

Credit Suisse Securities (Europe) Limited Annual Report 2016



Credit Suisse Securities (Europe) Limited

Annual Report 2016

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Board of Directors as at 30 March 2017

Noreen Doyle (Chair and Independent Non-Executive)

David Mathers (CEO)

Alison Halsey (Independent Non-Executive)

Robert Endersby (Independent Non-Executive)

Robert Arbuthnott (CFO)

Christopher Horne

Paul Ingram (CRO)

Eraj Shirvani

Company Secretary

Paul E Hare


Noreen Doyle

Born 1949
Irish and US Citizen

Non-Executive

Board member since 2011

Chair of the Board


David R. Mathers

Born 1965
British Citizen

Board member since 2016

Chief Executive Officer

Professional history

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

Education

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

Other activities and functions

Newmont Mining Corporation, chair of the board of directors, member of the audit committee
British Bankers' Association (BBA), chair
UK Panel on Takeovers and Mergers, member
Tuck European Advisory Board, member
Marymount International School, London, chair of the board of governors
Sarita Kenedy East Foundation, trustee
NewTa Limited, director

Professional history

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

Education

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

Other activities and functions

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

**Alison Halsey**

Born 1956
British Citizen

Non-Executive

Board member since 2015

**Robert Endersby**

Born 1959
British Citizen

Non-Executive

Board member since 2016

Professional history

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

Education

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

Other activities and functions

Cambian Group plc, Non-executive Director, Chair of the Audit & Risk Committee and Member of the Nomination and Remuneration Committees
Provident Financial Group plc, Non-executive Director, Chair of the Audit Committee, and Member of the Nomination, Remuneration and Risk Advisory Committees
Aon UK Limited, Non-executive Director, Member of the Risk & Compliance and Nominations Committees and Chair of the Audit Committee

Professional history

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

Education

1982	BA in Social Science (Economics), University of the West of England
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Other activities and functions

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


Robert K. Arbuthnott

Born 1968
British Citizen

Board member since 2016

Chief Financial Officer

Professional history

2015–present	Credit Suisse International Credit Suisse Securities (Europe) Limited Executive Director (2016-present) Managing Director, Regional CFO for UK Regulated Entities, Chairman of the UK Pension Committee (2015-2016) Member of the Board of Directors of Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) (2016-present)
2007–2015	Barclays, Singapore Head of India Finance Shared Services (2014-2015) CFO Asia Pacific, Singapore (2008-2014) Regional Head of Product Control, Singapore (2007-2008)
2000–2007	Merrill Lynch, Japan and UK CFO EMEA Credit, Mortgages, Real Estate, Private Equity, London (2006-2007) CFO FICC Asia, Tokyo (2005-2006) Head of Rates ISS, Tokyo (2002-2004) Finance Risk Management FICC, Tokyo (2000-2002)
1997–2000	Salomon Brothers, London Head of Product Control for Structured Credit EMEA
1995–1997	BZW, London Fixed Income Salesman
1994–1995	Goethe Institute, Germany
1993–1994	LIFFE, London Market Supervision Division
1990–1993	KPMG, London Accountant

Education

1993	UK ACA, Institute of Chartered Accountants in England and Wales
1989	Master of Arts, Cambridge University
1986	Lancing College

Other activities and functions

Parrish Solutions Ltd BVI, Director and advisory board member
Tanglin Trust School, Director and advisory board member


Christopher G.B. Horne

Born 1964
British Citizen

Board member since 2015

Professional history

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

Education

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

Other activities and functions

British Bankers Association Board, member

**Paul R. Ingram**

Born 1963
British Citizen

Board member since 2015

Chief Risk Officer

**Eraj Shirvani**

Born 1966
British, American and Iranian Citizen

Board member since 2016

Professional history

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

Education

1985	BA Honours Economics, University of Essex
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Professional history

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

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

Other activities and functions

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

Strategic Report for the year ended 31 December 2016

The Directors present their Annual Report and the Consolidated Financial Statements for the year ended 31 December 2016.

BUSINESS REVIEW

Profile

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

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, Seoul, Warsaw and Stockholm. The Frankfurt, Paris, Warsaw and Stockholm branches provide equity broking and investment banking services. The Amsterdam branch is closing. 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 three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two divisions specialising in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. The Strategic Resolution Unit consolidates the remaining portfolios from the former non-strategic units plus additional businesses and positions that do not fit with our strategic direction. These business divisions co-operate closely to provide holistic financial solutions, including innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 47,170 employees from approximately 150 different nations.

Management and Governance

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

Members of the Board and Board Committees

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

* Resigned as a member of the Board with effect from 26 January 2017.

Board and Management

A number of management and governance changes have been effected during the year. Robert Endersby has been appointed as an Independent Non-Executive Director and Chair of the Risk Committee. David Mathers, Robert Arbuthnott, Stephen Dainton and Eraj Shirvani have been appointed as Executive Directors. Richard Thornburgh resigned as a Non-Executive Director and Stephen Dainton, Jason Forrester and David Livingstone have resigned as Executive Directors as a result of resignations from the Company or changes in responsibilities.

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

Principal Product areas

Last year, Credit Suisse announced the restructuring of the CS group, with the creation of new regionally focused divisions, and the realignment of existing businesses/divisions. Global Markets announced a further restructuring in March 2016. As a result of the restructure, the CSS(E)L Group has four principal business lines:

- **Global Markets** brings together equity sales and trading, credit products and trading as well as structured lending and selected derivative capabilities to create a fully integrated franchise for clients. Global Markets provides a broad range of financial products and services of client driven businesses and also supports the CS group's private banking businesses and their clients. The suite of products and services include global securities sales, trading and execution, prime brokerage and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors, such as pension and hedge funds. The division consists of four sub-divisions: Equities, Credit, Solutions and Management.
- Within the **Asia Pacific** division a range of financial products and services is offered, focusing on corporates, and institutional clients. CSS(E)L delivers integrated client coverage to provide connectivity and access to broader financial markets, differentiated product offerings, and tailored financing

solutions. The investment banking business supports corporate clients by advising on all aspects of M&A, corporate sales and restructurings, divestitures and takeover defence strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, the business includes equities and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.

- The **Investment Banking & Capital Markets** division offers a broad range of investment banking products and services which includes advisory services related to M&A, divestitures, takeover defence, restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions related to these activities are also offered. Clients include leading corporations, and financial institutions. Investment banking capabilities are delivered through regional and local teams based in both major developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CSS(E)L and that help clients unlock capital and value in order to achieve their strategic goal. This business was sold to Credit Suisse International ('CSI') in 2015.
- The **Strategic Resolution Unit** was created to facilitate the right-sizing of business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The Strategic Resolution Unit in the Company consists primarily of the legacy life finance business. The portfolio includes a tail of long-dated trades. The primary focus of the Strategic Resolution Unit is to facilitate the rapid wind-down of capital usage and costs in order to reduce the negative impact on the overall CSS(E)L Group performance.

Economic environment

During 2016 the financial markets were volatile and experienced further heightened uncertainty caused by a number of political developments. The UK's decision to leave the European Union post the referendum in June 2016 and US presidential election result in November 2016, were key driving factors behind financial market moves globally.

The annual rate of Consumer Price Index ('CPI') inflation increased to 1.6% at the end of December 2016 from 0.2% at the end of December 2015. In August 2016, the Bank of England ('BOE') announced additional measures to ease monetary policy by increasing the size of its asset purchase program and reducing the base interest rate to 0.25%. The unemployment rate dropped marginally to 4.8% at the end of December 2016 from 5.1% at the end of December 2015. Looking at 2016 as a whole, UK Gross

Domestic Product ('GDP') growth slowed modestly to 2 percent from 2.2 percent in 2015. The European Central Bank ('ECB') announced further monetary easing measures at its March 2016 meeting, including cuts in all main interest rates, an increase in the asset purchase program and additional bank funding measures. Later in the year, the ECB announced its intention to scale back monthly asset purchases to EUR 60 billion beginning in April 2017. At its December 2016 meeting, the US Federal Reserve ('Fed') decided to raise the target range for the policy rate by 25 basis points. The weakest major currency in 2016 compared with the US dollar was the British pound, which significantly depreciated after the outcome of the UK referendum on EU membership in June.

At the beginning of 2016, major equity markets declined sharply due to the weaker than expected macroeconomic data in developed economies, economic growth concerns in China and low oil prices. Since the middle of February 2016, equity markets recovered supported by improved commodity markets and accommodative monetary policies of major central banks. Towards the end of year, equity markets continued to move higher, driven by better economic data and the expectations for fiscal stimulus in the US under a new presidential administration. Among developed markets, Canada and UK equities outperformed, benefitting from higher commodity prices and a weaker currency, respectively, while Swiss and Japanese equities lagged behind.

Throughout the first half of the year, financial markets became increasingly sensitive to expectations of the outcome of the UK referendum and following a perceived increase in the likelihood of a leave vote in early June, the sterling exchange rate and short-term interest rates fell. The expectations for a broadly more accommodative stance of monetary policy from major central banks helped to reverse some of these moves. After the decline in the first half of the year, government bond yields increased in the second half of 2016. UK government bond yields rose more than international equivalents following an increased perception among market participants that the UK's future trade arrangements with the European Union may be less open than previously anticipated.

In September, the BOE commenced purchases of corporate bonds under the Corporate Bond Purchase Scheme ('CBPS'). The Bank purchased £4 billion over the first two months of the scheme. Although sterling investment grade corporate bond spreads fell on the announcement of the scheme in August, they have since risen gradually over the remainder of the year. After a strong pickup over the summer, issuance of sterling investment grade corporate bonds slowed in the later part of the year due to market volatility, as well as strong sterling issuance immediately following the announcement of the CBPS in August.

Key performance indicators ('KPIs')

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

	2016	2015
Earnings		
Net profit/(loss) after tax (USD million):		
Continued	(101)	(563)
Discontinued	73	5
Total	(28)	(558)

	2016	2015
Capital		
Risk Weighted Assets (USD million)	30,391	33,277
Tier 1 capital (USD million)	7,227	7,124
Return on Tier 1 capital	(0.39%)	(7.83%)

	2016	2015
Liquidity		
Liquidity Buffer (USD million)	20,636	19,216

	2016	2015
Consolidated Statement of Financial Position		
Total Assets (USD million)	118,953	143,542
Total Asset growth/(reduction)	(17.13%)	(25.79%)
Return on Total Assets	(0.02%)	(0.39%)

Performance

Consolidated Statement of Income

For the year ended 31 December 2016, CSS(E)L Group reported a net loss attributable to shareholders of USD 28 million (2015: USD 558 million). Net revenues from continuing operations amounted to USD 913 million (2015: USD 824 million). After operating expenses, the CSS(E)L Group reported a loss before tax from continuing operations of USD 96 million (2015: USD 605 million loss). Income tax expense across continuing and discontinuing operations for the year ended 31 December 2016 was USD 48 million (2015: USD 39 million tax credit). In addition, the CSS(E)L Group reported a gain before tax from discontinued operations of USD 116 million (2015: USD 8 million). The main reason for the large reduction in the reported loss is due to the execution of business migration plan and cost reduction strategy in the UK.

In 2016, Global Markets revenues decreased 18% year on year to USD 1,326 million, as challenging trading conditions resulted in low levels of client activity. Within Global Markets, Cash Equities revenues decreased by 25% to USD 310 million due to diminished client risk appetite and a negative market outlook caused by market uncertainty following the UK Referendum vote and a general risk-off trend in the latter half of the year due to the political uncertainty surrounding the US Presidential elections. Prime Services revenues decreased by 14% to USD 425 million, impacted from the significant drop in GBP/USD rates post the UK Referendum vote and lower client demand driven by difficult market conditions. In addition to the economic environment the Prime Derivative Services business and Prime Services Finance and Brokerage saw a significant drop in revenues as the business was migrated to CSi and Credit Suisse AG Dublin Branch over the course of 2016. Systematic Market Making reported revenues of USD 140 million for 2016, a decrease of 50% compared with 2015. The reduction in revenues was primarily driven by a

reduction in trading activity in the later part of year following the exit of most business lines. This was partially offset by an increase in Global Credit Product revenues of 7% to USD 304 million mainly driven by the Auto, Utilities and Finance sectors from both primary and secondary markets.

Asia Pacific revenues remained relatively flat year on year.

The SRU division's net revenues moved to a loss of USD 9 million compared with gains of USD 36 million in 2015. The loss in 2016 was mainly due to the cost to wind down and exit certain positions in line with the CS group strategy.

Business migrations, moving business to CSi and cost reduction program in the UK has had a significant impact on the expense base of CSS(E)L Group and combined expenses across continuing and discontinuing operations, most notably Compensation and Benefits reduced by USD 621 million to USD 636 million and General, Administrative and Trading expenses has reduced by USD 263 million to USD 875 million.

The effective tax rate for the period to December 2016 is higher than the UK statutory tax rate primarily as a result of permanent differences, non-recoverable foreign taxes and the effect of prior year adjustments. Similarly, the effective tax rate for the period to December 2015 was higher than the UK statutory tax rate primarily as a result of permanent differences, non-recoverable foreign taxes and the effect of deferred tax not recognised.

Discontinued operations and Assets held for sale

In January 2016, the CSS(E)L Group entered into a business transfer agreement to sell the Prime Services Platform to Credit Suisse AG (acting through its Dublin branch). The plan has subsequently been revised and intends to amend the business transfer agreement to remove certain assets and liabilities from the scope of the agreement. Instead, CSS(E)L Group plans to move those assets and liabilities to CSi. CSS(E)L Group is transferring the Prime Services Platform to Credit Suisse AG (acting through its Dublin branch) on a phased basis and will record the sale as completed when the majority of client balances have migrated to Credit Suisse AG (acting through its Dublin branch). This milestone is expected to be reached in 2017. The transfer of assets and liabilities to CSi is expected to commence in and be subsequently complete by 2018.

During 2016 Systematic Market Making business was substantially exited with final closure expected in early 2017.

CSS(E)L sold a number of assets in 2015 – the IBCM division transferred its staff, and majority of its clients to CSi; CSS(E)L branches located in Amsterdam and Milan transferred their respective businesses to CSi; the Listed Derivatives agency business and OTC Derivatives (centrally cleared) business was sold to CSi. Although the sale was substantially complete in 2015 for accounting purposes, final clients and their balances were transferred at the beginning of 2016.

The above transactions collectively qualify for discontinued operations treatment under IFRS, and post-tax profit or loss of these individual businesses has been classified as discontinued operations in CSS(E)L Group's Consolidated Statement of Income. CSS(E)L Group's prior period results have been restated to conform with the current presentation. Assets and liabilities relating to the transfers that have not yet completed have been classified as a

Assets/Liabilities held for sale in the Consolidated Statement of Financial Position. No impairment losses were required to be recognised as a result of having to measure the Assets/Liabilities held for sale at fair value less cost to sell. Please see Note 25- Discontinued Operations and Asset Held for sale in the accounts for further details.

Consolidated Statement of Financial Position

As at 31 December 2016 the CSSEL Group had total assets of USD 119 billion (31 December 2015: USD 144 billion). The reduction in assets is driven by CSS(E)L Group's goal to reduce balance sheet size, Risk Weighted Assets and lower the capital requirements in the UK.

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

- Trading financial assets at fair value through profit or loss have decreased by USD 7 billion. The decrease was primarily due to asset and business transfers to other CS group entities for the Systematic Market Making and Global Markets Management businesses and the transfer and subsequent wind down of business in the Strategic Resolution Unit division.
- Assets and liabilities held for sale decreased by USD 12 billion and USD 22 billion respectively due to the migration of the Prime Service business to another CS group entity and also the Prime Service business reducing balance sheet due to management actions.

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

- A decrease of USD 7 billion across Cash and due from banks and Interest bearing deposits with banks due to reducing funding assets for regulatory capital purposes.
- An increase in short term borrowings of USD 1 billion from a CS group entity as a result of underlying business activity.
- A decrease in long term debt of USD 2 billion primarily due to the maturity of long term debt from Credit Suisse Investments (UK).

Total shareholder's equity has remained stable at USD 8 billion (31 December 2015: USD 8 billion).

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

Total Level 3 assets for CSS(E)L Group were USD 3.1 billion (2015: USD 3.34 billion), which was equivalent to 2.62% (2015: 2.33%) of total assets.

Total Level 3 liabilities for CSS(E)L Group were USD 0.8 billion (2015: USD 0.8 billion) which was equivalent to 0.70% (2015: 0.56%) of total liabilities.

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

The CSS(E)L Group has incurred substantial taxes in the UK during 2016, including Bank Levy of USD 37 million (2015: USD

51 million), employers social security of USD 70 million (2015: USD 145 million) and irrecoverable UK value added tax ('VAT') of USD 72 million (2015: USD 94 million). However, as disclosed in Note 41 – Country-by-Country Reporting, Corporation taxes paid in the United Kingdom ('UK') for CSS(E)L are Nil (2015: USD Nil) as the Company has not made taxable profits during the year. The CSS(E)L Group has paid USD 31 million (2015: USD 26 million) in taxes in branches located outside of the UK.

Principal Risks and Uncertainties

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

Outlook

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

As a part of the changing business footprint the Strategic Resolution Unit will effectively wind down businesses and positions that do not fit the Company's strategic direction, by consolidating portfolios from former non-strategic units plus additional activities and businesses from the former Investment Banking division that are no longer considered strategic. The Strategic Resolution Unit portfolio primarily comprises the legacy life finance business for which the run off is projected to be gradual due to the long-dated nature of the portfolio.

CSS(E)L Group completed the sale and closure of number of businesses in 2016 and as a result the total assets are estimated to reduce by approximately 43% by the end of 2018. CSS(E)L Group remains committed in the short term to offering its clients a range of equities and fixed income products and services.

The Company will continue to optimise resource allocation and focus on high returning, scalable opportunities. The Company continues with the globally announced cost reduction strategy and as a result, expects the London campus headcount to reduce further, having a direct impact on the cost base of the Company. During 2017 the CSS(E)L Group will move all critical staff in the Company's Corporate functions and critical service contracts into a separate legal vehicle as part of the global Too-Big-To-Fail legislation, where major banks are required to prepare and implement Recovery and Resolution Plans ('RRPs'). The resolution part of the RRP must demonstrate that a bank or a company can be wound down in an orderly fashion, while supporting the continuation of

systemically-important functions in the event of the Company's impending insolvency. In the UK, the Company has begun the process of establishing Credit Suisse Services AG, London Branch as the local service company. This is a branch of Credit Suisse Services AG (the Service Company parent entity) which was established in Switzerland. The new Service Company will house the employees, contracts and assets required to perform services that are deemed resolution-critical and which support multiple Material Legal Entities on a cross-border basis.

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.

UK Referendum

On 23rd June 2016, voters in the UK voted to leave the European Union ('EU') in a non-binding referendum. Among the significant global implications of the referendum is the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies, caused by general political uncertainty. The European Central Bank ('ECB') and others have already introduced negative interest rates to address deflationary concerns and to prevent appreciation of their respective currencies. The BOE has announced a cut to its bank rate of 25 basis points to 0.25% and introduced a package of measures designed to provide additional monetary stimulus. The package included the rate cut, a new Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate; the purchase of up to GBP 10 billion of UK corporate bonds; and an expansion of the asset purchase scheme for UK government bonds of GBP 60 billion, taking the total stock of these asset purchases to GBP 435 billion. The last three elements will be financed by the issuance of central bank reserves.

In addition, a decision taken to introduce a countercyclical buffer for UK exposures of 0.5% from March 2017 has been reversed. Following the UK Referendum result, the Financial Policy Committee ('FPC') reduced the UK countercyclical capital buffer rate from 0.5% to 0% of banks' UK exposures with immediate effect. Absent any material change in the outlook, and given the need to give banks the clarity necessary to facilitate their capital planning, the FPC stated that it expects to maintain a 0% UK countercyclical capital buffer rate until at least June 2017. The FPC expects that this will allow banks to use some of their capital buffers to maintain lending.

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

The UK's unexpected decision to leave the EU was followed by an initial period of market volatility and a longer-term fall in the

value of sterling. While there have been no instances of counterparty distress in the CSS(E)L portfolio following the referendum, Credit Risk Management ('CRM') has downgraded its UK country rating. This reflects the expected difficulties of the exit negotiations after Article 50 is activated and lower economic growth forecasts. However, rating strength remains underpinned by the country's wealthy and diversified economy, high institutional strength, as well as a flexible monetary and fiscal policy that should ensure some resilience against the expected challenges over the next two years. CSS(E)L has a high-quality portfolio comprising of relationships with regulated funds, qualifying central counterparties and banks. In addition to a UK country exposure limit, CRM has introduced a lower exposure review trigger to improve management oversight of the portfolio. CRM continues to assess its risk to further sterling weakening through GBP-focused scenarios.

Regulatory Market Changes

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

Litigation

The risks in relation to litigation are set out in Note 33 – Guarantees and Commitments.

Liquidity

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

The CS group considers a strong and efficient liquidity position to be a priority. The liquidity position is monitored in accordance with all metrics, taking account of the current regulatory regime and any forthcoming changes to the regulatory framework or to the Company's business strategy. The CS group continues to provide confirmation that it will provide sufficient funding to CSS(E)L

Group to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations.

Significant Accounting Developments

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

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

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

The CSS(E)L Group has established a cross-functional implementation team and governance structure for the project to implement IFRS 9 and IFRS 15.

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

Key Credit Risk Developments

2016 was a year marked by significant political events in several countries and regions, including the UK referendum on leaving the European Union and the US presidential election. Events and other key risks which could potentially have an impact on the credit portfolio of the Company are discussed further below.

European Banks

European banks continued to feature in the news in 2016, most notably Deutsche Bank's settlement with the US Department of

Justice over its involvement in US residential-mortgage-backed securities, and the ongoing capital-raising efforts of Italian banks. CSS(E)L's exposure is weighted towards financial counterparties, including a concentration in the banking industry, however this is diversified across regions and counterparties. Exposures to European banks remain within CSS(E)L's risk appetite. With respect to Italian banks, CRM has actively managed down credit exposure over a number of years and CSS(E)L has no significant exposure to weaker Italian banks that may require recapitalisation.

Selected credit risk exposure views by country and industry segment

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

The table below shows selected exposures in CSS(E)L by country, including the three largest countries and risk focus

countries. Two of the three largest country exposures are in large developed countries with stable economies (United States and United Kingdom), while CSS(E)L also has exposure in the Republic of Korea in relation to its Seoul Branch. CSS(E)L undertakes business with counterparties across the Eurozone and the table includes the countries with the largest net exposures. With elections in several key countries, 2017 is likely to see increased political risk in the Eurozone, however the table shows that exposures have been reducing in Germany, France and the Netherlands.

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

31 December 2016 (USD millions)	Sovereign		Financial Institutions		Corporate		Total		Annual Δ		Net Exposure as % of All Country Exposures
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	
United States	0	0	2,921	2,669	43	43	2,964	2,712	364	400	31%
United Kingdom	0	0	2,375	1,942	61	61	2,436	2,003	(407)	(444)	23%
Republic of Korea	0	0	628	628	0	0	628	628	(87)	(87)	7%
Germany	0	0	538	527	88	88	626	615	(335)	(340)	7%
France	0	0	454	335	111	111	565	446	(184)	(265)	5%
Netherlands	0	0	154	154	51	51	205	205	(106)	(104)	5%
Total	0	0	7,070	6,255	354	354	7,424	6,609	(755)	(840)	75%

31 December 2015 (USD millions)	Sovereign		Financial Institutions		Corporate		Total	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
United States	0	0	2,511	2,223	89	89	2,600	2,312
United Kingdom	0	0	2,685	2,289	158	158	2,843	2,447
Republic of Korea	58	58	657	657	0	0	715	715
Germany	0	0	809	803	152	152	961	955
France	165	165	496	458	88	88	749	711
Netherlands	0	0	258	256	53	53	311	309
Total	223	223	7,416	6,686	540	540	8,179	7,449

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

Industry Segments (USD millions)	2016			2015		Annual Δ	
	Gross Exposure	Net Exposure	Net Exposure as % of All Industry Segment Exposures	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Funds, Assets, Trusts, and Other Financial Vehicles	4,113	3,377	39%	6,778	5,737	(2,665)	(2,360)
Commercial Banks	2,000	1,812	21%	2,283	2,192	(284)	(381)
Central Clearing Parties	1,148	1,148	13%	862	861	286	287
Total	7,261	6,337	74%	9,923	8,790	(2,663)	(2,454)

Capital Resources

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

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

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

Changes in senior and subordinated debt are set out in Note 24 – Long Term Debt. Changes in capital are set out in Note 27 – Share Capital and Share Premium.

Corporate Governance

Internal Control and Financial Reporting

Board responsibility

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

The key procedures that have been established are designed to provide effective internal control within the CSS(E)L Group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the CSS(E)L Group have been in place throughout the year and up to 30 March 2017, the date of approval of the Credit Suisse Securities (Europe) Limited Annual Report for 2016.

Key risk appetite is formally reviewed and assessed at least once a year by the Board. Key risks are formally reviewed and assessed on a quarterly basis 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 forecasts, and other performance data.

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

Strategy and Management

- Set local strategy and oversee that the management of CSS(E)L is in line with the strategy of the CSG;
- Act in good faith in the best interests of the Company, exercise independent judgement and avoid conflicts of interest where possible or declare conflicts and ensure they are managed;
- Ensure the fulfilment of the CSS(E)L statutory duties and that CSS(E)L operates within the rules of applicable jurisdictions;
- Ensure that CS group policies applicable to CSS(E)L are in accordance with the appropriate law and regulatory requirements and guidelines, and are being properly implemented at the CSS(E)L level;
- Manage CSS(E)L business within the business framework of CSG, delegating to Board Committees as appropriate and ensure that CSS(E)L subsidiaries, branches and representative offices are adequately controlled;
- Review the business strategy as recommended by executive management ensuring that it does not expose CSS(E)L to unacceptable risk;
- Provide direction for and challenge to management;
- Review CSS(E)L performance and execution of business strategy and plan;

- Ensure that CSS(E)L has adequate financial resources to meet objectives and effectively manage risk;
- Review material new business proposals;
- Review standard reporting, including CSS(E)L financials, risk exposures, capital, liquidity and funding; and
- Review material internal control, regulatory, legal and compliance issues.

