.

The divisional risk management committees are:

- The United Kingdom Investment Bank ('UK IB') Credit Risk Committee, chaired by the Company's Chief Credit Officer, defines and implements the UK IB Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the UK IB credit portfolio including counterparty, sector and concentration.
- The UK IB Market Risk Committee, chaired by the Company's Co-Heads of Market Risk, defines and implements the UK IB Market Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact on the UK IB market risk profile.
- The UK IB Operational Risk Committee, chaired by the Company's Head of Operational Risk, ensures that the proper standards for Operational Risk management are established for the UK IB. The committee is responsible for defining and implementing Operational Risk management strategies for the UK entities.
- The UK IB Scenarios Design Working Group ('UK IB SDWG'), chaired by the Company's Head of Enterprise Risk, is responsible for identifying, developing and maintaining appropriate stress scenarios which are relevant for UK entities based on material risk factors.
- The Reputational Risk Committee, co-chaired by the CRO, is responsible for reviewing and approving transactions that are escalated as having potential to have a negative impact on the Company's reputation.

Risk organisation

Risks arise in all of the Company's business activities and they are monitored and managed through its internal control environment. 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 Company's CRO, who reports jointly to the Company's CEO and the CRO of CS group. The Company 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, as of January 2015, comprises:

- Market Risk Management, including market and liquidity risk;
- Credit Risk Management;
- Operational Risk Management; and
- Enterprise Risk Management.

The Company's 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 Risk Management ('MRM') department is responsible for assessing and monitoring 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;
- Operational Risk Management ('ORM') is responsible for the identification, assessment and monitoring of operational risks; and
- Enterprise Risk Management ('ERM') is responsible for covering cross-divisional and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels.

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 maintained by the central, Risk and Finance Data and Reporting ('RFDAR') group.

Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define CSS(E)L Group's maximum 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 of Directors and are binding.

Within the bounds of the overall risk appetite of the Company, as defined by the limits set by the Board, the Company CRO is the nominated executive who is responsible for implementing a limit framework with the aim of ensuring that the risk profile remains within the Board's risk appetite. 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') or scenario analysis, although they also include exposure, risk sensitivities and other metrics. 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 binding and generally set to ensure that any meaningful increase in risk exposures is promptly 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 (bank-wide statements linked to risk and control indicators) terms.

The majority of these limits are monitored on a daily basis, though 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 and currency risk are outlined in Note 38 – Financial Instruments Risk Position.

Selected European credit risk exposures

CSS(E)L Group's exposure to certain European countries is summarised in the table below. Gross credit risk exposures presented on a risk-based view include 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. 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.

Credit risk exposure to these European countries is managed as part of the overall CSS(E)L Group and CS group risk management process. This management includes the use of country limits, and the performance of scenario analyses on a regular basis including analyses on indirect sovereign credit risk exposures arising from exposures to selected European financial institutions.

31 December 2014 (USD millions)	Sovereign		Financial Institutions		Corporate	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Greece	–	–	1	1	–	–
Ireland	–	–	19	11	–	–
Italy	149	149	210	134	83	83
Portugal	–	–	12	11	4	4
Spain	29	29	95	94	20	20
Russia	3	3	5	1	7	7
Ukraine	–	–	–	–	2	2
Total	181	181	342	252	116	116

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 ethnicity or nationality, gender, sexual orientation, religion, age, marital or family status, or disability.

The CSS(E)L Group's internal experts work closely with the CSS(E)L Group's businesses across all regions to ensure that the CSS(E)L Group's diversity and inclusion strategy is firmly embedded in the CSS(E)L Group's corporate culture. They advise managers on the planning and implementation of necessary internal structures and measures to ensure the 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 the CSS(E)L Group's product and service offering. A council headed by the CSS(E)L Group's regional CEOs is responsible for ensuring that the CSS(E)L Group systematically strives to achieve the targets the CSS(E)L Group has defined and that the CSS(E)L Group implement appropriate measures.

The CS group currently supports more than 40 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 bank, which are run by employees on a voluntary basis, are dedicated to addressing the concerns of women, families, Lesbian, Gay, Bisexual and Transgender ('LGBT') individuals, the older and younger generations, and employees from various ethnic backgrounds.

A Disciplinary Review Committee ('DRC') has been established to provide a framework to ensure that the Company's articulated standards of professional conduct are adhered to and consistently enforced on a continuous basis.

The Committee is designed to supplement existing policies and procedures (which require line managers and or other internal parties to be involved in disciplinary decisions), by providing an independent review of those decisions. The Committee is chaired by the Company's CEO and comprises senior regional representatives from the businesses and Shared Services.

The Role of the Committee is:

- To consider whether issues or incidents arising in the course of the Company's business warrant the initiation of a disciplinary process;

- To review and provide input into the adequacy of proposed disciplinary action in cases of misconduct or failure to comply with applicable policies, standards, rules or requirements. Any decision will be that of the disciplinary hearing manager;
- Disciplinary issues relating to breaches of the Company's equal opportunity and dignity at work policies will, owing to their sensitivity, be reviewed by the relevant CEO in conjunction with a subsection only of the full Committee; and
- To ensure that risk/control issues/concerns are properly reflected in the annual performance evaluation (competency of "Principled Conduct"), promotion, and compensation processes, the Committee will:
 - i Ensure that formal disciplinary action, and any inappropriate conduct falling short of disciplinary action or any negative feedback arising from structured risk and control assessments of personnel is appropriately reflected in annual performance evaluations;
 - ii Review and determine whether any promotion candidate should be deferred by reason of any of the matters described above; and
 - iii Define appropriate impact on discretionary variable incentive award for different levels of disciplinary action (e.g. oral/written warnings, etc. where applicable).

By Order of the Board



Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
30 March 2015

Directors' Report for the Year ended 31 December 2014

International Financial Reporting Standards

The CSS(E)L Group and Company 2014 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 30 March 2015.

Dividends

No dividends were paid or are proposed for 2014 (2013: 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 2013 and up to the date of this report are as follows:

Appointment

Jason Forrester	2 May 2014
Christopher Williams	12 June 2014
Paul Ingram	20 March 2015

Resignation

Chris Carprael	1 January 2014
Eric Varvel	6 November 2014
Michael Hodgson	31 December 2014
Gary Bullock	31 December 2014
Christopher Williams	6 March 2015

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 benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Risk and Capital

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

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare 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 IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and

- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the CSS(E)L Group and the Company will continue in business.

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 Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSS(E)L 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 Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditor

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

Subsequent Events

In the UK budget announcement of 18 March 2015, the UK government announced its intention to increase the UK Bank Levy rate from 0.156% to 0.21% for short term liabilities and 0.78% to 0.105% for long term liabilities with effect from 1 April 2015. This rate increase has now been enacted but is not expected to have a material impact on the 2015 results of the Company.

In the 2014 Autumn Statement, the UK Chancellor of the Exchequer announced proposals to restrict the use of losses carried forward by UK banks to a maximum of 50% of profits in periods from April 2015 onwards. This UK tax law change has now been enacted but is not expected to have a material impact on the recoverability of the net deferred tax asset.

By Order of the Board



Jason Forrester
Director

One Cabot Square
London E14 4QJ
30 March 2015

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 for the year ended 31 December 2014 set out on pages 11 to 124. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the CSS(E)L Group's and of the parent company's affairs as at 31 December 2014 and of the CSS(E)L Group's and Company'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 parent 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and information given in the Corporate Governance Statement set out on pages 4 to 8 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

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
- a Corporate Governance Statement has not been prepared by the Company.



Simon Ryder
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 March 2015

Financial Statements for the year ended 31 December 2014

Consolidated Statement of Income for the Year ended 31 December 2014

CSS(E)L Group	Reference to note	2014	2013
Statement of Income (USD million)			
Interest income	4	1,213	1,187
Interest expense	4	(1,463)	(1,546)
Net interest expense		(250)	(359)
Commission and fee income	5	1,270	1,180
Commission and fee expense	5	(164)	(198)
Net commission and fee income		1,106	982
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,301	1,670
Other revenues	7	(178)	(207)
Net revenues		1,979	2,086
Compensation and benefits	8	(1,496)	(1,549)
General and administrative expenses	9	(885)	(860)
Total operating expenses		(2,381)	(2,409)
Loss before taxes		(402)	(323)
Income tax expense	10	(151)	(58)
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		(553)	(381)

All losses for both 2014 and 2013 are from continuing operations.

Company Statement of Income for the Year ended 31 December 2014

Company	Reference to note	2014	2013
Statement of Income (USD million)			
Interest income	4	1,181	1,187
Interest expense	4	(1,431)	(1,546)
Net interest expense		(250)	(359)
Commission and fee income	5	1,270	1,180
Commission and fee expense	5	(164)	(198)
Net commission and fee income		1,106	982
Net gains from financial assets/liabilities at fair value through profit or loss	6	1,301	1,670
Other revenues	7	(178)	(207)
Net revenues		1,979	2,086
Compensation and benefits	8	(1,496)	(1,549)
General and administrative expenses	9	(885)	(860)
Total operating expenses		(2,381)	(2,409)
Loss before taxes		(402)	(323)
Income tax expense	10	(151)	(58)
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		(553)	(381)

All losses for both 2014 and 2013 are from continuing operations.

Statement of Comprehensive Income for the Year ended 31 December 2014

CSS(E)L Group and Company	2014	2013
Statement of Comprehensive Income (USD million)		
Net loss	(553)	(381)
Re-measurement of defined benefit liability/(asset)	193	(111)
Total items that will not be reclassified to net income	193	(111)
Foreign currency translation differences	(43)	15
Net investment hedge – net gain	11	(16)
Cash flow hedges – effective portion of changes in fair value	(43)	–
Cash flow hedges – reclassified to profit or loss	4	–
Available-for-sale financial assets – net change in fair value	(1)	3
Total items that may be reclassified to net income	(72)	2
Other comprehensive income/(loss), net of tax	121	(109)
Total comprehensive loss	(432)	(490)
Attributable to shareholders	(432)	(490)

Refer Note 26 – Accumulated Other Comprehensive Income for details.

Consolidated Statement of Financial Position as at 31 December 2014

	Reference to note	2014	2013 ¹
Assets (USD million)			
Cash and due from banks		21,728	19,026
Interest bearing deposits with banks		2,179	1,548
Securities purchased under resale agreements and securities borrowing transactions	12	49,366	43,062
Trading financial assets at fair value through profit or loss	13	59,507	65,129
of which positive market values from derivative instruments	13	9,550	13,011
Financial assets designated at fair value through profit or loss	14	41,039	53,991
Financial assets available-for-sale	15	33	34
Other loans and receivables	16	1	1,483
Current tax assets	10	113	167
Deferred tax assets	11	18	218
Other assets	17	19,432	31,509
Property and equipment	19	14	21
Intangible Assets	20	2	4
Goodwill	21	6	7
Total assets		193,438	216,199
Liabilities (USD million)			
Deposits	22	1,709	1,899
Securities sold under repurchase agreements and securities lending transactions	12	36,817	32,928
Trading financial liabilities at fair value through profit or loss	13	28,141	38,080
of which negative market values from derivative instruments	13	11,029	14,582
Financial liabilities designated at fair value through profit or loss	14	44,041	48,076
Short term borrowings	23	6,001	29,842
Deferred tax liabilities	11	2	–
Other liabilities	17	36,833	44,345
Provisions	24	2	5
Long term debt	25	31,640	13,340
Total liabilities		185,186	208,515
Shareholders' equity			
Share capital	27	3,859	2,859
Share premium	27	5,661	5,661
Capital contribution		5,390	5,390
Retained earnings		(6,439)	(5,886)
Accumulated other comprehensive income	26	(219)	(340)
Total shareholders' equity		8,252	7,684
Total liabilities and shareholders' equity		193,438	216,199

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

Approved by the Board of Directors on 30 March 2015 and signed
on its behalf by:



Jason Forrester
Director

Company Statement of Financial Position as at 31 December 2014

	Reference to note	2014	2013 ¹
Assets (USD million)			
Cash and due from banks		21,725	19,023
Interest bearing deposits with banks		2,179	1,548
Securities purchased under resale agreements and securities borrowing transactions	12	49,366	43,062
Trading financial assets at fair value through profit or loss	13	60,075	65,666
of which positive market values from derivative instruments	13	10,116	13,548
Financial assets designated at fair value through profit or loss	14	40,063	53,572
Financial assets available-for-sale	15	33	34
Other loans and receivables	16	1	1,483
Current tax assets	10	113	167
Deferred tax assets	11	18	218
Other assets	17	19,429	31,523
Property and equipment	19	14	21
Intangible Assets	20	2	4
Goodwill	21	6	7
Total assets		193,024	216,328
Liabilities (USD million)			
Deposits	22	1,709	1,899
Securities sold under repurchase agreements and securities lending transactions	12	36,817	32,928
Trading financial liabilities at fair value through profit or loss	13	28,106	38,046
of which negative market values from derivative instruments	13	10,994	14,548
Financial liabilities designated at fair value through profit or loss	14	43,701	48,063
Short term borrowings	23	6,001	29,842
Deferred tax liabilities	11	2	-
Other liabilities	17	36,798	44,525
Provisions	24	2	5
Long term debt	25	31,640	13,340
Total liabilities		184,776	208,648
Shareholders' equity			
Share capital	27	3,859	2,859
Share premium	27	5,661	5,661
Capital contribution		5,390	5,390
Retained earnings		(6,443)	(5,890)
Accumulated other comprehensive income	26	(219)	(340)
Total shareholders' equity		8,248	7,680
Total liabilities and shareholders' equity		193,024	216,328

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

Approved by the Board of Directors on 30 March 2015 and signed
on its behalf by:



Jason Forrester
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI ¹	Total share- holders' equity
2014 Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2014		2,859	5,661	5,390	(5,886)	(340)	7,684
Transition adjustment for IAS19(R), pre-tax		-	-	-	-	-	-
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2014		2,859	5,661	5,390	(5,886)	(340)	7,684
Foreign exchange translation differences		-	-	-	-	(43)	(43)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	11	11
Net loss on financial assets available-for-sale		-	-	-	-	(1)	(1)
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	(43)	(43)
Cash flow hedges – reclassified to profit or loss		-	-	-	-	4	4
Re-measurement of defined benefit liability/(asset)		-	-	-	-	193 ²	193
Net loss recognised directly in retained earnings and AOCI		-	-	-	-	121	121
Net loss for the year		-	-	-	(553)	-	(553)
Total comprehensive loss recognised for the year		-	-	-	(553)	121	(432)
Issuance of common shares	27	1,000	-	-	-	-	1,000
Balance at 31 December 2014		3,859	5,661	5,390	(6,439)	(219)	8,252
2013 Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2013		2,859	5,661	5,390	(5,284)	(269)	8,357
Transition adjustment for IAS19(R), pre-tax		-	-	-	(180)	38	(142)
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2013		2,859	5,661	5,390	(5,464)	(231)	8,215
Foreign exchange translation differences		-	-	-	-	15	15
Net loss on hedges of net investments in foreign entities taken to equity		-	-	-	-	(16)	(16)
Net gain on financial assets available-for-sale		-	-	-	-	3	3
Branch retained earnings adjustment		-	-	-	(41)	-	(41)
Re-measurement of defined benefit (asset)/liability		-	-	-	-	(111)	(111)
Net loss recognised directly in AOCI		-	-	-	(41)	(109)	(150)
Net loss for the year		-	-	-	(381)	-	(381)
Total comprehensive loss recognised for the year		-	-	-	(422)	(109)	(531)
Balance at 31 December 2013		2,859	5,661	5,390	(5,886)	(340)	7,684

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 2014

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI ¹	Total share- holders' equity
2014 Company statement of changes in equity (USD million)							
Balance at 1 January 2014		2,859	5,661	5,390	(5,890)	(340)	7,680
Transition adjustment for IAS19(R), pre-tax		-	-	-	-	-	-
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2014		2,859	5,661	5,390	(5,890)	(340)	7,680
Foreign exchange translation differences		-	-	-	-	(43)	(43)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	11	11
Net loss on financial assets available-for-sale		-	-	-	-	(1)	(1)
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	(43)	(43)
Cash flow hedges – reclassified to profit or loss		-	-	-	-	4	4
Re-measurement of defined benefit liability/(asset)		-	-	-	-	193 ²	193
Net loss recognised directly in retained earnings and AOCI		-	-	-	-	121	121
Net loss for the year		-	-	-	(553)	-	(553)
Total comprehensive loss recognised for the year		-	-	-	(553)	121	(432)
Issuance of common shares	27	1,000	-	-	-	-	1,000
Balance at 31 December 2014		3,859	5,661	5,390	(6,443)	(219)	8,248
2013 Company statement of changes in equity (USD million)							
Balance at 1 January 2013		2,859	5,661	5,390	(5,288)	(269)	8,353
Transition adjustment for IAS19(R), pre-tax		-	-	-	(180)	38	(142)
Transition adjustment for IAS19(R), tax		-	-	-	-	-	-
Balance at 1 January 2013		2,859	5,661	5,390	(5,468)	(231)	8,211
Foreign exchange translation differences		-	-	-	-	15	15
Net loss on hedges of net investments in foreign entities taken to equity		-	-	-	-	(16)	(16)
Net gain on financial assets available-for-sale		-	-	-	-	3	3
Branch retained earnings adjustment		-	-	-	(41)	-	(41)
Re-measurement of defined benefit (asset)/liability		-	-	-	-	(111)	(111)
Net loss recognised directly in AOCI		-	-	-	(41)	(109)	(150)
Net loss for the year		-	-	-	(381)	-	(381)
Total comprehensive loss recognised for the year		-	-	-	(422)	(109)	(531)
Balance at 31 December 2013		2,859	5,661	5,390	(5,890)	(340)	7,680

¹ AOCI refers to Accumulated Other Comprehensive Income.

² Disclosed net of tax.

Consolidated Statement of Cash Flows for the year ended 31 December 2014

	Reference to notes	2014	2013
Cash flows from operating activities (USD million)			
Loss before tax for the period		(402)	(323)
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	19,20,21	6	7
Pension plan charge	28	(50)	(25)
Foreign exchange losses / (gains)		32	(11)
Accrued interest on long term debt		583	601
Share-based payment expense		(272)	(444)
Cash generated before changes in operating assets and liabilities		(103)	(195)
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		(631)	2,564
Securities purchased under resale agreements and securities borrowing transactions	12	(6,304)	(5,987)
Trading financial assets at fair value through profit or loss	13	5,622	6,256
Financial assets designated at fair value through profit or loss	14	12,952	15,085
Other assets and other loans and receivables	17	13,812	8,521
Net decrease in operating assets		25,451	26,439
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	12	3,889	(57)
Deposits	22	(190)	(2,528)
Short term borrowings	23	(23,841)	(4,253)
Trading financial liabilities at fair value through profit or loss	13	(9,939)	(1,537)
Financial liabilities designated at fair value through profit or loss	14	(4,035)	(13,436)
Accrued expenses and other liabilities	17	(7,906)	3,719
Provisions	24	(3)	(6)
Net decrease in operating liabilities		(42,025)	(18,098)
Income taxes refund/(paid)		45	(138)
Pension plan contribution	28	(10)	(10)
Net cash from/(used in) operating activities		(16,642)	7,998
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	19,20,21	140	169
Capital expenditure for property, equipment and intangible assets	19,20,21	(140)	(169)
Net cash from/(used in) from investing activities		-	-
Cash flows from financing activities (USD million)			
Issuance/(repayment) of long term debt (including long term debt at fair value through profit or loss)	25	18,344	(2,176)
Issue of shares	27	1,000	-
Net cash generated/(provided) by financing activities		19,344	(2,176)
Net increase in cash and due from banks		2,702	5,822
Cash and due from banks at beginning of period		19,026	13,204
Cash and due from banks at end of period		21,728	19,026
Cash and due from banks		1,645	18,475
Demand deposits		20,083	551
Cash and due from banks at end of period		21,728	19,026

Company Statement of Cash Flows for the year ended 31 December 2014

	Reference to notes	2014	2013
Cash flows from operating activities (USD million)			
Loss before tax for the period		(402)	(323)
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	19,20,21	6	7
Pension plan charge	28	(56)	(25)
Foreign exchange losses / (gains)		38	(11)
Accrued interest on long term debt		583	601
Share-based payment expense		(272)	(444)
Cash generated before changes in operating assets and liabilities		(103)	(195)
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		(631)	2,564
Securities purchased under resale agreements and securities borrowing transactions	12	(6,304)	(5,987)
Trading financial assets at fair value through profit or loss	13	5,591	6,257
Financial assets designated at fair value through profit or loss	14	13,509	15,012
Other assets and other loans and receivables	17	13,829	8,348
Net decrease in operating assets		25,994	26,194
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	12	3,889	(57)
Deposits	22	(190)	(2,528)
Short term borrowings	23	(23,841)	(4,253)
Trading financial liabilities at fair value through profit or loss	13	(9,940)	(1,538)
Financial liabilities designated at fair value through profit or loss	14	(4,362)	(13,529)
Accrued expenses and other liabilities	17	(8,121)	3,920
Provisions	24	(3)	(6)
Net decrease in operating liabilities		(42,568)	(17,991)
Income taxes refund/(paid)		45	(138)
Pension plan contribution	28	(10)	(10)
Net cash from/(used in) operating activities		(16,642)	7,860
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	19,20,21	140	169
Capital expenditure for property, equipment and intangible assets	19,20,21	(140)	(169)
Net cash from/(used in) investing activities		-	-
Cash flows from financing activities (USD million)			
Issuances/(repayment) of long term debt (including long term debt at fair value through profit or loss)	25	18,344	(2,040)
Issue of shares	27	1,000	-
Net cash generated/(provided) by financing activities		19,344	(2,040)
Net increase in cash and due from banks		2,702	5,820
Cash and due from banks at beginning of period		19,023	13,203
Cash and due from banks at end of period		21,725	19,023
Cash and due from banks		1,642	18,475
Demand deposits		20,083	548
Cash and due from banks at end of period		21,725	19,023

Notes to the consolidated financial statements

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Notes to the Financial Statements for the year ended 31 December 2014

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 2014 comprise

Credit Suisse Securities (Europe) Limited and its subsidiaries (including structured entities). The Consolidated Financial Statements were authorised for issue by the Directors on 30 March 2015.