Culture

- Review initiatives to support appropriate culture, conduct and behaviour of staff;
- Review disciplinary actions by management quarterly and at year end for compensation purposes;
- Review CSS(E)L Executive Committee decisions regarding registration and de-registration of Senior Managers;
- Ensure that HR policies accord with the law and do not expose CSS(E)L to unacceptable risk; and
- Review reports prepared by Compliance and the Audit Committee on CSS(E)L systems and controls in relation to whistleblowing.

Risk Management

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

Financial Reporting and Internal Control

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

Board Evaluation

Each year, the Board undertakes a formal, rigorous Board Evaluation against the responsibilities listed in its Terms of Reference and the Board's objectives to assess Board Committee effectiveness and to evaluate and decide on future objectives, and focus topics and work plan, in light of the CS group Strategy and structure, and to identify internal briefings / training and professional development required by individual Directors in the coming years. The Evaluation also assists the Board Nomination Committee to assess the structure, size, composition and performance of the Board, and knowledge, skills, experience and diversity of Board members and Board succession planning and Board member appointments. From time to time, the Board may also mandate an external advisor to facilitate the evaluation process; usually the evaluation is internal for two years and external for every third year.

The Board held the annual 2016 Board Evaluation and reviewed the Board performance including self-assessment questionnaires and time allocations and considered year-end target achievements compared to the Board objectives, Board governance including structure and composition, and proposed 2017 Board objectives. The 2016 Board Evaluation also took into account the findings of the Financial Reporting Council 'Corporate Culture and the Role of the Board' statement and the PRA rules regarding diversity within firms' management bodies.

It was concluded that the Board was effective and Board Director performance was satisfactory in 2016. The Board agreed its 2017 Objectives.

Board Training

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

Board Meetings

Ten Board meetings and one Board Strategy Onsite were held in 2016. All members of the Board are expected to spend the necessary time outside of these meetings to discharge their responsibilities appropriately. The Chair calls the meetings with sufficient notice and prepares an agenda for each meeting. The Chair has the discretion to invite members of management or others to attend the meetings. The Board also holds separate private sessions without management present. Minutes are kept of the proceedings and resolutions of the Board.

Meeting attendance

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

Meeting attendance

	Board of Directors	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Conflicts Committee
in 2016						
Total number of meetings held	10	6	4	3	4	1
Number of members who missed no meetings	7	3	3	2	4	2
Number of members who missed one meeting	4	1	1	1	–	–
Number of members who missed two or more meetings	1	–	–	–	–	–
Meeting attendance, in %	93	94	94	89	100	100

¹ The Board consisted of seven members as of the beginning of the year and nine members at the end of the year respectively, with three members resigned during the year and five members being appointed.

² The Audit/Risk/Nomination/Remuneration Committee consisted of three members as of the beginning of the year and at the end of the year, with one member resigning and one being appointed.

³ The Conflicts Committee consists of two members.

Committees

Certain responsibilities are delegated to Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management: The Chair of each Board Committee reports to the Board on the matters discussed at Committee meetings.

Credit Suisse Securities (Europe) Limited Audit Committee

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

- monitoring and assessing the overall integrity of the financial statements and disclosures of the financial condition, results of operations and cash flows of CSS(E)L;
- reporting to the CSS(E)L Board on the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the AC was in that process;
- monitoring the adequacy and integrity of the financial accounting and reporting processes and the effectiveness of internal quality controls and risk management systems regarding CSS(E)L's financial reporting;
- monitoring processes designed to ensure compliance by CSS(E)L in all significant respects with legal and regulatory requirements, including disclosure controls and procedures, and the impact (or potential impact) of developments related thereto;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee;
- reviewing and assessing the integrity, independence and effectiveness of CSS(E)L's policies and procedures on whistleblowing, including those policies and procedures intended to protect whistle-blowers from being victimised because they have disclosed reportable concerns;
- being responsible for the procedure for the selection of the External Auditors and recommending the External Auditors to be appointed;

- monitoring the qualifications, independence and performance of the External Auditors including the suitability of the External Auditors' provision (if any) of non-audit services to the Company;
- monitoring the statutory audit of CSS(E)L annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions by the competent authority; and
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of CSS(E)L Internal Audit Department, in particular its implementation and maintenance of an audit plan to examine and evaluate the adequacy and effectiveness of CSS(E)L's systems, internal control mechanisms and arrangements.

In reviewing the Credit Suisse Securities (Europe) Limited Annual Report 2016, 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.

The Audit Committee members are Alison Halsey (Chair), Norreen Doyle and Robert Endersby.

Credit Suisse Securities (Europe) Limited Risk Committee

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

- providing advice to the Board on CSS(E)L overall current and future risk appetite and assisting the Board in overseeing the implementation of that strategy by management;
- reviewing and approving the strategies and policies for taking up, managing, monitoring and mitigating the risks the firm is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance of the risk management function of CSS(E)L in particular as it relates

to market, credit, and liquidity and funding risks and non-financial risks such as legal, strategic and business risks; and group risk;

- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of the compliance function of CSS(E)L including processes and organizational structures to detect and monitor any risk of failure to comply with applicable regulatory requirements or that CSS(E)L may be used to further financial crime;
- reviewing the adequacy of CSS(E)L regulatory capital and its allocation to CSS(E)L businesses;
- reviewing certain risk limits and regular risk reports including Risk Appetite and make recommendations to the Board;
- reviewing the Internal Capital Adequacy Assessment Process (ICAAP) and providing input into the range of scenarios and analyses that management should consider;
- reviewing the Internal Liquidity Adequacy Assessment Process (ILAAP) and providing input into the range of scenarios and analyses that management should consider;
- reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee; and
- reviewing and assessing the adequacy of the management of operational risks including the adequacy of the internal control system, jointly with the Audit Committee.

The Risk Committee members are Robert Endersby (Chair), Noreen Doyle and Alison Halsey.

Credit Suisse Securities (Europe) Limited Nomination Committee

Credit Suisse Securities (Europe) Limited is defined as a CRR firm (i.e. a firm subject to EU regulation on prudential requirements for credit institution and investment firms) supervised by the PRA which is required to:

- establish a Nomination Committee ('NC') composed of members of the Board who do not perform any executive function in the Company;
- ensure that the NC is able to use any forms of resources the NC deems appropriate, including external advice; and
- ensure that the NC receives appropriate funding.

The duties of the NC are to:

- engage a broad set of qualities and competences when recruiting members to the Board and put in place a policy promoting diversity on the Board;
- identify and recommend for approval, by the Company shareholder (CSG), candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Board;
- make recommendations to the Board concerning the role of the Chair and membership of the Board committees, in consultation with the Chairs of those committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- periodically, and at least annually, assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;

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

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

Credit Suisse Securities (Europe) Limited Advisory Remuneration Committee

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

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

The CSS(E)L Advisory Remuneration Committee members are Noreen Doyle (Chair), Alison Halsey and Robert Endersby.

Credit Suisse Securities (Europe) Limited Conflicts Committee

The Board has formed a Board Conflicts Committee consisting of two independent Non-Executive Directors Alison Halsey and Robert Endersby. The Committee reviews the effectiveness of the Conflicts Management Framework annually. The Committee met in 2016 and concluded that the Framework operated effectively in 2016.

Board Diversity Policy

CSS(E)L recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse board. The Board Diversity Policy sets out the approach to diversity on the Board of Directors. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Committee will consider these differences in determining the optimum composition of the Board and when possible will be balanced appropriately. At the date of adoption of this Policy, the Board set a target to ensure that at least 25 per cent female representation on the Board to be achieved by the end of 2016; the Board continue to monitor its

target in 2017 through periodic reviews of structure, size, composition and performance of the Board.

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

Risk management

Overview

The Company's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Company's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect the Company's financial strength and reputation, while ensuring that capital and liquidity is well deployed to support business activities and grow shareholder value. The

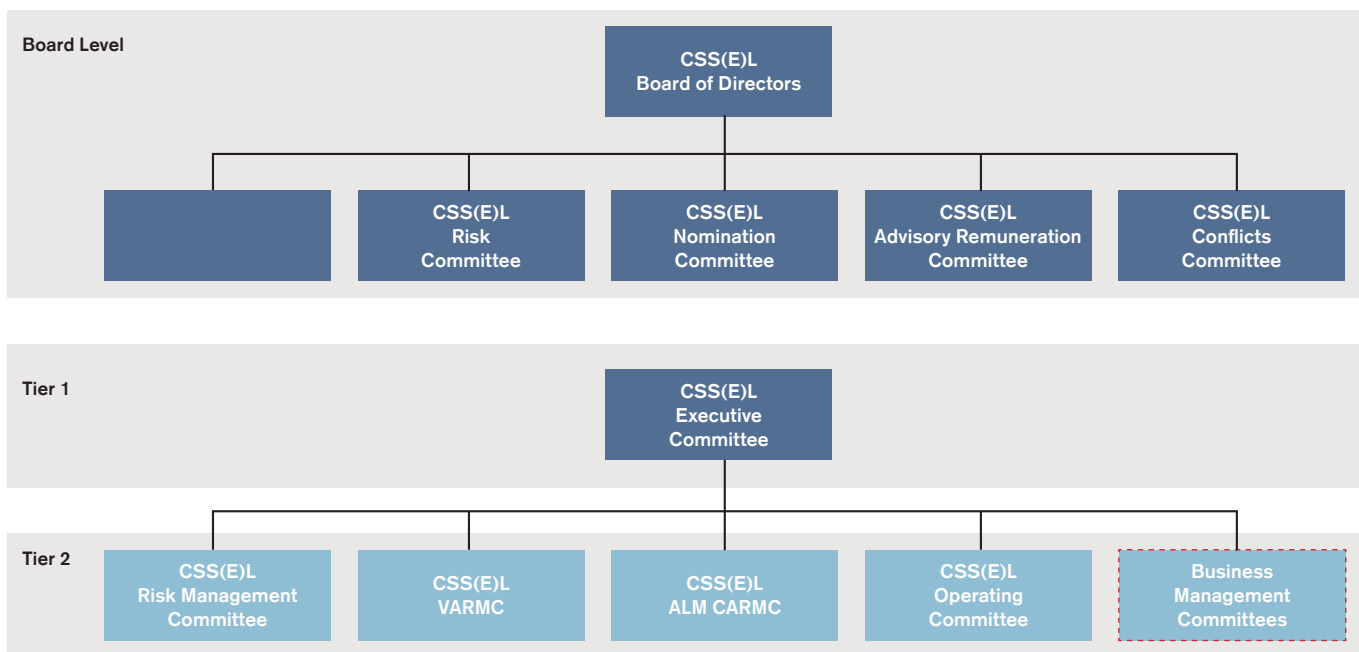
Company has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring all relevant risks including credit, market, liquidity, operational and reputational risks, and managing concentrations of risks.

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 Governance Committees



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

The purpose of the CSS(E)L Executive Committee is to support the CEO, CSS(E)L in the day-to-day management of CSS(E)L and, in particular, in the delivery of the strategy agreed by the CSS(E)L Board. The CSS(E)L Executive Committee facilitates the decision-making process which impacts all aspects of CSS(E)L

including: culture, strategy, revenue, reporting, policy, regulatory compliance, risk and control, costs and people. The CSS(E)L Executive Committee is also responsible for identifying and escalating issues to the CSS(E)L Board or relevant Board committees for review, recommendation and/or approval as necessary.

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

- CSS(E)L Risk Management Committee ('CSS(E)L RMC'): chaired by the CRO of CSS(E)L, the CSS(E)L RMC is delegated authority from the CSS(E)L Executive Committee to establish more granular limits within the bounds of CSS(E)L's overall risk limits and risk appetite. Its purpose is to:
 - i ensure that proper standards for risk oversight and management are in place;
 - ii make recommendations to the CSS(E)L Board on risk appetite;
 - iii review the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment Process ('ILAAP') and make recommendations to the CSS(E)L Board;
 - iv define and establish risk limits for both individual businesses and at the portfolio level within authorities delegated by the CSS(E)L Board; and
 - v review and implement appropriate controls over remote booking risk relating to CSS(E)L.
 - Valuation Risk Management Committee ('VARMC') is the most senior decision making forum for valuation issues in CSS(E)L, and is run as a sub-committee of CSG VARMC. Its purpose is to:
 - i review, challenge and ratify/modify conclusions from Inventory Valuation Reviews; and
 - ii direct resolution of significant inventory valuation issues. It also establishes non-actionable variance thresholds (both positive and negative) that are to be monitored on a monthly basis.
 - CSS(E)L Asset and Liability Management ('ALM') Capital Allocation and Risk Management Committee ('CARMC'): chaired by the CFO, CSS(E)L, the CSS(E)L ALM CARMC is responsible for assisting the CSS(E)L Board in providing a robust governance and oversight function with respect to capital, liquidity and balance sheet management in relation to CSS(E)L. Its purpose is to:
 - i monitor and challenge the capital and liquidity positions of CSS(E)L against internal and external regulatory limits;
 - ii monitor and challenge the systems and controls related to the ALM management framework for CSS(E)L; and
 - iii manage CSS(E)L's leverage ratio.
 - CSS(E)L Operating Committee ('CSS(E)L OpCo'): The CSS(E)L OpCo is chaired by the Deputy CEO, CSS(E)L and has a remit in relation to CSS(E)L, CSi and CS AG London Branch. In relation to the activities of CSS(E)L, it provides a forum for the effective management of front-to-back issues and the efficient communication of priorities to all departments of CSS(E)L. It manages both ongoing business activities and also change management activities:
 - For ongoing business activities its purpose is to:
 - i communicate strategy / business plans to support functions;
 - ii ensure outsourcing activities are managed in line with applicable policies; and
 - iii ensure good communication between CSS(E)L management and central function heads and relevant business COO for CSS(E)L activities.
 - For change management activities its purpose is to:
 - i ensure that project needs of CSS(E)L are anticipated at an early stage, are prioritised appropriately against other division/function priorities, and are reported on accurately; and
 - ii provide an escalation route for change teams, individual businesses or central function heads to use to resolve prioritisation, resource and budget issues (often through onwards escalation to CSS(E)L Executive Committee for matters relating to CSS(E)L).
 - CSS(E)L Business Management Committees ('CSS(E)L BMC'): Divisional CEOs have established management committee structures to undertake the management of divisional operations. Certain of these committees have a key role to play in UK governance, with reporting requirements into the CSS(E)L Executive Committee in relation to the activities of CSS(E)L. The CSS(E)L Executive Committee establishes governance requirements appropriate to its UK specific remit and agrees with the relevant committee procedures for the ongoing management of, and reporting against, these requirements. The following divisional committees are responsible for identifying issues relevant to those requirements, for escalation to the CSS(E)L Executive Committee:
 - i Europe, Middle East and Africa ('EMEA') Global Markets Management Committee;
 - ii EMEA Investment Banking & Capital Markets Operating Committee ('EMEA IBCM OpCo');
 - iii Strategic Risk Oversight Board; and
 - iv APAC.
- Tier 3 Risk Management Committees are:
- The CSS(E)L Credit Risk Committee, chaired by the CSS(E)L Chief Credit Officer, defines and implements the CSS(E)L Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the CSS(E)L credit portfolio including counterparty, sector and concentration.
 - The CSS(E)L Market Risk Committee, chaired by the CSS(E)L Head of Market Risk, defines and implements the CSS(E)L Market Risk Framework. It is responsible for reviewing emerging risks and assessing any issues that impact on the CSS(E)L market risk profile.
 - The CSS(E)L Operational Risk Management Committee, chaired by the CSS(E)L Head of Operational Risk, provides oversight for operational risk management in the UK entities including review and challenge of the operational risk profile, defining and implementing operational risk mitigation strategies and supporting the assessment and allocation of operational risk capital.

- The CSS(E)L Stress Test Committee, chaired by the CSS(E)L 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 CSS(E)L Reputational Risk Committee, co-chaired by the CSS(E)L CRO, CSS(E)L CCO and Deputy CEO CSS(E)L, is responsible for reviewing and approving transactions that pose a material risk to the company's reputation and are escalated as having potential to have a negative impact on the CSS(E)L'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 2016, comprises:

- Market (Traded and Non Traded) and Liquidity Risk Management;
- Credit Risk Management;
- Operational Risk Management;
- Enterprise Risk Management; and
- Reputational 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 and Liquidity Risk Management ('MLRM') 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;
- 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; and
- Reputational Risk Management ('RMR') is responsible for assessing actions or transactions which may pose a reputational risk to the Company's reputation as escalated by both the First and Second Lines of Defence, providing independent appraisal and facilitating the calibration of such risks.

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 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.

Within the bounds of the overall risk appetite of the Company, as defined by the limits set by the Board, the CSS(E)L CRO is the nominated executive who is responsible for implementing a limit framework 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') and scenario analysis, although they also include risk sensitivities, notional and other metrics. Liquidity risk limits include regulatory and internal metrics based on computing liquidity inflows and outflows under stress scenarios over different time horizons. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty, country, industry, product and scenario limits, which are used to mitigate concentration risks. These risk limits are generally set to ensure that any meaningful increase in risk exposures is promptly identified, analysed and, where necessary, escalated to more senior levels of management. In addition, the Company has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (Company-wide statements linked to risk and control indicators) terms.

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.

Corporate employee policy

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

Internal experts work closely with the businesses across all regions to ensure that the diversity and inclusion strategy is firmly embedded in CSS(E)L's Group corporate culture. Managers are

advised on the planning and implementation of necessary internal structures and measures to ensure CSS(E)L Group can offer an inclusive working environment that is free from discrimination and can take the specific needs of clients into account in CSS(E)L Group product and service offering. Councils headed by senior leaders are responsible for ensuring that CSS(E)L Group systematically strives to achieve the targets defined and appropriate measures are implemented.

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

In December in anticipation of the global launch of a set of new Conduct and Ethics Standards for the bank in 2017, new governance was implemented in the UK to manage the delivery of our Culture Program and the disciplinary process. As such, the UK Culture Steering Committee and the Disciplinary Review Committee became the UK Conduct and Ethics Board ('UK CEB').

The UK CEB has two related purposes:

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

With regards to disciplinary decisions the UK CEB:

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

The UK CEB is chaired by the Company's CEO and comprises senior regional representatives from the businesses and Corporate Functions.

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 Company, which are run by employees on a voluntary basis, and focus on women, families, Lesbian, Gay, Bisexual and Transgender ('LGBT') individuals, the older and younger generations and employees from various ethnic backgrounds. The networks within the Company also support veterans, employees with physical disabilities, mental health issues and employees who have responsibilities of care.

Modern Slavery & Human Trafficking

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

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

The complete statement, made pursuant to section 54, Part 6 of the Modern Slavery Act 2015, is publicly available and can be found at www.credit-suisse.com.

By Order of the Board



Paul E Hare
Company Secretary

One Cabot Square
London E14 4QJ
30 March 2017

Directors' Report for the year ended 31 December 2016

International Financial Reporting Standards

The CSS(E)L Group and Company 2016 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 2017.

Dividends

No dividends were paid or are proposed for the year ended 31 December 2016 (2015: 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 2015 and up to the date of this report are as follows:

Appointment

Stephen Dainton	29 January 2016
David Mathers (CEO)	24 March 2016
Eraj Shirvani	16 June 2016
Robert Arbuthnott	22 July 2016
Robert Endersby	29 September 2016

Resignation

Stephen Dainton	26 January 2017
David Livingstone	04 March 2016
Jason Forrester	25 March 2016
Gael de Boissard	31 December 2015
Richard Thornburgh	31 May 2016

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.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report Strategic Report, the Directors' 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's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company 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 CSS(E)L Group's and of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Risk and Capital

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

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

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.

By Order of the Board



Robert Arbuthnott
Director

One Cabot Square
London E14 4QJ
30 March 2017

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 ('CSS(E)L') for the year ended 31 December 2016 set out on pages 24 to 136. 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 ('the 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 as set out on pages 21 to 22, 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 <https://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 Company's affairs as at 31 December 2016 and of the CSS(E)L Group's loss for the year then ended;
- the CSS(E)L Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Dean Rogers
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 March 2017

Financial Statements for the year ended 31 December 2016

Consolidated Statement of Income for the Year ended 31 December 2016

	Reference to note	2016	in 2015 ¹
Consolidated Statement of Income (USD million)			
Continuing Operations			
Interest income	4	304	249
Interest expense	4	(470)	(471)
Net interest expense		(166)	(222)
Commission and fee income	5	532	594
Commission and fee expense	5	(64)	(56)
Net commission and fee income		468	538
Net gains from financial assets/liabilities at fair value through profit or loss	6	637	575
Other revenues	7	(26)	(67)
Net revenues		913	824
Compensation and benefits	8	(546)	(878)
General, administrative and trading expenses	9	(453)	(497)
Restructuring expenses	10	(10)	(54)
Total operating expenses		(1,009)	(1,429)
Loss before taxes from continuing operations		(96)	(605)
Income tax (expense)/benefit from continuing operations	11	(5)	42
Loss after taxes from continuing operations		(101)	(563)
Discontinued Operations			
Profit before tax from discontinued operations	25	116	8
Income tax expense from discontinued operations	25	(43)	(3)
Profit after taxes from discontinued operations		73	5
Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders		(28)	(558)

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2016

CSS(E)L Group and Company	2016	2015
Consolidated Statement of Comprehensive Income (USD million)		
Net loss	(28)	(558)
Re-measurement of net defined benefit asset	184	(7)
Total items that will not be reclassified to net income	184	(7)
Foreign currency translation differences	(17)	(40)
Net investment hedge – net gain	10	22
Cash flow hedges – effective portion of changes in fair value	–	(13)
Cash flow hedges – reclassified to profit or loss	6	46
Total items that may be reclassified to net income	(1)	15
Other comprehensive income, net of tax	183	8
Total comprehensive income/(loss)	155	(550)
Attributable to Credit Suisse Securities (Europe) Limited shareholders	155	(550)

Refer to Note 26 Accumulated Other Comprehensive Income for details.

The Company's loss after tax was USD 28 million for the year ended 31 December 2016 (2015: Loss USD 558 million). As permitted by s408 of the Companies Act 2006, no separate income statement is presented in respect of the Company.

Consolidated Statement of Financial Position as at 31 December 2016

	Reference to note	2016	end of 2015
Assets (USD million)			
Cash and due from banks		3,187	8,874
Interest bearing deposits with banks		8,763	9,700
Securities purchased under resale agreements and securities borrowing transactions	13	11,686	5,143
Trading financial assets at fair value through profit or loss	14	13,880	20,682
of which positive market values from derivative instruments	14	3,345	4,482
Financial assets designated at fair value through profit or loss	15	23,613	28,587
Financial assets available-for-sale	16	33	33
Current tax assets		117	99
Deferred tax assets	12	18	18
Other assets	17	6,213	6,525
Property and equipment	19	7	4
Intangible Assets	20	1	1
Assets held for sale	26	51,435	63,876
Total assets		118,953	143,542
Liabilities (USD million)			
Deposits	21	169	160
Securities sold under repurchase agreements and securities lending transactions	13	72	62
Trading financial liabilities at fair value through profit or loss	14	7,537	9,789
of which negative market values from derivative instruments	14	2,964	4,876
Financial liabilities designated at fair value through profit or loss	15	23,810	25,732
Short term borrowings	22	3,667	2,761
Current tax liabilities		1	–
Deferred tax liabilities	12	52	–
Other liabilities	17	18,078	16,141
Provisions	23	6	2
Long term debt	24	24,762	26,419
Liabilities held for sale	25	32,670	54,502
Total liabilities		110,824	135,568
Shareholders' equity (USD million)			
Share capital	27	3,859	3,859
Share premium	27	5,661	5,661
Capital contribution		5,662	5,662
Retained earnings		(7,025)	(6,997)
Accumulated other comprehensive income	26	(28)	(211)
Total shareholders' equity		8,129	7,974
Total liabilities and shareholders' equity		118,953	143,542

Approved by the Board of Directors on 30 March 2017 and signed
on its behalf by:



Robert Arbuthnott
Director

Company Statement of Financial Position as at 31 December 2016

	Reference to note	2016	end of 2015
Assets (USD million)			
Cash and due from banks		3,183	8,870
Interest bearing deposits with banks		8,763	9,700
Securities purchased under resale agreements and securities borrowing transactions	13	11,686	5,143
Trading financial assets at fair value through profit or loss	14	14,433	21,249
of which positive market values from derivative instruments	14	3,898	5,049
Financial assets designated at fair value through profit or loss	15	23,010	27,962
Financial assets available-for-sale	16	33	33
Current tax assets		117	99
Deferred tax assets	12	18	18
Other assets	17	6,189	6,506
Property and equipment	19	7	4
Intangible Assets	20	1	1
Assets held for sale	25	51,435	63,876
Total assets		118,875	143,461
Liabilities (USD million)			
Deposits	21	169	160
Securities sold under repurchase agreements and securities lending transactions	13	72	62
Trading financial liabilities at fair value through profit or loss	14	7,505	9,755
of which negative market values from derivative instruments	14	2,932	4,842
Financial liabilities designated at fair value through profit or loss	15	23,798	25,720
Short term borrowings	22	3,667	2,761
Current tax liabilities		1	–
Deferred tax liabilities	12	52	–
Other liabilities	17	18,048	16,110
Provisions	23	6	2
Long term debt	24	24,762	26,419
Liabilities held for sale	25	32,670	54,502
Total liabilities		110,750	135,491
Shareholders' equity			
Share capital	27	3,859	3,859
Share premium	27	5,661	5,661
Capital contribution		5,662	5,662
Retained earnings		(7,029)	(7,001)
Accumulated other comprehensive income	26	(28)	(211)
Total shareholders' equity		8,125	7,970
Total liabilities and shareholders' equity		118,875	143,461

Approved by the Board of Directors on 30 March 2017 and signed
on its behalf by:



Robert Arbutnott
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI ¹	Total share- holders' equity
2016 Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2016		3,859	5,661	5,662	(6,997)	(211)	7,974
Foreign exchange translation differences		-	-	-	-	(17)	(17)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	10	10
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	-	-
Cash flow hedges – reclassified to profit or loss		-	-	-	-	6	6
Re-measurement of defined benefit liability		-	-	-	-	184 ²	184
Net loss recognised directly in retained earnings and AOCI		-	-	-	-	183	183
Net loss for the year		-	-	-	(28)	-	(28)
Total comprehensive loss recognised for the year		-	-	-	(28)	183	155
Balance at 31 December 2016		3,859	5,661	5,662	(7,025)	(28)	8,129
2015 Consolidated statement of changes in equity (USD million)							
Balance at 1 January 2015		3,859	5,661	5,390	(6,439)	(219)	8,252
Foreign exchange translation differences		-	-	-	-	(40)	(40)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	22	22
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	(13)	(13)
Cash flow hedges – reclassified to profit or loss		-	-	-	-	46	46
Re-measurement of defined benefit asset		-	-	-	-	(7) ²	(7)
Net loss recognised directly in AOCI		-	-	-	-	8	8
Net loss for the year		-	-	-	(558)	-	(558)
Total comprehensive loss recognised for the year		-	-	-	(558)	8	(550)
Increase in Capital Contribution from sale of business to a common control entity	25	-	-	272	-	-	272
Balance at 31 December 2015		3,859	5,661	5,662	(6,997)	(211)	7,974

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 2016

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI ¹	Total share- holders' equity
2016 Company statement of changes in equity (USD million)							
Balance at 1 January 2016		3,859	5,661	5,662	(7,001)	(211)	7,970
Foreign exchange translation differences		-	-	-	-	(17)	(17)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	10	10
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	-	-
Cash flow hedges – reclassified to profit or loss		-	-	-	-	6	6
Re-measurement of defined benefit liability		-	-	-	-	184 ²	184
Net loss recognised directly in retained earnings and AOCI		-	-	-	-	183	183
Net loss for the year		-	-	-	(28)	-	(28)
Total comprehensive loss recognised for the year		-	-	-	(28)	183	155
Balance at 31 December 2016		3,859	5,661	5,662	(7,029)	(28)	8,125
2015 Company statement of changes in equity (USD million)							
Balance at 1 January 2015		3,859	5,661	5,390	(6,443)	(219)	8,248
Foreign exchange translation differences		-	-	-	-	(40)	(40)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	22	22
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	(13)	(13)
Cash flow hedges – reclassified to profit or loss		-	-	-	-	46	46
Re-measurement of defined benefit asset		-	-	-	-	(7) ²	(7)
Net loss recognised directly in AOCI		-	-	-	-	8	8
Net loss for the year		-	-	-	(558)	-	(558)
Total comprehensive loss recognised for the year		-	-	-	(558)	8	(550)
Increase in Capital Contribution from sale of business to a common control entity	25	-	-	272	-	-	272
Balance at 31 December 2015		3,859	5,661	5,662	(7,001)	(211)	7,970

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

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Reference to notes	2016 ¹	2015 ¹
Cash flows from operating activities (USD million)			
Loss before tax for the period		20	(597)
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	3	16
Pension plan charge	28	(83)	(33)
Foreign exchange losses / (gains)		(1,303)	(1,767)
Accrued interest on long term debt		447	442
Share-based payment expense		(9)	(219)
Cash generated before changes in operating assets and liabilities		(925)	(2,158)
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		937	(7,521)
Securities purchased under resale agreements and securities borrowing transactions	13,25	667	8,283
Trading financial assets at fair value through profit or loss	14,25	8,656	18,695
Financial assets designated at fair value through profit or loss	15,25	4,974	12,452
Other assets		3,823	5,113
Net decrease in operating assets		19,057	37,022
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	13,25	(10,978)	(14,000)
Deposits	21	9	(1,549)
Short term borrowings	22	906	(3,240)
Trading financial liabilities at fair value through profit or loss	14,25	(4,912)	(2,834)
Financial liabilities designated at fair value through profit or loss	15,25	(1,918)	(17,830)
Accrued expenses and other liabilities		(6,689)	(5,132)
Provisions	23	4	-
Net decrease in operating liabilities		(23,578)	(44,585)
Income taxes paid		(31)	(26)
Income tax refunded		16	45
Pension plan contribution	28	(11)	(10)
Net cash from/(used in) operating activities		(5,472)	(9,712)
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	19,20	141	162
Capital expenditure for property, equipment and intangible assets	19,20	(151)	(162)
Net cash from/(used in) from investing activities		(10)	-
Cash flows from financing activities (USD million)			
Issuance of long term debt (including long term debt at fair value through profit or loss)		6,308	10,125
Repayment of long term debt		(6,513)	(13,539)
Increase In Capital Contribution due to sale of business to common control entity	25	-	272
Net cash generated/(provided) by financing activities		(205)	(3,142)
Net increase in cash and due from banks		(5,687)	(12,854)
Cash and due from banks at beginning of period		8,874	21,728
Cash and due from banks at end of period		3,187	8,874
Cash and due from banks		1,407	1,624
Demand deposits		1,780	7,250
Cash and due from banks at end of period		3,187	8,874

¹ The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 25

Company Statement of Cash Flows for the year ended 31 December 2016

	Reference to notes	2016 ¹	2015 ¹
Cash flows from operating activities (USD million)			
Loss before tax for the period		20	(597)
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	3	16
Pension plan charge	28	(83)	(33)
Foreign exchange losses / (gains)		(1,303)	(1,767)
Accrued interest on long term debt		447	442
Share-based payment expense		(9)	(219)
Cash generated before changes in operating assets and liabilities		(925)	(2,158)
Net (increase) /decrease in operating assets:			
Interest bearing deposits with banks		937	(7,521)
Securities purchased under resale agreements and securities borrowing transactions	13,25	667	8,283
Trading financial assets at fair value through profit or loss	14,25	8,670	18,696
Financial assets designated at fair value through profit or loss	15,25	4,952	12,101
Other assets		3,827	5,130
Net decrease in operating assets		19,053	36,689
Net increase /(decrease) in operating liabilities:			
Securities sold under repurchase agreements and securities lending transactions	13,25	(10,978)	(14,000)
Deposits	21	9	(1,549)
Short term borrowings	22	906	(3,240)
Trading financial liabilities at fair value through profit or loss	14,25	(4,909)	(2,833)
Financial liabilities designated at fair value through profit or loss	15,25	(1,916)	(17,502)
Accrued expenses and other liabilities		(6,691)	(5,128)
Provisions	23	4	–
Net decrease in operating liabilities		(23,575)	(44,252)
Income taxes paid		(31)	(26)
Income tax refunded		16	45
Pension plan contribution	28	(11)	(10)
Net cash from/(used in) operating activities		(5,473)	(9,712)
Cash flows from investing activities (USD million)			
Proceeds from sale of premises, equipment and intangible assets	19,20	141	162
Capital expenditure for property, equipment and intangible assets	19,20	(151)	(162)
Net cash from/(used in) investing activities		(10)	–
Cash flows from financing activities (USD million)			
Issuances of long term debt (including long term debt at fair value through profit or loss)		6,308	10,125
Repayment of long term debt		(6,513)	(13,539)
Increase In Capital Contribution due to sale of business to common control entity	25	–	272
Net cash generated/(provided) by financing activities		(205)	(3,142)
Net increase in cash and due from banks		(5,688)	(12,854)
Cash and due from banks at beginning of period		8,871	21,725
Cash and due from banks at end of period		3,183	8,871
Cash and due from banks		1,404	1,642
Demand deposits		1,779	7,229
Cash and due from banks at end of period		3,183	8,871

¹ The Company has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 25

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Notes to the Financial Statements for the year ended 31 December 2016

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 2016 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 2017.

2 Significant Accounting Policies

a) Statement of compliance

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

b) Basis of preparation

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

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

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

CSG continues to provide confirmation that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations

for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

Standards and Interpretations effective in the current period

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

- Annual Improvements to IFRSs 2012-2014 Cycle: In September 2014, the IASB issued 'Annual Improvements to IFRSs 2012-2014 cycle' (Improvements to IFRSs 2012-2014). The adoption of the Improvements to IFRSs 2012-2014 on 1 January 2016, did not have an impact to the CSS(E)L Group's financial position, results of operation or cash flows.
- Amendments to IAS 27: Equity Method in Separate Financial Statements: In August 2014 the IASB issued 'Equity Method in Separate Financial Statements' (Amendments to IAS 27). 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 adoption of the Amendments to IAS 27 on 1 January 2016, did not have an impact to the CSS(E)L Group's financial position, results of operation or cash flows.
- 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 allow entities to use more judgement when preparing and presenting financial statements. As the Amendments to IAS 1 impact disclosures only, the adoption on 1 January 2016, did not have an impact to 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 adoption of the Amendments to IFRS 10, IFRS 12 and IAS 28 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 and have 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. The amendments to IFRS 7 resulting from IFRS 9 also require new disclosures as well as the revision of current disclosure requirements.

Under IFRS 9, financial assets will be classified on the basis of two criteria: 1) the business model of how the financial assets are managed and 2) the contractual cash flow characteristics of the financial asset. These factors will determine whether the financial assets are measured at Amortised Cost, Fair value through Other Comprehensive Income or Fair value through Profit & Loss. The accounting for financial liabilities remains largely unchanged except for those financial liabilities designated at fair value through profit or loss, where the gains and losses arising from changes in credit risk will be presented in Other Comprehensive Income rather than profit or loss. The CSS(E)L Group has not yet identified any material changes to the classification and measurement of financial instruments however this review remains ongoing.

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost and fair value through other comprehensive income as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected loss model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date.

If the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement will change from 12-month expected credit losses (Stage 1) to lifetime expected credit losses (Stage 2). Therefore impairment will be recognized earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired (Stage 3). The definition of credit-impaired under IFRS 9 will be similar to the current indicators in IAS 39 of objective evidence of impairment. The assessment of a significant increase in credit risk since initial recognition will be based on different quantitative and qualitative factors that will be relevant to the particular financial instrument in scope.

The CSS(E)L Group has established a cross-functional implementation team and governance structure for the project. The CSS(E)L Group has decided on a point-in-time, forward-looking approach, incorporating probability of default, loss given

default and exposure at default, as an expected credit loss ("ECL") methodology for financial instruments subject to Stage 1 and Stage 2. The IFRS 9 definition of default is intended to be aligned with the current regulatory definition of default. The CSS(E)L Group is currently in the process of building the ECL models. Once completed this will be followed by a test phase and subsequently a parallel-run. The CSS(E)L Group expects that the new ECL methodology would generally result in increased and more volatile allowance for loan losses. The main impact drivers include:

- the requirement to measure lifetime expected credit losses, if there is a significant increase in credit risk since initial recognition on a financial instrument;
- the point of time in the economic cycle at the adoption date because of the new requirement to incorporate reasonable and supportable forward looking information and macro-economic factors; and
- the credit quality of the financial instruments in scope at the adoption date.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However certain sections of IFRS 9 relating to financial liabilities designated at fair value through profit or loss can be early adopted in isolation. The CSS(E)L Group does not plan to early adopt. Upon adoption the CSS(E)L Group expects an adjustment to be posted to retained earnings for any changes in impairment losses. As the implementation progresses, the CSS(E)L Group will continue evaluating the extent of the impact of adopting IFRS 9, however it is not practical to disclose reliable financial impact estimates until the implementation programme is further advanced. Impacts are expected to be disclosed in the financial statements for the year ended 31 December 2017.

- IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In April 2016, the IASB issued Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Clarifications to IFRS 15), which is yet to be endorsed by the EU. The Clarifications to IFRS 15 are intended to address implementation questions that were discussed by the Joint Transition Resource Group for Revenue Recognition on licenses of intellectual property, identifying performance obligations, principal versus agent application guidance and transition. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The CSS(E)L Group has established a cross-functional implementation team and governance structure for the project. The CSS(E)L Group's implementation efforts include the identification of revenue within the scope of the guidance, as well as the evaluation of revenue contracts

under the new guidance. The guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other IFRSs. The CSS(E)L Group has not yet identified any material changes in the timing and amount of revenue recognition however this evaluation remains ongoing.

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 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 includes disclosure requirements to provide more information about the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting is substantially unchanged compared to the current accounting guidance. Under the current lessee accounting model the CSS(E)L Group is required to distinguish between finance leases, which are recognised on balance sheet, and operating leases, which are not. IFRS 16 will require lessees to present a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with a lease term of greater than twelve months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The CSS(E)L Group has established a cross-functional implementation team and governance structure for the project. The CSS(E)L Group is currently reviewing its existing contracts to determine the impact of the adoption of IFRS 16. The CSS(E)L Group expects an increase in total assets and total liabilities as a result of recognising right-of use-assets and lease liabilities for all leases under the new guidance and is currently evaluating the extent of the impact of the adoption of IFRS 16 on the CSS(E)L Group's results of operations and cash flows.
- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of the Amendments to IAS 12 on 1 January 2017, will not have a material impact to the CSS(E)L Group's financial position, results of operation or cash flows.
- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. As the Amendments to IAS 7 impact disclosures only, the adoption on 1 January 2017 will not have an impact to the CSS(E)L Group's financial position, results of operation or cash flows.
- Amendments to IFRS 2: Share-based Payment: In June 2016, the IASB issued narrow scope amendments to IFRS 2 Share-based payments (Amendments to IFRS 2). The Amendments

clarify how to account for certain types of share-based payment transactions. The Amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The CSS(E)L Group is currently evaluating the impact of adopting the Amendments to IFRS 2.

- IFRIC 22: In December 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (IFRIC 22). IFRIC 22 clarifies the date of the transaction for the purposes of determining the exchange rate used on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. The CSS(E)L Group is currently evaluating the impact of adopting IFRIC 22.
- Annual Improvements to IFRSs 2014-2016 Cycle: In December 2016, the IASB issued 'Annual Improvements to IFRSs 2014-2016 cycle' (Improvements to IFRSs 2014-2016). The Improvements to IFRSs 2014-2016 are effective for annual periods beginning on or after 1 January 2017. The CSS(E)L Group is currently evaluating the impact of adopting the Improvements to IFRSs 2014-2016.

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

c) Basis of consolidation

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

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

The CSS(E)L Group makes significant judgements and assumptions when determining if it has control of another entity. The CSS(E)L Group may control an entity even though it holds less than half of the voting rights of that entity, for example if the

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

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

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

d) Equity method investments

The CSS(E)L Group's interest(s) in an associate(s) is/are accounted for using the equity method. Associates are entities in which the CSS(E)L Group has significant influence, but not control (or joint control), over the operating and financial management policy decisions. This is generally demonstrated by the CSS(E)L Group holding in excess of 20%, but no more than 50%, of the voting rights. The CSS(E)L Group 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.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSS(E)L Group's share of the post-acquisition net income (or loss), or other movements

reflected directly in the equity of the equity method investment, until the date on which significant influence (or joint control) ceases.

e) Foreign currency

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

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

f) Cash and due from Banks

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

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

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

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

Then cash collected from clients and remitted to the CCP, Broker or Deposit Bank is not reflected on the CSS(E)L Group's Consolidated Statement of Financial Position. Examples include initial margin where the CSS(E)L Group acts as Broker in an agency

capacity and cash designated as client money under the Client Assets ('CASS') client money rules of the UK's Financial Conduct Authority ('FCA').

g) Interest income and expense

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

h) Commissions and fees

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

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

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

i) Income tax

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

Statement of Other Comprehensive Income or directly in equity respectively. For items initially recognised in equity and subsequently recognised in the Consolidated Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Consolidated Statement of Income.

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

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

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

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

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

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

Tax contingencies

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 on a best estimate basis. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or

when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

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

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

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.

k) Securities borrowing and lending transactions

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

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

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

The CSS(E)L Group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of an instrument, the CSS(E)L Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Where the fair value is not

determined using a quoted price in an active market for an identical asset or liability or a valuation technique that uses data from observable inputs, then reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable inputs becomes available. Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

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

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

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

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

- (i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting; or
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSS(E)L Group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business.

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related financial assets and financial liabilities are presented as 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss'. Movements in 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss' are

recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Once designated this election is irrevocable.

Financial assets available for sale

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

Equity securities available for sale

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

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

m) Property and equipment

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

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

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

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

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

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

n) Intangible Assets

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

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

o) Deposits

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

p) Provisions

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

q) Long term debt

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

r) Disposal Groups and Discontinued Operations

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

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

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

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

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

s) Retirement benefit costs

The CSS(E)L Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CSG schemes, in which the Company is the sponsoring entity. CSS(E)L Group's Defined Benefit Obligations ('DBO') are calculated using the projected unit credit method. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred. Remeasurements of the net defined benefit liability are recognised immediately in Other Comprehensive Income ('OCI'). The CSS(E)L Group 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 the Consolidated Statement of Income. The CSS(E)L Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The Company has no contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

t) Share-based payments

The Company grants shares in its ultimate parent, Credit Suisse Group ('CSG') to certain employees. The Company pays for CSG shares at market value at the time of settlement to employees.

The share-based awards are classified as a cash-settled share based payment plan. A liability equal to the portion of the services received is recognised at the current market value determined at each balance sheet date.

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

Share awards are made to employees in one of the following ways:

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

Phantom shares and Performance share awards are accrued over the 3 or 4 year vesting period. Certain awards vest at grant date and are therefore accrued fully at grant date. Special awards are accrued over the vesting period as per award terms.

Changes in foreign exchange and market value of the above share plan obligations between grant date and settlement date are

expensed within operating expenses. Total value of awards accrued and outstanding at end of the accounting period is classified as a liability.

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

u) Other compensation plans

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

v) Derivative financial instruments and hedging

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

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

Embedded derivatives

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

Hedge accounting

Where hedge accounting is applied, the CSS(E)L Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in

hedging transactions are highly effective in offsetting changes in fair values of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The CSS(E)L Group discontinues hedge accounting prospectively in circumstances where:

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

Net investment hedges

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

Cash flow hedge accounting

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

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

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

w) Financial guarantee contracts

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

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

x) Operating leases

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

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

Subleases

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

y) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the

amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but is disclosed (unless the possibility of an outflow of economic resources is remote), except for those acquired under business combinations, which are recognised at fair value.

z) Recognition and derecognition

Recognition

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

Regular-way securities transactions

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

Derecognition

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

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

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

Securitisation

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

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

aa) Netting

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

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

In many instances the CSS(E)L Group's net position on multiple bilateral OTC derivative transactions with the same counterparty is

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

ab) Dividends

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

Taxes**Deferred tax valuation**

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

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Company. The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSS(E)L Group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA. Please see Note 12 – Deferred Taxes for more information.

Fair Value

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

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

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

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

The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or 'CVA') is considered

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

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

For hybrid debt instruments with embedded derivative features, the impact of changes in the CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

As of the end of 2016, 46.91% and 40.33% of the total assets and total liabilities, respectively, were measured at fair value (2015: 48.37% and 38.0%, respectively). The CSS(E)L Group Level 3 assets were USD 3.12 billion (2015: USD 3.34 billion), which was equivalent to 2.62% (2015: 2.33%) of total assets and 5.59% of total assets measured at fair value (2015: 4.82%).

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 fair value with any profit or loss implied from the valuation technique at trade date is deferred and amortised over the life of the contract or over the period up to when the fair value is expected to become observable.

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

Disposal Group and Discontinued Operations

The classification of assets and liabilities as a disposal group held for sale and the related presentation of discontinued operations requires a judgement by management, as to whether it is highly probable that the assets and liabilities will be recovered primarily through a sale, rather than through continuing use. For management to consider a sale to be highly probable, it must be committed to a plan to sell the disposal group and an active programme to locate a buyer and complete the plan must have been initiated. Further, the disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value. The evaluation performed by management focused on the timing of these plans within the wider strategic plan of the company and the reduction plans of the SRU. The sale should be expected to

qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Events or circumstances may extend the period to complete the sale beyond one year. The estimate of the time period required until the transfer of a disposal group held for sale is recognised as a completed sale represents a critical accounting estimate. Note 25 – Discontinued Operations and Assets Held for Sale discloses those disposal groups for which management expects that a completed sale will be recognised within one year or for which events or circumstances have extended the period to complete the sale beyond one year.

Retirement Benefit Costs

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

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

Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of 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. Please see Note 28 – Retirement Benefit Obligations for more information.

Share-based payments

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

Transfer Pricing

Transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well as tax authority negotiated arrangements for current and prior periods. Management continuously assesses these factors and makes adjustments as required. Please see Note 30 – Related Parties 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. Please see Note 23 – Provisions for more information.

Litigation contingencies

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

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

Structured Entities

As part of normal business, the CSS(E)L Group engages in various transactions that include entities which are considered structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights

relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSS(E)L Group may hold interests in the structured entities. If the CSS(E)L Group controls the structured entity then that entity is included in the CSS(E)L Group's consolidated financial statements. The CSS(E)L Group discloses

information about significant judgements and assumptions made in determining whether the CSS(E)L Group has (joint) control of, or significant influence over, another entity including structured entities. The CSS(E)L Group also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity. Please see Note 34 – Interests in Other Entities for more information.

4 Net Interest Expense

	2016	2015 ¹
Net interest expense (USD million)		
Securities purchased under resale agreements and securities borrowing transactions	172	73
Financial assets designated at fair value through profit or loss	27	83
Other	105	93
Interest income	304	249
Deposits	(3)	(7)
Securities sold under repurchase agreements and securities lending transactions	(120)	(134)
Financial liabilities designated at fair value through profit or loss	151	107
Short term borrowings	(64)	(100)
Long term debt	(319)	(288)
Other	(115)	(49)
Interest expense	(470)	(471)
Net interest expense	(166)	(222)

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

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

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

5 Net Commissions and Fee Income

	2016	2015 ¹
Commission and fee income/(expense) (USD million)		
Underwriting	165	219
Brokerage	347	355
Underwriting and brokerage	512	574
Other customer services	20	20
Total commission and fee income	532	594
Total commission and fee expense	(64)	(56)
Net commission and fee income	468	538

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

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

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

	2016	2015 ¹
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)		
Interest rate	(11)	21
Foreign exchange	(322)	(747)
Equity	343	432
Net income on trading financial assets and trading financial liabilities	331	796
Other	296	73
Total net gains from financial assets/liabilities at fair value through profit or loss	637	575
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	(4)	(18)
Other financial assets designated at fair value through profit or loss	69	(52)
of which related to credit risk	(1)	–
Securities sold under repurchase agreements and securities lending transactions	(2)	19
Long term debt	(1)	(4)
Other financial liabilities designated at fair value through profit or loss	1	–
Total net gains/(losses) from financial assets/liabilities at fair value through profit or loss	62	(55)

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

7 Other Revenues

	2016	2015 ¹
Other revenues (USD million)		
Revenue sharing agreements	(30)	(59)
Other	4	(8)
Total other revenues	(26)	(67)

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

8 Compensation and Benefits

	2016	2015 ¹
Compensation and benefits (USD million)		
Salaries and variable compensation	(454)	(690)
Social security	(60)	(102)
Pensions	(13)	(28)
Other	(19)	(58)
Total compensation and benefits	(546)	(878)

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

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

Decrease in staff cost is primarily driven by movement of staff from CSS(E)L to Credit Suisse International due to continuing business migrations and cost reduction program in 2016. The

number of employees reduced by 1,025 from 4,955 in 2015 to 3,930 as at the end of 2016.

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

9 General, Administrative and Trading Expenses

	Reference to note	2016	2015 ¹
General, administrative and trading expenses (USD million)			
Brokerage charges and clearing house fees		(85)	(105)
Trading expenses		(85)	(105)
Occupancy expenses		(100)	(92)
IT and machinery		(164)	(207)
Depreciation expense	19	(3)	(9)
Provisions	23	(7)	(2)
Travel and entertainment		(14)	(26)
Auditors' remuneration		(1)	(2)
Professional services		(391)	(602)
UK Bank levy		(35)	(48)
Non income taxes		(104)	(142)
Marketing data, publicity and subscription		(25)	(32)
Communication expenses		(28)	(35)
Other		(17)	(10)
General and administrative expenses		(889)	(1,207)
Expenses receivable from other Credit Suisse group companies		521	815
Total General, administrative and trading expenses		(453)	(497)

¹ 2015 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 25 for details.

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

Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.03 million (2015: USD 1.2 million).

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

	2016	2015
CSS(E)L Auditor's Remuneration (USD '000)		
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	(1,033)	(1,245)
Fees payable to CSS(E)L Group's auditor and its associates for other services:	-	(371)
Audit-related assurance services	(392)	(266)
Other assurance services	(25)	-
Total Fees	(1,450)	(1,882)

10 Restructuring Expenses

In connection with the strategic review of the CS Group, restructuring expenses of USD 10 million (2015: USD 54 million) were recognised during 2016. Restructuring expenses primarily include

termination costs, expenses in connection with the acceleration of certain deferred compensation awards.

	2016	2015
Restructuring expenses by type (USD million)		
Compensation and benefits-related expenses	(10)	(54)
of which severance	(8)	(42)
of which accelerated deferred compensation	(2)	(12)
Total Restructuring expenses by type	(10)	(54)

	2016			2015		
	Severance expenses	General and administrative expenses	Total	Severance expenses	General and administrative expenses	Total
Restructuring provision (USD million)						
Balance at beginning of period	42	–	42	–	–	–
Net additional charges	8	–	8	42	–	42
Utilisation	(37)	–	(37)	–	–	–
Balance at end of period	13	–	13¹	42	–	42

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

Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 0.39 million and unsettled cash based deferred compensation of USD 1.57 million have been included in 'Share-based compensation liability' and

'Others', respectively in Note 17- Other Assets and Other Liabilities. The settlement date for the unsettled share-based compensation remains unchanged.

11 Income Tax

CSS(E)L Group and Company	2016	2015
Current and deferred taxes (USD million)		
Current tax expense for the period ¹	(91)	(5)
Adjustments in respect of previous periods	34	16
Income tax (expense)/benefit	(57)	11
Deferred tax		
Origination and reversal of temporary differences	8	10
Adjustments in respect of previous periods	1	–
Reversal of Impairment of deferred tax asset	–	18
Deferred income tax benefit/(expense)	9	28
Income tax (expense)/benefit	(48)	39

¹ For 2016, withholding taxes are included within income taxes.

Current tax of USD Nil (2015: USD Nil) and deferred tax of USD 62 million (2015: USD 18 million) were debited directly to equity.

Further information about deferred income tax is presented in Note 12 – Deferred Taxes.

Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	2016	2015
Reconciliation of taxes computed at the UK statutory rate (USD million)		
Profit/(Loss) before tax	20	(597)
(Loss)/ Profit before tax multiplied by the UK statutory rate of corporation tax @ 28% (2015: 20.25%) ¹	(6)	121
Other permanent differences	25	(20)
Non-recoverable foreign taxes including withholding taxes ²	(91)	(19)
Effect of different tax rates of operations/subsidiaries in other jurisdictions	–	9
Adjustments to current tax in respect of previous periods	34	16
Adjustments to deferred tax in respect of previous periods	1	–
Net impact of deferred tax not recognised	(8)	(86)
Reversal of Impairment of deferred tax asset	–	18
Other	(3)	–
Income tax (expense)/benefit	(48)	39

¹ Includes impact of bank corporation tax surcharge of 8%

² For 2016, withholding taxes are included within income taxes.