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').

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 instruments that are hedged as part of a designated hedging relationship, 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.

The CSS(E)L Group and the Company have unrestricted and direct access to funding sources by CSG. After making enquiries of the CSG, the Directors of the Company have received confirmation that CSG will ensure that the Company maintains a sound financial position and is able 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:

- IFRS 10 Consolidated Financial Statements: In May 2011, the International Standards Accounting Board ('IASB') issued IFRS 10, 'Consolidated Financial Statements' (IFRS 10). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this may be difficult to assess. The adoption of IFRS 10 on 1 January 2014, did not have a material impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- IFRS 11 Joint Arrangements: In May 2011, the IASB issued IFRS 11 'Joint Arrangements' (IFRS 11). IFRS 11 specifies that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. The adoption of IFRS 11 on 1 January 2014, did not have an impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- IFRS 12 Disclosure of Interests in Other Entities: In May 2011, the IASB issued IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12). IFRS 12 requires entities to disclose information that enables users of the financial statements to evaluate the nature of, and any associated risks of, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 requires certain disclosures, for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities. As IFRS 12 requires disclosures only, the adoption thereof on 1 January 2014 did not have an impact on the CSS(E)L Group's financial position, results of operations or cash flows. The disclosures required by IFRS 12 are included in Note 34 – Interests in Other Entities.

- IAS 27 Separate Financial Statements: In May 2011, the IASB issued an amended version of IAS 27 'Separate Financial Statements' (IAS 27). IAS 27 outlines the accounting and disclosure requirements for separate financial statements. The adoption of IAS 27 on 1 January 2014 did not have any impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- IAS 28 Investments in Associates and Joint Ventures: In May 2011, the IASB issued IAS 28 Investments in Associates (IAS 28). The objective of IAS 28 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of IAS 28 on 1 January 2014, did not have an impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- IAS 32 Offsetting Financial Assets and Financial Liabilities: In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments – Presentation'. The amended IAS 32 restricts offsetting on the Statement of Financial Position to only those arrangements in which a right of set-off exists that is unconditional and legally enforceable, in the normal course of business and in the event of the default and bankruptcy or insolvency of the CSS(E)L Group and its relevant counterparties and for which the CSS(E)L Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments also provide incremental guidance for determining when gross settlement systems result in the functional equivalent of net settlement. As a result of the adoption of the amendments, the CSS(E)L Group offsets securities purchased and sold under resale agreements and repurchase agreements for which the gross settlement systems result in the functional equivalent of net settlement. The adoption on 1 January 2014 resulted in a restatement (decrease) to both total assets and total liabilities of USD 21.1 billion (impacting Financial assets/liabilities designated at fair value through profit or loss) as at 31 December 2013 and USD 30.8 billion as at 31 December 2012. There was no impact on total equity, net profit or earnings per share.
- Transition guidance for IFRS 10, IFRS 11 and IFRS 12: In June 2012, the IASB issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities; Transition Guidance" (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Additionally, amendments were made to IFRS 11 and IFRS 12 to eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The CSS(E)L Group has adopted the requirements of this amendment with the provisions of IFRS 10, IFRS 11 and IFRS 12 as at 1 January 2014. As the transition guidance provides clarifications to IFRS 10, IFRS 11 and IFRS 12, the impact is included in the adoption of the standards respectively.
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): In October 2012, the IASB issued 'Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27' (Investment Entities Amendment). Under IFRS 10, reporting entities were required to consolidate all investees they control, however the Investment Entities Amendment provides an exception and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The Investment Entities Amendment sets out disclosure requirements for investment entities. The adoption of the Investment Entities Amendment on 1 January 2014, did not have an impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36): In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The Amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when an assets recoverable amount has been determined on the basis of fair value less costs of disposal. The Amendments to IAS 36 impact disclosures only, therefore the adoption on 1 January 2014 did not have an impact on the CSS(E)L Group's financial position, results of operations or cash flows.
- IFRIC 21 Levies: In May 2013, the IASB issued 'Levies' (IFRIC 21). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The adoption of IFRIC 21 on 1 January 2014, did not have an 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 the IASB but not yet effective.

- Annual Improvements to IFRSs 2011-2013 Cycle: In December 2013, the IASB issued 'Annual Improvements to IFRSs Cycle 2011-2013' (Improvements to IFRSs 2011-2013), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The Improvements to IFRSs are effective for annual periods beginning on or after 1 July 2014. The CSS(E)L Group is currently evaluating the impact of adopting these Improvements to IFRSs.
- Annual Improvements to IFRSs 2010-2012 Cycle: In December 2013, the IASB issued 'Annual Improvements to IFRSs Cycle 2010-2012' (Improvements to IFRSs 2010-2012), which are effective for annual periods beginning on or after 1 July 2014. The CSS(E)L Group is currently evaluating the impact of adopting these Improvements to IFRSs.

- **Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits):** In December 2013, the IASB issued Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits). The IASB amended the requirements in IAS 19 for the contributions from employees or third parties that are linked to service. The Amendments are intended to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. The Amendments to IAS 19 are effective for annual periods beginning on or after 1 July 2014. When effective the adoption of the Amendments to IAS 19, will have no impact to the CSS(E)L Group's financial position, results of operation or 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.

- **IFRS 9 Financial Instruments:** In November 2009 the IASB issued IFRS 9 'Financial Instruments' (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. In July 2014, the IASB issued IFRS 9 as a complete standard. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 9.
- **IFRS 15 Revenue from Contracts with Customers:** In May 2014, the IASB issued 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 15.
- **Amendments to IAS 27: Equity Method in Separate Financial Statements:** In August 2014 the IASB issued Equity Method in Separate Financial Statements. The Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Amendments to IAS 27 are effective for annual periods beginning on or after 1 January 2016. The CSS(E)L Group is currently evaluating the impact of adopting the Amendments to IAS 27.
- **Annual Improvements to IFRS s 2012-2014 Cycle:** In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 cycle' (Improvements to IFRSs 2012-2014). The

Improvements to IFRSs 2012-2014 are effective for annual periods beginning on or after 1 January 2016. The CSS(E)L Group is currently evaluating the impact of adopting these Improvements to IFRSs.

- **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:** In September 2014, the IASB issues Sale or Contribution between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The Amendments clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Amendments are effective for annual periods beginning on or after 1 January 2016. The Amendments to IFRS 10 and IAS 28 will not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.
- **Investment entities; Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28):** In December 2014, the IASB issued Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The Amendments address issues that have arisen in relation to the exemption from consolidation for investment entities. The Amendments are effective for annual periods beginning on or after 1 January 2016. The CSS(E)L Group is currently evaluating the impact of adopting the Amendments to IFRS 10, IFRS 12 and IAS 28.
- **Disclosure Initiative (Amendments to IAS 1):** In December 2014, the IASB issued Amendments to IAS 1 as part of their Disclosure Initiative. The Amendments clarify guidance regarding materiality, notes to the financial statements and the presentation of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive income. The Amendments will allow entities to use more judgement when preparing and presenting financial statement. The Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. As the Amendments to IAS 1 impact disclosures only, there will be no impact to the CSS(E)L Group's financial position, results of operation or cash flows.

The accounting policies have been applied consistently by 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 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.

d) Equity method investments

The CSS(E)L Group's interest(s) in an associate(s) and an interest(s) in a joint venture(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 makes significant judgements and assumptions when determining if it has significant influence over another entity. 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. (A joint venture is an

arrangement in which the CSS(E)L Group has joint control, whereby the CSS(E)L Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.)

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) 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.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. 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.

h) Securities borrowing and lending transactions

Securities borrowing and securities lending transactions are generally entered into on a collateralized basis. The transfer of the securities themselves is not reflected on the Consolidated Statement of Financial Positions 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.

i) 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 purpose, 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.

j) 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 on quoted price in an active market for an identical asset or liability or on 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. All fair value changes related to these financial instruments held at fair value through profit or loss are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

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 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 Statement of Income for the period and reported in other revenues. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value of the asset less any impairment loss on that investment previously recognised in the 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.

k) 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 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 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.

l) Other loans and receivables

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated.

When calculating the effective interest, the CSS(E)L Group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

Impairment on other loans and receivables

The CSS(E)L Group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Consolidated Statement of Financial Position date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

All individually significant loans are assessed for specific impairment. Individually significant loans found not to be impaired are then collectively assessed for impairment that has been incurred, but not yet been identified. Loans that are not individually significant are assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating. Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the group or economic conditions that correlate with defaults in the group.

Many factors can affect the CSS(E)L Group's estimate of the impairment losses on loans, including volatility of default probabilities, rating migrations and loss severity. The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows discounted at the asset's original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral. The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type.

The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. The amount of the loss is recognised in the Consolidated Statement of Income in 'Provision for credit losses'. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

Write-off of loans

When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSS(E)L Group, the loan and any associated allowance is written off. Any repossessed collateral is initially measured at fair value.

The subsequent measurement will depend on the nature of the collateral.

Renegotiated Loans

Where possible, the CSS(E)L Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of modified loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Loan commitments

Certain loan commitments are classified as financial assets/liabilities at fair value through profit or loss in accordance with the policy discussed in note j. All other loan commitments remain off-balance sheet. If such commitments are considered onerous, a provision is raised in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37) based upon management's best estimate of the expenditure required to settle the obligation.

m) Netting

The CSS(E)L Group only offsets financial assets and liabilities and presents the net amount on the 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 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 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.

n) Income tax

Income tax recognised in the Statement of Income for the year comprises current and deferred taxes. Income tax is recognised in

the Consolidated Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in 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.

For UK corporation tax purposes the 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.

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 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 Statement of Income for the periods presented is included in Note 10 – Income Tax.

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSS(E)L Group may accrue for tax contingencies despite the belief that positions

taken in tax returns are always fully supportable. 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.

o) Goodwill

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Acquisition related costs are expensed as incurred.

For the purpose of calculating goodwill, fair values of assets acquired and liabilities assumed are calculated using quoted market prices, if available, or by applying appropriate valuation techniques.

Goodwill on the acquisition of subsidiaries is capitalised and reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for purpose of impairment testing considering the level at which goodwill is monitored for internal management purposes. An impairment loss is recognised if the carrying amount of a cash-generating unit exceeds its recoverable amount. The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less cost to sell.

Goodwill on the acquisition of equity method investments is included in the amount of the investments and is reviewed annually for impairment, or more frequently if there is an indication that impairment may have occurred.

If goodwill has been allocated to a cash-generating unit or a group of cash-generating units and an operation within that unit is disposed of, the attributable goodwill is included within the carrying amount of the operation when determining the gain or loss on disposal.

p) 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 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	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 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 a change of 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 Statement of Income.

q) Intangible Assets

Intangible assets consist primarily of internally developed software. Internally developed software are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method upon completion or utilisation. 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.

Right to use leisure facility has an indefinite life. The amortisation of the intangible assets is included in the 'General and administrative expenses' in the 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 using a pre-tax discount rate that reflects current market assessments 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 Statement of Income.

r) 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 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 determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense 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 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.

s) Deposits

Deposits are overdrawn bank accounts. The amount booked to the Consolidated Statement of Financial Position represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums. Subsequent measurement is at amortised cost.

t) 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.

u) 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 is remote, except for those acquired under business combinations, which are recognised at fair value.

v) 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 and administrative expenses' on the Consolidated Statement of Income.

w) Share-based payments

The CSS(E)L Group accounts for share based transactions with its employees as cash-settled share based payment transactions, as the CSS(E)L Group has the legal obligation to settle the arrangement by delivering an asset that is not an equity instrument of the CSS(E)L Group. This entails the recognition of a liability, incurred and related to share-based payments, over the required service period and in proportion to the service delivered to date at fair value. If the employee is eligible for normal or early retirement, the award is expensed over that shorter required service period and if an award consists of individual tranches that vest in instalments (i.e. graded vesting), each tranche of the award is expensed separately over its individual service period. The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the Consolidated Statement of Income.

x) 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.

y) 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. 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.

z) Commissions and fees

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the

transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- i) The amount of revenue can be measured reliably;
- ii) It is probable that the economic benefits associated with the transaction will flow to the entity;
- iii) The stage of completion of the transaction at the reporting date can be measured reliably; and
- iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fee revenue is recognised from a diverse range of services provided to its customers. Fee income 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 the CSS(E)L Group recognises the related revenue.

aa) 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 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. 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.

ab) Subleases

The subleases entered into by the CSS(E)L Group are exclusively operating leases. Sublease payments received are recognised through the Consolidated Statement of Income.

ac) Dividends

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

ad) 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. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate. Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with 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) Derivative financial instruments and hedging
- (j) Financial assets and liabilities at fair value through profit or loss
- (k) Recognition and derecognition
- (l) Other loans and receivables
- (n) Income tax
- (r) Retirement benefit costs
- (u) Contingent liabilities
- (v) Provisions
- (w) Share-based payments

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.

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 and agency securities, certain commercial paper ('CP'), 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 include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligation ('CDO'), private equity investments, certain loans and credit products (including leverage finance, certain syndicated loans and certain high yield bonds).

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 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 2014, 51.98% and 38.98% of the total assets and total liabilities, respectively, were measured at fair value (2013: 55.10% and 41.32%, respectively). The CSS(E)L Group Level 3 assets were USD 3.4 billion (2013: USD 3.4 billion), which was equivalent to 1.77% (2013: 1.56%) of total assets and 3.41% of total assets measured at fair value (2013: 2.85%).

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 in accordance with IAS 39 AG 76. The financial instrument is recognised at the transaction price and 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.

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 securitization 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.

Contingencies and loss provisions

According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when;

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events.

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. 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. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSS(E)L Group's defences and its experience in similar cases or proceedings, as well as the CSS(E)L Group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings.

Allowances and impairment losses on other loans and receivables

As a normal part of its business, the CSS(E)L Group is exposed to credit risks through its lending relationships and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the CSS(E)L Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The CSS(E)L Group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the reporting date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically

identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. Loans are segregated by risk, industry or country rating in order to collectively estimate inherent losses. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

The CSS(E)L Group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate and institutional loans are reviewed at least annually based on the borrower's Financial Statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSS(E)L Group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSS(E)L Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

Goodwill impairment

Recorded goodwill is not amortised, rather it is reviewed for possible impairment on an annual basis as of 31 December and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable. Circumstances that could trigger an impairment test include, but are not limited to:

- (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets;
- (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments;
- (iii) other relevant entity-specific events such as changes in management, key personnel or strategy;
- (iv) a more-likely-than-not expectation of selling or disposing all, or a portion, of a cash-generating unit;
- (v) results of testing for recoverability of a significant asset group within a reporting unit;
- (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a cash-generating unit; and
- (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

For the purpose of testing goodwill for impairment, each cash-generating unit is assessed individually. A cash-generating unit is an operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a cash-generating unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. If the fair value of a cash-generating unit exceeds its carrying value, there is no goodwill impairment. Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in the share price and those of competitors; estimates of the future earnings potential and the level of interest rates.

Estimates of the future earnings potential, and that of the reporting units, involve considerable judgement, including management's view on future changes in market cycles, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the CSS(E)L Group's reporting units may result in a goodwill impairment charge in the future.

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 pension expense recorded in future years.

The discount rate used in determining the benefit obligation is based on high-quality corporate bonds. In estimating the discount rate the Company takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments.

Taxes

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSS(E)L Group may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. 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.

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 recent losses of the Company (primarily arising from the financial crisis that started in late 2008 and thereafter). 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.

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.

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.

4 Net Interest Expense

CSS(E)L Group	2014	2013
Net interest expense (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	617	605
Financial assets designated at fair value through profit or loss	192	211
Other loans and receivables	31	106
Other	373	265
Interest income	1,213	1,187
Deposits	(4)	(5)
Securities sold under repurchase agreements and securities lending transactions	(677)	(702)
Financial liabilities designated at fair value through profit or loss	(17)	(2)
Short term borrowings	(87)	(167)
Long term debt	(583)	(601)
Other	(95)	(69)
Interest expense	(1,463)	(1,546)
Net interest expense	(250)	(359)

Company	2014	2013
Net interest expense (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	617	605
Financial assets designated at fair value through profit or loss	160	211
Other loans and receivables	31	106
Other	373	265
Interest income	1,181	1,187
Deposits	(4)	(5)
Securities sold under repurchase agreements and securities lending transactions	(677)	(702)
Financial liabilities designated at fair value through profit or loss	15	(2)
Short term borrowings	(87)	(167)
Long term debt	(583)	(601)
Other	(95)	(69)
Interest expense	(1,431)	(1,546)
Net interest expense	(250)	(359)

Interest income accrued on impaired financial assets during the year was Nil (2013: Nil)

5 Commissions and Fee Income

CSS(E)L Group and Company	2014	2013
Commission and fee income/(expense) (USD million)		
Underwriting	495	371
Brokerage	499	567
Underwriting and brokerage	994	938
Other customer services	276	242
Total commission and fee income	1,270	1,180
Total commission and fee expense	(164)	(198)
Net commission and fee income	1,106	982

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

CSS(E)L Group	2014	2013
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	(701)	672
Foreign exchange	(1,540)	(469)
Equity	1,537	741
Net income on trading financial assets and trading financial liabilities	1,548	920
Other	457	(194)
Total net gains from financial assets/liabilities at fair value through profit or loss	1,301	1,670
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	15	(59)
Other financial assets designated at fair value through profit or loss	316	(287)
of which related to credit risk	3	7
Securities sold under repurchase agreements and securities lending transactions	1	57
Long-term debt	(10)	(2)
Other financial liabilities designated at fair value through profit or loss	-	-
Total net gain/(losses) from financial assets/liabilities at fair value through profit or loss	322	(291)

Company	2014	2013
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Fixed income/Interest rate	(701)	672
Foreign exchange	(1,540)	(469)
Equity	1,537	741
Net income on trading financial assets and trading financial liabilities	1,548	920
Other	457	(194)
Total net gains from financial assets/liabilities at fair value through profit or loss	1,301	1,670
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	15	(59)
Other financial assets designated at fair value through profit or loss	(311)	(155)
of which related to credit risk	-	-
Securities sold under repurchase agreements and securities lending transactions	1	57
Long-term debt	(10)	-
Other financial liabilities designated at fair value through profit or loss	-	-
Total net gain/(losses) from financial assets/liabilities at fair value through profit or loss	(305)	(157)

7 Other Revenues

CSS(E)L Group and Company	2014	2013
Other revenues (USD million)		
Revenue sharing agreements	(182)	(211)
Realised gain from financial assets available-for-sale	-	4
Other	4	-
Total other revenues	(178)	(207)

8 Compensation and Benefits

CSS(E)L Group and Company	2014	2013
Compensation and benefits (USD million)		
Salaries and variable compensation	(1,232)	(1,315)
Social security	(181)	(185)
Pensions	(48)	(10)
Other	(35)	(39)
Total compensation and benefits	(1,496)	(1,549)

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.

Included in Salaries and variable compensation is USD 22 million (2013: USD 50 million) relating to severance cost.

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 and Administrative Expenses.

9 General and Administrative Expenses

	Reference to note	2014	2013
General, administrative and Trading expenses (USD million)			
Brokerage charges and clearing house fees		(256)	(215)
Trade Related Expenses		(256)	(215)
Occupancy expenses		(150)	(144)
IT and machinery		(280)	(263)
Depreciation expense	19	(7)	(7)
Provisions	24	(8)	(2)
Travel and entertainment		(45)	(47)
Auditors' remuneration		(2)	(1)
Professional services		(520)	(369)
UK Bank levy		(32)	(47)
Non income taxes		(60)	(73)
Marketing data, publicity and subscription		(52)	(50)
Communication expenses		(43)	(38)
Other		(12)	(28)
Non Trade Related Expenses		(1,211)	(1,069)
Expenses receivable from other Credit Suisse group companies		582	424
Total General, administrative and Trading expenses		(885)	(860)

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 1.5 million (2013: USD 1.5 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)	2014	2013
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	(1,397)	(1,470)
Fees payable to CSS(E)L Group's auditor and its associates for other services:		
Audit-related assurance services	(154)	–
Total Fees	(1,551)	(1,470)

10 Income Tax

CSS(E)L Group and Company	2014	2013
Current and deferred taxes (USD million)		
Current tax expense for the period	(9)	(43)
Adjustments in respect of previous periods	11	16
Current income tax benefit/(expense)	2	(27)
Deferred tax		
Origination and reversal of temporary differences	(22)	(3)
Current year tax losses	73	36
Adjustments in respect of previous periods	–	5
Impairment of deferred tax asset	(204)	(39)
Effect of changes in tax rate or the imposition of new taxes	–	(30)
Deferred income tax expense	(153)	(31)
Income tax expense	(151)	(58)

Current tax of USD Nil (2013: USD Nil) and deferred tax of USD 47 million (2013: USD Nil) were debited directly to equity. Further information about deferred income tax is presented in Note 11 – Deferred Taxes.

Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	2014	2013
Reconciliation of taxes computed at the UK statutory rate (USD million)		
Loss before tax	(402)	(323)
Loss before tax multiplied by the UK statutory rate of corporation tax @ 21.49% (2013: 23.25%)	86	75
Other permanent differences	(23)	(52)
Unrelievable foreign tax	(16)	(33)
Effect of different tax rates of operations/subsidiaries in other jurisdictions	(5)	–
Adjustments to current tax in respect of previous periods	11	16
Adjustments to deferred tax in respect of previous periods	–	5
Effect on deferred tax resulting from changes to tax rates	–	(30)
Impairment of deferred tax asset	(204)	(39)
Income tax expense	(151)	(58)

11 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 20% (2013: 20%).

The Finance Act 2012, which passed into law on 17 July 2012, reduced UK corporation tax rate from 24% to 23% with effect from 1 April 2013.

The Finance Act 2013, which passed into law on 17 July 2013, included further rate reductions in the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 21% to 20% with effect from 1 April 2015.