12 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2015: 26%). Deferred taxes are calculated on carry forward tax losses using effective tax rates of 17% or 25% (2015: 18%).

The Finance Act 2013, which passed into law on 17 July 2013, reduced 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.

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

The Finance Act 2016, which was enacted on 15 September 2016, further reduced the UK corporation tax rate from 18% to 17% with effect from 1 April 2020.

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

CSS(E)L Group and Company	2016	2015
Deferred tax (USD million)		
Deferred tax assets	18	18
Deferred tax liabilities	(52)	–
Net position	(34)	18
Balance at 1 January, net position	18	16
Credit to income for the year	9	28
Tax booked to other comprehensive income	(62)	(18)
Adjustments related to the previous year	1	–
Other movements	1	(5)
Exchange differences	(1)	(3)
Balance at 31 December, net position	(34)	18

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

Components of net deferred tax assets

CSS(E)L Group and Company	2016	2015
Components of net deferred tax assets (USD million)		
Share-based compensation	100	154
Decelerated tax depreciation	30	32
Other short term temporary differences	34	34
Tax losses	29	–
Pensions and other post-retirement benefits	(175)	(202)
Balance at 31 December	18	18

Components of net deferred tax liabilities

CSS(E)L Group and Company	2016	2015
Components of deferred tax liabilities (USD million)		
Pensions and other post-retirement benefits	(52)	–
Balance at 31 December	(52)	–

Details of the tax effect of temporary differences

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

CSS(E)L Group and Company	2016	2015
Tax effect of temporary differences (USD million)		
Share-based compensation	(54)	42
Decelerated tax depreciation	(2)	8
Other short term temporary differences	–	7
Tax losses	29	–
Pensions and other post-retirement benefits	36	(30)
Total deferred tax benefit/(expense) in the Statement of Income	9	27

The deferred tax expense in Other Comprehensive Income related to:

CSS(E)L Group and Company	2016	2015
Tax expense in Other Comprehensive Income (USD million)		
Defined benefit (Asset)/Liability	(62)	(18)
Total deferred tax expense in the Statement of Income	(62)	(18)

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

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Company. The future taxable income can

never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, deferred tax assets of USD 759 million (2015: USD 868 million) have not been recognised. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted, if full recovery of the deferred tax asset balance is no longer probable.

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

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

CSS(E)L Group and Company	2016	2015
Securities purchased under resale agreements and securities borrowing transactions (USD million)		
Securities purchased under resale agreements	11,686	5,143
Total Securities purchased under resale agreements and securities borrowing transactions	11,686	5,143

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

CSS(E)L Group and Company	2016	2015
Securities sold under repurchase agreements and securities lending transactions (USD million)		
Securities sold under repurchase agreements	72	62
Total Securities sold under repurchase agreements and securities lending transactions	72	62

See Note 15 – Financial Assets and Liabilities Designated at Fair Value through Profit or Loss for Securities Borrowed, Lent and Purchased/Sold under Resale/Repurchase Agreements that have been held at fair value. Increase in Securities purchased under resale agreements and securities borrowing transactions is primarily driven by increase in transactions with entities in CS group.

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

Resale and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are

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

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

	CSS(E)L Group		Company	
Securities purchased under resale agreements and securities borrowing transactions (USD million)	2016	2015	2016	2015
Trading financial assets at fair value through profit or loss (USD million)				
Debt securities	2,603	5,801	2,603	5,801
Equity securities	7,932	10,399	7,932	10,399
Derivative instruments	3,345	4,482	3,898	5,049
Total trading financial assets at fair value through profit or loss	13,880	20,682	14,433	21,249
Trading financial liabilities at fair value through profit or loss (USD million)				
Debt securities	1,787	1,826	1,787	1,826
Equity securities	2,786	3,087	2,786	3,087
Derivative instruments	2,964	4,876	2,932	4,842
Total trading financial liabilities at fair value through profit or loss	7,537	9,789	7,505	9,755

Debt securities primarily consist of corporate bonds and government securities. Decrease in Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss is primarily driven by discontinued operations in 2016. Refer Note 25 for details.

Trading financial assets include USD 16,809 million (2015: USD 22,958 million) which are encumbered, representing debt

and equity securities from both continued and discontinued operations. Refer Note – 36 Assets Pledged or Assigned. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

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

	CSS(E)L Group		Company	
	2016	2015	2016	2015
Financial assets designated at fair value through profit or loss (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	21,568	26,450	21,568	26,450
Other financial assets designated at fair value through profit or loss	2,045	2,137	1,442	1,512
Total financial assets designated at fair value through profit or loss	23,613	28,587	23,010	27,962

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 2016 and 31 December 2015 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 2016 was USD 1 million for CSS(E)L Group and Company in the Statement of Income (2015: USD Nil for CSS(E)L Group and Company). The remaining changes in fair value are mainly due to movements in market risk.

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

	CSS(E)L Group		Company	
	2016	2015	2016	2015
Financial liabilities designated at fair value through profit or loss (USD million)				
Securities sold under repurchase agreements and securities lending transactions	23,707	25,197	23,707	25,197
Long term debt	94	103	82	91
Other financial liabilities designated at fair value through profit or loss	9	432	9	432
Total financial liabilities designated at fair value through profit or loss	23,810	25,732	23,798	25,720

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 96 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 (2015: USD 2 million higher (CSS(E)L Group and Company)).

16 Financial Assets Available-For-Sale

CSS(E)L Group and Company	2016	2015
Financial assets available-for-sale (USD million)		
Equity securities available-for-sale	25	25
Total securities available-for-sale	25	25
Other	8	8
Total financial assets available-for-sale	33	33

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

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

CSS(E)L Group and Company	Amortised cost	Gross unrealised gains	Fair Value
Equity securities available-for-sale (USD million)			
31 December 2016	-	25	25
31 December 2015	-	25	25

17 Other Assets and Other Liabilities

	CSS(E)L Group		Company	
	2016	2015	2016	2015
Other assets (USD million)				
Brokerage receivables (refer to Note 18)	2,909	2,744	2,909	2,744
Interest and fees receivable	962	1,265	962	1,265
Derivative instruments used for hedging (refer to Note 32)	9	-	9	-
Cash collateral on derivative and non-derivative instruments	1,211	1,540	1,211	1,540
Banks	467	807	467	807
Customers	744	733	744	733
Prepaid expenses	38	41	38	41
Other	1,084	935	1,060	916
Total other assets	6,213	6,525	6,189	6,506

Other assets are mainly due within one year.

	CSS(E)L Group		Company	
	2016	2015	2016	2015
Other liabilities (USD million)				
Brokerage payables (refer to Note 18)	1,648	1,402	1,648	1,402
Interest and fees payable	279	369	279	369
Derivative instruments used for hedging (refer to Note 32)	-	4	-	4
Cash collateral on derivative and non-derivative instruments	12,408	9,940	12,408	9,940
Banks	7,951	8,490	7,951	8,490
Customers	4,457	1,450	4,457	1,450
Share-based compensation liability	116	217	116	217
Other	3,627	4,209	3,597	4,178
Total other liabilities	18,078	16,141	18,048	16,110

Cash collateral on non-derivatives for 2016 includes financial guarantees which have been cash collateralised of USD 7,500 million (2015: USD 8,200 million) provided by Credit Suisse AG London branch to reduce regulatory capital charges on related party

exposures. Included in above are Other Loans and Receivables, none of which are past due. Other liabilities include liability towards restructuring cost of USD 13 million (2015 : USD 42 million) – Refer Note 10- Restructuring Expenses.

18 Brokerage Receivables and Brokerage Payables

The CSS(E)L Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The CSS(E)L Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold or purchased, in which case the CSS(E)L Group would have to sell or purchase,

respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is considered to be reduced. The CSS(E)L Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

CSS(E)L Group and Company	2016	2015
Brokerage receivables (USD million)		
Due from customers	986	773
Due from banks, brokers and dealers	1,923	1,971
Total brokerage receivables	2,909	2,744
Brokerage payables (USD million)		
Due to customers	595	578
Due to banks, brokers and dealers	1,053	824
Total brokerage payables	1,648	1,402

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

Included within payables are liabilities identified in respect of either initial margin or client money received from clients, but only

where it has been determined that the cash received represents an asset of the CSS(E)L Group. The CSS(E)L Group and Company held USD 1,860 million of client money as at 31 December 2016 (2015: USD 2,375 million), USD 1,264 million as of 31 December 2016 (2015: USD 1,437 million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSS(E)L Group and Company. This cash, when recognised on the balance sheet, is recorded under 'Cash and due from banks' and 'Other assets'.

19 Property and Equipment

CSS(E)L Group and Company	Leasehold Improvements	Computer Equipment	Office Equipment	Total
2016				
Cost (USD million)				
Cost as at 1 January 2016	13	11	9	33
Additions	7	1	2	10
Disposals	(1)	–	(2)	(3)
Other movements	(5)	1	2	(2)
Cost as at 31 December 2016	14	13	11	38
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2016	11	9	9	29
Charge for the year	1	1	1	3
Disposals	(1)	–	(2)	(3)
Other movements	1	–	1	2
Accumulated depreciation as at 31 December 2016	12	10	9	31
Net book value as at 1 January 2016	2	2	–	4
Net book value as at 31 December 2016	2	3	2	7
2015				
Cost (USD million)				
Cost as at 1 January 2015	45	14	20	79
Additions	–	1	–	1
Disposals	(29)	(2)	(7)	(38)
Other movements	(3)	(2)	(4)	(9)
Cost as at 31 December 2015	13	11	9	33
Accumulated depreciation:				
Accumulated depreciation as at 1 January 2015	35	12	18	65
Charge for the year	7	1	1	9
Disposals	(29)	(2)	(6)	(37)
Other movements	(2)	(2)	(4)	(8)
Accumulated depreciation as at 31 December 2015	11	9	9	29
Net book value as at 1 January 2015	10	2	2	14
Net book value as at 31 December 2015	2	2	–	4

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.

In December 2015, the CSS(E)L Group completed the sales of the businesses of CSS(E)L, Amsterdam branch, ('Amsterdam branch') and CSS(E)L, Milan branch ('Milan branch') to Credit Suisse International resulting in disposals of Property Plant and

Equipment. See note 25 – Discontinued Operations and Assets Held for Sale.

No interest has been capitalised in the current year within property and equipment (2015: USD Nil).

No impairment charges were recorded in 2016 and 2015 for property and equipment.

20 Intangible Assets

CSS(E)L Group and Company	Right to Use Leisure Facility	Internally Developed Software	Total
2016			
Cost (USD million)			
Cost as at 1 January 2016	4	–	4
Additions	–	141	141
Disposals	–	(141)	(141)
Cost as at 31 December 2016	4	–	4
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2016	3	–	3
Amortisation for the year	–	–	–
Impairment	–	–	–
Disposals	–	–	–
Accumulated amortisation as at 31 December 2016	3	–	3
Net book value as at 1 January 2016	1	–	1
Net book value as at 31 December 2016	1	–	1
Net book value as at 1 January 2016			
Cost (USD million)			
Cost as at 1 January 2015	4	–	4
Additions	–	161	161
Disposals	–	(161)	(161)
Cost as at 31 December 2015	4	–	4
Accumulated amortisation:			
Accumulated amortisation as at 1 January 2015	2	–	2
Amortisation for the year	–	–	–
Impairment	1	–	1
Disposals	–	–	–
Accumulated amortisation as at 31 December 2015	3	–	3
Net book value as at 1 January 2015	2	–	2
Net book value as at 31 December 2015	1	–	1

No interest has been capitalised within intangible assets (2015: USD Nil).

Impairment charges of USD Nil (2015: USD 1 million) was recorded on right to use leisure facility. No impairment charges were recorded for internally developed software in 2016 and 2015. 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 capitalised USD 141 million (2015: USD 161 million) was transferred to Credit Suisse International.

21 Deposits

CSS(E)L Group and Company	2016	2015
Deposits from banks (USD million)		
Interest-bearing demand deposits	146	157
Non-interest bearing demand deposits	23	–
Time Deposits	–	3
Total deposits	169	160

22 Short Term Borrowings

CSS(E)L Group and Company	2016	2015
Short-term borrowings (USD million)		
Short term borrowings:		
from banks	2,403	2,499
from customers	1,264	262
Total short term borrowings	3,667	2,761

23 Provisions

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

CSS(E)L Group and Company	Property	Litigation	Total
Provisions (USD million)			
Balance at 1 January 2015	1	1	2
Charges during the year	–	7	7
Utilised during the year	–	(7)	(7)
Balance at 31 December 2015	1	1	2

Property provision

The property provision mainly relates to property (Hanwha Building, Seoul) 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 can be reasonably estimated. General Counsel in consultation with the business reviews CS

group's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant. The litigation provision relates to legal cases that the Company is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2016.

24 Long Term Debt

CSS(E)L Group and Company	2016	2015
Long-term debt (USD million)		
Senior debt	21,261	22,918
Subordinated debt	3,501	3,501
Total long term debt	24,762	26,419

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 2016 comprises:

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

Senior Debt as at December 2015 comprises:

CSS(E)L Group and Company Outstanding as at December 2015	Counterparty Name	Date of facility	
USD 1,000 million	Credit Suisse Investments (UK)	18 December 2013	Interest payable at 3 months USD LIBOR plus 87.5 basis points per annum, maturing on 19 December 2016
EUR 6,050 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
GBP 4,000 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen
USD 9,375 million	Credit Suisse AG (London Branch)	24 March 2014	400 days call loans evergreen

During 2016, USD 1,000 million of long term senior unsecured funding from Credit Suisse Investment (UK) was repaid. In 2016, the currency composition of the 400 day evergreen funding changed due to currency specific requirements resulting in further issuance of evergreen call loans, denominated in USD and GBP and repayment of such loans, denominated in Euro.

Subordinated Debt

At 31 December 2016 subordinated debt comprises an amount of USD 3,501 million (2015: USD 3,501 million). This comprised of USD 1,251 million (2015: USD 1,251 million) advanced by Credit Suisse PSL GmbH and USD 2,250 million (2015: 2,250 million) advanced by Credit Suisse Investment UK Limited.

On 15 April 2014 as part of restructuring of subordinated debt Company borrowed USD 1,500 million from Credit Suisse Investment UK Limited. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 342 basis points per annum.

Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and PRA. The earliest date at which the Company may make a repayment is 15 April 2019. The maturity of the loan is 15 April 2026. In addition to this Company borrowed additional USD 750 million under the subordinated loan facility dated 14th April 2014. The maturity of additional loan is 29 December 2025.

On 29 October 2010, USD 1,000 million was advanced by CS 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. During the year 2015, USD 250 million was early repaid.

25 Discontinued Operations and Assets Held for Sale

In 2016 the Systematic Market Making ('SMM') business was substantially closed, there remains a small section of the business that is closing in early 2017. The assets and liabilities were and will be closed out and these represent equity securities and listed derivative positions. The market making activities of the SMM business are short dated and traded over short periods of time. In 2016 CSS(E)L Group has closed out USD 2,441 million of assets and cash inflow relating to operational activities for 2016 was USD 126 million. None of the net profit or loss in relation to this business is attributable to non-controlling interest.

The CSS(E)L Group has committed to sell its Prime Services platform to Credit Suisse AG (acting through its Dublin Branch). During 2016 USD 7,268 million of assets and USD 8,074 million liabilities have been transferred, the transfer will continue through 2017. During 2016 CSS(E)L Group revised the transaction structure due to regulatory reasons and a portion of the assets and liabilities identified for migration to Credit Suisse AG (acting

through its Dublin Branch) will now move to another CS group entity. Although the migration to another CS group entity requires infrastructure development the CSS(E)L Group remains committed to the transactions and this part of the transfer is expected to commence in and be substantially complete by 2018. Cash inflow relating to investment and outflows for operational activities in 2016 were USD Nil and USD 9,528 million respectively. None of the net profit or loss in relation to this business is attributable to non-controlling interest.

In September 2015, CSS(E)L Group sold its investment banking business (including client relationships) to CSi, and adjusted capital contribution in 2015 by USD 207 million being the cash proceeds of the sale. No assets or liabilities were transferred as part of the transaction, and these will be unwound in the CSS(E)L Group. Details of the profit and loss in relation to the business are provided in the table below. Cash inflows relating to investment and outflows for operational activities were USD Nil (2015: USD 207

million) and USD Nil (2015: USD 190 million) respectively. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

In December 2015, the CSS(E)L Group sold the business in CSS(E)L, Amsterdam branch ('Amsterdam branch') and CSS(E)L, Milan branch ('Milan branch') to CSi and adjusted capital contribution for the proceeds of the sale (USD 4.9 million and USD 8.4 million respectively) in 2015. The proceeds from the sale were in the form of shares received from CSi, and these were sold immediately. In 2015, Amsterdam branch transferred assets of USD 4.7 million (USD 2.6 million of which was cash) and liabilities of USD 4.7 million and Milan branch transferred assets of USD 22.1 million (USD 10.7 million of which was cash) and liabilities of USD 22.1 million to CSi. Details of the profit and loss in relation to the business are provided in the table below. There were no cash flows in 2016, in 2015 net cash inflows relating to investment activity were USD 13.3 million and operational cash inflows during the year were USD 4 million. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

During 2015 the majority of CSS(E)L Group's Listed Derivative trading client relationships were transferred to CSi in a number of separate transactions, as trading relationships met the criteria for transfer, and capital contribution was adjusted by USD 52 million for the net proceeds of the sale. Assets of USD 541 million (2015: USD 259 million) and liabilities of USD 316 million (2015: USD 4,860 million) were transferred. The transaction was completed in 2016. Cash inflow relating to investment activity and operational activities were USD Nil (2015: USD 52 million) and USD 213 million (2015: USD 243 million outflow) respectively. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

The cumulative impact of sale of CSSEL's Investment banking business in London, Amsterdam and Milan, together with its Listed Derivatives agency business to CSi in 2015 (transactions with entity under common control), resulted in a profit of USD 272 million that was adjusted through Capital Contribution.

Details of the profit and loss in relation to the business are provided in the table below:

CSS(E)L Group and Company	Prime Services	Prime Listed derivatives	Systematic Market Making	Total
2016 (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	28,730	–	–	28,730
Trading financial assets at fair value through profit or loss	17,292	–	984	18,276
of which positive market values from derivative instruments	2,059	–	45	2,104
Other Assets	4,418	–	11	4,429
Total assets held for sale	50,440	–	995	51,435
Securities sold under repurchase agreements and securities lending transactions	11,767	–	–	11,767
Trading financial liabilities at fair value through profit or loss	11,860	–	999	12,859
of which negative market values from derivative instruments	1,972	–	51	2,023
Financial liabilities designated at fair value through profit or loss	485	–	–	485
Other Liabilities	7,552	–	7	7,559
Total liabilities held for sale	31,664	–	1,006	32,670
2015 (USD million)				
Securities purchased under resale agreements and securities borrowing transactions	35,940	–	–	35,940
Trading financial assets at fair value through profit or loss	20,130	–	–	20,130
of which positive market values from derivative instruments	2,820	–	–	2,820
Other Assets	7,265	541	–	7,806
Total assets held for sale	63,335	541	–	63,876
Securities sold under repurchase agreements and securities lending transactions	22,755	–	–	22,755
Trading financial liabilities at fair value through profit or loss	15,519	–	–	15,519
of which negative market values from derivative instruments	3,548	–	–	3,548
Financial liabilities designated at fair value through profit or loss	481	–	–	481
Other Liabilities	15,431	316	–	15,747
Total liabilities held for sale	54,186	316	–	54,502

The results of operations of the businesses sold have been reflected in (Loss)/Profit after taxes from discontinued operations in the consolidated statements for the relevant periods presented. The assets and liabilities of discontinued operations for which the

sale has not yet been completed are presented as assets held for sale and liabilities held for sale, respectively, and prior periods are not reclassified. There are no cumulative incomes or expenses included in OCI relating to the disposal group.

The presentation of assets and liabilities held for sale required the separation of certain assets and liabilities that were previously treated as a single unit of account into disaggregated asset and liability positions. This resulted in an increase of USD 2,400 million (2015: USD 3,200 million) in Total assets and Total liabilities in the

Consolidated Statement of Financial Position (Total assets increased from USD 116,553 million (2015: USD 140,375 million) to USD 118,953 million (2015: USD 143,542 million) and Total liabilities increased from USD 108,424 million (2015: USD 132,400 million) to USD 110,824 million (2015: USD 135,568 million)).

CSS(E)L Group and Company	Prime Services	Investment Banking	IBD Amsterdam Branch	IBD Milan Branch	Prime Listed Derivatives	Systematic Market Making	Total
2016 (USD million)							
Interest income	835	–	–	–	6	–	841
Interest expense	(987)	–	–	–	(6)	(21)	(1,014)
Net interest expense	(152)	–	–	–	–	(21)	(173)
Commission and fee income	76	1	–	–	6	–	83
Commission and fee expense	(85)	(3)	–	–	–	–	(88)
Net commission and fee income/(expense)	(9)	(2)	–	–	6	–	(5)
Net gains from financial assets/liabilities at FV through profit or loss	639	–	–	–	8	162	809
Other revenues/(expenses)	(4)	11	–	1	–	(11)	(3)
Net revenues	474	9	–	1	14	130	628
Compensation and benefits	(46)	6	–	3	(1)	(52)	(90)
General and administrative expenses	(286)	(13)	–	–	(25)	(98)	(422)
Total Operating expense	(332)	(7)	–	3	(26)	(150)	(512)
Profit/(Loss) before tax	142	2	–	4	(12)	(20)	116
Income tax	(43)	–	–	–	–	–	(43)
Net Income/(Loss)	99	2	–	4	(12)	(20)	73
2015 (USD million)							
Interest income	871	–	–	–	32	–	903
Interest expense	(953)	(2)	–	–	(15)	(11)	(981)
Net interest income/(expense)	(82)	(2)	–	–	17	(11)	(78)
Commission and fee income	136	203	–	3	27	1	370
Commission and fee expense	(111)	(5)	–	–	–	(1)	(117)
Net commission and fee income	25	198	–	3	27	–	253
Net gains/(losses) from financial assets/liabilities at FV through profit or loss	544	(1)	–	(1)	(1)	293	834
Other revenues/(expenses)	24	(34)	7	14	–	8	19
Net revenues	511	161	7	16	43	290	1,028
Compensation and benefits	(58)	(182)	(5)	(12)	(13)	(109)	(379)
General and administrative expenses	(294)	(172)	(1)	(3)	(62)	(109)	(641)
Total Operating expense	(352)	(354)	(6)	(15)	(75)	(218)	(1,020)
Profit/(Loss) before tax	159	(193)	1	1	(32)	72	8
Income tax	–	–	(2)	(1)	–	–	(3)
Net Income/(Loss)	159	(193)	(1)	–	(32)	72	5

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

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

26 Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Gains/ (losses) on cash flow hedges	Unrealised gain/(loss) on Pension Fund	Cumulative translation adjustment	Unrealised gains/ (losses) on financial assets avail- able for sale	Accum- ulated other comprehen- sive income
2016					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2016	(6)	113	(343)	25	(211)
Increase/(decrease):					
Foreign exchange translation differences	–	–	(17)	–	(17)
Cash flow hedges – effective portion of changes in fair value	–	–	–	–	–
Cash flow hedges – reclassified to income statement	6	–	–	–	6
Net gain on hedges of net investments in foreign entities taken to equity	–	–	10	–	10
Re-measurement of defined benefit liability/(asset)	–	184 ¹	–	–	184
Balance at 31 December 2016	–	297	(350)	25	(28)
2015					
Accumulated other comprehensive income (USD million)					
Balance at 1 January 2015	(39)	120	(325)	25	(219)
Increase/(decrease):					
Foreign exchange translation differences	–	–	(40)	–	(40)
Cash flow hedges – effective portion of changes in fair value	(13)	–	–	–	(13)
Cash flow hedges – reclassified to income statement	46	–	–	–	46
Net gain on hedges of net investments in foreign entities taken to equity	–	–	22	–	22
Re-measurement of defined benefit liability/(asset)	–	(7)	–	–	(7)
Balance at 31 December 2015	(6)	113	(343)	25	(211)

¹ Disclosed net of tax

27 Share Capital and Share Premium

CSS(E)L Group and Company	2016	2015
Share Capital (USD million)		
Opening balance	3,859	3,859
38,593,205,057 ordinary voting shares of USD 0.10 each	3,859	3,859
Total called-up share capital	3,859	3,859
Share Premium (USD million)		
Share Premium	5,661	5,661
Total share premium	5,661	5,661

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

28 Retirement Benefit Obligations

The Company has several pension schemes covering substantially all employees, including defined benefit pension plans and defined contribution pension plans, mainly located in the UK but also in other European and Asian locations. The most material pension arrangement is operated in the UK, where a funded, final salary defined benefit 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 and France and a funded plan in Korea. A full actuarial valuation is completed by independent actuaries, for these schemes once a year using the projected unit credit method and updated for each Consolidated Statement of Financial Position date. The Company does not contribute to any other post-retirement defined benefit plans.

Profile of the pension plans

Approximately 10% of the UK plan's final salary liabilities are attributable to current employees, 73% to former employees yet to retire and 17% to current pensioners and dependants. The liabilities of the other plans in aggregate are broadly split 30% to current employees, 66% to former employees yet to retire and 4% 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 has no contractual agreement or stated policy for charging the net defined benefit cost to the participating entities, therefore as the legal sponsor, the Company accounts for the entire plan using defined benefit accounting.