CSS(E)L Group and Company	2014	2013
Deferred tax (USD million)		
Deferred tax assets	18	218
Deferred tax liabilities	(2)	–
Net position	16	218
Balance at 1 January, net position	218	248
Debit to income for the year	(153)	(6)
Effect of change in tax rate expensed to Statement of Income	–	(30)
Tax booked to other comprehensive income	(47)	–
Adjustments related to the previous year	–	5
Exchange differences	(2)	1
Balance at 31 December, net position	16	218

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

Components of net deferred tax assets

CSS(E)L Group and Company	2014	2013
Components of net deferred tax assets (USD million)		
Share-based compensation	112	128
Decelerated tax depreciation	24	23
Other short term temporary differences	36	40
Unpaid interest	–	133
Pensions and other post-retirement benefits	(154)	(106)
Balance at 31 December	18	218

Components of Deferred tax liabilities

CSS(E)L Group and Company	2014	2013
Components of deferred tax liabilities (USD million)		
Other short term temporary differences	(2)	–
Balance at 31 December	(2)	–

Details of the tax effect of temporary differences

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

CSS(E)L Group and Company	2014	2013
Tax effect of temporary differences (USD million)		
Share-based compensation	(16)	(47)
Decelerated tax depreciation	1	(1)
Other short term temporary differences	(4)	4
Unpaid interest	(133)	(20)
Pensions and other post-retirement benefits	(1)	33
Total deferred tax expense in the Statement of Income	(153)	(31)

The deferred tax expense in Other Comprehensive Income related to:

CSS(E)L Group and Company	2014	2013
Tax expense in Other Comprehensive Income (USD million)		
Re-measurement of defined benefit (Asset)/Liability	(47)	–
Total deferred tax expense in the Statement of Income	(47)	–

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 recent losses of the Company (primarily arising from the financial crisis that started in late 2008). 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 894 million (2013: USD 690 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. In the 2014 Autumn Statement, the UK Chancellor of the Exchequer announced proposals to restrict the use of losses carried forward by UK banks to a maximum of 50% of profits in periods from April 2015 onwards. This UK tax law change has now been enacted but is not expected to have a material impact on the recoverability of the net deferred tax asset.

12 Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

CSS(E)L Group and Company	2014	2013 ¹
Securities borrowed or purchased and subject to resale agreements (USD million)		
Securities purchased under resale agreements	13,153	10,258
Deposits paid for securities borrowed	36,213	32,804
Total securities borrowed or purchased and subject to repurchase agreements	49,366	43,062

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

The following table summarise the securities lent under agreements to repurchase and securities lending transactions, at their respective carrying values:

CSS(E)L Group and Company	2014	2013 ¹
Securities lent or sold and subject to repurchase agreements (USD million)		
Securities sold under repurchase agreements	15,894	8,755
Deposits received for securities lent	20,923	24,173
Total securities lent or sold and subject to repurchase agreements	36,817	32,928

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

See Note 14 – Financial Assets and Liabilities Designated at Fair Value through Profit or Loss for Securities Borrowed, Lent and Subject to Repurchase Agreements for Securities Borrowed, Lent and Subject to Repurchase Agreements that have been held at fair value.

Securities borrowed, lent and subject to 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 generally have terms ranging from overnight to a longer or unspecified period of maturity. 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.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the CSS(E)L Group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSS(E)L Group monitors the market value of securities borrowed, lent and securities on a daily basis and additional collateral is obtained as necessary. In the event of counterparty default, the repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held. In the CSS(E)L Group's normal course of business substantially all of the collateral received that may be sold or pledged has been sold or pledged as of 31 December 2014.

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

	CSS(E)L Group		Company	
	2014	2013	2014	2013
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	18,148	21,692	18,150	21,692
Equity securities	31,809	30,426	31,809	30,426
Derivative instruments	9,550	13,011	10,116	13,548
Total trading financial assets at fair value through profit or loss	59,507	65,129	60,075	65,666
Trading financial liabilities at fair value through profit or loss (USD million)				
Debt securities	6,491	13,259	6,491	13,259
Equity securities	10,621	10,239	10,621	10,239
Derivative instruments	11,029	14,582	10,994	14,548
Total trading financial liabilities at fair value through profit or loss	28,141	38,080	28,106	38,046

Debt securities primarily consist of corporate bonds and government securities.

Trading financial assets include USD 30,136 million (2013: USD 37,151 million) which are encumbered. 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.

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

	CSS(E)L Group		Company	
	2014	2013 ¹	2014	2013 ¹
Financial assets designated at fair value through profit or loss (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	37,981	51,302	37,981	51,302
Other financial assets designated at fair value through profit or loss	3,058	2,689	2,082	2,270
Total financial assets designated at fair value through profit or loss	41,039	53,991	40,063	53,572

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

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 2014 and 31 December 2013 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 2014 was a gain of USD 3 million for CSS(E)L Group and USD Nil for Company in the Statement of Income (2013: gain of USD 7 million for CSS(E)L Group and USD NIL for 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	
	2014	2013 ¹	2014	2013 ¹
Financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	41,771	46,310	41,771	46,310
Long term debt	1,186	1,050	846	1,038
Other financial liabilities designated at fair value through profit or loss	1,084	716	1,084	715
Total financial liabilities designated at fair value through profit or loss	44,041	48,076	43,701	48,063

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

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 73 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 (2013: USD 112 million higher (CSS(E)L Group and Company)).

15 Financial Assets Available-For-Sale

CSS(E)L Group and Company	2014	2013
Financial assets available-for-sale (USD million)		
Equity securities available-for-sale	25	26
Total securities available-for-sale	25	26
Other	8	8
Total financial assets available-for-sale	33	34

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 2014	-	25	25
31 December 2013	-	26	26

16 Other Loans and Receivables

The following table sets forth details of the domestic (United Kingdom) and foreign portfolios:

CSS(E)L Group and Company	2014	2013
Other loans and receivables (USD million)		
Financial institutions	1	1,483
Total other loans and receivables	1	1,483
of which domestic	1	1,483
of which foreign	–	–

None of the above loans and receivables are past due.

On 9th April 2014 a loan given to Credit Suisse AG (London Branch) was repaid.

17 Other Assets and Other Liabilities

	CSS(E)L Group		Company	
	2014	2013	2014	2013
Other assets (USD million)				
Derivative instruments used for hedging (refer to Note 32)	4	1	4	1
Brokerage receivables (refer to Note 18)	14,436	27,025	14,436	27,025
Interest and fees receivable	1,667	1,092	1,667	1,092
Cash collateral on derivative instruments	2,274	2,378	2,274	2,378
Banks	1,108	871	1,108	871
Customers	1,166	1,507	1,166	1,507
Prepaid expenses	61	77	61	77
Other	990	936	987	950
Total other assets	19,432	31,509	19,429	31,523

Other assets are mainly due within one year.

	CSS(E)L Group		Company	
	2014	2013	2014	2013
Other liabilities (USD million)				
Derivative instruments used for hedging (refer to Note 32)	36	–	36	–
Brokerage payables (refer to Note 18)	15,702	20,852	15,702	20,852
Interest and fees payable	881	523	881	522
Cash collateral on derivative instruments	6,387	4,884	6,387	4,884
Banks	398	446	398	446
Customers	5,989	4,438	5,989	4,438
Cash collateral on non-derivative instruments	9,411	14,904	9,411	14,904
Banks	9,187	14,809	9,187	14,809
Customers	224	95	224	95
Share-based compensation liability	343	426	343	426
Other	4,073	2,756	4,038	2,937
Total other liabilities	36,833	44,345	36,798	44,525

Cash collateral on non-derivatives for 2014 includes financial guarantees which have been cash collateralised of USD 9,149 million (2013: USD 14,800 million) provided by Credit Suisse AG London

branch to reduce regulatory capital charges on related party exposures.

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	2014	2013
Brokerage receivables (USD million)		
Due from customers	9,235	18,843
Due from banks, brokers and dealers	5,201	8,182
Total brokerage receivables	14,436	27,025
Brokerage payables (USD million)		
Due to customers	13,042	17,191
Due to banks, brokers and dealers	2,660	3,661
Total brokerage payables	15,702	20,852

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 8,151 million of client money as at 31 December 2014 (2013: USD 11,329 million), USD 5,832 million as of 31 December 2014 (2013: USD 6,350 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. 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
2014				
Cost (USD million)				
Cost as at 1 January 2014	55	16	19	90
Additions	–	–	1	1
Disposals	–	–	–	–
Other movements	(10)	(2)	–	(12)
Cost as at 31 December 2014	45	14	20	79
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2014	38	13	18	69
Charge for the year	5	1	1	7
Disposals	–	–	–	–
Other movements	(8)	(2)	(1)	(11)
Accumulated depreciation as at 31 December 2014	35	12	18	65
Net book value as at 1 January 2014	17	3	1	21
Net book value as at 31 December 2014	10	2	2	14
2013				
Cost (USD million)				
Cost as at 1 January 2013	53	14	19	86
Additions	2	–	–	2
Disposals	(1)	–	–	(1)
Other movements	1	2	–	3
Cost as at 31 December 2013	55	16	19	90
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2013	33	13	16	62
Charge for the year	5	1	1	7
Disposals	(1)	(1)	–	(2)
Other movements	1	–	1	2
Accumulated depreciation as at 31 December 2013	38	13	18	69
Net book value as at 1 January 2013	20	1	3	24
Net book value as at 31 December 2013	17	3	1	21

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 (2013: USD Nil).

No impairment charges were recorded in 2014 and 2013 for property and equipment.

20 Intangible Assets

CSS(E)L Group and Company	Right to Use Leisure Facility	Internally Developed Software	Total
2014			
Cost (USD million)			
Cost as at 1 January 2014	4	1	5
Additions	–	139	139
Disposals	–	(140)	(140)
Cost as at 31 December 2014	4	–	4
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2014	(1)	–	(1)
Amortisation for the year	–	–	–
Impairment	(1)	–	(1)
Disposals	–	–	–
Accumulated amortisation as at 31 December 2014	(2)	–	(2)
Net book value as at 1 January 2014	3	1	4
Net book value as at 31 December 2014	2	–	2
2013			
Cost (USD million)			
Cost as at 1 January 2013	4	2	6
Additions	–	167	167
Disposals	–	(168)	(168)
Cost as at 31 December 2013	4	1	5
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2013	–	–	–
Amortisation for the year	–	–	–
Impairment	(1)	–	(1)
Disposals	–	–	–
Accumulated amortisation as at 31 December 2013	(1)	–	(1)
Net book value as at 1 January 2013	4	2	6
Net book value as at 31 December 2013	3	1	4

No interest has been capitalised within intangible assets (2013:USD Nil).

Impairment charges of USD 1 million (2013: USD 1 million) was recorded on right to use leisure facility. No impairment charges were recorded for internally developed software in 2014 and 2013. The impairment of the right to use leisure facility reduces the asset

down to current market rate. This asset is held in 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.

The internally developed software that was capitalised was transferred to Credit Suisse International in 2014.

21 Goodwill

CSS(E)L Group and Company	2014	2013
Goodwill (USD million)		
Cost:		
Balance as at 1 January	7	7
Foreign currency translation impact	(1)	–
Balance as at 31 December	6	7
Accumulated impairment losses		
Balance as at 1 January	–	–
Foreign currency translation impact	–	–
Balance as at 31 December	–	–
Net book value	6	7

All goodwill is held by branches and is denominated in Euros. This is translated to USD at the reporting date.

22 Deposits

CSS(E)L Group and Company	2014	2013
Deposits (USD million)		
Non-interest bearing demand deposits	29	6
Interest-bearing demand deposits	275	350
Time Deposits	1,405	1,543
Total deposits	1,709	1,899
of which due to banks	1,709	1,899
of which due to customers	–	–

23 Short Term Borrowings

CSS(E)L Group and Company	2014	2013
Short-term borrowings (USD million)		
Short term borrowings:		
from banks	5,679	29,196
from customers	322	646
Total short term borrowings	6,001	29,842

In March 2014 the Company changed a significant proportion of the term profile of funding from Credit Suisse AG (London Branch) to long term from short term for liquidity purposes (Refer Note 25 – Long Term Debt).

24 Provisions

CSS(E)L Group and Company	Property	Litigation	Total
Provisions (USD million)			
Balance at 1 January 2014	1	4	5
Charges during the year	–	8	8
Utilised during the year	–	(11)	(11)
Balance at 31 December 2014	1	1	2

Property provision

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

Litigation provision

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 reasonably estimable. 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 2014.

25 Long Term Debt

CSS(E)L Group and Company	2014	2013
Long-term debt (USD million)		
Senior debt	28,109	8,972
Subordinated debt	3,531	4,368
Total long term debt	31,640	13,340

Senior Debt

During 2010, 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 December 2014 comprises:

CSS(E)L Group and Company

Outstanding as at December 2014	Counterparty Name	Date of Issuances	
USD 1,000 million	Credit Suisse Investment UK Limited	18 December 2013	Interest payable at 3 months USD LIBOR plus 87.5 basis points per annum, maturing on 19 December 2016
USD 1,485 million	CS Private banking Depo Centre	12 August 2010	Interest payable at 3 months LIBOR plus 253 basis points per annum having a 30 year maturity period
USD 2,950 million	Credit Suisse AG (London Branch)	21 September 2010	Interest payable at 3 months LIBOR plus 250/275 basis points per annum maturing on 21 September 2015
EUR 400 million	Credit Suisse AG (London Branch)	28 June 2010	Interest payable at 3 months EURIBOR plus 200/216 basis points per annum maturing on 29 June 2015
USD 481 million	Credit Suisse AG (London Branch)	15 September 2010	Interest payable at 3 months LIBOR plus 225/250 basis points per annum maturing on 15 September 2015
EUR 12,000 million	Credit Suisse AG (London Branch)	14 March 2014	420 days evergreen call loans
GBP 4,000 million	Credit Suisse AG (London Branch)	14 March 2014	420 days evergreen call loans
USD 532 million	Credit Suisse First Boston Finance BV	15 April 2014	Restructuring Subordinated Debt to Senior Debt
USD 367 million	Credit Suisse PSL GMBH	15 April 2014	Restructuring Subordinated Debt to Senior Debt

Senior Debt as at December 2013 comprises:

CSS(E)L Group and Company

Outstanding as at December 2013	Counterparty Name	Date of Issuances	
USD 2,000 million	Credit Suisse Investment UK Limited	18 December 2013	Interest payable at 3 months USD LIBOR plus 87.5 basis points per annum, maturing on 19 December 2016
USD 1,485 million	CS Private banking Depo Centre	12 August 2010	Interest payable at 3 months LIBOR plus 253 basis points per annum having a 30 year maturity period
USD 2,950 million	Credit Suisse AG (London Branch)	21 September 2010	Interest payable at 3 months LIBOR plus 250/275 basis points per annum maturing on 21 September 2015
USD 750 million	Credit Suisse AG (London Branch)	12 February 2010	Interest payable at 3 months LIBOR plus 207/221 basis points per annum maturing on 11 February 2015
EUR 400 million	Credit Suisse AG (London Branch)	28 June 2010	Interest payable at 3 months EURIBOR plus 200/216 basis points per annum maturing on 29 June 2015
USD 1,235 million	Credit Suisse AG (London Branch)	15 September 2010	Interest payable at 3 months LIBOR plus 225/250 basis points per annum, USD 755 million maturing on 14 March 2014 and USD 480 million maturing on 15 September 2015

During 2014 USD 1,000 million was repaid to Credit Suisse Investment UK Limited. The repayment was part of a capital restructuring pursuant to special resolution of the Board of Directors dated 9 September 2014 (Refer Note 27- Share Capital and Share Premium).

During 2014 there were maturities of USD 750 million issued on 12 February 2010 and USD 755 million issued on 15 September 2010 by Credit Suisse AG (London Branch).

In March 2014 the Company changed the term profile of funding from Credit Suisse AG (London Branch) of USD 24,870 million to long term from short term. As at December 2014, the funding from Credit Suisse AG (London Branch) is USD 20,809 million (Refer Note 23 – Short Term Borrowings).

In April 2014 as part of restructuring of Subordinated Debt deferred interest of USD 532 million with Credit Suisse First Boston Finance BV and USD 381 million with Credit Suisse PSL GMBH was included in Senior Debt.

Subordinated Debt

At 31 December 2014 subordinated debt comprises an amount of USD 3,531 million (2013: USD 4,368 million). This comprised USD 1,500 million (2013: USD 1,500 million) advanced by Credit Suisse PSL GmbH and USD 500 million (2013: USD 1,983 million) advanced by Credit Suisse First Boston Finance BV and USD 1,500 million (2013: USD NIL) advanced by Credit Suisse Investment UK Limited. Interest capitalisation amounts to USD 31 million (2013: USD 885 million).

On 15 April 2014 as part of restructuring of subordinated debt the 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.

USD 1,187 million was borrowed under an agreement dated 27 June 2008 from Credit Suisse First Boston Finance BV, a fellow company under common control. 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 was December 2013. Interest on subordinated debt is payable at a fixed rate of 9.49% per annum. Under the facility, the loan and any interest outstanding thereon is subordinated in right of repayment to all other indebtedness and liabilities of the Company. As a part of restructuring of subordinated debt, this amount of USD 1,187 million was repaid on 15 April 2014.

On 2 September 2008, the Company borrowed a further USD 296 million from Credit Suisse First Boston Finance BV, with interest on subordinated debt payable at a fixed rate of 9.83% 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 was December 2013. As a part of restructuring of subordinated debt, this amount of USD 296 million was repaid on 15 April 2014.

On 12 May 2010, the Company borrowed a further USD 500 million from Credit Suisse First Boston Finance BV, with interest on subordinated debt payable at a rate of 3 months LIBOR plus 365 basis points per annum. Interest capitalisation on above borrowings is USD 16 million (2013: USD 15 million). The maturity of the loan is 31 December 2033.

On 29 October 2010, USD 1,000 million was advanced by Credit Suisse PSL GmbH, under a subordinated loan facility agreement for USD 1,500 million dated 29 October 2010. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 545 basis points per annum. The Company borrowed a further USD 500 million under this facility on 15 December 2010. Interest on subordinated debt of USD 500 million is payable at a rate of 3 months LIBOR plus 695 basis points per annum.

In April 2014 as part of restructuring of Subordinated Debt deferred interest of USD 899 million was included in Senior Debt.

26 Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Gains/ (losses) on cash flow hedges	Unrealized gain/(loss) on Pension Fund	Cumulative translation adjustment	Unrealised gains/ (losses) on financial assets avail- able for sale	Accum- ulated other comprehen- sive income
2014					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2014	–	(73)	(293)	26	(340)
Transition adjustment for IAS19(R), pre-tax	–	–	–	–	–
Transition adjustment for IAS19(R), tax	–	–	–	–	–
Balance at 1 January 2014	–	(73)	(293)	26	(340)
Increase/(decrease):					
Foreign exchange translation differences	–	–	(43)	–	(43)
Cash flow hedges – effective portion of changes in fair value	(43)	–	–	–	(43)
Cash flow hedges – reclassified to income statement	4	–	–	–	4
Net gain on hedges of net investments in foreign entities taken to equity	–	–	11	–	11
Net loss on financial assets available-for-sale	–	–	–	(1)	(1)
Re-measurement of defined benefit liability/(asset)	–	193 ¹	–	–	193
Balance at 31 December 2014	(39)	120	(325)	25	(219)
2013					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2013	–	–	(292)	23	(269)
Transition adjustment for IAS19(R), pre-tax	–	38	–	–	38
Transition adjustment for IAS19(R), tax	–	–	–	–	–
Balance at 1 January 2013	–	38	(292)	23	(231)
Increase/(decrease):					
Foreign exchange translation differences	–	–	15	–	15
Net gain/(loss) on cash flow hedges	–	–	–	–	–
Net loss on hedges of net investments in foreign entities taken to equity	–	–	(16)	–	(16)
Net gain on financial assets available-for-sale	–	–	–	3	3
Re-measurement of defined benefit (asset)/liability	–	(111) ¹	–	–	(111)
Balance at 31 December 2013	–	(73)	(293)	26	(340)

¹ Disclosed net of tax

27 Share Capital and Share Premium

CSS(E)L Group and Company	2014	2013
Share Capital (USD million)		
Opening balance	2,859	2,859
22,013,921,050 ordinary voting shares of USD 0.10 each	2,201	2,201
6,579,284,010 participating non voting shares of USD 0.10 each	658	658
9 September 2014:		
Cancellation of participating non voting shares (6,579,284,010 of USD 0.10 each)	(658)	–
Issuance of ordinary voting shares (6,579,284,010 of USD 0.10 each)	658	–
24 September 2014:		
Issuance of ordinary voting shares (2,500,000,000 of USD 0.10 each)	250	–
29 September 2014:		
Issuance of ordinary voting shares (7,500,000,000 of USD 0.10 each)	750	–
Total called-up share capital	3,859	2,859
Share Premium (USD million)		
Share Premium	5,661	5,661
9 September 2014:		
Cancellation of participating non voting shares credited to share premium (6,579,284,010 of USD 0.10 each)	658	–
Share premium utilised for issuance of ordinary voting shares (6,579,284,010 of USD 0.10 each)	(658)	–
Total called-up share capital	5,661	5,661

As part of a restructuring of the Company's capital structure and to further strengthen Tier 1 capital base, the following transactions occurred during 2014:

On 9 September 2014, the Company passed a special resolution to undergo a capital restructuring in accordance with the Companies Act 2006. The purpose of the capital restructuring was to be compliant with regulatory capital requirements. 6,579,284,010 non-voting shares of USD 0.10 each were cancelled and the resulting reserve of USD 658 million was credited

to share premium. Immediately thereafter share premium was capitalised by issuing 6,579,284,010 ordinary voting shares at nominal value of USD 0.10 each.

On 24 September 2014, the Company issued 2,500,000,000 ordinary voting shares at nominal value of USD 0.10 per share, with USD 250 million recorded in share capital.

On 29 September 2014, the Company issued another 7,500,000,000 ordinary voting shares at nominal value of USD 0.10 per share, with USD 750 million recorded in share capital.

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 plan is operated. 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, France and Italy 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 13% of the UK plan's final salary liabilities are attributable to current employees, 71% to former employees yet to retire and 16% to current pensioners and dependants. The liabilities of the other plans in aggregate are broadly split 44% to current employees, 51% to former employees yet to retire and 5% to current pensioners and dependants. 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 25 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 28 years), deferred members (duration of 26 years) and current pensioners (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 accounts for the entire plan using defined benefit accounting.