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

Defined benefit pension and other post-retirement defined benefit plans

CSS(E)L Group and Company	UK		International	
	2016	2015	2016	2015
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Operating Cost				
Current service costs on benefit obligation	5	5	2	3
Administrative expense	2	2	-	-
Financing Cost				
Net Interest (credits)/costs	(30)	(30)	1	1
Total periodic pension (credits)/costs	(23)	(23)	3	4

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2016 and 2015, 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 2016 and 2015 respectively:

CSS(E)L Group and Company	UK		International	
	2016	2015	2016	2015
Defined benefit pension and other post-retirement defined benefit plans (USD million)				
Defined benefit obligation – 1 January	1,745	1,876	65	67
Current service cost	5	5	2	3
Interest cost	61	68	1	1
Actuarial (gains)/losses on assumptions	444	(60)	8	(2)
arising out of changes in demographic assumptions	(17)	6	–	–
arising out of changes in financial assumptions	461	(66)	8	(2)
Actuarial (gains)/losses – experience	(15)	(1)	–	–
Benefit payments	(70)	(55)	(1)	–
Special termination benefits	–	–	1	2
Exchange rate (gains)/losses	(301)	(88)	(2)	(6)
Defined benefit obligation – 31 December	1,869	1,745	74	65
Fair value of plan assets – 1 January	2,578	2,704	10	9
Interest on plan assets	91	98	–	–
Actuarial gains/(losses) on plan assets	683	(49)	–	–
Actual return on plan assets	774	49	–	–
Employer contributions	9	9	2	1
Administrative expense	(2)	(2)	–	–
Benefit payments	(70)	(55)	–	–
Exchange rate (losses)/gains	(448)	(127)	(1)	–
Fair value of plan assets – 31 December	2,841	2,578	11	10
Total funded status – 31 December				
Plan assets	2,841	2,578	11	10
Defined benefit obligation related to funded plans	(1,869)	(1,745)	(13)	(11)
Funded status for funded plans	972	833	(2)	(1)
Defined benefit obligation related to non-funded plans	–	–	(61)	(54)
Funded status recognised – 31 December	972	833	(63)	(55)

Funding requirements

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

For additional Pension Fund security, the Company has pledged securities of GBP 247 million as at 31 December 2016. These securities are included in the balances in Note 36 (Assets Pledged or Assigned). At 31 December 2016 and 2015 the pension fund plan assets hold no material amounts of CSS(E)L Group debt and equity securities.

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

CSS(E)L Group and Company (USD million)	UK		International	
	2016	2015	2016	2015
At 1 January	833	828	(55)	(58)
Total amount recognised in profit and loss and OCI (charge)/credit	277	35	(11)	(2)
Other economic events	–	–	–	(2)
Contributions paid	9	9	2	1
Gains/(Losses) due to changes in exchange rates	(147)	(39)	1	6
At 31 December	972	833	(63)	(55)

The Company recognises the surplus in the UK pension plan in accordance with the requirements of IFRIC 14. The trustees of the UK plan do not have the unilateral right to commence wind-up of the scheme. Thus, the Company assumes that the scheme continues in existence until the last benefit payments are made to

members, at which point any residual assets are returned to the employer in line with the rules of the scheme. The Company will review the IASB's amendments to IFRIC 14 and how it will affect its ability to receive a refund of surplus once finalised.

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	
	2016	2015	2016	2015
Benefit obligation				
Discount rate	2.65%	3.90%	1.80%	2.50%
Retail Price Inflation	3.15%	3.10%	–	–
Consumer Price Inflation	2.05%	2.00%	1.80%	1.80%
Pension increases ¹	3.00%	3.04%	1.50%	1.50%
Salary increases	3.30%	3.25%	3.50%	3.60%
Net periodic pension cost				
Discount rate	3.90%	3.70%	2.50%	2.50%
Salary increases	3.25%	4.25%	3.60%	3.80%

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 2016 have been updated from those used for 2015.

The assumptions for life expectancy for the 2016 UK benefit obligation pursuant to IAS 19 are based on the 'SAPS 2 light'

base table with improvements in mortality in line with the proposed new CMI model with core assumptions calibrated to end of 2015 as published in working paper 91, and a scaling factor of 95%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.50% p.a.

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

	2016	2015
Life expectancy at age 60 for current pensioners aged 60 (years)		
Males	28.8	28.9
Females	29.9	30.1
Life expectancy at age 60 for future pensioners currently aged 40 (years)		
Males	30.5	31.2
Females	31.7	32.5

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)	Increase %
Benefit obligation				
One-percentage point change				
-1% / +1% Discount rate	2,382	27%	1,472	(21%)
+1% / -1% Inflation rate	2,185	17%	1,598	(14%)
+1% / -1% Salary increases rate	1,878	–	1,860	–
+1 / -1 year to life expectancy at 60	1,906	2%	1,831	(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 2016 defined benefit obligation. The sensitivity analysis focuses on changes to the

obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being (partially) matched to the obligations.

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

Plan assets and investment strategy

Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the Board of Trustees. The 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 100% of interest rate and inflation risk arising from the Technical Provisions measure of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the 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, property and corporate bonds are used to enhance long term returns while improving portfolio diversification.

Investment risk is monitored and measured on an ongoing basis with quarterly investment and funding reports together with periodic asset/liability analysis and reviews of the inflation and interest rate hedge. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines.

Risks Associated with UK Plan

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

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus. The UK plan holds a significant proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored 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)	2016	2015
Defined benefit obligation	1,942	1,810
Fair value of plan assets	2,851	2,588
Funded status, surplus/(deficit)	909	778
Experience gains/(losses) on plan liabilities ¹	16	1
Experience gains/(losses) on plan assets	683	(49)

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)		
2017	15	1
2018	16	1
2019	19	1
2020	22	1
2021	26	1
For five years thereafter	196	9

Expected Contributions

Expected contributions to defined benefit plans for the year ending 31 December 2017 are USD 8 million for UK Plans and USD 1 million for International plans.

Plan Assets Allocations

(USD Million)	2016				2015			
	Quoted	Unquoted	Total	% of total fair value of scheme assets	Quoted	Unquoted	Total	% of total fair value of scheme assets
Cash and cash equivalents	–	124	124	4.4%	–	180	180	7.0%
Debt Securities	1,581	210	1,791	63.0%	1,320	234	1,554	60.3%
of which governments	1,008	–	1,008	35.5%	692	–	692	26.8%
of which corporates	573	210	783	27.6%	628	234	862	33.4%
Equity Securities	192	245	437	15.4%	211	246	457	17.7%
Derivatives	–	314	314	11.0%	–	233	233	9.0%
Alternative investments	–	175	175	6.2%	–	154	154	6.0%
of which hedge funds	–	116	116	4.1%	–	103	103	4.0%
of which other	–	59	59	2.1%	–	51	51	2.0%
Total plan assets UK Plans	1,773	1,068	2,841	100.0%	1,531	1,047	2,578	100.0%
Debt Securities	10	–	10	100.0%	10	–	10	100.0%
Total plan assets International Plans	10	–	10	100.0%	10	–	10	100.0%

Derivatives consist of a variety of products to manage market risks (e.g. interest, inflation) and are recorded at fair value in line with the accounting policy disclosed in Note 3.

Alternative investments primarily consists of investments in hedge funds. Investments in third-party hedge funds, are

measured at fair value based on their published net asset values ('NAV').

CSS(E)L Group and Company (USD Million)

	2016	2015
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 2016 and 2015 were USD 42 million and USD 58 million respectively.

29 Employee Share-based Compensation and Other Compensation Benefits

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

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

Total compensation (income)/expense for cash-settled share-based compensation plans recognised during 2016 and 2015 was USD (18) million and USD 138 million respectively. The total stock award liability recorded as at 31 December 2016 was USD 116 million (2015: USD 217 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2016 CHF 14.61 (2015: CHF 21.69). The average weighted fair value of awards granted in 2016 was CHF 17.20 (2015: CHF 16.64). The intrinsic value of vested share based awards outstanding as at year end was USD 20 million (2015: USD 27 million).

The recognition of compensation expense for the deferred compensation awards granted in February 2017 began in 2017 and thus had no impact on the 2016 financial statements.

Performance Share Awards ('PSA')

Certain employees received a portion of their deferred variable compensation in the form of performance share awards.

Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions. Performance share awards granted until 2015 were subject to a negative adjustment in the event of a negative strategic ROE of CSG, which was calculated based on Core Results (results excluding revenues and expenses from the Strategic Resolution Unit), adjusted for the goodwill impairment charge related to the re-organisation of the former Investment Banking division. However, following the change in our financial reporting structure in 2015, the strategic ROE is no longer calculated, and consequently, any negative adjustment to performance share awards is subject to the discretion of the Compensation Committee. For 2016, the calculation was based on adjusted results, which the Compensation Committee considered as the most accurate reflection of the operating performance of the businesses. There was no negative adjustment applied to performance share awards granted in 2015 and 2014 given that the 2016 divisional adjusted results and adjusted ROE of CSG were both positive.

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

The number of performance share awards was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the ten business days ended February 28, 2017. The fair value of each performance share award was CHF 15.42, the CSG share price on the grant date. While performance share awards granted between January 1, 2014 and December 31, 2015 did not include the rights to receive dividend equivalents, performance share awards granted after January 1, 2016 include the rights to received dividend equivalents, upon vesting.

Movements in the number of PSA outstanding were as follows:

CSS(E)L Group and Company	2016	2015
Number of units (millions)		
As at 1 January	4.79	6.13
Granted	1.57	3.37
Shares transferred in/out	(0.16)	(1.35)
Delivered	(2.57)	(3.10)
Forfeited	(0.17)	(0.26)
As at 31 December	3.46	4.79

Phantom Share Awards

Share awards granted in February 2017 are similar to those granted in January 2016. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ("CSG") share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery.

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

The number of share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as shares by the average price of CSG share over the ten business days ended February 28, 2017. The fair value of each share award was CHF 15.42, the CSG share price on the grant date. While share awards granted between January 1, 2014 and December 31, 2015 did not include the right to receive dividend equivalents, share awards granted after January 1, 2016 include the right to receive dividends equivalents, upon vesting. Movements in the number of Phantom Share outstanding were as follows:

CSS(E)L Group and Company	2016	2015
Number of units (millions)		
As at 1 January	7.24	11.41
Granted	3.94	6.01
Shares transferred in/out	(0.65)	(3.12)
Delivered	(4.58)	(6.69)
Forfeited	(0.23)	(0.37)
As at 31 December	5.72	7.24

Contingent Capital Awards

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

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

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that CSG has issued. As, CCA qualify as going-concern loss-absorbing capital of CSG, the timing and form of

distribution upon settlement is subject to approval by 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. The fair value will be determined by CSG. In the case of a cash settlement, the CCA award currency denomination will be converted into the local currency of each respective employee.

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

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

Total compensation expense recognised for January 2016, January 2015 and January 2014 CCA during the year ended December 31, 2016 was USD 19 million (2015: USD 40 million).

Contingent Capital Share Awards

In March 2016, the CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective CCA into Contingent Capital share awards at a conversion price of CHF 14.57. CCA holders elected to convert USD 16 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 9%. Each Contingent

Capital share award had a grant-date fair value of CHF 14.45 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

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

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

Other variable compensation

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

Total compensation expense recognised during the year ended December 31, 2016 was USD 1 million (2015: Nil).

Plus Bond awards

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

Total compensation expense recognised during the year ended December 31, 2016 was USD 1 million (2015: USD 3 million).

2011 Partner Asset Facility

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

entities including 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.

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. Settlement of these awards occurred in the first half of 2016, following regulatory approvals. Final payout upon settlement of these awards was 94% of the amount awarded.

Total compensation (income)/expense recognised for the PAF2 CCA during the year ended December 31, 2016 was USD (6) million (2015: USD 8 million).

Total compensation expense recognised for the COF during the year ended December 31, 2016 was USD 2 million (2015: USD 2 million).

2008 Partner Asset Facility

As part of the 2008 annual compensation process, CSG granted certain employees the majority of the deferred compensation in the form of 2008 Partner Asset Facility ('PAF') awards, denominated in US dollars. The PAF awards are indexed to, and represent

a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division.

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

The PAF awards, which 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. Settlement is expected to occur in the first half of 2017.

Total compensation expense recognised during the year ended December 31, 2016 was USD 1 million (2015: USD 6 million).

Stock Options

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

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

CSS(E)L Group and Company	2016		2015	
	in Units	Weighted average exercise price (CHF)	in Units	Weighted average exercise price (CHF)
As at 1 January	16,367	73.06	76,712	53.39
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	60,345	48.05
Expired	16,367	73.06	-	-
As at 31 December	-	-	16,367	73.06

The number of options exercisable as at year end was Nil (2015: 16,367). The average weighted exercise price of options exercisable at year end was CHF Nil (2015: CHF 73.06). Weighted

average remaining contractual life of options is Nil years (2015: Nil years). The intrinsic value of vested options outstanding as at year end was USD Nil (2015: USD Nil).

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

	Exercise Price (CHF)	2016	2015
Jan 2005 Options	48.05	-	-
Jan 2006 Options	73.06	-	16,367
		-	16,367

30 Related Parties

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

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

pricing policies (revenue sharing and cost plus agreements) to govern its intercompany relationships.

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

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

a) Related party assets and liabilities

CSS(E)L Group	31 December 2016			31 December 2015		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Assets (USD million)						
Cash and due from banks	–	1,848	1,848	–	7,352	7,352
Interest bearing deposits with banks	–	8,763	8,763	–	9,700	9,700
Securities purchased under resale agreements and securities borrowing transactions	–	11,639	11,639	–	5,020	5,020
Trading financials assets designated at fair value through profit or loss	–	2,537	2,537	–	3,356	3,356
Financial assets designated at fair value through profit or loss	–	9,915	9,915	–	9,734	9,734
Other assets	–	1,315	1,315	–	806	806
Assets Held for sale	–	25,686	25,686	–	35,171	35,171
Total assets	–	61,703	61,703	–	71,139	71,139
Liabilities and Equity (USD million)						
Deposits	–	3	3	–	20	20
Securities sold under repurchase agreements and securities lending transactions	–	72	72	–	43	43
Trading financial liabilities designated at fair value through profit or loss	–	2,221	2,221	–	3,170	3,170
Financial liabilities designated at fair value through profit or loss	–	15,334	15,334	–	16,551	16,551
Short term borrowings	–	3,667	3,667	–	2,761	2,761
Other liabilities	–	10,768	10,768	–	11,181	11,181
Long term debt	–	24,762	24,762	–	26,419	26,419
Liabilities Held for sale	–	11,443	11,443	–	23,459	23,459
Share capital	3,859	–	3,859	3,859	–	3,859
Share premium	5,661	–	5,661	5,661	–	5,661
Capital contribution	5,662	–	5,662	5,662	–	5,662
Total liabilities and equity	15,182	68,270	83,452	15,182	83,604	98,786

CSS(E)L Company	31 December 2016				31 December 2015			
	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
Assets (USD million)								
Cash and due from banks	–	1,848	–	1,848	–	7,352	–	7,352
Interest bearing deposits with banks	–	8,763	–	8,763	–	9,700	–	9,700
Securities purchased under resale agreements and securities borrowing transactions	–	11,639	–	11,639	–	5,020	–	5,020
Trading financials assets designated at fair value through profit or loss	–	2,534	12	2,546	–	3,356	16	3,372
Financial assets designated at fair value through profit or loss	–	9,915	–	9,915	–	9,734	–	9,734
Other assets	–	1,315	–	1,315	–	806	–	806
Assets Held for sale	–	25,686	–	25,686	–	35,171	–	35,171
Total assets	–	61,700	12	61,712	–	71,139	16	71,155
Liabilities and Equity (USD million)								
Deposits	–	3	–	3	–	20	–	20
Securities sold under repurchase agreements and securities lending transactions	–	72	–	72	–	43	–	43
Trading financial liabilities designated at fair value through profit or loss	–	2,182	6	2,188	–	3,132	5	3,137
Financial liabilities designated at fair value through profit or loss	–	15,322	–	15,322	–	16,539	–	16,539
Short term borrowings	–	3,667	–	3,667	–	2,749	–	2,749
Other liabilities	–	10,768	–	10,768	–	11,181	–	11,181
Long term debt	–	24,762	–	24,762	–	26,419	–	26,419
Liabilities Held for sale	–	11,443	–	11,443	–	23,459	–	23,459
Share capital	3,859	–	–	3,859	3,859	–	–	3,859
Share premium	5,661	–	–	5,661	5,661	–	–	5,661
Capital contribution	5,662	–	–	5,662	5,662	–	–	5,662
Total liabilities and equity	15,182	68,219	6	83,407	15,182	83,542	5	98,729

Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	31 December 2016 ¹			31 December 2015		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Credit Guarantees	–	194	194	–	241	241
Commitments to purchase cash securities <1 year	–	2,494	2,494	–	3,127	3,127
Total	–	2,688	2,688	–	3,368	3,368

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

b) Related party revenues and expenses

CSS(E)L Group (USD million)	31 December 2016 ¹			31 December 2015		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Interest income	–	375	375	–	337	337
Interest expense	–	(809)	(809)	–	(814)	(814)
Net interest expense	–	(434)	(434)	–	(477)	(477)
Commissions and fee income/(expense)	–	(157)	(157)	–	(170)	(170)
Revenue sharing agreements' expense	–	(30)	(30)	–	(48)	(48)
Total non-interest revenues	–	(187)	(187)	–	(218)	(218)
Net revenue/(expense)	–	(621)	(621)	–	(695)	(695)
Total operating expenses	–	244	244	–	571	571

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

c) Remuneration

Disclosure required by the Companies Act 2006

Remuneration of Directors

(USD '000)	2016	2015
Emoluments	2,548	1,669
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	584	987
Amounts Delivered under Share Based Awards	1,333	1,767
Total	4,465	4,423
Compensation for loss of office	5	–
Bank's contributions to defined contribution plan	44	28
Total	4,514	4,451

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

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

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 1,412,000

(2015: USD 2,207,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 7,000 (2015: USD 3,000). There were no contributions made for defined benefit lump sum (2015: USD Nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Company's accounts for directors in accordance with IFRS requirements for 2016 was USD 4,437,000 (2015: USD 3,585,000).

Number of Directors and Benefits	2016	2015
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	6	6
No Scheme	4	4
Both defined contribution and defined benefit	1	–
Both defined contribution and defined benefit lump sum	1	–
Directors in respect of whom services were received or receivable under long term incentive schemes	9	7

Remuneration of Key Management Personnel

(USD' 000)	2016	2015
Remuneration of Key Management Personnel		
Emoluments	6,212	6,119
Long term incentive schemes	2,321	6,533
Total	8,533	12,652
Compensation for loss of office	–	–
Bank's contributions to defined contribution plan	118	101
Bank's contributions to defined benefits sum plan	206	–
Total	8,857	12,753

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

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

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

Key management personnel include Directors and the members of the CSS(E)L Executive Committee, (2015 the UK Investment Bank Executive Committee).

CSG Shares awarded to Key Management Personnel

	2016	2015
Number of shares	331,140	286,834

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

d) Loans and Advances to Directors and Key Management Personnel

Loans outstanding to or due from Directors or Key management personnel of the CSS(E)L Group at 31 December 2016 were USD 6,000 (2015: USD 3,000), of which loans to Directors were USD 2,000 (2015: USD 1,000).

31 Employees

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

CSS(E)L Group and Company (Number)	2016	2015
Business Functions	1,415	1,231
Corporate Functions	2,515	3,724
Total	3,930	4,955

The CSS(E)L Group receives a range of services from related CS group companies. 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. Decrease in head count is primarily due to movement of staff from CSS(E)L to Credit Suisse International due to continuing business migrations and cost reduction program in 2016. The Business function head count has increased as certain Corporate functions have been transferred into the business functions in 2016.

32 Derivatives and Hedging Activities

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

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

third-party credit risk or that have non-standard or foreign currency terms.

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

- trading activities;
- 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 2016				31 December 2015			
	Trading ¹		Hedging		Trading		Hedging	
CSS(E)L Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	13	17	–	–	7	9	–	–
Swaps	1,228	1,289	–	–	1,619	2,383	–	–
Options bought and sold (OTC)	1	4	–	–	15	5	–	–
Interest rate products	1,242	1,310	–	–	1,641	2,397	–	–
Forwards and forward rate agreements	500	236	9	–	342	343	–	4
Swaps	236	166	–	–	749	762	–	–
Options bought and sold (OTC)	19	19	–	–	119	119	–	–
Foreign exchange products	755	421	9	–	1,210	1,224	–	4
Forwards and forward rate agreements	2	4	–	–	2	6	–	–
Swaps	2,582	2,525	–	–	3,573	4,074	–	–
Options bought and sold (traded)	9	11	–	–	75	57	–	–
Equity/indexed-related products	2,593	2,540	–	–	3,650	4,137	–	–
Credit Swaps	7	26	–	–	20	68	–	–
Life finance related mortality swaps and others	856	694	–	–	838	655	–	–
Other products	856	694	–	–	838	655	–	–
Total derivative instruments	5,453	4,991	9	–	7,359	8,481	–	4

¹ Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations in 2016 are USD 2,104 million (2015: USD 2,820 million) and USD 2,023 million (USD: 3,548 million) respectively. Decrease in derivative instruments, primarily interest rate and foreign exchange products, driven by migration of Prime services business to another CS group entity. Refer to Note 25- Discontinued Operations and Assets Held for Sale.

	2016		2015	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
CSS(E)L Group				
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	5,462	4,991	7,359	8,485
Replacement values (trading and hedging) after netting	5,458	4,987	7,302	8,428

Company	31 December 2016				31 December 2015			
	Trading ¹		Hedging		Trading		Hedging	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Trading and hedging derivatives instruments (USD million)								
Forwards and forward rate agreements	13	17	–	–	7	9	–	–
Swaps	1,228	1,289	–	–	1,620	2,384	–	–
Options bought and sold (OTC)	1	4	–	–	15	5	–	–
Interest rate products	1,242	1,310	–	–	1,642	2,398	–	–
Forwards and forward rate agreements	500	236	9	–	342	343	–	4
Swaps	236	166	–	–	749	762	–	–
Options bought and sold (OTC)	19	19	–	–	119	119	–	–
Foreign exchange products	755	421	9	–	1,210	1,224	–	4
Forwards and forward rate agreements	2	4	–	–	2	6	–	–
Swaps	2,582	2,525	–	–	3,573	4,072	–	–
Options bought and sold (traded)	9	11	–	–	75	57	–	–
Equity/indexed-related products	2,593	2,540	–	–	3,650	4,135	–	–
Credit Swaps	7	26	–	–	20	68	–	–
Life finance related mortality swaps and others	1,409	662	–	–	1,404	622	–	–
Other products	1,409	662	–	–	1,404	622	–	–
Total derivative instruments	6,006	4,959	9	–	7,926	8,447	–	4

¹ Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations in 2016 are USD 2,104 million (2015: USD 2,820 million) and USD 2,023 million (USD: 3,548 million) respectively. Decrease in derivative instruments, primarily interest rate and foreign exchange products, driven by migration of Prime services business to another CS group entity. Refer to Note 25- Discontinued Operations and Assets Held for Sale.

Company	2016		2015	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
Replacement values (USD million)				
Replacement values (trading and hedging) before netting	6,015	4,959	7,926	8,451
Replacement values (trading and hedging) after netting	6,011	4,955	7,869	8,394

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 2016 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 2016 was an asset of USD 9 million (2015: liability of USD 3 million). There are no ineffective net investment hedges as of 31 December 2016.

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	2016	2015
Fair value of derivative instruments designated as cash flow hedges		
Liabilities	-	1

Total

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 2016.

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 2016							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	194	194	–	194
Total guarantees	–	–	–	194	194	–	194

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 2016							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	75	–	–	–	75	–	75
Commitments to purchase cash securities <1 year	5,653	–	–	–	5,653	–	5,653
Total other commitments	5,728	–	–	–	5,728	–	5,728

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 2015							
Guarantees (USD million)							
Credit guarantees and similar instruments	–	–	–	241	241	–	241
Total guarantees	–	–	–	241	241	–	241

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 2015							
Other commitments (USD million)							
Forward reverse repurchase agreements with maturity <1 year	42	–	–	–	42	–	42
Commitments to purchase cash securities <1 year	4,578	–	–	–	4,578	–	4,578
Commitments in underwriting securities <1 year	–	–	–	–	–	–	–
Total other commitments	4,620	–	–	–	4,620	–	4,620

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

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

obligation under a borrowing arrangement or other contractual obligation.

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

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

Lease Commitments

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

	2016	2015
Operating lease commitments (USD million)		
Up to 1 year	19	33
From 1 year and no later than 5 years	77	103
From 5 years and over	250	341
Future operating lease commitments	346	477

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

CSS(E)L Group and Company	2016	2015
Net rental expense (USD million)		
Minimum rentals	19	36
Total net rental expenses	19	36

The rental expenses include service charges of USD 2 million (2015: 4 million). 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 late 2014, the Monte dei Paschi di Siena Foundation ('Foundation') filed a lawsuit in the Civil Court of Milan, Italy seeking EUR 3 billion in damages jointly from Credit Suisse Securities (Europe) Limited (CSSEL), Banca Leonardo & Co S.p.A. and former members of the Foundation's management committee. The lawsuit relates to the fairness opinions CSSEL and Banca Leonardo & Co S.p.A. delivered to the Foundation in connection with the EUR 9 billion acquisition of Banca Antonveneta S.p.A. by Banca Monte dei Paschi di Siena S.p.A. (BMPS) in 2008. BMPS funded the acquisition by a EUR 5 billion rights offer and the issuance of irredeemable securities convertible into BMPS shares, in which the Foundation invested EUR 2.9 billion and EUR 490 million

respectively. The Foundation alleges that the fairness opinions were issued in the absence of key financial information. CSSEL believes that the claim lacks merit and is not supported by the available evidence.

CSSEL has been defending clawback claims of USD 16 million and EUR 22 million brought by the Winding Up Committees ('WUC's) 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 CSSEL 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 CSSEL. The WUCs were claiming significant penalty interest under Icelandic law. CSSEL argued that the buyback transactions were governed by English or New York law which does not provide a legal basis for such clawback actions. In October 2014, the Court of the European Free Trade Association States issued a non-binding decision supporting CSSEL's position that the governing law of the transactions was relevant. In December 2016 CSS(E)L and Kaupthing ehf (formerly Kaupthing Bank hf) entered into a confidential settlement agreement bringing an end to these proceedings.

34 Interests in Other Entities

Subsidiaries

Composition of the Group

Subsidiaries are entities (including structured entities) controlled by the CSS(E)L Group. The CSS(E)L Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns

through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

Composition of the Group

Company Name	Domicile ¹	Currency	Percentage of ownership held 2016	Percentage of ownership held 2015
Credit Suisse First Boston Trustees Limited	United Kingdom	USD	100%	100%
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	USD	100%	-
Credit Suisse Client Nominees (UK) Limited	United Kingdom	USD	100%	100%
Credit Suisse AF Trust	United States of America	USD	100%	100%
CSSEL Bare Trust	United States of America	USD	100%	100%
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%
Redwood – Master Client Trust	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%
Positive – Master Client LLC	United States of America	USD	100%	100%
Saxon S.a.r.l.	Luxembourg	EUR	-	100%
Lutetia Finance Limited	Ireland	USD	-	100%

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

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

There were no significant changes in ownership during the year ended 31 December 2016 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 2016 that resulted in a change in the consolidation conclusion.