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

Defined benefit pension and other post-retirement defined benefit plans

CSS(E)L Group and Company	UK		International	
	2014	2013	2014	2013
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Operating Cost				
Current service costs on benefit obligation	5	5	2	2
Administrative expense	2	2	–	–
Past service costs (including curtailments)	–	–	–	–
Financing Cost				
Net Interest costs on benefit obligation	(27)	(31)	2	2
Total periodic pension (credits)/costs	(20)	(24)	4	4

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2014 and 2013, 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 2014 and 2013 respectively:

CSS(E)L Group and Company	UK		International	
	2014	2013	2014	2013
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Defined benefit obligation – 1 January	1,684	1,508	59	59
Current service cost	5	5	2	2
Interest cost	77	69	2	2
Actuarial (gains)/losses on assumptions	272	95	13	(3)
arising out of changes in demographic assumptions	–	(13)	–	–
arising out of changes in financial assumptions	272	108	13	(3)
Actuarial (gains)/losses – experience	(25)	(5)	(1)	(3)
Benefit payments	(37)	(24)	(3)	(3)
Past service costs (including curtailments)	–	–	–	–
Plans deconsolidated during the year	–	–	–	–
Special termination benefits	–	–	1	2
Effect of business combinations and disposals	–	–	–	1
Exchange rate (gains)/losses	(100)	36	(6)	2
Defined benefit obligation – 31 December	1,876	1,684	67	59
Fair value of plan assets – 1 January	2,265	2,159	11	12
Interest on plan assets	104	100	–	–
Actuarial gains/(losses) on plan assets	501	(31)	–	1
Actual return on plan assets	605	69	–	1
Employer contributions	9	9	1	1
Administrative expense	(2)	(2)	–	–
Benefit payments	(37)	(23)	(3)	(3)
Exchange rate (losses)/gains	(136)	53	–	–
Effect of business combinations and disposals	–	–	–	–
Fair value of plan assets – 31 December	2,704	2,265	9	11
Total funded status – 31 December				
Plan assets	2,704	2,265	9	11
Defined benefit obligation related to funded plans	(1,876)	(1,684)	(10)	(11)
Funded status for funded plans	828	581	(1)	–
Defined benefit obligation related to non-funded plans	–	–	(57)	(48)
Funded status recognised – 31 December	828	581	(58)	(48)

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 2011 and showed a deficit of GBP 61.2 million. The Company and Trustee agreed that no future shortfall contributions would be paid because the shortfall contributions paid soon after the valuation date and the allowance for post-valuation experience were sufficient to recover the shortfall. The next funding valuation is due no later than 31 December 2014 at which progress towards full-funding will be reviewed.

For additional Pension Fund security, the Company has pledged securities of GBP 241 million as at 31 December 2014. These securities are included in the balances in Note 36 – Assets Pledged or Assigned. At 31 December 2014 and 2013 the

pension fund plan assets hold no material amounts of CSS(E)L Group debt and equity securities.

In 2011, considering the market and economic environment, it was decided not to consider any future discretionary pension increase in the defined benefit obligation, which resulted in a reduction of the pension obligation of USD 95 million.

The Company has obtained an indemnity from Credit Suisse International with respects to potential contribution requirements of up to a maximum of USD 353 million to the UK Pension Fund for the period starting 16 June 2014 and ending 31 May 2016. The Company is paying Credit Suisse International a total fee of USD 44 million for this indemnity (this is being paid in monthly installments).

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

CSS(E)L Group and Company (USD million)	UK		International	
	2014	2013	2014	2013
At 1 January	581	651	(48)	(47)
Total amount recognised in profit and loss and OCI (charge)/credit	274	(95)	(16)	1
Other economic events	–	–	(1)	(1)
Plans deconsolidated during the year	–	–	–	–
Contributions paid	9	9	1	1
Gains/(Losses) due to changes in exchange rates	(36)	16	6	(2)
At 31 December	828	581	(58)	(48)

Assumptions

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

CSS(E)L Group and Company (31 December in %)	UK		International	
	2014	2013	2014	2013
Benefit obligation				
Discount rate	3.70%	4.60%	2.50%	3.70%
Retail Price Inflation	3.00%	3.35%	–	–
Consumer Price Inflation	2.00%	2.35%	2.10%	1.90%
Pension increases ¹	2.91%	3.20%	1.70%	1.30%
Salary increases	4.25%	4.60%	3.80%	3.70%
Net periodic pension cost				
Discount rate	4.60%	4.80%	3.70%	3.40%
Salary increases	4.60%	4.35%	4.70%	4.00%

¹ Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis, which are considered to be nil.

Mortality Assumptions

The life expectancy assumptions for 2014 are similar to those used for 2013.

The assumptions for life expectancy for the 2014 benefit obligation pursuant to IAS 19 are based on the 'SAPS light' base

table with improvements in mortality in line with the core CMI 2012 projections and a scaling factor of 100%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.25% p.a.

The post-retirement mortality assumptions are as follows:

	2014	2013
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28.8	28.7
Females	30.1	30.0
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	30.8	30.7
Females	32.1	32.0

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			
	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	518	28%	(389)	(21%)	14	22%	(13)	(18%)
+1% / -1% Inflation rate	327	17%	(276)	(15%)	6	10%	(7)	(6%)
+1% / -1% Salary increases rate	11	1%	(10)	(1%)	2	3%	(3)	(4%)
+1 / -1 year to life expectancy at 60	40	2%	(40)	(2%)	1	2%	(2)	(2%)

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 2014 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities the discount rate and inflation rates the impact on the UK funded status will most likely be lower than 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 Company's defined benefit pension plan looks 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 funded status and corporate financial condition.

The Fund has a hedging target of around 80% of interest rate and inflation risk arising from the Economic Value 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 Economic Value of the liabilities is calculated. In particular limits have been placed on the level of exposure that may be obtained from bonds and gilt total return swaps, both in terms of interest rate and inflation sensitivity.

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 hedge funds are used to enhance long term returns while improving portfolio diversification.

Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic

asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

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 (equities, diversified growth fund and global absolute return fund) 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 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 plan's bond holdings. The plan does hedge 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.

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 swap does not match the increase.

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)	2014	2013
Defined benefit obligation	1,943	1,743
Fair value of plan assets	2,713	2,276
Funded status, surplus/(deficit)	770	533
Experience gains/(losses) on plan liabilities ¹	26	8
Experience gains/(losses) on plan assets	531	(31)

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)		
2015	15	1
2016	17	1
2017	19	1
2018	22	1
2019	26	1
For five years thereafter	201	7

Expected Contributions

Expected contributions to benefit plans for the year ending 31 December 2015 are USD 9 million for UK Plans and USD 1 million for International plans.

(USD Million)	2014				2013			
	Quoted	Unquoted	Total	% of total fair value of scheme assets	Quoted	Unquoted	Total	% of total fair value of scheme assets
Cash and cash equivalents	–	256	256	9.5%	–	347	347	15.3%
Debt Securities	1,208	477	1,685	62.3%	1,002	425	1,427	63.0%
of which governments	565	5	570	21.1%	409	4	413	18.2%
of which corporates	643	472	1,115	41.2%	593	421	1,014	44.8%
Equity Securities	259	98	357	13.2%	192	2	194	8.6%
Derivatives	–	276	276	10.2%	1	(26)	(25)	(1.1%)
Alternative investments	–	130	130	4.8%	14	308	322	14.2%
of which hedge funds	–	130	130	4.8%	–	298	298	13.2%
of which other	–	–	–	–	14	10	24	1.1%
Total plan assets UK Plans	1,467	1,237	2,704	100.0%	1,209	1,056	2,265	100.0%
Debt Securities	9	–	9	100.0%	11	–	11	100.0%
Total plan assets International Plans	9	–	9	100.0%	11	–	11	100.0%

Plan Assets Allocations

CSS(E)L Group and Company (USD Million)	2014	2013
Fair Value of entity's own transferable financial instruments held as plan assets (transferable refers to the entities and related parties equity securities)	–	–
Fair value of plan assets that are occupied by or used by the entity	–	–

The Company also contributes to various defined contribution pensions primarily in the United Kingdom.

The contributions in these plans during 2014 and 2013 were USD 68 million and USD 64 million respectively.

29 Employee Share-based Compensation and Other Compensation Benefits

Payment of share-based compensation and other compensation benefits 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 expense for cash-settled share-based compensation plans recognised during 2014 and 2013 was USD 181 million and USD 325 million respectively. The total stock award liability recorded as at 31 December 2014 was USD 343 million (2013: USD 426 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2014 CHF 25.08 (2013: CHF 27.27). The average weighted fair value of awards granted in 2014 was CHF 27.40 (2013: CHF 26.45). The intrinsic value of vested share based awards outstanding as at year end was USD 41 million (2013: USD 86 million).

The recognition of compensation expense for the deferred compensation awards granted in January 2015 began in 2015 and thus had no impact on the 2014 financial statements.

Movements in the number of PSA outstanding were as follows:

CSS(E)L Group and Company	2014	2013
Number of units (millions)		
As at 1 January	5.39	3.08
Granted	3.25	3.33
Shares transferred in/out	(0.22)	0.12
Delivered	(2.15)	(1.01)
Forfeited	(0.14)	(0.13)
As at 31 December	6.13	5.39

Phantom Share Awards

Share awards granted in January 2015 are similar to those granted in January 2014 and are awarded to certain employees in the Company. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ('CSG') share and does not contain a leverage component or a multiplier effect and is

Performance Share Awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related claw-back provisions. Each performance share award granted entitles the holder of award to receive one CSG share. Performance share awards also vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the Phantom share awards, however, the outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss or a negative CSG ROE. Outstanding performance shares are subject to a negative adjustment in the event of a divisional loss, unless there is a negative CSG ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on the CSG's negative ROE. For employees in Shared Services, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

The performance share awards granted in 2015 are identical to those granted in 2014, 2013 and 2012, with the exception of the performance criteria which, in 2013, were based on underlying ROE and in 2012 were based on reported ROE, compared to the performance share awards granted in 2015 and 2014, which were based on strategic ROE.

The number of performance share awards granted to employees 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 two business days ended January 16, 2015. The fair value of each January 2015 Performance Share award was CHF 16.94 on the grant date. Performance share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value was based on a valuation using the CSG's share price on the date of grant and discounted for expected dividends for 2015, 2016 and 2017 of CHF 0.66, CHF 1.03 and CHF 1.39, respectively.

subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the grant date. Share awards granted in January 2011 vest over a four-year period. The value of these 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, 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 was determined by dividing the deferred component of variable compensation being granted as shares by the average price of a Group share over the two business days ended January 16, 2015. Share awards granted after January 1, 2014 do not include the right to receive dividend equivalents during the vesting period. The fair value of each January 2015 share award was CHF 16.94 on the grant date. The fair value was based on a valuation using the CSG's share price on the

date of grant and discounted for expected dividends for 2015, 2016 and 2017 of CHF 0.66, CHF 1.03 and CHF 1.39, respectively.

In order to comply with regulatory requirements, the CSG awarded an alternative form of share awards as a component of unrestricted cash to certain senior employees. For 2014, 2013 and 2012, these employees received a portion of the amount they otherwise would have received in cash in the form of blocked shares. The shares remain blocked for a period of time, which ranges from six months to three years, depending on the location, after which they are no longer subject to restrictions. Blocked shares granted on January 16, 2015 vest immediately upon grant, have no future service requirements and were attributed to services performed in 2014.

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

CSS(E)L Group and Company	2014	2013
Number of units (millions)		
As at 1 January	9.35	6.51
Granted	7.17	5.63
Shares transferred in/out	(0.52)	0.20
Delivered	(4.24)	(2.62)
Forfeited	(0.35)	(0.37)
As at 31 December	11.41	9.35

Contingent Capital Awards

Contingent Capital Awards ('CCA') were granted in January 2015 and 2014 as part of 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 provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.85% and 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate ('LIBOR') or 5.75% and 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US-denominated awards, for 2015 and 2014 respectively, until settled. Employees who received compensation in Swiss francs could elect to receive CCA denominated in Swiss francs or US dollars, and all other employees received CCA denominated in US dollars.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as additional tier 1 capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA ('FINMA'). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. CSG will determine that fair value at its discretion. CSG intends to grant CCA as one of its annual deferred variable compensation awards in future years.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero 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 during the year ended December 31, 2014 was USD 27 million (2013: Nil).

Plus Bond Awards

Certain employees received a portion of their 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are 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 will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by CSG of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks of CSG's Investment Banking division. While the Plus Bond award is a cash-based instrument, CSG reserves the right to settle the award in CSG shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, CSG retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes in capital treatment, exchange the award into CSG shares. The Plus Bond award plan contributes to a reduction

of CSG's risk-weighted assets and constitutes a risk transfer from CSG to the Plus Bond award holders.

The Plus Bonds were fully vested and expensed as of the grant date of December 31, 2012.

Certain employees were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation will vest on the third anniversary of the grant date in January 17, 2016 and will be expensed over the vesting period.

Total compensation expense recognised during the year ended December 31, 2014 was USD 4 million (2013: USD 4 million).

2011 Partner Asset Facility

As part of the 2011 annual compensation process, certain employees were awarded a portion of their deferred variable compensation 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 the 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, which vested in the first quarter of 2012.

The PAF2 units have a stated maturity of four years, but may be extended to nine years at the election of either CSG or the holders acting collectively. This election will not be made later than the end of the third year following the grant date. PAF2 units are denominated in US dollars. Holders will receive a semi-annual cash interest payment equivalent to an annual return of 6.5% applied to the then current balance of the PAF2 units. At maturity, PAF2 holders will receive a final settlement in an amount equal to the original award value less any losses. CSG can settle the PAF2 units in cash or an equivalent value in shares at its discretion.

In January 2012, CSG awarded PAF2 units and the associated compensation expenses were fully expensed in the first quarter of 2012, as the awards were fully vested as of March 31, 2012. Compensation expense will continue to be updated at each reporting period date to reflect any change in the underlying fair value of the PAF2 awards until the awards are finally settled.

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:** participants elect for their award to be referenced to a Capital Opportunity Facility ('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:** participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates. Settlement is expected to occur in February 2016, subject to regulatory approvals.

Total compensation expense recognised during the year ended December 31, 2014 was USD 1 million (2013: USD 17 million).

Total compensation expense recognised for the PAF2 CCA during the year ended December 31, 2014 was USD 6 million (2013: Nil).

Total compensation expense recognised for the COF during the year ended December 31, 2014 was USD 2 million (2013: Nil).

Restricted Cash Awards

Certain employees received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Company even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Company granted Restricted Cash Awards.

Total compensation expense recognised during the year ended December 31, 2014 was USD 10 million (2013: USD 41 million).

Adjustable Performance Plan Awards

The Adjustable Performance Plan ('APP') is a deferred compensation plan for certain employees. CSG granted APP cash awards as part of deferred compensation for 2009 ('2009 APPA') and 2010 ('2010 APPA').

The 2009 APPA cash awards were fully vested and were expensed as of December 31, 2012.

The 2010 APP cash awards vest over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the CSG ROE. The adjustments are determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported CSG ROE, unless the division that granted the awards incurs a pre-tax loss. In this case, outstanding awards in that division will be subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative CSG ROE applies for that year and is greater than the divisional adjustment. For employees in Shared Services and other

support functions, all outstanding 2010 APP cash awards are linked to CSG's adjusted profit or loss and the CSG ROE, but are not dependent upon the adjusted profit or loss of the business areas that they support.

Total compensation expense/ (income) recognised for APP cash awards during the year ended December 31, 2014 was USD (1) million (2013: USD (2) million).

In July 2012, CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion

of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Each Adjustable Performance Plan share award has a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Movements in the number of APP shares outstanding were as follows:

CSS(E)L Group and Company	2014	2013
Number of units (millions)		
As at 1 January	1.72	3.95
Granted	–	–
Shares transferred in/out	–	0.06
Delivered	(0.86)	(2.24)
Forfeited	(0.02)	(0.05)
As at 31 December	0.84	1.72

Incentive Share Unit

The Incentive Share Units ('ISUs') were the main form of share-based deferred compensation for all employees from 2006 to 2009. An ISU is similar to a share, but offers additional upside depending on the development of the CSG share price, compared to predetermined targets set on the grant date. For each ISU granted, the employee will receive at least one CSG share ('ISU base unit') over a three-year period vesting and could receive additional shares ('ISU leverage unit') at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual

increase in the weighted-average monthly share price during the contractual term of the award versus the share price at grant date. The ISU base unit vests equally on each of the three anniversaries of the grant date, whereas the ISU leverage units will only vest on the third anniversary of the grant date. Shares are delivered shortly after the ISU base units and the ISU leverage units vest.

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the CSG share price performance was below the minimum predefined target of CHF 53.71. In 2012, the ISU leverage granted for 2008 were settled with a value for each outstanding leverage unit equivalent to 0.986 CSG shares.

Movements in the number of ISUs outstanding were as follows:

CSS(E)L Group and Company	2014		2013	
	Base	Leverage	Base	Leverage
ISUs outstanding (millions)				
ISU Awards				
As at 1 January	–	–	0.21	0.60
Granted	–	–	–	–
Share transferred in/out	–	–	–	–
Delivered	–	–	(0.20)	(0.60)
Forfeited	–	–	(0.01)	–
As at 31 December	–	–	–	–

Scaled Incentive Share Unit

The Scaled Incentive Share Units ('SISUs') plan is a share-based, long-term incentive plan. SISUs were granted in January 2010 as part of 2009 variable deferred compensation. SISUs are similar to ISUs (refer to Incentive Share Unit) except with four-year vesting, subject to early retirement rules, and the leverage component contains an additional performance condition which could increase or decrease the number of any additional shares. The SISU base unit

vests equally on each of the four anniversaries of the grant date, whereas the SISU leverage unit will only vest on the fourth anniversary of the grant date. The new performance condition links the final delivery of additional shares to an average of the reported CSG ROE. If the CSG average ROE over the four-year period is higher than a pre-set target established at the grant date, the number of additional shares calculated by reference to the average CSG share price increase will be adjusted positively, and if it is

below the target, the number of additional shares will be adjusted negatively, but not below zero. The final number of additional shares to be delivered at the end of the four-year vesting period will be determined first on the basis of the CSG share price development (share price multiplier) and then on the basis of the CSG average ROE development (ROE multiplier). CSG shares are delivered shortly after the SISU base component and SISU leverage component vest. The number of additional shares per SISU was

capped at a maximum of three times the grant date value, with a delivery of no more than three shares, prior to the application of the scaling factor, which can be as high as up to 2.5.

The SISUs granted in January 2010 were settled in 2014 and did not have a value at settlement as the CSG share price performance was below the minimum predefined target.

The fair value of the 2010 SISU base unit was CHF 50.30 and the fair value of the 2010 SISU leverage units was CHF 13.44.

Movements in the number of SISUs outstanding were as follows:

CSS(E)L Group and Company	2014		2013	
	Base	Leverage	Base	Leverage
Number of SISUs (millions)				
As at 1 January	0.73	2.34	1.54	2.50
Granted	–	–	–	–
Share transferred in/out	–	–	0.01	0.11
Delivered	(0.70)	(2.34)	(0.80)	–
Forfeited	(0.03)	–	(0.02)	(0.27)
As at 31 December	–	–	0.73	2.34

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 Investment Banking.

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 have a contractual term of eight years, are fully vested. Each PAF holder will receive 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 will receive 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 will receive 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.

In June 2012, existing PAF holders were given a voluntary election to make a value-for-value exchange of their existing PAF awards for a new PAF award linked to an expanded portfolio of reference assets. The new PAF awards are subject to the same contractual term, vesting period, performance criteria, settlement and other terms and conditions as the original PAF awards and constitute an additional risk transfer to employees on the expanded portfolio of assets that was removed from CSG's risk-weighted assets, resulting in a reduction in capital usage. Compensation expense for the new PAF awards will be updated at each reporting period date to reflect any change in the underlying fair value of the expanded portfolio of reference assets in addition to the original portfolio of PAF assets until the awards are finally settled. There was no impact on compensation expense on the exchange dates.

Total compensation expense recognised during the year ended December 31, 2014 was USD 20 million (2013: USD 22 million).

Stock Options

Stock option awards granted in or before January 2003 for service provided in prior years were fully expensed during the year of service. These stock option awards have a contractual term of one to five years and expire from seven to ten years from the grant date. Under the Credit Suisse Group AG Master Share Plan, as of January 2004, options over Credit Suisse Group Registered Shares are only granted to employees located in Italy. The exercise price is the higher of the market value of Credit Suisse Group AG Registered Shares on date of grant or the average share price of Credit Suisse Group Registered Shares for one month prior to and including the date of grant. Options vest in three equal instalments commencing from the first anniversary of the grant date and are exercisable as they vest; the options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

CSS(E)L Group and Company	2014		2013	
	in Units	Weighted average exercise price (CHF)	in Units	Weighted average exercise price (CHF)
Number of SISUs (millions)				
As at 1 January	92,443	52.43	92,443	52.43
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	15,731	47.75	–	–
As at 31 December	76,712	53.39	92,443	52.43

The number of options exercisable as at year end was 76,712 (2013: 92,443). The average weighted exercise price of options exercisable at year end was CHF 53.39 (2013: CHF 52.43). The

intrinsic value of vested options outstanding as at year end was USD NIL (2013: USD NIL).

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

	Exercise Price (CHF)	31 December 2014	31 December 2013
Jan 2004 Options	CHF 47.75	–	15,731
Jan 2005 Options	CHF 48.05	60,345	60,345
Jan 2006 Options	CHF 73.06	16,367	16,367
		76,712	92,443

30 Related Parties

The Company is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The Company's parent company, CS Investment Holdings (UK), which holds all of the voting rights in the undertaking, is incorporated in the UK.