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

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

Restrictions

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

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

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

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

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

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

Unconsolidated structured entities

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

Type of structured entity

Securitisations

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

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

Interests in unconsolidated structured entities

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

Loans

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

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

Collateralised Debt Obligations ('CDO')

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

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

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

2015	Structured entity type	Income earned		Total
		Securitisations	CDO	
Balance sheet line item (USD millions)				
Other liabilities		9	-	9
Total		9	-	9
Maximum exposure to loss		-	-	-
Unconsolidated structured entity assets		14,377	-	14,377

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

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

2015	Structured entity type (USD millions)	Income earned			Total
		Fair value gain/(loss)	Interest income	Commission and fees	
	Securitisations	4	3	32	39
Total		4	3	32	39

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

The CSS(E)L Group considers itself the sponsor of a structured entity when either its name appears in the name of the structured entity or in products issued by it or there is a general

expectation from the market that the CSS(E)L Group is associated with the structured entity or the CSS(E)L Group was involved in the design or set up of the structured entity and has a form of involvement with the structured entity.

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

Sponsored unconsolidated structured entities

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

2015	Structured entity type (USD millions)	Income/(losses)			Total
		Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	
	CDO	-	1	-	1
	Loans	-	(5)	-	(5)
	Securitisations	1	-	-	1
Total		1	(4)	-	(3)

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

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

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

35 Financial Instruments

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

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit).
- 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 2016	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	3,187	–	–	–	–	3,187	3,187
Interest-bearing deposits with banks	8,763	–	–	–	–	8,763	8,763
Securities purchased under resale agreements and securities borrowing transactions	11,686	–	–	–	–	11,686	11,686
Trading financial assets at fair value through profit or loss	13,880	13,880	–	–	–	–	13,880
Financial assets designated at fair value through profit or loss	23,613	–	23,613	–	–	–	23,613
Financial assets available-for-sale	33	–	–	–	33	–	33
Other assets	5,269	–	–	–	–	5,269	5,269
Assets held for sale	51,435	18,276	–	–	–	33,159	51,435
Total financial assets	117,866	32,156	23,613	–	33	62,064	117,866

31 December 2016	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	169	–	–	169	169
Securities sold under repurchase agreements and securities lending transactions	72	–	–	72	72
Trading financial liabilities at fair value through profit or loss	7,537	7,537	–	–	7,537
Financial liabilities designated at fair value through profit or loss	23,810	–	23,810	–	23,810
Short term borrowings	3,667	–	–	3,667	3,667
Other liabilities	17,658	–	–	17,658	17,658
Long term debt	24,762	–	–	24,762	24,762
Liabilities held for sale	32,670	12,859	485	19,326	32,670
Total financial liabilities	110,345	20,396	24,295	65,654	110,345

Financial assets and liabilities by categories

31 December 2015	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	8,874	–	–	–	–	8,874	8,874
Interest-bearing deposits with banks	9,700	–	–	–	–	9,700	9,700
Securities purchased under resale agreements and securities borrowing transactions	5,143	–	–	–	–	5,143	5,136
Trading financial assets at fair value through profit or loss	20,682	20,682	–	–	–	–	20,682
Financial assets designated at fair value through profit or loss	28,587	–	28,587	–	–	–	28,587
Financial assets available-for-sale	33	–	–	–	33	–	33
Other assets	5,679	–	–	–	–	5,679	5,679
Assets held for sale	63,876	20,130	–	–	–	43,746	63,876
Total financial assets	142,574	40,812	28,587	–	33	73,142	142,567

31 December 2015	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	160	–	–	160	160
Securities sold under repurchase agreements and securities lending transactions	62	–	–	62	62
Trading financial liabilities at fair value through profit or loss	9,789	9,789	–	–	9,789
Financial liabilities designated at fair value through profit or loss	25,732	–	25,732	–	25,732
Short term borrowings	2,761	–	–	2,761	2,761
Other liabilities	15,237	–	–	15,237	15,237
Long term debt	26,419	–	–	26,419	26,459
Liabilities held for sale	54,502	15,519	481	38,502	54,502
Total financial liabilities	134,662	25,308	26,213	83,141	134,702

Financial assets and liabilities by categories

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

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

Financial assets and liabilities by categories

31 December 2015							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	8,870	–	–	–	–	8,870		8,870
Interest-bearing deposits with banks	9,700	–	–	–	–	9,700		9,700
Securities purchased under resale agreements and securities borrowing transactions	5,143	–	–	–	–	5,143		5,136
Trading financial assets at fair value through profit or loss	21,249	21,249	–	–	–	–		21,249
Financial assets designated at fair value through profit or loss	27,962	–	27,962	–	–	–		27,962
Financial assets available-for-sale	33	–	–	–	33	–		33
Other assets	5,660	–	–	–	–	5,660		5,660
Assets held for sale	63,876	20,130	–	–	–	43,746		63,876
Total financial assets	142,493	41,379	27,962	–	33	73,119		142,486

31 December 2015					Carrying Amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost		
Financial Liabilities						
Deposits	160	–	–	160		160
Securities sold under repurchase agreements and securities lending transactions	62	–	–	62		62
Trading financial liabilities at fair value through profit or loss	9,755	9,755	–	–		9,755
Financial liabilities designated at fair value through profit or loss	25,720	–	25,720	–		25,720
Short term borrowings	2,761	–	–	2,761		2,761
Other liabilities	15,226	–	–	15,226		15,226
Long term debt	26,419	–	–	26,419		26,459
Liabilities held for sale	54,502	15,519	481	38,502		54,502
Total financial liabilities	134,605	25,274	26,201	83,130		134,645

Fair value measurement

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

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

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

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

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

Fair value hierarchy

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

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

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

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

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

¹ Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

² Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

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

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

¹ Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

² Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

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

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

¹ Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

² Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

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

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

¹ Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

² Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

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

31 December 2015 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	3,921	1,753	127	-	5,801
Of which foreign governments	3,921	221	-	-	4,142
Of which corporates	-	1,518	113	-	1,631
Of which residential mortgage backed securities	-	14	14	-	28
Equity securities	10,024	274	101	-	10,399
Derivatives	41	3,690	808	(57)	4,482
Of which interest rate products	-	1,632	-	-	1,632
Of which foreign exchange products	1	1,209	-	-	1,210
Of which equity/index-related products	18	833	-	(57) ¹	794
Of which credit derivatives	-	11	8	-	19
Of which other derivatives	22	5	800	-	827
Trading financial assets at fair value through profit or loss	13,986	5,717	1,036	(57)	20,682
Securities purchased under resale agreements and securities borrowing transactions	-	38,758	160	(12,468)²	26,450
Loans	-	-	45	-	45
Of which loans to financial institutions	-	-	45	-	45
Other financial assets designated at fair value through profit or loss	-	49	2,043	-	2,092
Of which life finance instruments	-	-	1,898	-	1,898
Of which failed purchases	-	49	145	-	194
Financial assets designated at fair value through profit or loss	-	38,807	2,248	(12,468)	28,587
Financial assets available-for-sale	-	-	33	-	33
Debt	9	83	-	-	92
Of which foreign governments	9	-	-	-	9
Of which corporates	-	83	-	-	83
Equity securities	17,080	138	-	-	17,218
Derivatives	19	2,771	30	-	2,820
Of which interest rate products	-	2	-	-	2
Of which equity/index-related products	-	2,769	30	-	2,799
Of which other derivatives	19	-	-	-	19
Assets held for sale	17,108	2,992	30	-	20,130
Total assets at fair value	31,094	47,516	3,347	(12,525)	69,432

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 2015 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	761	1,062	3	-	1,826
Of which foreign governments	761	210	-	-	971
Of which corporates	-	852	3	-	855
Of which collateral debt obligation	-	-	-	-	-
Equity securities	3,027	56	4	-	3,087
Derivatives	51	4,278	604	(57)	4,876
Of which interest rate products	-	2,394	2	-	2,396
Of which foreign exchange products	1	1,223	-	-	1,224
Of which equity/index-related products	4	593	5	(57) ¹	545
Of which credit derivatives	-	67	1	-	68
Of which other derivatives	46	1	596	-	643
Trading financial liabilities at fair value through profit or loss	3,839	5,396	611	(57)	9,789
Securities sold under resale agreements and securities borrowing transactions	-	37,665	-	(12,468)²	25,197
Long Term Debt	-	-	103	-	103
Of which structured notes over two years	-	-	-	-	-
Of which non recourse liabilities	-	-	-	-	-
Of which other debt instruments	-	-	103	-	103
Other financial liabilities designated at fair value through profit or loss	-	431	1	-	432
Of which failed sales	-	431	1	-	432
Financial liabilities designated at fair value through profit or loss	-	38,096	104	(12,468)	25,732
Debt	6	183	-	-	189
Of which foreign governments	6	7	-	-	13
Of which corporates	-	176	-	-	176
Equity securities	11,714	67	-	-	11,781
Derivatives	12	3,488	49	-	3,549
Of which interest rate products	-	3	-	-	3
Of which foreign exchange products	-	1	-	-	1
Of which equity/index-related products	-	3,484	49	-	3,533
Of which other derivatives	12	-	-	-	12
Long-term debt	-	481	-	-	481
Of which debt instruments	-	481	-	-	481
Liabilities held for sale	11,732	4,219	49	-	16,000
Total liabilities at fair value	15,571	47,711	764	(12,525)	51,521

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 2015 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Assets (USD million)					
Debt securities	3,921	1,753	127	-	5,801
Of which foreign governments	3,921	221	-	-	4,142
Of which corporates	-	1,518	113	-	1,631
Of which residential mortgage backed securities	-	14	14	-	28
Equity securities	10,024	274	101	-	10,399
Derivatives	41	3,689	1,376	(57)	5,049
Of which interest rate products	-	1,632	-	-	1,632
Of which foreign exchange products	1	1,209	-	-	1,210
Of which equity/index-related products	18	832	-	(57) ¹	793
Of which credit derivatives	-	11	8	-	19
Of which other derivatives	22	5	1,368	-	1,395
Trading financial assets at fair value through profit or loss	13,986	5,716	1,604	(57)	21,249
Securities purchased under resale agreements and securities borrowing transactions	-	38,758	160	(12,468)²	26,450
Loans	-	-	45	-	45
Of which loans to financial institutions	-	-	45	-	45
Other financial assets designated at fair value through profit or loss	-	49	1,418	-	1,467
Of which life finance instruments	-	-	1,418	-	1,418
Of which failed purchases	-	49	-	-	49
Financial assets designated at fair value through profit or loss	-	38,807	1,623	(12,468)	27,962
Financial assets available-for-sale	-	-	33	-	33
Debt	9	83	-	-	92
Of which foreign governments	9	-	-	-	9
Of which corporates	-	83	-	-	83
Equity securities	17,080	138	-	-	17,218
Derivatives	19	2,771	30	-	2,820
Of which interest rate products	-	2	-	-	2
Of which equity/index-related products	-	2,769	30	-	2,799
Of which other derivatives	19	-	-	-	19
Assets held for sale	17,108	2,992	30	-	20,130
Total assets at fair value	31,094	47,515	3,290	(12,525)	69,374

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 2015 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
Liabilities (USD million)					
Debt securities	761	1,062	3	-	1,826
Of which foreign governments	761	210	-	-	971
Of which corporates	-	852	3	-	855
Equity securities	3,027	56	4	-	3,087
Derivatives	51	4,277	571	(57)	4,842
Of which interest rate products	-	2,393	2	-	2,395
Of which foreign exchange products	1	1,223	-	-	1,224
Of which equity/index-related products	4	593	5	(57) ¹	545
Of which credit derivatives	-	67	1	-	68
Of which other derivatives	46	1	563	-	610
Trading financial liabilities at fair value through profit or loss	3,839	5,395	578	(57)	9,755
Securities sold under resale agreements and securities borrowing transactions	-	37,665	-	(12,468)²	25,197
Long Term Debt	-	-	92	-	92
Of which structured notes over two years	-	-	-	-	-
Of which other debt instruments	-	-	92	-	92
Other financial liabilities designated at fair value through profit or loss	-	431	-	-	431
Of which failed sales	-	431	-	-	431
Financial liabilities designated at fair value through profit or loss	-	38,096	92	(12,468)	25,720
Debt	6	183	-	-	189
Of which foreign governments	6	7	-	-	13
Of which corporates	-	176	-	-	176
Equity securities	11,714	67	-	-	11,781
Derivatives	12	3,488	49	-	3,549
Of which interest rate products	-	3	-	-	3
Of which foreign exchange products	-	1	-	-	1
Of which equity/index-related products	-	3,484	49	-	3,533
Of which other derivatives	12	-	-	-	12
Long-term debt	-	481	-	-	481
Of which debt instruments	-	481	-	-	481
Liabilities held for sale	11,732	4,219	49	-	16,000
Total liabilities at fair value	15,571	47,710	719	(12,525)	51,475

¹ Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

² Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

Transfers between level 1 and level 2

Transfers out of level 1 to level 2 are primarily driven by debt and equity securities where there is lack of activity in market or low trading volume. Transfers to level 1 out of level 2 are primarily

driven by debt and equity securities where the values become observable or higher trading volume and subsequently lacked pricing transparency. All transfers were reported at the end of the reporting period.

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

CSS(E)L Group and Company (USD million)	2016 ¹		2015 ¹	
	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	1,312	673	854	449
Total transfers in assets at fair value	1,312	673	854	449
Liabilities				
Trading financial liabilities at fair value through profit or loss	46	70	87	456
Total transfers in liabilities at fair value	46	70	87	456

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

Movements of level 3 instruments

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

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

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

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

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

As at December 2016	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	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	3	-	(3)	7	(3)	-	-	-	(3)	-	1
Of which corporates	3	-	(3)	7	(3)	-	-	-	(3)	-	1
Equity securities	4	1	-	3	(8)	-	-	-	-	-	-
Derivatives	604	2	-	-	(2)	282	(240)	(1)	11	-	656
Of which interest rate products	2	-	-	-	-	-	-	-	-	-	2
Of which equity/index-related products	5	-	-	-	-	-	-	-	(2)	-	3
Of which credit derivatives	1	2	-	-	-	-	(1)	(1)	(1)	-	-
Of which other derivatives	596	-	-	-	(2)	282	(239)	-	14	-	651
Trading financial liabilities at fair value through profit or loss	611	3	(3)	10	(13)	282	(240)	(1)	8	-	657
Long term debt	103	-	-	-	-	21	(31)	-	1	-	94
Of which non recourse liabilities	-	-	-	-	-	-	-	-	-	-	-
Of which other debt instruments	103	-	-	-	-	21	(31)	-	1	-	94
Other financial liabilities designated at fair value through profit or loss	1	-	-	-	-	-	-	-	(1)	-	-
Of which failed sales	1	-	-	-	-	-	-	-	(1)	-	-
Financial liabilities designated at fair value through profit or loss	104	-	-	-	-	21	(31)	-	-	-	94
Equity securities	-	7	-	3	-	-	-	-	(4)	-	6
Derivatives	49	17	(12)	-	-	11	(49)	5	3	-	24
Of which equity/index-related products	49	17	(12)	-	-	11	(49)	5	3	-	24
Liabilities held for sale	49	24	(12)	3	-	11	(49)	5	(1)	-	30
Total liabilities at fair value	764	27	(15)	13	(13)	314	(320)	4	7	-	781

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

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

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

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

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

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

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

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

As at December 2015	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	109	52	(27)	125	(123)	-	-	(1)	(8)	-	-	127
Of which corporates	102	49	(27)	97	(102)	-	-	(1)	(5)	-	-	113
Of which residential mortgage backed securities	5	3	-	28	(21)	-	-	-	(1)	-	-	14
Of which commercial mortgage backed securities	2	-	-	-	-	-	-	-	(2)	-	-	-
Equity securities	130	113	(100)	22	(62)	-	-	13	(15)	-	-	101
Derivatives	901	8	(4)	-	-	313	(486)	56	20	-	-	808
Of which equity/index-related products	38	8	(4)	-	-	-	(67)	56	(31)	-	-	-
Of which credit derivatives	22	-	-	-	-	-	(1)	-	(13)	-	-	8
Of which other derivatives	841	-	-	-	-	313	(418)	-	64	-	-	800
Trading financial assets at fair value through profit or loss	1,140	173	(131)	147	(185)	313	(486)	68	(3)	-	-	1,036
Securities purchased under resale agreements and securities borrowing transactions	78	-	(41)	-	-	270	(147)	-	-	-	-	160
Loans	106	-	-	-	-	66	(67)	-	(60)	-	-	45
Of which loans to financial institutions	106	-	-	-	-	66	(67)	-	(60)	-	-	45
Other financial assets designated at fair value through profit or loss	2,073	-	-	411	(449)	-	-	-	8	-	-	2,043
Of which life finance instruments	1,957	-	-	404	(442)	-	-	-	(21)	-	-	1,898
Of which failed purchases	116	-	-	7	(7)	-	-	-	29	-	-	145
Financial assets designated at fair value through profit or loss	2,257	-	(41)	411	(449)	336	(214)	-	(52)	-	-	2,248
Financial assets available-for-sale	33	-	-	-	-	-	-	-	-	-	-	33
Assets held for sale	-	6	(3)	-	-	41	(2)	3	(15)	-	-	30
Derivatives	-	6	(3)	-	-	41	(2)	3	(15)	-	-	30
Of which equity/index-related products	-	6	(3)	-	-	41	(2)	3	(15)	-	-	30
Total assets at fair value	3,430	179	(175)	558	(634)	690	(702)	71	(70)	-	-	3,347

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 2015	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	-	-	-	5	(2)	-	-	-	-	3
Of which corporates	-	-	-	5	(2)	-	-	-	-	3
Equity securities	1	4	-	2	(1)	-	-	-	(2)	4
Derivatives	607	3	(10)	-	-	287	(269)	13	(27)	604
Of which interest rate products	-	-	-	-	-	-	-	-	2	2
Of which equity/index-related products	37	1	(5)	-	-	-	(52)	17	7	5
Of which credit derivatives	14	2	(5)	-	-	8	(16)	(4)	2	1
Of which other derivatives	556	-	-	-	-	279	(201)	-	(38)	596
Trading financial liabilities at fair value through profit or loss	608	7	(10)	7	(3)	287	(269)	13	(29)	611
Long term debt	75	-	-	-	-	47	(23)	-	4	103
Of which non recourse liabilities	4	-	-	-	-	-	(4)	-	-	-
Of which other debt instruments	71	-	-	-	-	47	(19)	-	4	103
Other financial liabilities designated at fair value through profit or loss	1	-	-	-	-	-	-	-	-	1
Financial liabilities designated at fair value through profit or loss	76	-	-	-	-	47	(23)	-	4	104
Liabilities held for sale	-	51	(17)	-	-	38	(36)	35	(22)	49
Derivatives	-	51	(17)	-	-	38	(36)	35	(22)	49
Of which equity/index-related products	-	51	(17)	-	-	38	(36)	35	(22)	49
Total liabilities at fair value	684	58	(27)	7	(3)	372	(328)	48	(47)	764

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 2015	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	111	52	(27)	125	(125)	-	-	(1)	(8)	-	127
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	102	49	(27)	97	(102)	-	-	(1)	(5)	-	113
Of which residential mortgage backed securities	7	3	-	28	(23)	-	-	-	(1)	-	14
Of which commercial mortgage backed securities	2	-	-	-	-	-	-	-	(2)	-	-
Equity securities	130	113	(100)	22	(62)	-	-	13	(15)	-	101
Derivatives	1,453	8	(4)	-	-	355	(514)	56	22	-	1,376
Of which equity/index-related products	38	8	(4)	-	-	-	(67)	56	(31)	-	-
Of which credit derivatives	22	-	-	-	-	-	(1)	-	(13)	-	8
Of which other derivatives	1,393	-	-	-	-	355	(446)	-	66	-	1,368
Trading financial assets at fair value through profit or loss	1,694	173	(131)	147	(187)	355	(514)	68	(1)	-	1,604
Securities purchased under resale agreements and securities borrowing transactions	78	-	(41)	-	-	270	(147)	-	-	-	160
Loans	106	-	-	-	-	66	(67)	-	(60)	-	45
Of which loans to financial institutions	106	-	-	-	-	66	(67)	-	(60)	-	45
Other financial assets designated at fair value through profit or loss	1,427	-	-	150	(167)	-	-	-	8	-	1,418
Of which life finance instruments	1,427	-	-	150	(167)	-	-	-	8	-	1,418
Financial assets designated at fair value through profit or loss	1,611	-	(41)	150	(167)	336	(214)	-	(52)	-	1,623
Financial assets available-for-sale	33	-	-	-	-	-	-	-	-	-	33
Assets held for sale	-	6	(3)	-	-	41	(2)	3	(15)	-	30
Derivatives	-	6	(3)	-	-	41	(2)	3	(15)	-	30
Of which equity/index-related products	-	6	(3)	-	-	41	(2)	3	(15)	-	30
Total assets at fair value	3,338	179	(175)	297	(354)	732	(730)	71	(68)	-	3,290

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 2015	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	-	-	-	5	(2)	-	-	-	-	3
Of which corporates	-	-	-	5	(2)	-	-	-	-	3
Equity securities	1	4	-	2	(1)	-	-	-	(2)	4
Derivatives	574	3	(10)	-	-	280	(275)	13	(14)	571
Of which interest rate products	-	-	-	-	-	-	-	-	2	2
Of which equity/index-related products	37	1	(5)	-	-	-	(52)	17	7	5
Of which credit derivatives	14	2	(5)	-	-	8	(16)	(4)	2	1
Of which other derivatives	523	-	-	-	-	272	(207)	-	(25)	563
Trading financial liabilities at fair value through profit or loss	575	7	(10)	7	(3)	280	(275)	13	(16)	578
Long term debt	60	-	-	-	-	47	(19)	-	4	92
Of which structured notes over two years	-	-	-	-	-	-	-	-	-	-
Of which other debt instruments	60	-	-	-	-	47	(19)	-	4	92
Other financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	60	-	-	-	-	47	(19)	-	4	92
Liabilities held for sale	-	51	(17)	-	-	38	(36)	35	(22)	49
Derivatives	-	51	(17)	-	-	38	(36)	35	(22)	49
Of which equity/index-related products	-	51	(17)	-	-	38	(36)	35	(22)	49
Total liabilities at fair value	635	58	(27)	7	(3)	365	(330)	48	(34)	719

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 2016		As at 31 December 2015	
	CSS(E)L Group	Company	CSS(E)L Group	Company
Trading revenues (USD million)				
Net realised/unrealised gains/(losses) included in net revenues	112	53	-	(11)
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	28	28	21	23
Financial assets designated at fair value through profit or loss	52	21	9	4
Trading financial liabilities at fair value through profit or loss	(54)	(54)	6	(2)
Financial liabilities designated at fair value through profit or loss	3	3	3	3
Changes in unrealised gains/(losses) relating to assets and liabilities held for sale as of the reporting date				
Financial assets held for sale	4	4	1	1
Financial liabilities held for sale	(1)	(1)	(3)	(3)
Net realised/unrealised gains/(losses) included in OCI	-	-	-	-
Whereof:				
Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date				
Financial assets available for sale	-	-	-	-
Financial liabilities held for sale	-	-	-	-
Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date	32	1	37	26

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

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

Trading financial assets transferred into and out of level 3 in 2015 amounted to USD 173 million and USD 131 million, respectively for Group and Company. USD 49 million of transfers into level 3 was related to debt securities primarily in Leveraged Finance trading business and Investment Grade trading business due to limited observability of pricing data and reduced pricing information from external providers and USD 113 million of transfer into level 3 related to equity securities, primarily in Leveraged Finance trading business. USD 100 million of transfers out of level 3 largely comprises equity securities primarily in Leveraged Finance trading business due to improved observability of pricing data and increased availability of pricing information from external providers.

Assets held for sale transferred into and out of level 3 in 2015 amounted to USD 6 million and USD 3 million, respectively for Group and Company

Trading financial liabilities at fair value through profit or loss

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

Trading financial liabilities transferred into and out of level 3 in 2015 amounted to USD 7 million and USD 10 million, respectively for Group and Company.

Liabilities held for sale transferred into and out of level 3 in 2016 amounted to USD 24 million and USD 12 million,

respectively for Group and Company. USD 17 million of liabilities held for sale transfers into level 3 relates to derivatives due to limited observability of pricing data and reduced pricing information from external providers.

Liabilities held for sale transferred into and out of level 3 in 2015 amounted to USD 51 million and USD 17 million, respectively for Group and Company. USD 51 million of transfers into level 3 was related to derivatives, due to limited observability of pricing data and reduced pricing information from external providers. USD 17 million transfers out of level 3 largely comprises of derivatives primarily in prime flow 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 run as a sub-committee of CSG VARMC and is comprised of Credit Suisse Group AG's Executive Board members and the heads of the business and control functions meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSS(E)L Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed

transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

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

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

For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

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

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

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

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded

derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable inputs for those classified as level 3 are funding spread and general collateral rate.

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

Debt securities

Foreign governments and corporates

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

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

CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDOs may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDOs for which there are significant unobservable inputs are valued using capitalisation rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price

from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

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. The impact of changes in a counterparty's credit spreads

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.

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

Interest rate derivatives

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

Foreign exchange derivatives

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

Equity and index-related derivatives

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

Credit derivatives

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

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

Other derivatives

Other derivatives include longevity swaps where the CSS(E)L Group enters into longevity and mortality swap transactions with institutional investors to transfer mortality risk. Generally, in a longevity swap, counterparty 'A' pays life contingent premiums to counterparty 'B' and in return receive death benefit at maturity of the underlying life. Longevity swaps are also structured to exchange fixed vs life contingent cash flows without any referenced death benefits. The longevity swaps cash flows may also be credit linked to underlying insurance carriers. Longevity swaps are valued using the discounted cash flow model and the primary unobservable input is market implied remaining life expectancy.

Other financial assets designated at fair value through profit or loss

Life Finance Instruments

Life finance instruments include Single Premium Immediate Annuities ('SPIA'), life settlement and premium finance instruments. SPIAs are valued using discounted cash flow models and are purchased with an upfront payment to receive life contingent annuity income stream. Annuity streams are fixed and received until the individual matures. SPIAs annuity helps finance ongoing premium obligation on the underlying policies and also acts as mortality hedge. Life settlement and premium finance instruments are valued using proprietary models with the primary input being market implied remaining life expectancy. Life settlement policies are life insurance policies issued by insurance companies and pay a lump sum death benefit upon insured's death to beneficiaries in return for premiums paid over the life of an individual. Premium finance is where the CSS(E)L Group finances policy premiums for the insured / borrower set up as an Irrevocable Life Insurance Trust in return for receiving the majority of the insured's death benefit at maturity. The primary unobservable input for SPIAs, life settlement and premium finance instruments is market implied remaining life expectancy.