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, derivatives and foreign exchange. 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 the majority of the London based employees and is the sponsoring company for the UK defined benefit pension plan. The Company also holds the main UK 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 and Administrative 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 2014			31 December 2013		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	–	19,804	19,804	–	17,694	17,694
Interest bearing deposits with banks	–	2,179	2,179	–	1,548	1,548
Securities purchased under resale agreements and securities borrowing transactions	–	45,472	45,472	–	38,345	38,345
Trading financials assets designated at fair value through profit or loss	–	5,823	5,823	–	9,288	9,288
Financial assets designated at fair value through profit or loss	–	10,740	10,740	–	16,492	16,492 ¹
Other loans and receivables	–	1	1	–	1,483	1,483
Other assets	–	3,500	3,500	–	7,989	7,989
Total assets	–	87,519	87,519	–	92,839	92,839
Liabilities (USD million)						
Deposits	–	1,443	1,443	–	1,578	1,578
Securities sold under repurchase agreements and securities lending transactions	–	33,896	33,896	–	28,135	28,135
Trading financial liabilities designated at fair value through profit or loss	–	5,973	5,973	–	8,547	8,547
Financial liabilities designated at fair value through profit or loss	–	26,739	26,739	–	20,437	20,437 ¹
Short term borrowings	–	6,001	6,001	–	29,824	29,824
Other liabilities	–	13,294	13,294	–	18,006	18,006
Long term debt	–	31,640	31,640	–	13,340	13,340
Share capital	3,859	–	3,859	2,201	658	2,859
Share premium	5,661	–	5,661	4,130	1,531	5,661
Capital contribution	5,390	–	5,390	5,390	–	5,390
Total liabilities	14,910	118,986	133,896	11,721	122,056	133,777

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

CSS(E)L Company	31 December 2014				31 December 2013			
	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
Assets (USD million)								
Cash and due from banks	–	19,804	–	19,804	–	17,694	–	17,694
Interest bearing deposits with banks	–	2,179	–	2,179	–	1,548	–	1,548
Securities purchased under resale agreements and securities borrowing transactions	–	45,472	–	45,472	–	38,345	–	38,345
Trading financials assets designated at fair value through profit or loss	–	5,823	23	5,846	–	9,288	25	9,313
Financial assets designated at fair value through profit or loss	–	10,740	–	10,740	–	16,492	381	16,873 ¹
Other loans and receivables	–	1	–	1	–	1,483	–	1,483
Other assets	–	3,500	–	3,500	–	7,989	–	7,989
Total assets	–	87,519	23	87,542	–	92,839	406	93,245
Liabilities (USD million)								
Deposits	–	1,443	–	1,443	–	1,578	–	1,578
Securities sold under repurchase agreements and securities lending transactions	–	33,896	–	33,896	–	28,135	–	28,135
Trading financial liabilities designated at fair value through profit or loss	–	5,933	4	5,937	–	8,515	–	8,515
Financial liabilities designated at fair value through profit or loss	–	26,727	–	26,727	–	20,425	–	20,425 ¹
Short term borrowings	–	5,989	–	5,989	–	29,824	–	29,824
Other liabilities	–	13,294	–	13,294	–	18,006	15	18,021
Long term debt	–	31,640	–	31,640	–	13,340	–	13,340
Share capital	3,859	–	–	3,859	2,201	658	–	2,859
Share premium	5,661	–	–	5,661	4,130	1,531	–	5,661
Capital contribution	5,390	–	–	5,390	5,390	–	–	5,390
Total liabilities	14,910	118,922	4	133,836	11,721	122,012	15	133,748

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	31 December 2014			31 December 2013		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Credit Guarantees	–	262	262	–	289	289
Forward reverse repurchase agreements with maturity <1 year	–	31	31	–	9,204	9,204
Commitments to purchase cash securities <1 year	–	2,781	2,781	–	5,085	5,085
Total	–	3,074	3,074	–	14,578	14,578

b) Related party revenues and expenses

CSS(E)L Group (USD million)	31 December 2014			31 December 2013		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Interest income	–	423	423	–	447	447
Interest expense	–	(917)	(917)	–	(1,010)	(1,010)
Net interest expense	–	(494)	(494)	–	(563)	(563)
Commissions and fee income	–	(150)	(150)	–	(194)	(194)
Revenue sharing agreements' expense	–	(182)	(182)	–	(211)	(211)
Total non interest revenues	–	(332)	(332)	–	(405)	(405)
Net operating expense	–	(826)	(826)	–	(968)	(968)
Total operating expenses	–	618	618	–	545	545

c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

(USD '000)	2014	2013
Emoluments	1,709	1,652
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	532	1,417
Amounts Delivered under Share Based Awards	1,688	4,040
Total	3,929	7,109
Compensation for loss of office	-	526
Bank's contributions to defined contribution plan	18	41
Bank's contributions to defined benefit	5	39
Bank's contributions to defined benefit lump sum	35	107
Total	3,987	7,822

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. 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 1,273,000

(2013: USD 1,761,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 3,000 (2013: USD 2,000). There were no contributions made for defined benefit lump sum (2013: USD 107,000). 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 2014 was USD 3,673,000 (2013: USD 7,046,000).

Number of Directors and Benefits	2014	2013
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	4	3
No Scheme	3	3
Both defined contribution and defined benefit	1	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	9	7

Remuneration of Key Management Personnel

(USD' 000)	2014	2013
Remuneration of Key Management Personnel		
Emoluments	5,256	5,425
Long term incentive schemes	6,469	12,442
Total	11,725	17,867
Compensation for loss of office	-	406
Bank's contributions to defined contribution plan	110	147
Bank's contributions to defined benefit	19	73
Bank's contributions to defined benefit Lump Sum	228	274
Total	12,082	18,767

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts charged to 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.

CSG Shares awarded to Key Management Personnel

	2014	2013
Number of shares	340,345	482,689

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.

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 the UK Investment Bank Executive Committee.

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 2014 were USD 2,000 (2013: USD Nil).

31 Employees

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

CSS(E)L Group and Company (Number)	2014	2013
Investment banking	1,662	1,694
Shared services	3,551	3,406
Total	5,213	5,100

The CSS(E)L Group receives a range of services from related CS group. The headcount related to these services received cannot be accurately ascertained and is not therefore 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 cannot be accurately segregated and is therefore included in the above numbers.

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:

- a trading activities;
- 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 2014				31 December 2013			
	Trading		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	8	7	–	–	21	21	–	–
Swaps	1,953	4,257	–	–	6,264	6,901	–	–
Options bought and sold (OTC)	41	6	–	–	49	12	–	–
Options bought and sold (traded)	17	41	–	–	103	125	–	–
Interest rate products	2,019	4,311	–	–	6,437	7,059	–	–
Forwards and forward rate agreements	751	748	4	36	514	516	1	–
Swaps	686	689	–	–	1,166	1,186	–	–
Options bought and sold (OTC)	157	156	–	–	92	92	–	–
Foreign exchange products	1,594	1,593	4	36	1,772	1,794	1	–
Forwards and forward rate agreements	9	15	–	–	6	6	–	–
Swaps	4,759	4,254	–	–	3,748	4,860	–	–
Options bought and sold (OTC)	–	–	–	–	26	44	–	–
Options bought and sold (traded)	320	385	–	–	531	396	–	–
Equity/indexed-related products	5,088	4,654	–	–	4,311	5,306	–	–
Credit Swaps	64	135	–	–	103	95	–	–
Life finance related mortality swaps and others	1,090	641	–	–	717	657	–	–
Other products	1,090	641	–	–	717	657	–	–
Total derivative instruments	9,855	11,334	4	36	13,340	14,911	1	–

	2014		2013	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	9,859	11,370	13,341	14,911
Replacement values (trading and hedging) after netting	9,554	11,065	13,012	14,582

Company	31 December 2014						31 December 2013	
	Trading		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	8	7	–	–	21	21	–	–
Swaps	1,953	4,257	–	–	6,264	6,901	–	–
Options bought and sold (OTC)	41	6	–	–	49	12	–	–
Options bought and sold (traded)	17	41	–	–	103	125	–	–
Interest rate products	2,019	4,311	–	–	6,437	7,059	–	–
Forwards and forward rate agreements	751	748	4	36	514	516	1	–
Swaps	686	689	–	–	1,166	1,187	–	–
Options bought and sold (OTC)	157	156	–	–	92	92	–	–
Foreign exchange products	1,594	1,593	4	36	1,772	1,795	1	–
Forwards and forward rate agreements	9	15	–	–	6	6	–	–
Swaps	4,759	4,255	–	–	3,748	4,860	–	–
Options bought and sold (OTC)	–	–	–	–	26	44	–	–
Options bought and sold (traded)	320	385	–	–	531	396	–	–
Equity/indexed-related products	5,088	4,655	–	–	4,311	5,306	–	–
Credit Swaps	64	135	–	–	103	95	–	–
Life finance related mortality swaps and others	1,656	605	–	–	1,254	622	–	–
Other products	1,656	605	–	–	1,254	622	–	–
Total derivative instruments	10,421	11,299	4	36	13,877	14,877	1	–

	2014		2013	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	10,425	11,335	13,878	14,877
Replacement values (trading and hedging) after netting	10,120	11,030	13,549	14,548

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 2014 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 2014 was an asset of USD 4 million (2013: asset of USD 1 million). There are no ineffective net investment hedges as of 31 December 2014.

Cash Flow Hedges

The CSS(E)L Group uses derivatives, such as Foreign Exchange Forwards, to hedge its cash flows associated with forecasted transactions.

CSS(E)L Group and Company	2014	2013
Fair value of derivative instruments designated as cash flow hedges		
Liabilities	36	–
Total	36	–

The following table indicates the periods when hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income.

CSS(E)L Group and Company	Within 3 months	3 Months to 1 year	1 Year to 5 years	Over 5 years
2015 (USD Million)				
Cash outflows from liabilities/expenses	163	511	5	–
Net cash flows	163	511	5	–

Refer to “Note 26 – Accumulated other comprehensive income” for further information on balances recognised in AOCI related to cash flow hedges and on gains/losses recognised in AOCI in respect of effective cash flow hedges.

There are no ineffective cash flow hedges as of 31 December 2014.

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:

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
31 December 2014							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	262	262	–	262
Total guarantees	–	–	–	262	262	–	262

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
31 December 2014							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	3,159	–	–	–	3,159	–	3,159
Commitments to purchase cash securities <1 year	4,964	–	–	–	4,964	–	4,964
Commitments in underwriting securities <1 year	213	–	–	–	213	–	213
Total other commitments	8,336	–	–	–	8,336	–	8,336

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
31 December 2013							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	289	289	–	289
Total guarantees	–	–	–	289	289	–	289

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
31 December 2013							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	34,510	–	–	–	34,510	–	34,510
Commitments to purchase cash securities <1 year	13,934	–	–	–	13,934	–	13,934
Commitments in underwriting securities <1 year	–	–	–	–	–	–	–
Total other commitments	48,444	–	–	–	48,444	–	48,444

Forward reverse repo agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates. The commitment balance for forward reverse repos decreased in 2014 primarily as a result of a change in the calculation methodology. The CSS(E)L Group enters into forward reverse repos with counterparties that may have existing funded reverse repos. Depending on the details of the counterparty contract with the CSS(E)L Group, the new methodology considers both a counterparty's existing funded reverse repo transactions and any forward reverse repos under contract with the same counterparty.

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.

Commitment 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:

CSS(E)L Group and Company	2014		2013	
	Total	of which rental	Total	of which rental
Operating lease commitments (USD million)				
Up to 1 year	40	35	41	38
From 1 year and no later than 5 years	118	93	134	119
From 5 years and over	368	343	418	388
Future operating lease commitments	526	471	593	545
Less minimum non-cancellable sublease rentals	–	–	–	–
Total net future minimum lease commitments	526	471	593	545

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

CSS(E)L Group and Company	2014		2013	
	Total	of which rental	Total	of which rental
Net rental expense (USD million)				
Minimum rentals	46	42	42	39
Sublease rental income	–	–	–	–
Total net rental expenses	46	42	42	39

During the year, there was no sublease rental.

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 July 2013, the Directorate General for Competition of the European Commission ('DG Comp') issued a Statement of Objections ('SO') to various entities of thirteen CDS dealer banks, certain market entities and the International Swaps and Derivatives Association, Inc. ('ISDA') in relation to its investigation into possible violations of competition law by certain CDS market participants. Certain Credit Suisse entities were among the named bank entities. The SO marks the commencement of enforcement proceedings in respect of what DG Comp alleges were unlawful attempts to prevent the development of exchange traded platforms for CDS between 2006 and 2009. In addition, certain Credit Suisse entities, as well as other banks, have been named in civil litigation in the US. Further, Credit Suisse (USA), Inc. has received civil investigative demands from the United States Department of Justice.

In late 2014, the Fondazione Monte dei Paschi di Siena Foundation (the 'Foundation') filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from CSS(E)L Group, 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 Group 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 unredeemable 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 Group believes that the claim lacks merit and is not supported by the available evidence.

CSS(E)L Group is defending clawback claims of USD 16 million and EUR 22 million brought by the Winding Up Committees ('WUCs') of the Icelandic banks Kaupthing Bank hf and LBI hf (previously Landsbanki Islands hf) in the District Court of Reykjavik, Iceland. The claims concern the buyback by the Icelandic banks of their own bonds from CSS(E)L Group in the months prior to the Icelandic banks' insolvency. The primary basis for the clawback is that the buybacks constituted early repayments of debt to CSS(E)L Group. The WUCs are also claiming significant penalty interest under Icelandic law. CSS(E)L Group argues that the buyback transactions are governed by English or New York law, neither of which provides a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSS(E)L Group's position that the governing law of the transactions is relevant. A trial is currently expected to take place in the second half of 2015.

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 the significant subsidiaries the CSS(E)L Group owns, directly or indirectly.

Composition of the Group

Company Name	Domicile	Currency	Percentage of ownership held 2014	Percentage of ownership held 2013
Redwood Master Trust I	United Kingdom	USD	100%	100%
Credit Suisse First Boston Trustees 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%
Redwood Trust I	United States of America	USD	100%	100%
Redwood Trust II	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 Funding Trust I	United States of America	USD	100%	100%
Redwood Funding 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 Master Trust I	United States of America	USD	100%	100%
Sail Master 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%
ALBA 2006 – 2 PLC	United Kingdom	GBP	100%	0%
Positive – Master Client LLC	United States of America	USD	100%	100%
Redwood – Master Client Trust	United States of America	USD	100%	100%
Saxon S.a.r.l.	Luxembourg	EUR	100%	100%
CQS DFI Spain Fund	United Kingdom	EUR	100%	100%
Lux Multi Flex Hubel	Luxembourg	EUR	100%	0%

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 2014 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 2014 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 currently 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.

The CSS(E)L Group is required to maintain minimum reserves to meet PRA requirements.

Restricted assets also 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 13 – 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-collateralization 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 securitization. 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

2014	Structured entity type	
	Securitisations	Total
Balance sheet line item (USD millions)		
Trading financial assets at fair value through profit or loss	325	325
Debt securities	325	325
Total	325	325
Other liabilities	116	116
Total	116	116
Maximum exposure to loss	325	325
Unconsolidated structured entity assets	1,921	1,921

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

2014	Income earned	
	Fair value gain/(loss)	Total
Structured entity type (USD millions)		
Securitisations	27	27
Total	27	27

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 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

2014	Income/(losses)		
	Derivative gain/(loss)	Other fair value gain/(loss)	Total
Structured entity type (USD millions)			
CDO	1	–	1
Loans	53	–	53
Other Financial Intermediation	–	(1)	(1)
Total	54	(1)	53

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 currently 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).

- 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 2014	Carrying amount						Total fair value
	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
CSS(E)L Group (USD million)							
Financial Assets							
Cash and due from banks	21,728	–	–	–	–	21,728	21,728
Interest-bearing deposits with banks	2,179	–	–	–	–	2,179	2,179
Securities purchased under resale agreements and securities borrowing transactions	49,366	–	–	–	–	49,366	49,366
Trading financial assets at fair value through profit or loss	59,507	59,507	–	–	–	–	59,507
Financial assets designated at fair value through profit or loss	41,039	–	41,039	–	–	–	41,039
Financial assets available-for-sale	33	–	–	–	33	–	33
Other loans and receivables	1	–	–	1	–	–	1
Other assets	19,432	–	–	–	–	19,432	19,432
Total financial assets	193,285	59,507	41,039	1	33	92,705	193,285

31 December 2014	Carrying Amount				Total fair value
	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
CSS(E)L Group (USD million)					
Financial Liabilities					
Deposits	1,709	–	–	1,709	1,709
Securities sold under repurchase agreements and securities lending transactions	36,817	–	–	36,817	36,817
Trading financial liabilities at fair value through profit or loss	28,141	28,141	–	–	28,141
Financial liabilities designated at fair value through profit or loss	44,041	–	44,041	–	44,041
Short term borrowings	6,001	–	–	6,001	6,001
Other liabilities	36,833	–	–	36,833	36,833
Long term debt	31,640	–	–	31,640	31,660
Total financial liabilities	185,182	28,141	44,041	113,000	185,202

Financial assets and liabilities by categories

31 December 2013	Carrying amount						Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
Financial Assets							
Cash and due from banks	19,026	–	–	–	–	19,026	19,026
Interest-bearing deposits with banks	1,548	–	–	–	–	1,548	1,548
Securities purchased under resale agreements and securities borrowing transactions	43,062	–	–	–	–	43,062	43,062 ¹
Trading financial assets at fair value through profit or loss	65,129	65,129	–	–	–	–	65,129
Financial assets designated at fair value through profit or loss	53,991	–	53,991	–	–	–	53,991 ¹
Financial assets available-for-sale	34	–	–	–	34	–	34
Other loans and receivables	1,483	–	–	1,483	–	–	1,525
Other assets	31,509	–	–	–	–	31,509	31,509
Total financial assets	215,782	65,129	53,991	1,483	34	95,145	215,824

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

31 December 2013	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	1,899	–	–	1,899	1,899
Securities sold under repurchase agreements and securities lending transactions	32,928	–	–	32,928	32,928 ¹
Trading financial liabilities at fair value through profit or loss	38,080	38,080	–	–	38,080
Financial liabilities designated at fair value through profit or loss	48,076	–	48,076	–	48,076 ¹
Short term borrowings	29,842	–	–	29,842	29,842
Other liabilities	44,345	–	–	44,345	44,345
Long term debt	13,340	–	–	13,340	13,064
Total financial liabilities	208,510	38,080	48,076	122,354	208,234

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

Financial assets and liabilities by categories

31 December 2014	Carrying amount						Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
Financial Assets							
Cash and due from banks	21,725	–	–	–	–	21,725	21,725
Interest-bearing deposits with banks	2,179	–	–	–	–	2,179	2,179
Securities purchased under resale agreements and securities borrowing transactions	49,366	–	–	–	–	49,366	49,366
Trading financial assets at fair value through profit or loss	60,075	60,075	–	–	–	–	60,075
Financial assets designated at fair value through profit or loss	40,063	–	40,063	–	–	–	40,063
Financial assets available-for-sale	33	–	–	–	33	–	33
Other loans and receivables	1	–	–	1	–	–	1
Other assets	19,429	–	–	–	–	19,429	19,429
Total financial assets	192,871	60,075	40,063	1	33	92,699	192,871

31 December 2014					Carrying Amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost		
Financial Liabilities						
Deposits	1,709	–	–	1,709		1,709
Securities sold under repurchase agreements and securities lending transactions	36,817	–	–	36,817		36,817
Trading financial liabilities at fair value through profit or loss	28,106	28,106	–	–		28,106
Financial liabilities designated at fair value through profit or loss	43,701	–	43,701	–		43,701
Short term borrowings	6,001	–	–	6,001		6,001
Other liabilities	36,798	–	–	36,798		36,798
Long term debt	31,640	–	–	31,640		31,660
Total financial liabilities	184,772	28,106	43,701	112,965		184,792

Financial assets and liabilities by categories

31 December 2013							Carrying amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost		
Financial Assets								
Cash and due from banks	19,023	–	–	–	–	19,023		19,023
Interest-bearing deposits with banks	1,548	–	–	–	–	1,548		1,548
Securities purchased under resale agreements and securities borrowing transactions	43,062	–	–	–	–	43,062		43,062 ¹
Trading financial assets at fair value through profit or loss	65,666	65,666	–	–	–	–		65,666
Financial assets designated at fair value through profit or loss	53,572	–	53,572	–	–	–		53,572 ¹
Financial assets available-for-sale	34	–	–	–	34	–		34
Other loans and receivables	1,483	–	–	1,483	–	–		1,525
Other assets	31,523	–	–	–	–	31,523		31,523
Total financial assets	215,911	65,666	53,572	1,483	34	95,156		215,953

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

31 December 2013					Carrying Amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost		
Financial Liabilities						
Deposits	1,899	–	–	1,899		1,899
Securities sold under repurchase agreements and securities lending transactions	32,928	–	–	32,928		32,928 ¹
Trading financial liabilities at fair value through profit or loss	38,046	38,046	–	–		38,046
Financial liabilities designated at fair value through profit or loss	48,063	–	48,063	–		48,063 ¹
Short term borrowings	29,842	–	–	29,842		29,842
Other liabilities	44,525	–	–	44,525		44,525
Long term debt	13,340	–	–	13,340		13,064
Total financial liabilities	208,643	38,046	48,063	122,534		208,367

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

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, certain CP, 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 and CDO securities, private equity investments, certain loans and credit products including leveraged finance, certain syndicated loans 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 realized 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 2014 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	15,039	3,000	109	–	18,148
Of which foreign governments	15,039	210	–	–	15,249
Of which corporates	–	2,725	102	–	2,827
Of which residential mortgage backed securities	–	29	5	–	34
Of which commercial mortgage backed securities	–	–	2	–	2
Of which collateralised debt obligations	–	36	–	–	36
Equity securities	31,071	608	130	–	31,809
Derivatives	78	8,876	901	(305)	9,550
Of which interest rate products	–	2,019	–	–	2,019
Of which foreign exchange products	12	1,582	–	–	1,594
Of which equity/index-related products	10	5,041	38	(305) ¹	4,784
Of which credit derivatives	–	41	22	–	63
Of which other derivatives	56	193	841	–	1,090
Trading financial assets at fair value through profit or loss	46,188	12,484	1,140	(305)	59,507
Securities purchased under resale agreements and securities borrowing transactions	–	55,651	78	(17,748)²	37,981
Loans	–	332	106	–	438
Of which loans to financial institutions	–	332	106	–	438
Other financial assets designated at fair value through profit or loss	–	547	2,073	–	2,620
Of which life finance instruments	–	–	2,073	–	2,073
Of which failed purchases	–	547	–	–	547
Financial assets designated at fair value through profit or loss	–	56,530	2,257	(17,748)	41,039
Financial assets available-for-sale	–	–	33	–	33
Total assets at fair value	46,188	69,014	3,430	(18,053)	100,579