Loans

Loans include fully funded swaps, which are valued using discounted cash flow models. The primary unobservable input is market implied remaining life expectancy.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the Statement of Financial Position, but a fair value has been disclosed in the table 'Analysis of financial instruments by categories' above on pages 78 to 80. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of time between their origination and expected realisation, as well as the minimal credit risk inherent in these instruments.

Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets instruments with a significant unobservable input of price, funding spread, general collateral rate and market implied remaining life expectancy (for life finance instruments), in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of market implied remaining life expectancy (for life settlement instruments and premium finance instruments), in general, an increase in the significant unobservable input would decrease the fair value.

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value.

Interrelationships between significant unobservable inputs

There are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

Quantitative disclosures of valuation techniques

The following tables provide the representative range of minimum and maximum values and the associated weighted average of

each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

Quantitative information about level 3 assets and liabilities at fair value

As at 31 December 2016 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average ^{1,2}
Assets						
Trading financial Assets at fair value through profit or loss						
Debt securities	72					
Of which corporates	68					
Of which	54	Market comparable	Price, in %	0	123	38
Equity securities	34					
Of which	29	Vendor price	Price in actuals	0	100	24
Derivatives	840					
Of which equity/ index-related products	20					
Of which	18	Vendor price	Price in actuals	0	43	1
Of which other derivatives	814					
Of which	390	Discounted cash flows	UK Mortality	76	92	91
Of which	421	Discounted cash flows	Market implied remaining life expectancy, in years	2	18	6
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	170					
Of which	118	Discounted cash flows	Funding spread, in bps	350	450	361
Of which	52	Discounted cash flows	General collateral rate, in %	10	101	27
Other financial assets designated at fair value through profit or loss	1,923					
Of which life finance instruments	1,767					
Of which	1,653	Discounted cash flows	Market implied remaining life expectancy, in years	2	19	7
Financial assets available-for-sale	33					
Of which	25	Vendor price	Price, in actuals	25	1,077	625
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity securities	6					
Of which	6	Vendor price	Price in actuals	0	71	4
Derivatives	680					
Of which equity/ index-related products	27					
Of which	27	Vendor price	Price in actuals	0	43	1
Of which other derivatives	651					
Of which	615	Discounted cash flows	Market implied remaining life expectancy, in years	2	21	7
Long-term debt	94					
Of which other debt instruments	78	Discounted cash flows	Market implied remaining life expectancy, in years	2	18	7

¹ Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.

² Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations.

As at 31 December 2015 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average ^{1,2}
Assets						
Trading financial Assets at fair value through profit or loss						
Debt securities	127					
Of which corporates	113					
Of which	89	Market comparable	Price, in %	0	150	24
Equity securities	101					
Of which	27	Vendor price	Price in actuals	0	125	32
Of which	73	Market comparable	Price, in %	1	202	97
Derivatives	838					
Of which equity/index-related products	30	Vendor price	Price, in actuals	0	4	0
Of which other derivatives	800					
Of which	790	Discounted cash flows	Market implied remaining life expectancy, in years	1	19	4
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	160					
Of which	119	Discounted cash flows	Funding spread, in bps	350	475	361
Of which	41	Discounted cash flows	General collateral rate, in %	0	0	0
Other financial assets designated at fair value through profit or loss	2,088					
Of which life finance instruments	1,898	Discounted cash flows	Market implied remaining life expectancy, in years	1	20	8
Financial assets available-for-sale	33					
Of which	11	Vendor price	Price, in actuals	1,118	1,118	1,118
Liabilities						
Trading financial liabilities at fair value through profit or loss						
Equity Securities	4					
Of which	4	Vendor price	Price, in actuals	0	24	1
Derivatives	653					
Of which equity/index-related products	49	Vendor price	Price, in actuals	0	4	0
Of which other derivatives	596					
Of which	561	Discounted cash flows	Market implied remaining life expectancy, in years	2	22	8
Long-term debt	103					
Of which other debt instruments	103	Discounted cash flows	Market implied remaining life expectancy, in years	1	19	7

¹ Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.

² Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued and discontinued operations.

Qualitative discussion of the ranges of significant unobservable inputs

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

Market implied remaining life expectancy

The CSS(E)L Group's market implied remaining life expectancy determines an individual's mortality curve and is the primary unobservable input used on various longevity instruments including life settlements, premium finance, SPIAs and longevity swaps. Market implied remaining life expectancy is determined based on individual's

gender, age, and health status. It is calibrated to the market data when transaction data is available.

Mortality Rate

Mortality rate is the primary significant unobservable input for pension swaps. The expected present value of future cash flow of the trades depend on the mortality of individuals in the pension fund who are grouped into categories such as gender, age, pension amount, and other factors.

Price

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

adjustments are considered for differences in deal terms and performance.

Funding spread

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

General collateral rate

General collateral rate is the primary significant unobservable input for repurchase/resale transactions involving emerging markets bonds.

Credit spread

Credit spread is the primary significant input for CDS trades. The lower end of the credit spread range typically represents shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument.

Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated financial statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data.

The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

CSS(E)L Group and Company	As at 31 December 2016		As at 31 December 2015	
	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
Impact on net income/(loss)(USD million)				
Life insurance products	130	(137)	187	(201)
Derivative assets and liabilities	17	(17)	–	–
Asset backed securities	–	–	1	(1)
Debt and equity securities	14	(6)	56	(45)
Other liabilities	–	–	4	(3)
Total	161	(160)	248	(250)

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

Life insurance products, both physical and synthetic, are sensitive to mortality assumption. Sensitivity analysis is carried out by stressing market life expectancy of each underlying product in months between 2 to 9 months. Asset backed securities include RMBS and CDO positions. RMBS positions were subjected to sensitivities on price which were generally subjected to an 8% movement up and down of the price of the security.

Debt and equity securities include corporate bonds. The parameter subjected to sensitivity for corporate debt is price. Corporate debt positions are generally subjected to movements up

and down of 3% to 4% of the price of the security. 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	2016	2015
Deferred trade date profit and loss (USD million)		
Balance at 1 January	110	127
Reduction due to passage of time	(30)	(17)
Balance at 31 December	80	110

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 2016 CSS(E)L Group (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Total at fair value
Assets					
Cash and due from banks	3,187	–	–	–	3,187
Interest-bearing deposits with banks	–	8,763	–	–	8,763
Securities purchased under resale agreements and securities borrowing transactions	–	12,072	–	(386)	11,686
Other financial assets	–	5,269	–	–	5,269
Assets held for sale	–	33,159	–	–	33,159
Total fair value of financial assets	3,187	59,263	–	(386)	62,064
Liabilities					
Deposits	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	–	458	–	(386)	72
Short term borrowings	–	3,667	–	–	3,667
Long term debt	–	24,762	–	–	24,762
Other financial liabilities	–	17,658	–	–	17,658
Liabilities held for sale	–	19,326	–	–	19,326
Total fair value of financial liabilities	169	65,871	–	(386)	65,654

As at 31 December 2016 Company (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Total at fair value
Assets					
Cash and due from banks	3,183	–	–	–	3,183
Interest-bearing deposits with banks	–	8,763	–	–	8,763
Securities purchased under resale agreements and securities borrowing transactions	–	12,072	–	(386)	11,686
Other financial assets	–	5,245	–	–	5,245
Assets held for sale	–	33,159	–	–	33,159
Total fair value of financial assets	3,183	59,239	–	(386)	62,036
Liabilities					
Deposits	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	–	458	–	(386)	72
Short term borrowings	–	3,667	–	–	3,667
Long term debt	–	24,762	–	–	24,762
Other financial liabilities	–	17,647	–	–	17,647
Liabilities held for sale	–	19,326	–	–	19,326
Total fair value of financial liabilities	169	65,860	–	(386)	65,643

As at 31 December 2015 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	8,874	–	–	–	8,874
Interest-bearing deposits with banks	–	9,700	–	–	9,700
Securities purchased under resale agreements and securities borrowing transactions	–	5,570	–	(434)	5,136
Other financial assets	–	5,679	–	–	5,679
Assets held for sale	–	43,746	–	–	43,746
Total fair value of financial assets	8,874	64,695	–	(434)	73,135
Liabilities					
Deposits	160	–	–	–	160
Securities sold under repurchase agreements and securities lending transactions	–	496	–	(434)	62
Short term borrowings	–	2,761	–	–	2,761
Long term debt	–	26,459	–	–	26,459
Other financial liabilities	–	15,237	–	–	15,237
Liabilities held for sale	–	38,502	–	–	38,502
Total fair value of financial liabilities	160	83,455	–	(434)	83,181

As at 31 December 2015 Company (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Total at fair value
Assets					
Cash and due from banks	8,870	–	–	–	8,870
Interest-bearing deposits with banks	–	9,700	–	–	9,700
Securities purchased under resale agreements and securities borrowing transactions	–	5,570	–	(434)	5,136
Other financial assets	–	5,660	–	–	5,660
Assets held for sale	–	43,746	–	–	43,746
Total fair value of financial assets	8,870	64,676	–	(434)	73,112
Liabilities					
Deposits	160	–	–	–	160
Securities sold under repurchase agreements and securities lending transactions	–	495	–	(434)	62
Short term borrowings	–	2,761	–	–	2,761
Long term debt	–	26,459	–	–	26,459
Other financial liabilities	–	15,226	–	–	15,226
Liabilities held for sale	–	38,502	–	–	38,502
Total fair value of financial liabilities	160	83,443	–	(434)	83,170

36 Assets Pledged or Assigned

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

CSS(E)L Group and Company	2016	2015
Assets pledged or assigned (USD million)		
Trading financial assets at fair value through profit or loss	16,809	22,958
Collateral received (USD million)		
Fair value of collateral received with the right to resell or repledge	146,014	191,952
Of which sold or repledged	115,621	159,307

Assets pledged or assigned represents the Statements of Financial Position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivative instruments. Refer to Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2016 and 2015, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSS(E)L Group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation

requirements under securities laws and regulations, derivative transactions, and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSS(E)L Group, as the secured party, has the right to sell or repledge such collateral, subject to the CSS(E)L Group returning equivalent securities upon completion of the transaction.

The CSS(E)L Group enters into agreements with counterparties where collateral or security interests in positions which the CSS(E)L Group holds, has been provided. This includes situations where the CSS(E)L Group has registered charges to certain counterparties over the CSS(E)L Group's assets in connection with its normal operating activities.

37 Derecognition of Financial Assets

In the normal course of business, the CSS(E)L Group enters into transactions where it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSS(E)L Group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 – Significant Accounting Policies.

Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase agreements, securities lending agreements and total return swaps,

in which the CSS(E)L Group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSS(E)L Group's statement of financial position with a corresponding liability established to represent an obligation to the counterparty. As part of the CSS(E)L Group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

Carrying amount of transferred assets not derecognised and associated liabilities

CSS(E)L Group (USD million)	2016		2015	
	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	16,809	16,809	22,958	22,958
Total return swaps	–	–	402	409
Other	530	9	545	21

Company (USD million)	2016		2015	
	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	16,809	16,809	22,958	22,958
Total return swaps	–	–	402	409
Other	9	9	21	21

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 1,359 million (2015: USD 1,346 million).

Where the CSS(E)L Group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement. The counterparties to the associated liabilities included above, have full recourse to the CSS(E)L Group.

Assets not derecognised are included in Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss and corresponding liabilities in Note 13 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements and Note 15 – Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss.

Of the above, other financial assets not derecognised includes failed sale items including fair value elected items which are shown under 'Financial assets designated at fair value through profit or loss in the consolidated statement of financial position.

38 Financial 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 volatilities and correlations. The Company defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction will be exposed to a number of different market risks.

The Company has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Company level down to specific portfolios. The Company uses market risk measurement and management methods in line with regulatory and industry standards. These include general tools capable of calculating comparable risk metrics across the Bank's many activities and focused tools that can specifically model the unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are Value-at-Risk ('VaR') and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR is applicable for market risk exposures with price histories. Positions product can be aggregated in several ways, across risk factors, products and businesses. For example, interest rate risk includes risk arising from

money market and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk across different asset classes, businesses and divisions, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and other relevant parameters serve as a basis for the statistical VaR model underlying the potential loss estimation. The Company uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS').

The Company uses a historical simulation model for the majority of the risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and other relevant parameters applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on the correlation between risk factors. 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 the overall market volatility is reflected promptly in the VaR model output.

The Company has approval from the PRA to use its regulatory VaR model in the calculation of the trading book market risk capital requirements.

The VaR model uses assumptions and estimates that the Company believes are reasonable, but changes to assumptions or

estimates could result in a different VaR measure. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions and correlations across asset classes.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does not provide any information on the size of losses that could occur beyond that threshold.
- VaR is based on a ten-day holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day changes in exposures.

Scenario analysis

Stress testing complements other risk measures by capturing the Company's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile of particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at CSS(E)L Group level, a set of scenarios which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Company's risk control framework, stress testing results are monitored against limits, used in risk appetite discussions and strategic business planning, and support the Company's internal capital adequacy assessment. Stress testing is conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and shared and discussed with the business lines.

Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Company's positions, capital, or profitability. The scenarios used within the Company are reviewed at the individual risk committee level as well as by a dedicated scenario design forum. It is expected that the scenarios used within the Company are redefined as required by changes in market conditions and as business strategies evolve.

Trading portfolios

Risk measurement and management

Market risk arises in the Company's trading portfolios primarily through the trading activities within the bank.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio. This classification of assets as trading is based on the trading intent and for the purpose of analysing the Company's market risk exposure, not for financial statement purposes.

The Company is active in the principal global trading markets, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of the Company's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

Development of trading portfolio risks

The table below shows the trading-related market risk exposure for CSS(E)L Group, as measured by regulatory ten-day, 99% VaR. 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.

Ten-day, 99% VaR – trading portfolios

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversi- fication benefit ¹	Total
2016 (USD million)						
Average	10	3	2	24	(8)	31
Minimum	6	1	–	8	– ²	15
Maximum	16	9	5	39	– ²	48
End of period	12	2	–	12	(5)	21
2015 (USD million)						
Average	17	3	1	23	(9)	35
Minimum	9	1	1	16	– ²	22
Maximum	30	9	3	34	– ²	53
End of period	10	4	1	29	(8)	36

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 2016 decreased by 42% to USD 21 million compared to 31 December 2015 (USD 36 million).

Banking portfolios

Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including scenario analysis, sensitivity analysis and VaR. For the purpose of

Development of non-trading portfolio risks

Interest rate risk on non-trading positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to USD 0.0 million as at 31 December 2016 compared to USD 0.2 million as of 31 December 2015. 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 2016 the fair value impacts of a 200-basis-point move in yield curves (no flooring at zero) were:

A fair value loss of USD 9 million (2015 gain of USD 4 million) for a +200bps move.

A fair value loss of USD 10 million (2015 loss of USD 87¹ million) for a -200bps move.

¹ The fair value impact of a -200bps move across all currencies is shown. In last year's submission the fair value impact for a -200bps move for USD interest rates only was used.

ii) Liquidity Risk

Liquidity risk is the risk that a company is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

CS group wide management of liquidity risk

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee ('CARMC'), a committee that includes the Chief Executive Officers ('CEOs') of the CS group and the divisions, the Chief Financial Officer ('CFO'), the Chief Risk Officer ('CRO') and Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with the CSG Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define the Company's risk tolerance and set parameters for the balance sheet usage of businesses.

The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, market conditions and overall operating environment. CS's liquidity and funding policy is designed to ensure that funding is available to meet all

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.

obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels in response to stressed conditions.

The funding sourced by CS is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

The funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. To address short term liquidity needs in any stress, a liquidity buffer consisting of a portfolio of highly liquid securities and cash is maintained which can be utilised in the event of a crisis. The principal measure used to monitor the structural liquidity position of the Company and as the basis for funds transfer pricing policy is the Net Stable Funding Ratio ('NSFR'). This is complemented by CS's internal liquidity barometer, which measures survival days under stressed conditions and considers the adjusted market value of unencumbered assets (including cash) against the aggregate value of expected contractual, contingent and client behavioural liquidity outflows. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken as a response, including a detailed communication plan for creditors, investors and customers.

The contingency plan would be activated by the Funding Execution Committee ('FEC'), which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On 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 LCR, which is being 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 was subject to an initial proposed minimum requirement of 60%, which increases by 10% each year, reaching 100% by 1 January 2019.

The NSFR, which under BCBS 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%.

It should be noted that local regulators are free to interpret the BCBS proposals and have implemented various aspects differently including timescales for implementation of the LCR and NSFR.

Legal entity management of liquidity risk

The liquidity risk of the Company is managed as an integral part of the overall CS global liquidity risk management framework. The Company aims to achieve a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for the Company is aligned to those used globally for the CS barometer.

The legal entity internal liquidity risk management framework incorporates local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance ('ILG') which results in CSS(E)L Group holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under CRDIV guidelines, the LCR was initially introduced with a minimum requirement of 80% on October 1, 2015 with an increase to 90% from January 1, 2017 and full compliance by January 1, 2018 (one

year prior to BCBS guidelines). The NSFR was expected to be introduced on January 1, 2018 in-line with the BCBS proposal, however in November 2016 the European Commission confirmed that it will not apply at a level of 100% until two years after the date of entry in to force of the proposed regulation. The date for this is not yet known however entry in to force is expected around mid-2018.

In the context of legal entity liquidity management, the Company's Board is responsible for setting the liquidity risk appetite. Some of the key characteristics determining the Company's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk appetite;
- Compliance with local regulatory requirements;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

The Company has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage liquidity risk.

The legal entity risk appetite and assumptions underlying the relevant stress tests, which form part of CSS(E)L's liquidity risk management framework, are reviewed by Risk and Treasury and ultimately approved by the Company's Board of Directors on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communication strategies.

Incremental to the Company's unsecured funding sources from CS, the Company has the ability to access secured funding markets via repurchase and stock lending agreements. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

CSS(E)L Group	On Demand	Current			Noncurrent		Total	Total
		Due within 3 months	Between 3 and 12 months	Total	Between 1 and 5 years	Due after 5 years		
2016 Contractual maturity of Financial Liabilities (USD million)								
Deposits	169	–	–	169	–	–	–	169
Securities sold under repurchase agreements and securities lending transactions	72	–	–	72	–	–	–	72
Trading financial liabilities at fair value through profit or loss	7,537	–	–	7,537	–	–	–	7,537
Financial liabilities designated at fair value through profit or loss	17,482	5,972	261	23,715	27	68	95	23,810
Short term borrowings	–	742	2,925	3,667	–	–	–	3,667
Other liabilities	10,578	–	7,500	18,078	–	–	–	18,078
Long term debt	–	61	182	243	21,801	2,689	24,490	24,733
Perpetual debt	–	–	–	–	–	1,251	1,251	1,251
Liabilities held for sale	24,066	–	8,119	32,185	485	–	485	32,670
Total financial liabilities	59,904	6,775	18,987	85,666	22,313	4,008	26,321	111,987
2015 Contractual maturity of Financial Liabilities (USD million)								
Deposits	157	–	3	160	–	–	–	160
Securities sold under repurchase agreements and securities lending transactions	24	38	–	62	–	–	–	62
Trading financial liabilities at fair value through profit or loss	9,789	–	–	9,789	–	–	–	9,789
Financial liabilities designated at fair value through profit or loss	7,746	17,703	70	25,520	147	66	213	25,732
Short term borrowings	–	43	2,718	2,761	–	–	–	2,761
Other liabilities	7,941	–	–	7,941	8,200	–	8,200	16,141
Long term debt	–	67	1,200	1,267	22,433	2,663	25,096	26,363
Perpetual debt	–	–	–	–	–	1,251	1,251	1,251
Liabilities held for sale	32,499	42	21,479	54,020	482	–	482	54,502
Total financial liabilities	58,156	17,893	25,470	101,520	31,262	3,980	35,242	136,761

CSS(E)L Company	Current			Noncurrent			Total
	On Demand	Due within 3 months	Between 3 and 12 months	Between 1 and 5 years	Due after 5 years	Total	
2016 Contractual maturity of Financial Liabilities (USD million)							
Deposits	169	–	–	169	–	–	169
Securities sold under repurchase agreements and securities lending transactions	72	–	–	72	–	–	72
Trading financial liabilities at fair value through profit or loss	7,505	–	–	7,505	–	–	7,505
Financial liabilities designated at fair value through profit or loss	17,482	5,972	261	23,715	27	56	23,798
Short term borrowings	–	742	2,925	3,667	–	–	3,667
Other liabilities	10,548	–	7,500	18,048	–	–	18,048
Long term debt	–	61	182	243	21,801	2,689	24,490
Perpetual debt	–	–	–	–	–	1,251	1,251
Liabilities held for sale	24,066	–	8,119	32,185	485	–	32,670
Total financial liabilities	59,842	6,775	18,987	85,604	22,313	3,996	111,913
2015 Contractual maturity of Financial Liabilities (USD million)							
Deposits	157	–	3	160	–	–	160
Securities sold under repurchase agreements and securities lending transactions	24	38	–	62	–	–	62
Trading financial liabilities at fair value through profit or loss	9,755	–	–	9,755	–	–	9,755
Financial liabilities designated at fair value through profit or loss	7,746	17,703	70	25,519	147	54	25,720
Short term borrowings	–	43	2,718	2,761	–	–	2,761
Other liabilities	7,910	–	–	7,910	8,200	–	16,110
Long term debt	–	67	1,200	1,267	22,433	2,663	26,363
Perpetual debt	–	–	–	–	–	1,251	1,251
Liabilities held for sale	32,499	42	21,479	54,020	482	–	54,502
Total financial liabilities	58,091	17,893	25,470	101,454	31,262	3,968	136,684

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. They have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (i.e. no maturity dates), the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the Company to put or call the positions at short notice.

iii) Currency Risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company has approval to manage its own trading profit and loss related foreign exchange risk through a formal trading mandate and has defined risk limits using the VaR methodology. Its currency exposure within the non-trading portfolios is managed through the CS group levelling process as set out in the Corporate Foreign Exchange Policy. Both these methodologies are discussed in more detail in section i) Market Risk, of this note.

iv) Credit Risk

Credit risk in CSS(E)L Group is managed by the CSS(E)L Credit Risk Management ('CSS(E)L CRM') department, which is headed by the CSS(E)L Chief Credit Officer ('CSS(E)L CCO'), who in turn reports to the Company Chief Risk Officer ('CRO'). CSS(E)L Credit Risk Management ('CRM') is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. The head of CRM reports to the Chief Risk Officer of CS group. All credit limits in CSS(E)L Group are subject to approval by CSS(E)L CRM.

Definition of credit risk

Credit risk is the possibility of a loss being incurred as the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. In the event of a customer default a company generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur. As of 1st January 2017 CSS(E)L must comply with the EBA's guidelines on the management of exposure to non-regulated entities carrying out credit intermediation activities (so-called "shadow banks"). CSS(E)L CRM has established a framework for managing exposures to shadow banks, the majority of which will be managed under the principal approach. A small number of counterparties will be managed under the regulatory fallback approach, and exposure to these entities is well below the regulatory limit (25% of net EAD over capital).

Counterparty and transaction rating

The CSS(E)L Group employs a set of credit ratings for the purpose of internally rating counterparties to which it is exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSS(E)L Group's internal ratings may differ from counterparties external ratings where present. Policy requires the review of internal ratings at least annually. For the calculation of internal risk estimates and Risk Weighted Assets ('RWAs'), a probability of default ('PD') is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward looking approach,

concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgement of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

The CSS(E)L Group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSS(E)L Group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. CSS(E)L Group has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ('A-IRB') approach for the majority of credit exposures in CSS(E)L Group. Exposures which are not covered by A-IRB treatment are subject to the standardised approach.

Credit Risk Overview

All transactions that are exposed to potential losses due to failure of a counterparty to meet an obligation are subject to credit risk exposure measurement and management.

Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2016. 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
2016 Maximum exposure to credit risk (USD million)¹						
Cash and due from banks	3,187	–	3,187	3,183	–	3,183
Interest-bearing deposits with banks	8,763	–	8,763	8,763	–	8,763
Securities purchased under resale agreements and securities borrowing transactions	40,416	37,391	3,025	40,416	37,391	3,025
Trading financial assets at fair value through profit or loss						
Debt securities	2,790	–	2,790	2,790	–	2,790
Derivative trading positions	5,449	4,884	565	6,002	5,258	744
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	21,568	21,568	–	21,568	21,568	–
Other	2,045	–	2,045	1,442	–	1,442
Financial assets available-for-sale	33	–	33	33	–	33
Other assets	9,656	4,195	5,461	9,656	4,195	5,461
Maximum exposure to credit risk – total assets	93,907	68,038	25,869	93,853	68,412	25,441
Off-balance sheet items						
Loan commitments and other credit related commitments	5,920	–	5,920	5,920	–	5,920
Maximum exposure to credit risk – total off-balance sheet	5,920	–	5,920	5,920	–	5,920
Maximum exposure to credit risk	99,827	68,038	31,789	99,773	68,412	31,361
2015 Maximum exposure to credit risk (USD million)						
Cash and due from banks	8,874	–	8,874	8,871	–	8,871
Interest-bearing deposits with banks	9,700	–	9,700	9,700	–	9,700
Securities purchased under resale agreements and Securities borrowing transactions	41,083	39,226	1,857	41,083	39,171	1,912
Trading financial assets at fair value through profit or loss						
Debt securities	5,855	–	5,855	5,855	–	5,855
Derivative trading positions	7,303	6,766	537	7,870	6,965	905
Financial assets designated at fair value through profit or loss						
Securities purchased under resale agreements and securities borrowing transactions	26,450	26,241	209	26,449	26,241	208
Other	2,137	–	2,137	1,513	–	1,513
Financial assets available-for-sale	33	–	33	33	–	33
Other assets	13,473	5,833	7,640	13,473	5,833	7,640
Maximum exposure to credit risk – total assets	114,908	78,066	36,842	114,847	78,210	36,637
Off-balance sheet items						
Loan commitments and other credit related commitments	4,860	–	4,860	4,860	–	4,860
Maximum exposure to credit risk – total off-balance sheet	4,860	–	4,860	4,860	–	4,860
Maximum exposure to credit risk	119,768	78,066	41,702	119,707	78,210	41,497

¹ Above table includes both continued and discontinued operations.