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 2014 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	5,214	1,277	–	–	6,491
Of which foreign governments	5,214	138	–	–	5,352
Of which corporates	–	1,131	–	–	1,131
Of which collateral debt obligation	–	8	–	–	8
Equity securities	10,570	50	1	–	10,621
Derivatives	98	10,629	607	(305)	11,029
Of which interest rate products	–	4,311	–	–	4,311
Of which foreign exchange products	12	1,581	–	–	1,593
Of which equity/index-related products	17	4,600	37	(305) ¹	4,349
Of which credit derivatives	–	121	14	–	135
Of which other derivatives	69	16	556	–	641
Trading financial liabilities at fair value through profit or loss	15,882	11,956	608	(305)	28,141
Securities sold under resale agreements and securities borrowing transactions	–	59,519	–	(17,748)²	41,771
Long Term Debt	–	1,111	75	–	1,186
Of which structured notes over two years	–	–	–	–	–
Of which non recourse liabilities	–	324	4	–	328
Of which other	–	787	71	–	858
Other financial liabilities designated at fair value through profit or loss	–	1,083	1	–	1,084
Of which failed sales	–	1,083	–	–	1,083
Financial assets designated at fair value through profit or loss	–	61,713	76	(17,748)	44,041
Total liabilities at fair value	15,882	73,669	684	(18,053)	72,182

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 2014 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	15,039	3,000	111	–	18,150
Of which foreign governments	15,039	210	–	–	15,249
Of which corporates	–	2,725	102	–	2,827
Of which residential mortgage backed securities	–	29	7	–	36
Of which commercial mortgage backed securities	–	–	2	–	2
Of which collateralised debt obligations	–	36	–	–	36
Equity securities	31,071	608	130	–	31,809
Derivatives	78	8,890	1,453	(305)	10,116
Of which interest rate products	–	2,018	–	–	2,018
Of which foreign exchange products	12	1,582	–	–	1,594
Of which equity/index-related products	10	5,040	38	(305) ¹	4,783
Of which credit derivatives	–	41	22	–	63
Of which other derivatives	56	209	1,393	–	1,658
Trading financial assets at fair value through profit or loss	46,188	12,498	1,694	(305)	60,075
Securities purchased under resale agreements and securities borrowing transactions	–	55,651	78	(17,748)²	37,981
Loans	–	2	106	–	108
Of which loans to financial institutions	–	2	106	–	108
Other financial assets designated at fair value through profit or loss	–	547	1,427	–	1,974
Of which life finance instruments	–	–	1,427	–	1,427
Of which failed purchases	–	547	–	–	547
Financial assets designated at fair value through profit or loss	–	56,200	1,611	(17,748)	40,063
Financial assets available-for-sale	–	–	33	–	33
Total assets at fair value	46,188	68,698	3,338	(18,053)	100,171

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 2014 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	5,214	1,277	–	–	6,491
Of which foreign governments	5,214	138	–	–	5,352
Of which corporates	–	1,131	–	–	1,131
Of which collateralised debt obligations	–	8	–	–	8
Equity securities	10,570	50	1	–	10,621
Derivatives	98	10,627	574	(305)	10,994
Of which interest rate products	–	4,310	–	–	4,310
Of which foreign exchange products	12	1,581	–	–	1,593
Of which equity/index-related products	17	4,599	37	(305) ¹	4,348
Of which credit derivatives	–	121	14	–	135
Of which other derivatives	69	16	523	–	608
Trading financial liabilities at fair value through profit or loss	15,882	11,954	575	(305)	28,106
Securities sold under resale agreements and securities borrowing transactions	–	59,519	–	(17,748)²	41,771
Long Term Debt	–	786	60	–	846
Of which structured notes over two years	–	–	–	–	–
Of which other debt instruments	–	786	60	–	846
Other financial liabilities designated at fair value through profit or loss	–	1,084	–	–	1,084
Of which failed sales	–	1,084	–	–	1,084
Financial assets designated at fair value through profit or loss	–	61,389	60	(17,748)	43,701
Total liabilities at fair value	15,882	73,343	635	(18,053)	71,807

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 2013 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	16,889	4,253	550	–	21,692
Of which foreign governments	16,889	127	1	–	17,017
Of which corporates	–	4,119	521	–	4,640
Of which residential mortgage backed securities	–	7	12	–	19
Of which commercial mortgage backed securities	–	–	16	–	16
Of which collateralised debt obligations	–	–	–	–	–
Equity securities	29,786	565	75	–	30,426
Derivatives	264	12,484	592	(329)	13,011
Of which interest rate products	–	6,437	–	–	6,437
Of which foreign exchange products	2	1,768	–	–	1,770
Of which equity/index-related products	151	4,132	27	(329) ¹	3,981
Of which credit derivatives	–	103	–	–	103
Of which other derivatives	111	44	565	–	720
Trading financial assets at fair value through profit or loss	46,939	17,302	1,217	(329)	65,129
Securities purchased under resale agreements and securities borrowing transactions	–	74,929	78	(23,705)²	51,302³
Loans	–	112	93	–	205
Of which loans to financial institutions	–	112	93	–	205
Other financial assets designated at fair value through profit or loss	–	506	1,978	–	2,484
Of which life finance instruments	–	–	1,978	–	1,978
Of which failed purchases	–	506	–	–	506
Financial assets designated at fair value through profit or loss	–	75,547	2,149	(23,705)	53,991
Financial assets available-for-sale	–	–	34	–	34
Total assets at fair value	46,939	92,849	3,400	(24,034)	119,154

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.

³ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32).

Comparative information has been restated accordingly (See Note 2).

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

31 December 2013 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	11,453	1,806	–	–	13,259
Of which foreign governments	11,453	16	–	–	11,469
Of which corporates	–	1,790	–	–	1,790
Equity securities	10,017	206	16	–	10,239
Derivatives	165	13,932	814	(329)	14,582
Of which interest rate products	–	6,796	–	–	6,796
Of which foreign exchange products	3	1,792	–	–	1,795
Of which equity/index-related products	58	5,215	296	(329) ¹	5,240
Of which credit derivatives	–	95	–	–	95
Of which other derivatives	104	34	518	–	656
Trading financial liabilities at fair value through profit or loss	21,635	15,944	830	(329)	38,080
Securities sold under resale agreements and securities borrowing transactions	–	70,015	–	(23,705)²	46,310³
Long Term Debt	–	962	88	–	1,050
Of which structured notes over two years	–	–	62	–	62
Of which other debt instruments	–	962	26	–	988
Other financial liabilities designated at fair value through profit or loss	–	715	1	–	716
Of which failed sales	–	715	–	–	715
Financial assets designated at fair value through profit or loss	–	71,692	89	(23,705)	48,076
Total liabilities at fair value	21,635	87,636	919	(24,034)	86,156

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.

³ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32).

Comparative information has been restated accordingly (See Note 2).

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

31 December 2013 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	16,889	4,253	550	–	21,692
Of which foreign governments	16,889	127	1	–	17,017
Of which corporates	–	4,119	521	–	4,640
Of which residential mortgage backed securities	–	7	12	–	19
Of which commercial mortgage backed securities	–	–	16	–	16
Of which collateralised debt obligations	–	–	–	–	–
Equity securities	29,786	565	75	–	30,426
Derivatives	265	12,484	1,128	(329)	13,548
Of which interest rate products	–	6,438	–	–	6,438
Of which foreign exchange products	2	1,766	–	–	1,768
Of which equity/index-related products	152	4,133	27	(329) ¹	3,983
Of which credit derivatives	–	103	–	–	103
Of which other derivatives	111	44	1,101	–	1,256
Trading financial assets at fair value through profit or loss	46,940	17,302	1,753	(329)	65,666
Securities purchased under resale agreements and securities borrowing transactions	–	74,929	78	(23,705)²	51,302³
Loans	–	112	93	–	205
Of which loans to financial institutions	–	112	93	–	205
Other financial assets designated at fair value through profit or loss	–	505	1,560	–	2,065
Of which life finance instruments	–	–	1,560	–	1,560
Of which failed purchases	–	505	–	–	505
Financial assets designated at fair value through profit or loss	–	75,546	1,731	(23,705)	53,572
Financial assets available-for-sale	–	–	34	–	34
Total assets at fair value	46,940	92,848	3,518	(24,034)	119,272

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.

³ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32).

Comparative information has been restated accordingly (See Note 2).

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

31 December 2013 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	11,453	1,806	–	–	13,259
Of which foreign governments	11,453	16	–	–	11,469
Of which corporates	–	1,790	–	–	1,790
Equity securities	10,017	206	16	–	10,239
Derivatives	165	13,934	778	(329)	14,548
Of which interest rate products	–	6,796	–	–	6,796
Of which foreign exchange products	3	1,792	–	–	1,795
Of which equity/index-related products	58	5,217	296	(329) ¹	5,242
Of which credit derivatives	–	95	–	–	95
Of which other derivatives	104	34	482	–	620
Trading financial liabilities at fair value through profit or loss	21,635	15,946	794	(329)	38,046
Securities sold under resale agreements and securities borrowing transactions	–	70,015	–	(23,705) ²	46,310 ³
Long Term Debt	–	962	76	–	1,038
Of which structured notes over two years	–	–	62	–	62
Of which other debt instruments	–	962	14	–	976
Other financial liabilities designated at fair value through profit or loss	–	715	–	–	715
Of which failed sales	–	715	–	–	715
Financial assets designated at fair value through profit or loss	–	71,692	76	(23,705)	48,063
Total liabilities at fair value	21,635	87,638	870	(24,034)	86,109

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.

³ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32).

Comparative information has been restated accordingly (See Note 2).

Transfers between level 1 and level 2

Transfers out of level 1 to level 2 are primarily driven by instruments whose market is now inactive or low trading volume.

Transfers to level 1 out of level 2 are primarily driven by markets becoming active or higher trading volume.

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

CSS(E)L Group and Company (USD million)	2014		2013	
	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	838	1,586	220	406
Total transfers in assets at fair value	838	1,586	220	406
Liabilities				
Trading financial liabilities at fair value through profit or loss	811	1,336	36	230
Total transfers in liabilities at fair value	811	1,336	36	230

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 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out ¹	Trading revenues	On all other	Gains/(Losses) included in OCI	Balance at end of period
CSS(E)L Group Assets												
Assets at fair value (USD million)												
Debt Securities	550	41	(415)	226	(187)	-	-	(72)	(34)	-	-	109
Of which foreign governments	1	-	-	-	-	-	-	-	(1)	-	-	-
Of which corporates	521	41	(412)	204	(161)	-	-	(72)	(19)	-	-	102
Of which residential mortgage backed securities	12	-	(1)	7	(9)	-	-	-	(4)	-	-	5
Of which commercial mortgage backed securities	16	-	-	-	(2)	-	-	-	(12)	-	-	2
Of which collateralised debt obligations	-	-	(2)	15	(15)	-	-	-	2	-	-	-
Equity Securities	75	55	(76)	125	(58)	-	-	(7)	16	-	-	130
Derivatives	592	38	(1)	-	-	20	(61)	-	313	-	-	901
Of which equity/index-related products	27	-	(1)	-	-	18	(1)	-	(5)	-	-	38
Of which credit derivatives	-	38	-	-	-	-	-	-	(16)	-	-	22
Of which other derivatives	565	-	-	-	-	2	(60)	-	334	-	-	841
Trading financial assets at fair value through profit or loss	1,217	134	(492)	351	(245)	20	(61)	(79)	295	-	-	1,140
Securities purchased under resale agreements and securities borrowing transactions	78	-	-	-	-	-	-	-	-	-	-	78
Loans	93	-	-	8	(8)	67	(64)	-	10	-	-	106
Of which loans to financial institutions	93	-	-	8	(8)	67	(64)	-	10	-	-	106
Other financial assets designated at fair value through profit or loss	1,978	-	-	295	(506)	-	-	-	306	-	-	2,073
Of which life finance instruments	1,978	-	-	295	(506)	-	-	-	306	-	-	2,073
Financial assets designated at fair value through profit or loss	2,149	-	-	303	(514)	67	(64)	-	316	-	-	2,257
Financial assets available-for-sale	34	-	-	-	-	-	-	-	-	-	(1)	33
Total assets at fair value	3,400	134	(492)	654	(759)	87	(125)	(79)	611	(1)	-	3,430

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 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements		Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
								On transfers in/out ¹	On all other		
CSS(E)L Group Liabilities											
Liabilities at fair value (USD million)											
Debt Securities	-	-	-	-	-	-	-	-	-	-	-
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	-	-	-	-	-	-	-	-	-	-
Equity	16	5	(1)	8	(7)	-	-	-	(20)	-	1
Derivatives	814	29	(243)	-	-	86	(212)	166	(33)	-	607
Of which equity/index-related products	296	-	(242)	-	-	34	(196)	167	(22)	-	37
Of which credit derivatives	-	29	(1)	-	-	6	(16)	(1)	(3)	-	14
Of which other derivatives	518	-	-	-	-	46	-	-	(8)	-	556
Trading financial liabilities at fair value through profit or loss	830	34	(244)	8	(7)	86	(212)	166	(53)	-	608
Long term debt	88	-	-	60	(57)	28	(34)	-	(10)	-	75
Of which structured notes over two years	62	-	-	-	(57)	-	-	-	(5)	-	-
Of which non recourse liabilities	-	-	-	3	-	-	-	-	1	-	4
Of which other debt instruments	26	-	-	57	-	28	(34)	-	(6)	-	71
Other financial liabilities designated at fair value through profit or loss	1	-	-	-	-	-	-	-	-	-	1
Financial liabilities designated at fair value through profit or loss	89	-	-	60	(57)	28	(34)	-	(10)	-	76
Total liabilities at fair value	919	34	(244)	68	(64)	114	(246)	166	(63)	-	684

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 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues	Gains/(Losses) included in OCI	Balance at end of period	
								On transfers in/out ¹	On all other		
Company Assets											
Assets at fair value (USD million)											
Debt Securities	550	41	(415)	228	(187)	-	-	(72)	(34)	-	111
Of which foreign governments	1	-	-	-	-	-	-	-	(1)	-	-
Of which corporates	521	41	(412)	204	(161)	-	-	(72)	(19)	-	102
Of which residential mortgage backed securities	12	-	(1)	9	(9)	-	-	-	(4)	-	7
Of which commercial mortgage backed securities	16	-	-	-	(2)	-	-	-	(12)	-	2
Of which collateralised debt obligations	-	-	(2)	15	(15)	-	-	-	2	-	-
Equity Securities	75	55	(76)	125	(58)	-	-	(7)	16	-	130
Derivatives	1,128	38	(1)	-	-	20	(61)	-	329	-	1,453
Of which equity/index-related products	27	-	(1)	-	-	18	(1)	-	(5)	-	38
Of which credit derivatives	-	38	-	-	-	-	-	-	(16)	-	22
Of which other derivatives	1,101	-	-	-	-	2	(60)	-	350	-	1,393
Trading financial assets at fair value through profit or loss	1,753	134	(492)	353	(245)	20	(61)	(79)	311	-	1,694
Securities purchased under resale agreements and securities borrowing transactions	78	-	-	-	-	-	-	-	-	-	78
Loans	93	-	-	8	(8)	67	(64)	-	10	-	106
Of which loans to financial institutions	93	-	-	8	(8)	67	(64)	-	10	-	106
Other financial assets designated at fair value through profit or loss	1,560	-	-	343	(155)	-	-	-	(321)	-	1,427
Of which life finance instruments	1,560	-	-	343	(155)	-	-	-	(321)	-	1,427
Financial assets designated at fair value through profit or loss	1,731	-	-	351	(163)	67	(64)	-	(311)	-	1,611
Financial assets available-for-sale	34	-	-	-	-	-	-	-	-	(1)	33
Total assets at fair value	3,518	134	(492)	704	(408)	87	(125)	(79)	-	(1)	3,338

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 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements		Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
								On transfers in/out ¹	On all other		
Company Liabilities											
Liabilities at fair value (USD million)											
Debt Securities	-	-	-	-	-	-	-	-	-	-	-
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	-	-	-	-	-	-	-	-	-	-
Equity	16	5	(1)	8	(7)	-	-	-	(20)	-	1
Derivatives	778	29	(243)	-	-	74	(212)	166	(18)	-	574
Of which equity/index-related products	296	-	(242)	-	-	34	(196)	167	(22)	-	37
Of which credit derivatives	-	29	(1)	-	-	6	(16)	(1)	(3)	-	14
Of which other derivatives	482	-	-	-	-	34	-	-	7	-	523
Trading financial liabilities at fair value through profit or loss	794	34	(244)	8	(7)	74	(212)	166	(38)	-	575
Long term debt	76	-	-	57	(57)	28	(34)	-	(10)	-	60
Of which structured notes over two years	62	-	-	-	(57)	-	-	-	(5)	-	-
Of which other debt instruments	14	-	-	57	-	28	(34)	-	(5)	-	60
Other financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	76	-	-	57	(57)	28	(34)	-	(10)	-	60
Total liabilities at fair value	870	34	(244)	65	(64)	102	(246)	166	(48)	-	635

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 2013	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out ¹	Trading revenues	On all other	Gains/(Losses) included in OCI	Balance at end of period
CSS(E)L Group Assets												
Assets at fair value (USD million)												
Debt Securities	954	442	(400)	143	(760)	-	-	111	60	-	-	550
Of which foreign governments	-	-	-	17	(17)	-	-	-	1	-	-	1
Of which corporates	773	419	(368)	55	(509)	-	-	113	38	-	-	521
Of which residential mortgage backed securities	69	5	(9)	30	(89)	-	-	-	6	-	-	12
Of which commercial mortgage backed securities	70	16	(23)	27	(86)	-	-	(2)	14	-	-	16
Of which collateralised debt obligations	42	2	-	14	(59)	-	-	-	1	-	-	-
Equity Securities	103	75	(104)	45	(52)	-	-	(11)	19	-	-	75
Derivatives	666	1	-	-	-	41	(122)	-	6	-	-	592
Of which equity/index-related products	36	1	-	-	-	6	-	-	(16)	-	-	27
Of which other derivatives	630	-	-	-	-	35	(122)	-	22	-	-	565
Trading financial assets at fair value through profit or loss	1,723	518	(504)	188	(812)	41	(122)	100	85	-	-	1,217
Securities purchased under resale agreements and securities borrowing transactions	-	-	-	-	-	77	-	-	1	-	-	78
Loans	156	-	-	160	-	87	(151)	-	(159)	-	-	93
Of which loans to financial institutions	156	-	-	160	-	87	(151)	-	(159)	-	-	93
Other financial assets designated at fair value through profit or loss	2,252	-	-	229	(374)	-	-	-	(129)	-	-	1,978
Of which life finance instruments	2,252	-	-	229	(374)	-	-	-	(129)	-	-	1,978
Financial assets designated at fair value through profit or loss	2,408	-	-	389	(374)	164	(151)	-	(287)	-	-	2,149
Financial assets available-for-sale	31	-	-	-	-	-	-	-	-	-	3	34
Total assets at fair value	4,162	518	(504)	577	(1,186)	205	(273)	100	(202)	3	-	3,400

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 2013	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements		Trading revenues	Gains/ (Losses) included in OCI	Balance at end of period
								On transfers in/out ¹	On all other		
CSS(E)L Group Liabilities											
Liabilities at fair value (USD million)											
Debt Securities	176	-	(95)	15	(93)	-	-	(4)	1	-	-
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	176	-	(95)	15	(93)	-	-	(4)	1	-	-
Equity	2	28	(9)	37	(34)	-	-	(5)	(3)	-	16
Derivatives	516	205	(166)	-	-	52	(47)	89	165	-	814
Of which equity/index-related products	97	205	(166)	-	-	33	(45)	89	83	-	296
Of which other derivatives	419	-	-	-	-	19	(2)	-	82	-	518
Trading financial liabilities at fair value through profit or loss	694	233	(270)	52	(127)	52	(47)	80	163	-	830
Long term debt	119	-	-	-	-	-	(29)	-	(2)	-	88
Of which structured notes over two years	67	-	-	-	-	-	(1)	-	(4)	-	62
Of which other debt instruments	52	-	-	-	-	-	(28)	-	2	-	26
Other financial liabilities designated at fair value through profit or loss	1	-	-	-	-	-	-	-	-	-	1
Financial liabilities designated at fair value through profit or loss	120	-	-	-	-	-	(29)	-	(2)	-	89
Total liabilities at fair value	814	233	(270)	52	(127)	52	(76)	80	161	-	919

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 2013	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues	Gains/(Losses) included in OCI	Balance at end of period	
								On transfers in/out ¹	On all other		
Company Assets											
Assets at fair value (USD million)											
Debt Securities	954	442	(400)	144	(760)	-	-	111	59	-	550
Of which foreign governments	-	-	-	17	(17)	-	-	-	1	-	1
Of which corporates	773	419	(368)	55	(509)	-	-	113	38	-	521
Of which residential mortgage backed securities	69	5	(9)	30	(89)	-	-	-	6	-	12
Of which commercial mortgage backed securities	70	16	(23)	27	(86)	-	-	(2)	14	-	16
Of which collateralised debt obligations	42	2	-	15	(59)	-	-	-	-	-	-
Equity Securities	103	75	(104)	45	(52)	-	-	(11)	19	-	75
Derivatives	1,247	1	-	-	-	50	(123)	-	(47)	-	1,128
Of which equity/index-related products	36	1	-	-	-	6	-	-	(16)	-	27
Of which other derivatives	1,211	-	-	-	-	44	(123)	-	(31)	-	1,101
Trading financial assets at fair value through profit or loss	2,304	518	(504)	189	(812)	50	(123)	100	31	-	1,753
Securities purchased under resale agreements and securities borrowing transactions	-	-	-	-	-	77	-	-	1	-	78
Loans	156	-	-	160	-	87	(151)	-	(159)	-	93
Of which loans to financial institutions	156	-	-	160	-	87	(151)	-	(159)	-	93
Other financial assets designated at fair value through profit or loss	1,760	-	-	141	(169)	-	(175)	-	3	-	1,560
Of which life finance instruments	1,760	-	-	141	(169)	-	(175)	-	3	-	1,560
Financial assets designated at fair value through profit or loss	1,916	-	-	301	(169)	164	(326)	-	(155)	-	1,731
Financial assets available-for-sale	31	-	-	-	-	-	-	-	-	3	34
Total assets at fair value	4,251	518	(504)	490	(981)	214	(449)	100	(124)	3	3,518

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 2013	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out ¹	Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
Company Liabilities											
Liabilities at fair value (USD million)											
Debt Securities	176	-	(95)	15	(93)	-	-	(4)	1	-	-
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	176	-	(95)	15	(93)	-	-	(4)	1	-	-
Equity	2	28	(9)	37	(34)	-	-	(5)	(3)	-	16
Derivatives	483	205	(166)	-	-	45	(46)	89	168	-	778
Of which equity/index-related products	97	205	(166)	-	-	33	(45)	89	83	-	296
Of which credit derivatives	-	-	-	-	-	-	-	-	-	-	-
Of which other derivatives	386	-	-	-	-	12	(1)	-	85	-	482
Trading financial liabilities at fair value through profit or loss	661	233	(270)	52	(127)	45	(46)	80	166	-	794
Long term debt	106	-	-	-	-	-	(28)	-	(2)	-	76
Of which structured notes over two years	67	-	-	-	-	-	(1)	-	(4)	-	62
Of which other debt instruments	39	-	-	-	-	-	(27)	-	2	-	14
Other financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	106	-	-	-	-	-	(28)	-	(2)	-	76
Total liabilities at fair value	767	233	(270)	52	(127)	45	(74)	80	164	-	870

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 2014		As at 31 December 2013	
	CSS(E)L Group	Company	CSS(E)L Group	Company
Trading revenues (USD million)				
Net realised/unrealised gains/(losses) included in net revenues	548	(48)	(343)	(268)
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	147	215	(126)	(174)
Financial assets designated at fair value through profit or loss	271	60	(252)	(149)
Trading financial liabilities at fair value through profit or loss	2	1	(149)	(153)
Financial liabilities at fair value through profit or loss	5	5	1	3
Net realised/unrealised gains/(losses) included in OCI	(1)	(1)	3	3
Whereof:				
Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date				
Financial assets available-for-sale	(1)	(1)	3	3
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	424	280	(523)	(470)

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 table above 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 table above 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 2014 amounted to USD 134 million and USD 492 million, respectively. USD 41 million of transfers into level 3 was related to debt

securities primarily in leveraged finance trading business due to limited observability of pricing data and reduced pricing information from external providers and USD 55 million of transfer into level 3 related to equity securities, primarily in leveraged finance trading business. USD 412 million of transfers out of level 3 largely comprises debt securities primarily in Prime Structured Products business due to improved observability of pricing data and increased availability of pricing information from external providers.

Trading financial assets transferred into and out of level 3 in 2013 amounted to USD 518 million and USD 504 million, respectively. USD 442 million of transfers into level 3 was related to debt securities primarily in Europe interest rate products and Europe residential mortgage backed securities business due to limited observability of pricing data and reduced pricing information from external providers. USD 400 million of transfers out of level 3 largely comprises debt securities and derivatives primarily in Europe interest rate products and Europe residential mortgage backed securities business due to improved observability of pricing data and increased availability of 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 2014 amounted to USD 34 million and USD 244 million, respectively. USD 34 million of transfers into level 3 was related to derivatives primarily in prime services derivative business due to limited observability of pricing data and reduced pricing information from external providers. USD 244 million transfers out of level 3 largely comprises of derivatives primarily in prime structured product business due to improved observability of pricing data and increased availability of pricing information from external providers.

Trading financial liabilities transferred into and out of level 3 in 2013 amounted to USD 233 million and USD 270 million, respectively. USD 205 million of transfers into level 3 was related to derivatives primarily in prime financing business due to limited observability of pricing data and reduced pricing information from external providers. USD 166 million transfers out of level 3 largely comprises of derivatives primarily in prime financing business due to improved observability of pricing data and increased availability of 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 comprised of CSG's Executive Board and the Company's Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSS(E)L Group. VARMC includes a formal Company's voting sub-committee comprising the Company's CEO, CFO and CRO, who ratify decisions relevant to the entity. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the CSG's Executive Board and the Company 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".

Central bank funds sold, securities purchased under resale agreements and securities borrowing 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 input for those classified as level 3 is funding spread.

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 modeling 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 modeling 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 modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

The CSS(E)L Group's valuation of derivatives includes an adjustment for the cost of funding uncollateralised OTC derivatives.

Interest rate derivatives

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

futures and option prices. For more complex products inputs include, but are not limited to prepayment rate 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 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 on-going 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 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 life expectancy.

Loans

Loans include fully funded swaps, which are valued using discounted cash flow models. The primary unobservable input is market implied 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 76 to 78. 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 realization, 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 credit curve, price and market implied 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 funding spread and market implied life expectancy (for life finance 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 2014 CSS(EL) Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average ¹
Assets						
Trading financial Assets at fair value through profit or loss						
Debt Securities	109					
of which corporates	102					
Of which	94	Market comparable	Price, in %	0	116	38
Equity securities	130					
Of which	10	Vendor price	Price in actuals	0	125	4
Of which	114	Market comparable	Price, in %	1	152	51
Derivatives	901					
Of which equity/index-related products	32	Vendor price	Price in actuals	0	3	1
Of which credit derivatives	13	Option model	Credit spread, in bps	0	6	3
Of which other	836	Discounted cash flows	Market implied life expectancy, in years	1	19	5
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	78					
Of which	78	Discounted cash flows	Funding spread, in bps	350	350	350
Loans	106					
Of which loans to financial institutions	60	Discounted cash flows	Market implied life expectancy, in years	3	16	7
Other financial assets designated at fair value through profit or loss	2,073					
Of which life finance instruments	1,997	Discounted cash flows	Market implied life expectancy, in years	1	21	8
Financial assets available-for-sale	33					
Of which	33	Vendor price	Price, in actuals	11	1,119	840
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity securities	1					
Of which	1	Vendor price	Price in actuals	0	20	1
Derivatives	607					
Of which equity	33	Vendor price	Price in actuals	0	3	1
Of which credit derivatives	13	Option model	Credit spread, in bps	0	6	3
Of which other	556	Discounted cash flows	Market implied life expectancy, in years	2	23	8
Long-term debt	75					
Of which	35	Discounted cash flows	Market implied life expectancy, in years	3	20	10
Other financial liabilities designated at fair value through profit or loss	1	Discounted cash flows	Market implied life expectancy, in years	7	7	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.

As at 31 December 2013 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average ¹
Assets						
Trading financial Assets at fair value through profit or loss						
Debt Securities	550					
of which corporates	521					
Of which	439	Vendor price	Price in actuals	117	3,419	3,412
Of which	6	Market comparable	Price, in %	0	90	43
Equity securities	75					
Of which	41	Vendor price	Price in actuals	0	164	85
Of which	32	Market comparable	Price, in %	0	138	21
Derivatives	592					
Of which equity/index-related products	27	Vendor price	Price in actuals	0	0	0
Of which other	537	Discounted cash flows	Market implied life expectancy, in years	1	20	6
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	78					
Of which	78	Discounted cash flows	Funding spread, in bps	350	350	350
Loans	93					
Of which loans to financial institutions	54	Discounted cash flows	Market implied life expectancy, in years	3	17	7
Other financial assets designated at fair value through profit or loss	1,978					
Of which life finance instruments	1,880	Discounted cash flows	Market implied life expectancy, in years	1	23	9
Financial assets available-for-sale	34					
Of which	34	Vendor price	Price, in actuals	11	1,147	866
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity securities	16					
Of which	16	Vendor price	Price in actuals	0	164	3
Derivatives	814					
Of which equity	296	Vendor price	Price in actuals	3,419	3,419	3,419
Of which other	518	Discounted cash flows	Market implied life expectancy, in years	1	24	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.

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 life expectancy

The CSS(E)L Group's market implied 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 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.

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 utilized 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.

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:

CSS(E)L Group and Company	As at 31 December 2014		As at 31 December 2013	
	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
Impact on net income/(loss)(USD million)				
Life insurance products	175	(175)	172	(172)
Asset backed securities	1	(1)	2	(2)
Debt and equity securities	23	(19)	17	(10)
Other liabilities	2	(2)	2	(1)
Total	201	(197)	193	(185)

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 include life expectancy related contracts where the parameter subjected to sensitivity analysis is mortality rates. The sensitivity amount is based upon up and down movements ranging from 2 months to 9 months of the expected life expectancy of individuals in the portfolio. 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 market bonds. The parameter subjected to sensitivity for corporate debt is price. Corporate debt positions can be subjected to movements up and

down of 3% to 5% of the price of the security, although there are instances where the movement is 15% to 20%.

Other liabilities include the CSS(E)L Group's PAF obligations. The sensitivity of the PAF obligations was based upon an estimate of the related PAF Asset Pool.

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	2014	2013
Deferred trade date profit and loss (USD million)		
Balance at 1 January	160	187
Decrease due to new trades	-	-
Reduction due to passage of time	(33)	(27)
Reduction due to redemption, sales, transfers or improved observability	-	-
Balance at 31 December	127	160

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 2014 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	21,728	–	–	–	21,728
Interest-bearing deposits with banks	–	2,179	–	–	2,179
Securities purchased under resale agreements and securities borrowing transactions	–	50,128	–	(762)	49,366
Other loans and receivables	–	1	–	–	1
Other financial assets	–	18,578	–	–	18,578
Total fair value of financial assets	21,728	70,886	–	(762)	91,852
Liabilities					
Deposits	1,709	–	–	–	1,709
Securities sold under repurchase agreements and securities lending transactions	–	37,579	–	(762)	36,817
Short term borrowings	–	6,001	–	–	6,001
Long term debt	–	31,660	–	–	31,660
Other financial liabilities	–	35,714	–	–	35,714
Total fair value of financial liabilities	1,709	110,954	–	(762)	111,901

As at 31 December 2013 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	19,026	–	–	–	19,026
Interest-bearing deposits with banks	–	1,548	–	–	1,548
Securities purchased under resale agreements and securities borrowing transactions	–	43,036	60	(34)	43,062 ¹
Other loans and receivables	–	1,525	–	–	1,525
Other financial assets	–	30,676	–	–	30,676
Total fair value of financial assets	19,026	76,785	60	(34)	95,837
Liabilities					
Deposits	356	1,543	–	–	1,899
Securities sold under repurchase agreements and securities lending transactions	–	32,962	–	(34)	32,928 ¹
Short term borrowings	–	29,842	–	–	29,842
Long term debt	–	13,064	–	–	13,064
Other financial liabilities	–	43,196	1	–	43,197
Total fair value of financial liabilities	356	120,607	1	(34)	120,930

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

The 'Fair value of financial instruments not carried at fair value' table applies to both CSS(E)L Group and Company, with the exception of an additional estimated fair value of USD NIL (2013:

USD 15 million) which would be included in both Other financial assets and Other financial liabilities for Company, which is at level 2 of the fair value hierarchy.

36 Assets Pledged or Assigned

The following table sets forth details of assets pledged or assigned:

	2014	2013
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	30,136	37,151
Collateral received (USD million)		
Fair value of collateral received with the right to resell or repledge	226,222	225,902
Of which sold or repledged	162,320	222,499

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 13 – 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 2014 and 2013, 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 derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IAS 39, the CSS(E)L Group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by Structured Entities to which the asset has been transferred. In addition, the CSS(E)L Group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSS(E)L Group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires

any new contractual rights or obligations relating to the transferred financial asset. The CSS(E)L Group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSS(E)L Group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSS(E)L Group retains any form of rights or obligations relating to the transferred asset.

The table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSS(E)L Group still has continuing involvement as at 31 December 2014, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

Information on transferred assets by type of continuing involvement

2014 CSS(E)L Group (USD million)	Carrying amount of continuing involvement	Fair value of continuing involvement		Maximum exposure to loss	Gain/(loss) recognised at the date of transfer	Income/(expense) from continuing involvement	
		Trading assets at fair value through profit or loss				For the year ended 31 December 2014	Cumulative to 31 December 2014
		Assets	Liabilities				
Type of continuing involvement							
Derivatives							
Swaps	65	65	–	65	–	4	7

2013 CSS(E)L Group (USD million)	Carrying amount of continuing involvement	Fair value of continuing involvement		Maximum exposure to loss	Gain/(loss) recognised at the date of transfer	Income/(expense) from continuing involvement	
		Trading assets at fair value through profit or loss				For the year ended 31 December 2013	Cumulative to 31 December 2013
		Assets	Liabilities				
Type of continuing involvement							
Derivatives							
Swaps	56	56	–	56	–	(3)	3

The majority of the CSS(E)L Group's continuing involvement in derecognised transferred financial assets is in the form of derivative transactions. To reduce its credit risk to derivatives, the CSS(E)L Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

Instruments that are considered to be continuing involvement are included in Note 13 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss.

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

CSS(E)L Group (USD million)	2014		2013	
	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	30,136	30,136	37,151	37,151
Total return swaps	996	1,033	288	324
Other	561	51	864	390

Company (USD million)	2014		2013	
	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	30,136	30,136	37,151	37,151
Total return swaps	996	1,033	288	324
Other	51	51	390	390

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 4,177 million. (2013: USD 14,547 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 13 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss and corresponding liabilities in Note 12 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements and Note 14 – 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 Instruments Risk Position

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 volatility. The Company defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may 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 industry standards. These include general tools capable of calculating comparable exposures across the Company's many activities and focused tools that can specifically model 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 as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. 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 in different businesses, such as fixed income and equity, 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 volatility 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') and other related international standards for market risk management. For some purposes, such as back-testing and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses (or profits) exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

The Company uses a historical simulation model for the majority of 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 volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. The Company uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the Company uses a scaling technique that automatically increases VaR where the short-term market volatility is

higher than the long-term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes in overall market volatility is reflected almost immediately in the VaR model.

The Company has approval from the PRA to use its regulatory VaR model in the calculation of 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.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- 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 confidence threshold.
- VaR is based on either a ten-day (for internal risk management and regulatory purposes) or one-day (for backtesting purposes) 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 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 within 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 test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and 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 will be redefined as market conditions and business strategies evolve.

Trading portfolios

Risk measurement and management

Market risk arises in CSS(E)L's trading portfolios primarily through the trading activities of the Investment Banking business lines.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the Company's regulatory capital purposes. This classification of assets as trading is done for the purpose of analyzing the Company's market risk exposure, not for financial statement purposes.

The Company is active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customized 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. The VaR in the table has been calculated using a three-year historical dataset. 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. There is no material difference in VaR between the Company and the CSS(E)L Group.

Ten-day, 99% VaR – trading portfolios

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit ¹	Total
2014 (USD million)						
Average	28	3	2	24	(22)	35
Minimum	14	1	1	14	- ²	24
Maximum	45	6	5	44	- ²	61
End of period	19	1	2	19	(4)	37
2013 (USD million)						
Average	36	4	1	24	(19)	46
Minimum	17	1	0	12	- ²	25
Maximum	65	12	4	46	- ²	72
End of period	29	3	4	22	(18)	40

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 2014 decreased by 7.5% to USD 37 million compared to 31 December 2013.

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

Foreign exchange risk related to net income and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Risk is monitored and managed at the CSS(E)L Group level through the leveling of accrued profit or losses which are incurred in a currency other than the CSS(E)L Group's presentation currency. Any non-presentation currency denominated profit and loss of the CSS(E)L Group is systematically leveled against the CSS(E)L Group's presentation currency during or immediately after the month so that foreign exchange risks on accrued profit and loss are fully eliminated at month-end.

The CSS(E)L Group has approval to manage its own trading profit and loss related foreign exchange risk through a formal trading mandate and has established defined risk limits.

Interest rate risk on non-trading positions is shown below 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 Nil as at 31 December 2014 compared to USD 1 million as at 31 December 2013. 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 2014 the fair value impacts of a 200-basis-point move in yield curves (flooring at zero where appropriate) were:

+200bps decrease of USD 192 million (2013 increase of USD 88 million)

-200bps decrease of USD 225 million (2013 decrease of USD 179 million)

This measure is significantly below the 20% threshold used by regulators to identify firms that potentially run excessive levels of non-trading interest rate risk.

The CSS(E)L Group and Company do not have material equity or commodity risk in its non-trading portfolio.

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 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, the markets 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 to meet stress situations.

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.

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted 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. The principal measure used to monitor the structural liquidity position of the firm 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 allows CS to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modeling 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 in the event of a crisis, 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 regulatory developments, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio ('LCR') and an NSFR. The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning 1 January 2015 through 1 January 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks 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 ratio of liquid assets over net cash outflows is subject to an initial

minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by 1 January 2019.

The NSFR, which is expected to be introduced on 1 January 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks 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 and should always be at least 100%.

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 is expected to be subject to an initial minimum requirement of 80% on October 1, 2015 with full compliance by January 1, 2018 (one year prior to BCBS guidelines). The NSFR is expected to be introduced on January 1, 2018.

In the context of liquidity management at the legal entity, 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 tolerance;
- Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- 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 UK IB approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least an annual basis.

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, day-light 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			Noncurrent			Total
		Due within 3 months	Between 3 and 12 months	Total	Between 1 and 5 years	Due after 5 years	Total	
2014 Contractual maturity of Financial Liabilities (USD million)								
Deposits	304	–	1,405	1,709	–	–	–	1,709
Securities sold under repurchase agreements and securities lending transactions	4,443	14,126	18,248	36,817	–	–	–	36,817
Trading financial liabilities at fair value through profit or loss	28,141	–	–	28,141	–	–	–	28,141
Financial liabilities designated at fair value through profit or loss	12,236	30,056	656	42,948	725	368	1,093	44,041
Short term borrowings	–	2,980	3,021	6,001	–	–	–	6,001
Other liabilities	27,733	–	9,100	36,833	–	–	–	36,833
Long term debt	–	78	4,150	4,228	22,955	4,817	27,772	32,000
Perpetual debt	–	–	–	–	–	1,881	1,881	1,881
Total financial liabilities	72,857	47,240	36,580	156,677	23,680	7,066	30,746	187,423
2013 Contractual maturity of Financial Liabilities (USD million)								
Deposits	355	–	1,544	1,899	–	–	–	1,899
Securities sold under repurchase agreements and securities lending transactions	7,695	5,038	20,195	32,928	–	–	–	32,928 ¹
Trading financial liabilities at fair value through profit or loss	38,080	–	–	38,080	–	–	–	38,080
Financial liabilities designated at fair value through profit or loss	14,342	32,557	321	47,220	786	70	856	48,076 ¹
Short term borrowings	–	90	29,752	29,842	–	–	–	29,842
Other liabilities	29,545	–	11,100	40,645	3,700	–	3,700	44,345
Long term debt	–	846	272	1,118	8,301	7,037	15,338	16,456
Perpetual debt	–	–	–	–	–	1,858	1,858	1,858
Total financial liabilities	90,017	38,531	63,184	191,732	12,787	8,965	21,752	213,484

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

Liabilities in trading portfolios have not been analyzed 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 albeit that the majority of its profit and loss exposure is managed centrally by CS group Treasury. 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) of this note.

iv) Credit Risk

Credit risk in CSS(E)L Group is managed by the UK Credit Risk Management ('UK CRM') department, which is headed by the UK Chief Credit Officer ('UK CCO'), who in turn reports to the Company Chief Risk Officer ('CRO'). UK 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. CRM reports to the Chief Risk Officer of CS group. All credit limits in CSS(E)L Group are subject to approval by UK CRM.

Definition of counterparty 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 recognizing credit impairment.

Credit limits are used to manage individual counterparty credit risk. 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 whom the CSS(E)L Group are 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 counterparty's 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 analyzed 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 the pricing of 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 Basel II A-Internal Rating Based ('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 2014. 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
2014 Maximum exposure to credit risk (USD million)						
Cash and due from banks	21,728	–	21,728	21,725	–	21,725
Interest-bearing deposits with banks	2,179	–	2,179	2,179	–	2,179
Securities purchased under resale agreements and securities borrowing transactions	49,366	48,789	577	49,366	48,789	577
Trading financial assets at fair value through profit or loss						
Debt securities	18,148	–	18,148	18,150	–	18,150
Derivative trading positions	9,550	8,645	905	10,116	8,816	1,300
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	37,981	37,832	149	37,981	37,832	149
Other	3,058	–	3,058	2,082	–	2,082
Financial assets available-for-sale	33	–	33	33	–	33
Other loans and receivables	1	–	1	1	–	1
Other assets	18,503	6,065	12,438	18,503	6,065	12,438
Maximum exposure to credit risk – total assets	160,547	101,331	59,216	160,136	101,502	58,634
Off-balance sheet items						
Loan commitments and other credit related commitments	8,598	–	8,598	8,598	–	8,598
Maximum exposure to credit risk – total off-balance sheet	8,598	–	8,598	8,598	–	8,598
Maximum exposure to credit risk	169,145	101,331	67,814	168,734	101,502	67,232
2013 Maximum exposure to credit risk (USD million)						
Cash and due from banks	19,026	–	19,026	19,023	–	19,023
Interest-bearing deposits with banks	1,548	–	1,548	1,548	–	1,548
Securities purchased under resale agreements and Securities borrowing transactions	43,062	42,192	870	43,062	42,192	870 ¹
Trading financial assets at fair value through profit or loss						
Debt securities	21,692	–	21,692	21,692	–	21,692
Derivative trading positions	13,011	12,334	677	13,548	12,334	1,214
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	51,302	51,173	129	51,302	51,173	129 ¹
Other	2,689	–	2,689	2,270	–	2,270
Financial assets available-for-sale	34	–	34	34	–	34
Other loans and receivables	1,483	–	1,483	1,483	–	1,483
Other assets	30,621	14,201	16,420	30,621	14,201	16,420
Maximum exposure to credit risk – total assets	184,468	119,900	64,568	184,583	119,900	64,683
Off-balance sheet items						
Loan commitments and other credit related commitments	48,733	–	48,733	48,733	–	48,733
Maximum exposure to credit risk – total off-balance sheet	48,733	–	48,733	48,733	–	48,733
Maximum exposure to credit risk	233,201	119,900	113,301	233,316	119,900	113,416

¹ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

The CSS(E)L Group is exposed to credit risk as a result of either a counterparty 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 14 – 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 12 – 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 monetisable 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	2014		2013	
	USD million	%	USD million	%
AAA	45	1	148	1
AA+ to AA-	5,567	43	7,115	50
A+ to A-	5,789	44	5,559	39
BBB+ to BBB-	705	5	518	4
BB+ to BB-	793	6	527	4
B+ and below	170	1	347	2
	13,069	100	14,214	100

Unsecured Exposure by Counterparty Rating

Company	2014		2013	
	USD million	%	USD million	%
AAA	45	–	148	1
AA+ to AA-	5,471	47	6,953	52
A+ to A-	5,248	46	5,574	42
BBB+ to BBB-	620	5	420	3
BB+ to BB-	74	1	83	1
B+ and below	59	1	88	1
	11,517	100	13,266	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 as most of the trading portfolio mainly

resides in 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

Wrong-way exposures

Correlation risk arises when the Company enters into a financial transaction where market rates are correlated to the financial health of the counterparty. 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 wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. The Company has multiple processes that allow us to capture and estimate wrong-way risk.

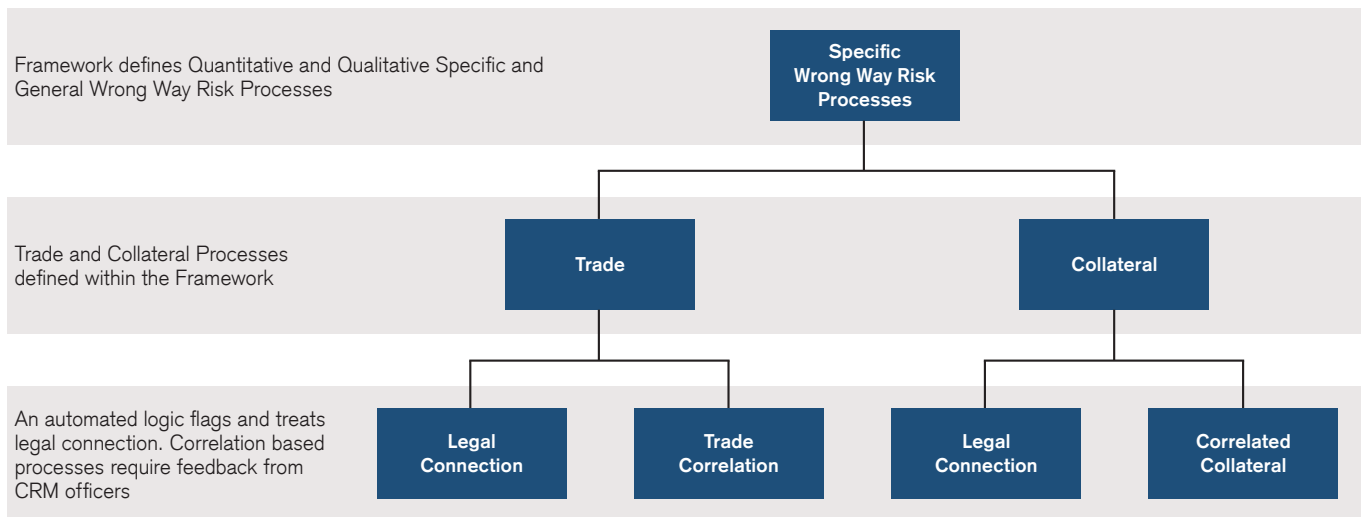
Credit approval and reviews

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent on-going 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

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumption, ineligibility of collateral or scenario based add-ons is in place to identify and adjust exposures for all specific wrong way risk types as per the distinction in the table below.



With respect to general wrong way risk, a scenario based exposure add-on is applied to those counterparties where the Basel III prescribed stressed calibration of exposure is not deemed sufficient to capture the additional risk fully.

Wrong-way risk monitoring

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing wrong way risk due to legal connection are automatically flagged and included in the regular reporting. Transactions containing wrong way risk due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. Scenarios giving rise to general wrong risk for a set of counterparties broken down by industry and region are also reported to CRM officers and discussed on a regular basis at the relevant committees.

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 countervalue 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 counterpart 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 counterparty.

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. UK CRM 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. Limits are calibrated to the capital base of CSS(E)L Group through a methodology which measures the capital consumption of a stressed limit utilization via the Economic Risk Capital internal model. Upon UK CRM recommendation, limits are calibrated and approved by the UK Risk Management Committee 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 UK CRM 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 UK CCO and the Company's 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 UK IB 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 Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in International Swaps and Derivatives Association ('ISDA') and other professional derivative market forums, with specific focus on improving levels of derivative 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 the significant uncertainty over the scope and content of regulatory reform in 2015 and beyond. 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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events inclusive of legal risk.

Operational risk is inherent in most aspects of the Company's activities and is comprised of a large number of disparate risks. While market and credit risk are often chosen for the prospect of gain, operational risk is normally accepted as a necessary consequence of doing business. In comparison to market or credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure.

As a global financial services company, the CSS(E)L Group relies heavily on financial, accounting and other data processing systems, which are varied and complex. The CSS(E)L Group business depends on the ability to process a large volume of diverse and complex transactions, including derivatives transactions, which have increased in volume and complexity. The CSS(E)L Group is exposed to operational risk arising from errors made in the execution, confirmation or settlement of transactions or in transactions not being properly recorded or accounted for.

Information security, data confidentiality and integrity are of critical importance to the CSS(E)L Group's businesses. Despite a wide array of security measures to protect the confidentiality, integrity and availability of systems and information, it is not always possible to anticipate the evolving threat landscape and mitigate all risks to systems and information. The CSS(E)L Group could also be affected by risks to the systems and information of clients, vendors, service providers, counterparties and other third parties.

The effective management of operational risk requires a common bank-wide framework with ownership of these risks residing with the management responsible for the relevant business process. The Operational Risk Framework's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting.

Operational Risk Management

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 at the divisional and Company level that are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise.

Operational risk governance takes place at various levels within the UK IB. In line with practice for other risk types, there are separate review and escalation processes for the Company. This ensures that a clear focus is paid to potential risk concentrations in the Company when considered on a standalone basis. Although the global and UK IB risk governance processes operate in parallel, there needs to be close coordination and information sharing to ensure that risks and issues receive proper management attention and are addressed appropriately in all cases.

In 2013, the UK IB introduced an Operational Risk Framework providing a systematic approach to risk management. The framework comprises a series of interrelated components that are used to identify, monitor and control operational risks in line with risk appetite. The framework components include:

- Governance and Policy Framework, establishing standards and review mechanisms for all activities;
- Risk appetite tolerance levels set for the Company, which set out senior management's expectations with respect to losses/gains and metrics – breaches of tolerance levels are reported to senior management and may trigger actions;
- Standardised bank-wide operational risk register, which is a catalogue of inherent operational risks arising as a consequence of our activities on a front-to-back basis;
- Internal control assessment with guidance to ensure that controls are executed, assessed and evidenced on a consistent and comprehensive basis;
- Specific company risk and control indicators, which are metrics that are used to monitor operational risk exposures and the effectiveness of controls, respectively – they may be associated with tolerance levels that define acceptable performance and provide early warning signals about potential impending issues;
- Investigations into internal and external incidents to inform risk measurement and management processes;
- Risk and control self-assessments ('RCSAs'), which are comprehensive, bottom-up assessments of the key operational risks in each business; RCSAs utilise other components of the operational risk framework, such as risk and control indicators and loss data, and they evaluate the strength of mitigating controls to produce an assessment of the residual risks and remediation requirements in each business. These are explicitly assessed for the Company;
- Identification and management of top operational risks, which are the most significant residual operational risks that require executive level management oversight to avoid occurrence or prevent re-occurrence of such risks; associated risk remediation efforts are identified and tracked;
- A suite of operational risk reports exists that provide information on a range of Framework components to a variety of audiences including formal reports to senior management;
- The Responses Framework provides a governance structure and process for how Credit Suisse responds to various kinds of operational risk events; and
- CS has defined a set of ten Business Conduct Behaviours that are designed to reduce operational risk incidents; these behaviours incorporate the lessons learned from incidents at Credit Suisse, peer firms and other industries.

CS group is continuously enhancing its operational risk management practices. There is an ongoing programme to roll out improvements to each of the components of the operational risk framework, to ensure that the links between individual components work effectively and to embed the framework within day-to-day business risk management.

In 2014, key enhancements included the introduction and roll-out of a standardised operational risk register to ensure that risks are categorised and reported consistently, enhancements to the RCSA process to improve assessment quality and increase output transparency, and the introduction of more granular operational risk tolerance levels for certain businesses.

2015 priorities include an extension of formal control testing, introducing a new system to integrate operational risk data in a single place, enhancing the role of Operational Risk Management ('ORM') in strategic change programs and further embedding operational risk considerations in day-to-day business activities making operational risk management an integral part of daily decision making.

viii) Conduct Risk

Conduct risk is the risk of poor conduct or behaviour of CSS(E)L Group, its employees, associates or representatives resulting in:

- Financial or non-financial detriment to our clients, customers, counterparties, whether we deal with them directly or via a third party;
- Damage to the integrity of the financial markets;
- Ineffective competition in the markets in which Credit Suisse participates; or
- Non-compliance with the laws or regulations (or the spirit of such laws and regulations) or failure to meet the expectations of our stakeholders including policymakers, regulators, government bodies or society.

A UK Conduct Risk Committee ('UK CRC') has been established which is designed to enable the Company to review the effectiveness of the Company's conduct risk framework and challenge business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk. The UK CRC is tasked with sponsoring and reviewing appropriate policies and procedures and monitoring peer group and regulatory statements and developments in the conduct risk space. The UK CRC will consider reports covering conduct risk identification conduct risk mitigation and conduct risk management information. 2015 priorities include Embedding Business Conduct Behaviours throughout the employee lifecycle (recruitment, induction, training, promotions, performance assessment and compensation) and increased focus on Conduct Risk in 2015 RCSAs and extend best practices globally.

ix) 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 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, 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 Board has formally delegated reputational risk issues to CS group's global RRRP which includes an overview of the transaction or action being considered, the risks identified and

any mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by senior business management in the relevant division, and 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 CS group'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 regional, divisional, shared services and the Company entity management.

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 EMEA 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 realize 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 120.

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

CSS(E)L Group (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	9,672	(305)	9,367	12,928	(329)	12,599
Derivative instruments not subject to enforceable master netting agreements ¹	187	–	187	413	–	413
Total derivative instruments presented in the Consolidated Statement of Financial Position	9,859	(305)	9,554	13,341	(329)	13,012
of which recorded in trading financial assets at fair value through profit or loss	9,855	(305)	9,550	13,340	(329)	13,011
of which recorded in other assets	4	–	4	1	–	1
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	11,025	(305)	10,720	14,368	(329)	14,039
Derivative instruments not subject to enforceable master netting agreements ¹	345	–	345	543	–	543
Total derivative instruments presented in the Consolidated Statement of Financial Position	11,370	(305)	11,065	14,911	(329)	14,582
of which recorded in trading financial liabilities at fair value through profit or loss	11,334	(305)	11,029	14,911	(329)	14,582
of which recorded in other liabilities	36	–	36	–	–	–

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.

Company (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	10,214	(305)	9,909	13,440	(329)	13,111
Derivative instruments not subject to enforceable master netting agreements ¹	211	–	211	438	–	438
Total derivative instruments presented in the Company Statement of Financial Position	10,425	(305)	10,120	13,878	(329)	13,549
of which recorded in trading financial assets at fair value through profit or loss	10,421	(305)	10,116	13,877	(329)	13,548
of which recorded in other assets	4	–	4	1	–	1
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	10,985	(305)	10,680	14,332	(329)	14,003
Derivative instruments not subject to enforceable master netting agreements ¹	350	–	350	545	–	545
Total derivative instruments presented in the Company Statement of Financial Position	11,335	(305)	11,030	14,877	(329)	14,548
of which recorded in trading financial liabilities at fair value through profit or loss	11,299	(305)	10,994	14,877	(329)	14,548
of which recorded in other liabilities	36	–	36	–	–	–

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.

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 generally 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, 2014 and December 31, 2013. 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

CSS(E)L Group and Company (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	64,953	(18,510)	46,443	75,215	(23,739)	51,476
Securities borrowing transactions	38,553	–	38,553	35,759	–	35,759
Total subject to enforceable master netting agreements	103,506	(18,510)	84,996	110,974	(23,739)	87,235 ²
Total not subject to enforceable master netting agreements ¹	2,351	–	2,351	7,129	–	7,129
Total	105,857	(18,510)	87,347	118,103	(23,739)	94,364 ³

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 On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

³ USD 37,981 million (2013: USD 51,302 million) of the total net amount are reported at fair value.

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

CSS(E)L Group and Company (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	74,188	(18,510)	55,678	73,067	(23,739)	49,328
Securities lending transactions	22,456	–	22,456	27,326	(720)	26,606
Total subject to enforceable master netting agreements	96,644	(18,510)	78,134	100,393	(24,459)	75,934 ²
Total not subject to enforceable master netting agreements ¹	454	–	454	3,304	–	3,304
Total	97,098	(18,510)	78,588	103,697	(24,459)	79,238 ³

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 On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32).

Comparative information has been restated accordingly (See Note 2).

³ USD 41,771 (2013: USD 46,310 million) of the total net amount are reported at fair value.

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.

Prime Brokerage Receivables were only offset with Prime Brokerage Payables, if the CSS(E)L Group:

- 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 settle the liability simultaneously.

Offsetting of prime brokerage receivables and funded derivative assets

CSS(E)L Group (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	6,065	–	6,065	26,161	(10,780)	15,381
Funded derivative assets subject to enforceable master netting agreements	65	–	65	174	–	174
Total subject to enforceable master netting agreements	6,130	–	6,130	26,335	(10,780)	15,555
Total not subject to enforceable master netting agreements ¹	398	–	398	–	–	–
Total	6,528	–	6,528	26,335	(10,780)	15,555

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.

Company (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	6,065	–	6,065	26,161	(10,780)	15,381
Funded derivative assets subject to enforceable master netting agreements	65	–	65	555	–	555
Total subject to enforceable master netting agreements	6,130	–	6,130	26,716	(10,780)	15,936
Total not subject to enforceable master netting agreements ¹	398	–	398	–	–	–
Total	6,528	–	6,528	26,716	(10,780)	15,936

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

CSS(E)L Group (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	9,188	–	9,188	23,538	(10,060)	13,478
Funded derivative liabilities subject to enforceable master netting agreements	787	–	787	964	–	964
Total subject to enforceable master netting agreements	9,975	–	9,975	24,502	(10,060)	14,442
Total not subject to enforceable master netting agreements¹	1,996	–	1,996	66	–	66
Total	11,971	–	11,971	24,568	(10,060)	14,508

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.

Company (USD million)	2014			2013		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	9,188	–	9,188	23,538	(10,060)	13,478
Funded derivative liabilities subject to enforceable master netting agreements	787	–	787	964	–	964
Total subject to enforceable master netting agreements	9,975	–	9,975	24,502	(10,060)	14,442
Total not subject to enforceable master netting agreements¹	1,985	–	1,985	53	–	53
Total	11,960	–	11,960	24,555	(10,060)	14,495

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.

In 2013, balances under prime brokerage contracts were treated as individual units of account with offsetting applied. In 2014, a reassessment as part of the implementation of Amendments to IAS 32 Financial Instruments: Presentation resulted in these contracts being treated as a single unit of account. There is no impact to the recognition and measurement of these contracts as a result of this change. The change does not impact the net amount presented in the Consolidated Statement of Financial Position (see table above), as these contracts qualified for offsetting based on the IAS 32 rules in 2013.

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

CSS(E)L Group (USD million)	2014				2013			
	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	9,367	(7,037)	(1,462)	868	12,599	(11,136)	(1,198)	265
Securities purchased under resale agreements	46,443	(46,432)	(11)	–	51,476 ³	(51,470)	(6)	–
Securities borrowing transactions	38,553	(38,188)	–	365	35,759	(35,034)	–	725
Prime brokerage receivables	6,065	–	(6,065)	–	15,381	(14,201)	–	1,180
Funded derivative instruments	65	(1)	–	64	174	(75)	–	99
Total financial assets subject to enforceable master netting agreements	100,493	(91,658)	(7,538)	1,297	115,389	(111,916)	(1,204)	2,269
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	10,720	(6,566)	(887)	3,267	14,039	(10,476)	(742)	2,821
Securities sold under repurchase agreements	55,678	(55,645)	(33)	–	49,328 ³	(49,268)	(60)	–
Securities lending transactions	22,456	(20,431)	–	2,025	26,606	(24,940)	–	1,666
Prime brokerage payables	9,188	–	–	9,188	13,478	–	–	13,478
Funded derivative instruments	787	(1)	–	786	964	(135)	–	829
Total financial liabilities subject to enforceable master netting agreements	98,829	(82,643)	(920)	15,266	104,415	(84,819)	(802)	18,794

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.

³ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

Amounts not offset in the Company Statement of Financial Position

Company (USD million)	2014				2013			
	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	9,909	(7,249)	(1,573)	1,087	13,111	(11,136)	(1,198)	777
Securities purchased under resale agreements	46,443	(46,432)	(11)	–	51,476 ³	(51,470)	(6)	–
Securities borrowing transactions	38,553	(38,188)	–	365	35,759	(35,034)	–	725
Prime brokerage receivables	6,065	–	(6,065)	–	15,381	(14,201)	–	1,180
Funded derivative instruments	65	(1)	–	64	555	(75)	–	480
Total financial assets subject to enforceable master netting agreements	101,035	(91,870)	(7,649)	1,516	116,282	(111,916)	(1,204)	3,162
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	10,680	(6,606)	(887)	3,187	14,003	(10,476)	(742)	2,785
Securities sold under repurchase agreements	55,678	(55,645)	(33)	–	49,328 ³	(49,268)	(60)	–
Securities lending transactions	22,456	(20,431)	–	2,025	26,606	(24,940)	–	1,666
Prime brokerage payables	9,188	–	–	9,188	13,478	–	–	13,478
Funded derivative instruments	787	(1)	–	786	964	(135)	–	829
Total financial liabilities subject to enforceable master netting agreements	98,789	(82,683)	(920)	15,186	104,379	(84,819)	(802)	18,758

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.

³ On 1 January 2014, CSS(E)L Group adopted amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (IAS 32). Comparative information has been restated accordingly (See Note 2).

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. 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, previously referred to as Regulatory Capital Resources, 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 2014 the Company received a CET1 capital injection of USD 1 billion and converted all participating share capital into ordinary shares. In addition, USD 1.5 billion of Tier 2 capital was refinanced with the proceeds being used to repay USD 1.48 billion of subordinated debt. In 2013 the Company received no capital injections.

Other movements in own funds were as follows:

CSS(E)L Group and Company	2014	2013
Own Funds (USD million)		
Own Funds at 1 January	10,617	10,786
Change in Tier 1 Instruments:		
CET 1 Capital injection	1,000	–
Change in Tier 2 Instruments:		
Net increase on restructuring of subordinated loans	18	–
Derecognition of gain on AFS equities due to ineligibility under CRR	(24)	–
Profit and loss and movements in other comprehensive income	(432)	(531)
Net movement in regulatory deductions and prudential filters	(287)	362
Own Funds at 31 December	10,892	10,617

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% and a Tier 1 ratio of 5.5% in 2014 (CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2015). 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 2014 and 2013.

Company	2014	2013
Own Funds (USD million)		
Total shareholders' equity	8,248	7,680
Other deductions:		
Regulatory deductions	(8)	(11)
Excess of expected loss amounts over credit risk adjustments ¹	(57)	–
Defined benefit pension fund assets	(662)	–
Securitisation positions	(7)	–
Gain on AFS equities	(22)	–
Prudential filters ²	(101)	(554)
Total Tier 1 capital	7,391	7,115
Tier 2 capital		
Subordinated debt	3,501	3,483
Gain on AFS equities	–	24
Total Tier 2 capital	3,501	3,507
Total Tier 1 and Tier 2 capital	10,892	10,622
Regulatory deductions:		
Excess of expected loss amounts over credit risk adjustments ¹	–	(1)
Free deliveries	–	(4)
Own Funds	10,892	10,617

¹ Under CRDIV, the expected loss amount is deducted from CET1 whereas under Basel II, it was deducted from the total of Tier 1 and Tier 2 capital.

² Includes Prudent Valuation adjustment from 1st of January, 2014

41 PRA Pillar 3 disclosures

Pillar 3 disclosures required under CRR can be found separately at www.credit-suisse.com.

42 Country-by-Country Reporting

The information relating to Country-by-Country reporting, required by Article 89 of Directive 2013/36/EU ('Capital Requirements Directive'), will be published at www.credit-suisse.com on or before 31 December 2015.

43 Subsequent Events

In the UK budget announcement of 18 March 2015, the UK government announced its intention to increase the UK Bank Levy rate from 0.156% to 0.21% for short term liabilities and 0.78% to 0.105% for long term liabilities with effect from 1 April 2015. This rate increase has now been enacted but is not expected to have a material impact on the 2015 results of the Company.

In the 2014 Autumn Statement, the UK Chancellor of the Exchequer announced proposals to restrict the use of losses carried forward by UK banks to a maximum of 50% of profits in periods from April 2015 onwards. This UK tax law change has now been enacted but is not expected to have a material impact on the recoverability of the net deferred tax asset.



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