The CSS(E)L Group is exposed to credit risk as a result of a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSS(E)L Group typically enters into master netting arrangements ('MNA's') with over the counter ('OTC') derivative counterparties. The MNA's allow the CSS(E)L Group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable securities collateral held. Amounts disclosed as collateral and

credit enhancements are where a counterparty has an offsetting derivative exposure with the CSS(E)L Group, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSS(E)L Group holds against loans in the form of guarantees, cash and marketable securities. The CSS(E)L Group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to Note 15 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSS(E)L Group the right to liquidate the collateral held. Reverse repos are included either within Securities purchased under resale agreements or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSS(E)L Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 13 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

In July 2016, the PRA granted CSS(E)L permission to use Financial Collateral Comprehensive Method ('FCCM') Own-Estimates ('OE') Haircuts for capital computations under the Capital Requirements Directive ('CRDIV') regime for derivatives, Securities Financing Transactions ('SFT's), Equity Prime Brokerage ('EPB') and CCP business lines. The FCCM waiver allows CSS(E)L to use its own internal models to calculate haircuts which are then used within the Current Exposure Method ('CEM') method for capital computations. These own-estimate haircuts are much more sophisticated than the broad-based supervisory haircuts, and hence more appropriately capture the risk of CSS(E)L's portfolios.

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	2016		2015	
	USD million	%	USD million	%
AAA	17	0	24	1
AA+ to AA-	3,692	47	4,926	45
A+ to A-	3,264	41	4,293	39
BBB+ to BBB-	470	6	1,080	10
BB+ to BB-	388	5	466	4
B+ and below	62	1	100	1
	7,893	100	10,889	100

Unsecured Exposure by Counterparty Rating

Company	2016		2015	
	USD million	%	USD million	%
AAA	17	0	24	0
AA+ to AA-	3,260	48	4,837	50
A+ to A-	3,084	44	3,954	41
BBB+ to BBB-	422	6	773	8
BB+ to BB-	101	1	109	1
B+ and below	48	1	55	0
	6,932	100	9,752	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

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 allows it to capture and estimate wrong-way risk.

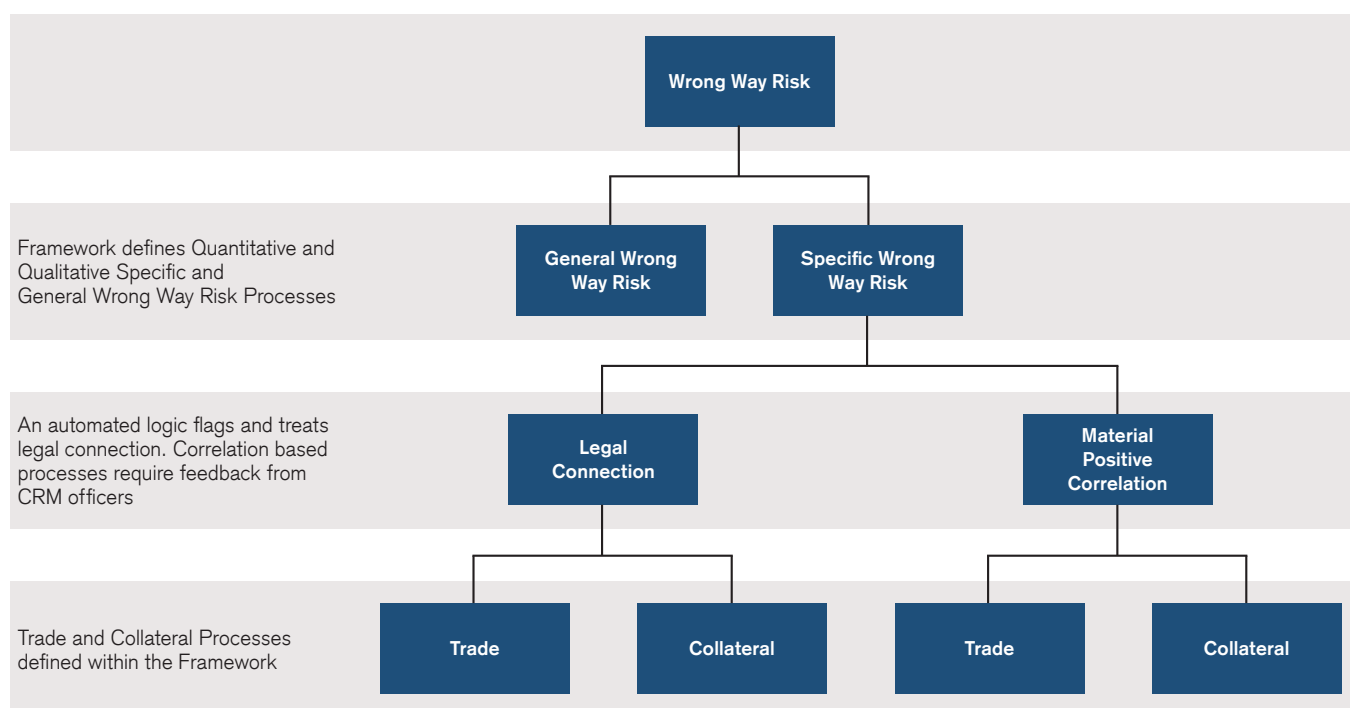
Credit approval and reviews

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent ongoing review of the creditworthiness of the client. Part of the review and approval process involves consideration of the motivation of the client and to identify the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

Exposure adjusted risk calculation

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumptions, ineligibility of collateral or scenario based add-ons is in place to identify and adjust exposures for all specific 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 identified following the quantitative and qualitative review from Credit Officers.

Wrong-way risk monitoring

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern. General Wrong way risk ("WWR") and transactions containing specific wrong-way risk due to legal connection are automatically flagged and included in regular reporting. Transactions containing wrong-way risk due to correlation are flagged to CRM

officers for confirmation and then included in regular reporting. The outcome of the WWR identification process is subject to monthly review from the CSS(E)L Management team via a regular forum.

Settlement Risk

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of counter-value from the counterparty. This risk arises whenever transactions settle on a 'free of payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSS(E)L Group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSS(E)L Group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cash flows with a given counterparty where possible. It proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each 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. CSS(E)L has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSS(E)L Group.

For CSS(E)L Group, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Upon CSS(E)L recommendation, maximum appetite and operational limits are calibrated and approved by the CSS(E)L Risk Management Committee (CSS(E)L RMC) on an annual basis or more frequently if warranted by a fundamental change in strategy or market conditions. The measurement of exposures against country limits is reported weekly to CSS(E)L dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provides independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to CSS(E)L Chief Credit Officer and the CSS(E)L CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at the CSS(E)L RMC.

vi) Legal and Regulatory Risk

The CS group faces significant legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the CS group acts as principal; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the CS group participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the CS group does business; and disputes with its employees. Some of these transactions or disputes result in potential or actual litigation that the CS group must incur legal expenses to defend.

The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the General Counsel and Compliance department and outside legal counsel and other external specialists. In addition, the CS group is an active participant in a number of key

industry and other professional market forums including International Swaps and Derivatives Association ('ISDA'), Association for Financial Markets in Europe ('AFME') and British Bankers' Association ('BBA') which inter alia focus on improving levels of market and product standardisation, legal definition and protocol.

As a participant in the financial services industry, the CS group is subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organisations around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit activities, including through the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which the CSS(E)L Group may operate. Such limitations can have a negative effect on the CSS(E)L Group's business and ability to implement strategic initiatives. To the extent that disinvestment is required from certain businesses, losses could be incurred, as the CSS(E)L Group may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

The financial services industry continues to be affected by significant complexity of ongoing regulatory reforms, alongside more recently, the potential impacts of Brexit. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the results of operations.

vii) Operational Risk

Definition

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.

Sources of operational risk

Operational risk is inherent in most aspects of CSS(E)L's business, including the systems and processes that support CSS(E)L's activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorised trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

Evaluation and management of operational risk

Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. CSS(E)L believes that effective management of operational risk requires a common operational risk framework that focuses on the early identification, recording,

assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. CSS(E)L started to introduce CSS(E)L's current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, CSS(E)L has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together.

The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks while providing individual businesses with sufficient flexibility to tailor specific components to reflect the risks that they run. The main components of the operational risk framework are described below:

- Governance and policies: The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines appropriate escalation processes for outcomes that are outside expected levels. CSS(E)L utilises a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.
- Operational risk appetite: This determines CSS(E)L's approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the Board and relevant risk management committees in agreement with the operational risk management function.
- Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of CSS(E)L's business activities. It provides a consistent approach for classifying operational risks which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- Internal control assessment: CSS(E)L utilises a comprehensive set of internal controls that are designed to ensure that CSS(E)L's activities follow agreed policies and that processes operate as intended. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment ('RCSA') process.
- Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They are associated with thresholds that define acceptable performance and provide early warning signals about potential issues.
- Incident data: CSS(E)L systematically collect, analyse and report data on operational risk incidents to ensure that CSS(E)L understands the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CSS(E)L focuses on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. CSS(E)L also collects and utilises available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the CSS(E)L Group.
- Risk and control self-assessments: RCSAs are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSA's utilise other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.
- Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.
- Reporting: CSS(E)L produces a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorising, investigating, escalating and remediating incidents. CSS(E)L conducts detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.
- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorised trading. These scenarios help businesses assess the suitability of controls in the light of potential losses. Regulatory capital is determined using the Business Indicator Approach and supplemented by scenario analysis. These capital requirements are allocated to individual businesses for performance measurement purposes and to incentivise appropriate management actions.
- Operational risk change assessments: Operational risks associated with major change initiatives are identified, assessed

and managed throughout the life of each program using the relevant components of the operational risk framework. It also considers the fact that even initiatives that are expected to deliver operational risk benefits upon completion may result in increased risks during the implementation phase. Outsourcing initiatives may be considered where the operational risk management department has determined certain materiality criteria are met.

- **Conduct and behaviour:** Recognising that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behaviour. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organisation, CSS(E)L also transfers the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

Developments in 2016

CSS(E)L is continuously enhancing its operational risk management practices through an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in one area to check that they deliver the intended benefits before being rolled out more broadly.

Maintaining the effectiveness of the CSS(E)L control environment is critical to ensuring that operational risks remain within acceptable levels. In 2016, CSS(E)L made improvements to approaches of cataloging, documenting and evaluating key controls, which will provide more robust and supportable control assessments for use in the RCSA process. This work now forms a significant part of the Enterprise Risk and Control Framework that was launched in 2016 which focuses on introducing a systematic control activities framework that applies consistent standards and approaches to relevant business activities. This is a multi-year initiative that starts with the most significant controls and rolls out new processes using a phased approach.

CSS(E)L has continued to make progress in embedding assessments of employee behaviour in the risk assessment framework. In 2016, the business conduct behaviours continued to be reference in a number of HR processes, including recruitment, induction, performance assessment, promotion, and compensation. CSS(E)L has also introduced enhanced risk indicator reporting covering behaviour and conduct-related matters.

Operational Risk Governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management

framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modelling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices for operational risk management, specifically with regard to the identification, evaluation, mitigation, monitoring and reporting of relevant UK IB operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the CSS(E)L Board and Board Risk with standing updates to the CSS(E)L Risk Management committee and CSS(E)L Operational Risk Management committee.

viii) Conduct Risk

Conduct risk is the risk that poor conduct by the CSS(E)L Group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which CSS(E)L operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorised trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, trade processing errors, inaccurate benchmark submissions, failure to safeguard client data or assets, and breaches of regulatory rules or laws by individual employees or market conduct.

Conduct risk is embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing past incidents and those from other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across the UK IB and targeted training activities. CSS(E)L seeks to promote good behaviour and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening CSS(E)L's reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviours. The Code of Conduct and the set of business conduct behaviours are linked to CSS(E)L's employee performance assessment and compensation processes.

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 key stakeholders such as clients, shareholders, the media and the public. The CS Global Policy on Reputational Risk ('the Policy') states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, action or client relationship, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The Company's Board has formally delegated reputational risk issues to CS group's global RRRP which includes an overview of the transaction or action being considered, the risks identified and relevant mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by the UK Senior Manager in the relevant division, and assuming they are supportive of the proposal are then subsequently referred to one of CS group's Reputational Risk Approvers ('RRA'), each of whom is

independent of the business divisions and has the authority to approve, reject, or impose conditions on 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 Company entity management across divisions and corporate functions.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to 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 realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each

counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges respectively central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

To meet criterion (1), the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
 - i the normal course of business;
 - ii the event of default; and
 - iii the event of insolvency or bankruptcy of the entity and all of the counterparties.

Criterion (2) may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g., derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Under IFRS, the CSS(E)L Group has elected to account for substantially all hybrid financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables Offsetting of 'Funded Derivatives' on page 131.

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)	2016					2015
	Gross	Offsetting	Net ²	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	5,342	(4)	5,338	7,224	(57)	7,167
Derivative instruments not subject to enforceable master netting agreements ¹	120	–	120	135	–	135
Total derivative instruments presented in the Consolidated Statement of Financial Position	5,462	(4)	5,458	7,359	(57)	7,302
of which recorded in trading financial assets at fair value through profit or loss	5,453	(4)	5,449	7,359	(57)	7,302
of which recorded in other assets	9	–	9	–	–	–
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	4,794	(4)	4,790	8,196	(57)	8,139
Derivative instruments not subject to enforceable master netting agreements ¹	197	–	197	289	–	289
Total derivative instruments presented in the Consolidated Statement of Financial Position	4,991	(4)	4,987	8,485	(57)	8,428
of which recorded in trading financial liabilities at fair value through profit or loss	4,991	(4)	4,987	8,481	(57)	8,424
of which recorded in other liabilities	–	–	–	4	–	4

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

² Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,104 and USD 2,023 respectively

Company (USD million)	2016					2015
	Gross	Offsetting	Net ²	Gross	Offsetting	Net
Derivative Assets						
Derivative instruments subject to enforceable master netting agreements	5,895	(4)	5,891	7,776	(57)	7,719
Derivative instruments not subject to enforceable master netting agreements ¹	120	–	120	150	–	150
Total derivative instruments presented in the Company Statement of Financial Position	6,015	(4)	6,011	7,926	(57)	7,869
of which recorded in trading financial assets at fair value through profit or loss	6,006	(4)	6,002	7,926	(57)	7,869
of which recorded in other assets	9	–	9	–	–	–
Derivative Liabilities						
Derivative instruments subject to enforceable master netting agreements	4,762	(4)	4,758	8,157	(57)	8,100
Derivative instruments not subject to enforceable master netting agreements ¹	197	–	197	294	–	294
Total derivative instruments presented in the Company Statement of Financial Position	4,959	(4)	4,955	8,451	(57)	8,394
of which recorded in trading financial liabilities at fair value through profit or loss	4,959	(4)	4,955	8,447	(57)	8,390
of which recorded in other liabilities	–	–	–	4	–	4

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

² Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,104 and USD 2,023 respectively

Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Reverse repurchase and repurchase agreements may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations.

Bilateral as well as centrally cleared reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements

respectively the terms of the rules and regulations governing the central clearing counterparties permit such netting and offset because the CSS(E)L Group:

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

The net settlement criterion in (2) will also be met, if the CSS(E)L Group can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

The amounts offset are measured on the same basis as the underlying transaction (i.e. on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Securities lending and borrowing transactions may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Position because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Position apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market

instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held. As is the case in the CSS(E)L Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2016 and December 31, 2015. 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)	2016			2015		
	Gross	Offsetting	Net ³	Gross	Offsetting	Net
Securities purchased under resale agreements and securities borrowing transactions						
Securities purchased under resale agreements	41,607	(9,574)	32,033	41,991	(12,902)	29,089
Securities borrowing transactions	28,052	–	28,052	36,469	–	36,469
Total subject to enforceable master netting agreements	69,659	(9,574)	60,085	78,460	(12,902)	65,558
Total not subject to enforceable master netting agreements¹	1,897	–	1,897	1,975	–	1,975
Total	71,556	(9,574)	61,982	80,435	(12,902)	67,533²

¹ Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

² USD 21,568 million (2015: USD 26,450 million) of the total net amount are reported at fair value.

³ Above table includes both continued and discontinued operations.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase

agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of securities sold under repurchase agreements and securities lending transactions

CSS(E)L Group and Company (USD million)	2016			2015		
	Gross	Offsetting	Net ³	Gross	Offsetting	Net
Securities sold under repurchase agreements and securities lending transactions						
Securities sold under repurchase agreements	32,930	(9,574)	23,356	37,148	(12,902)	24,246
Securities lending transactions	13,137	–	13,137	24,839	–	24,839
Total subject to enforceable master netting agreements	46,067	(9,574)	36,493	61,987	(12,902)	49,085
Total not subject to enforceable master netting agreements¹	413	–	413	(1,071)	–	(1,071)
Total	46,480	(9,574)	36,906	60,916	(12,902)	48,014²

¹ Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

² USD 23,707 (2015: USD 25,197 million) of the total net amount are reported at fair value.

³ Above table includes both continued and discontinued operations.

The following table presents the gross amount of Prime Brokerage Receivables and Funded Derivative Assets subject to enforceable master netting agreements, the amount of offsetting, the amount

of Funded Derivative Assets not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

Offsetting of prime brokerage receivables and funded derivative assets

CSS(E)L Group (USD million)	2016			2015		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	4,195	–	4,195	5,833	–	5,833
Funded derivative assets subject to enforceable master netting agreements	–	–	–	–	–	–
Total subject to enforceable master netting agreements	4,195	–	4,195	5,833	–	5,833
Total not subject to enforceable master netting agreements¹	120	–	120	398	–	398
Total	4,315	–	4,315	6,231	–	6,231

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)	2016			2015		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage receivables and funded derivative assets						
Prime brokerage receivables subject to enforceable master netting agreements	4,195	–	4,195	5,833	–	5,833
Funded derivative assets subject to enforceable master netting agreements	–	–	–	–	–	–
Total subject to enforceable master netting agreements	4,195	–	4,195	5,833	–	5,833
Total not subject to enforceable master netting agreements¹	120	–	120	398	–	398
Total	4,315	–	4,315	6,231	–	6,231

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)	2016			2015		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	6,314	–	6,314	10,896	–	10,896
Funded derivative liabilities subject to enforceable master netting agreements	485	–	485	482	–	482
Total subject to enforceable master netting agreements	6,799	–	6,799	11,378	–	11,378
Total not subject to enforceable master netting agreements¹	1,142	–	1,142	2,021	–	2,021
Total	7,941	–	7,941	13,399	–	13,399

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)	2016			2015		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Prime brokerage payables and funded derivative liabilities						
Prime brokerage payables subject to enforceable master netting agreements	6,314	–	6,314	10,896	–	10,896
Funded derivative liabilities subject to enforceable master netting agreements	485	–	485	482	–	482
Total subject to enforceable master netting agreements	6,799	–	6,799	11,378	–	11,378
Total not subject to enforceable master netting agreements¹	1,142	–	1,142	2,009	–	2,009
Total	7,941	–	7,941	13,387	–	13,387

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

Funded Derivative Liabilities are recorded in Financial Liabilities Designated at Fair Value Through Profit and Loss and Prime Brokerage Payables are recorded in Other liabilities in the Consolidated Statement of Financial Position.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the

Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and funded derivatives not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the Consolidated Statement of Financial Position

CSS(E)L Group (USD million)	2016				2015			
	Net ¹	Financial instruments ²	Cash collateral received/ pledged ²	Net exposure	Net ¹	Financial instruments ²	Cash collateral received/ pledged ²	Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	5,338	(3,849)	(1,035)	454	7,167	(5,176)	(1,406)	585
Securities purchased under resale agreements	32,033	(32,009)	(24)	–	29,088	(29,043)	(45)	–
Securities borrowing transactions	28,052	(26,883)	–	1,169	36,469	(35,011)	–	1,458
Prime brokerage receivables	4,195	–	(4,195)	–	5,833	–	(5,833)	–
Funded derivative instruments	–	–	–	–	–	–	–	–
Total financial assets subject to enforceable master netting agreements	69,618	(62,741)	(5,254)	1,623	78,557	(69,230)	(7,284)	2,043
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	4,790	(3,304)	(356)	1,130	8,139	(4,695)	(1,216)	2,228
Securities sold under repurchase agreements	23,356	(23,343)	(13)	–	24,246	(24,196)	(50)	–
Securities lending transactions	13,137	(13,137)	–	–	24,839	(22,237)	–	2,602
Prime brokerage payables	6,314	–	–	6,314	10,896	–	–	10,896
Funded derivative instruments	485	–	–	485	482	–	–	482
Total financial liabilities subject to enforceable master netting agreements	48,082	(39,784)	(369)	7,929	68,602	(51,128)	(1,266)	16,208

¹ Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.

² The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

Amounts not offset in the Company Statement of Financial Position

Company (USD million)	2016				2015			
	Net ¹	Financial instruments ²	Cash collateral received/ pledged ²	Net exposure	Net ¹	Financial instruments ²	Cash collateral received/ pledged ²	Net exposure
Financial assets subject to enforceable master netting agreements								
Derivative instruments	5,891	(4,077)	(1,180)	634	7,719	(5,430)	(1,535)	754
Securities purchased under resale agreements	32,033	(32,009)	(24)	–	29,088	(29,043)	(45)	–
Securities borrowing transactions	28,052	(26,883)	–	1,169	36,469	(35,011)	–	1,458
Prime brokerage receivables	4,195	–	(4,195)	–	5,833	–	(5,833)	–
Funded derivative instruments	–	–	–	–	–	–	–	–
Total financial assets subject to enforceable master netting agreements	70,171	(62,969)	(5,399)	1,803	79,109	(69,484)	(7,413)	2,212
Financial liabilities subject to enforceable master netting agreements								
Derivative instruments	4,758	(3,361)	(356)	1,041	8,100	(4,750)	(1,216)	2,134
Securities sold under repurchase agreements	23,356	(23,343)	(13)	–	24,246	(24,196)	(50)	–
Securities lending transactions	13,137	(13,137)	–	–	24,839	(22,237)	–	2,602
Prime brokerage payables	6,314	–	–	6,314	10,896	–	–	10,896
Funded derivative instruments	485	–	–	485	482	–	–	482
Total financial liabilities subject to enforceable master netting agreements	48,050	(39,841)	(369)	7,840	68,563	(51,183)	(1,266)	16,114

¹ Net amount presented in the Company Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.

² The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Company Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use

of CDSs. Therefore the net exposure presented in the table above is not representative for the CSS(E)L Group's counterparty exposure.

40 Capital Adequacy

The Company's capital adequacy is managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union regulations as set by the European Banking Authority ('EBA'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD'), collectively referred to as CRDIV.

The CS group considers a strong and efficient capital position to be a priority. Consistent with this, the Company closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework or to the Company's business model. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Multi-year business forecasts and capital plans are prepared by the Company, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios, as part of the ICAAP. Within these stress tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated regularly, as part of

the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for any Supervisory Review and Evaluation Process ('SREP') review that the PRA conducts when assessing an institution's level of regulatory capital.

Own Funds

Own Funds comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity (Common Equity Tier 1 ('CET1')). This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital equals the sum of these with adjustments including regulatory deductions and prudential filters.

The Company's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its businesses. The capital management framework is designed to ensure that own funds are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

During 2016 there was no repayment of subordinated debt or shareholders' equity repatriation. In 2015, USD 250 million of Tier 2 subordinated debt was repaid to Credit Suisse PSL GmbH and USD 500 million was repaid to Credit Suisse First Boston Finance BV. This was replaced with USD 750 million subordinated debt received from Credit Suisse Investments (UK).

Other movements in own funds were as follows:

Company	2016	2015
Own Funds (USD million)		
Own Funds at 1 January	10,625	10,892
Change in Tier 1 Instruments:	–	–
Change in Tier 2 Instruments:	–	–
Subordinated Debt Issued	–	750
Subordinated Debt Repayment	–	(750)
Profit and loss and movements in other comprehensive income	155	(278)
Net movement in regulatory deductions and prudential filters	(52)	11
Own Funds at 31 December	10,728	10,625

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2016 (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 2016 and 2015.

Company	2016	2015
Own Funds (USD million)		
Total shareholders' equity	8,125	7,970
Other deductions:		
Regulatory deductions	(1)	(1)
Excess of expected loss amounts over credit risk adjustments	(41)	(43)
Defined benefit pension fund assets	(729)	(616)
Securitisation positions	(3)	(19)
Prudential filters	(124)	(167)
Total Tier 1 capital	7,227	7,124
Tier 2 capital		
Subordinated debt	3,501	3,501
Total Tier 2 capital	3,501	3,501
Total Tier 1 and Tier 2 capital	10,728	10,625
Regulatory deductions:		
Free deliveries	–	–
Own Funds	10,728	10,625

41 Country-by-Country Reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, and their turnover, pre-tax profit or loss, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2016.

All amounts for CSS(E)L, its subsidiaries and branches are reported in USD, (the functional currency of the Company).

Basis of preparation

- **Country:** The geographical location of CSS(E)L, its material branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The countries are listed in the table below.
- **Entity details:** the name of the entity, the entity type, and the nature of activity is defined in these elements. CSS(E)L including its branches, is an investment firm whose activities include arranging finance for clients in the international capital markets, providing financial advisory services and acting as dealer

in securities, derivatives and foreign exchange on a principal and agency basis. CSS(E)L's material subsidiaries are disclosed separately.

- **Average Number of Employees:** Defined as the number of employees on a full time equivalent basis, compensated directly by the entity.
- **Turnover:** Defined as net revenues, and is consistent with CSS(E)L's financial statements. Net revenues include total income before impairment and operating expenses, but after net interest, net commissions/fees income and investment and trading income.
- **Pre Tax Profit/(Loss):** Definition of profit/(loss) before tax is consistent with that within CSS(E)L's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSS(E)L in each country and does not include taxes refunded back to CSS(E)L on account of tax overpayments in prior years during 2016 or 2015. Other taxes paid are detailed in the Strategic Report, and throughout the Annual Report.
- **Public Subsidies Received:** Interpreted as direct support by the government and there were no public subsidies received by CSS(E)L in 2016 (2015 : Nil).

Country-by-Country report for the year ended 31 December 2016

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Corporation Taxes Paid USD Million ²	Public Subsidies Received
United Kingdom							
Credit Suisse Securities (Europe) Limited	Parent	Investment firm	3,666	1,260	(105)	–	–
CSFB Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
Italy							
Credit Suisse Securities (Europe) Limited, Milan Branch	Branch	Branch of an investment firm	–	1	3	–	–
Sweden							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	1	1	–	–	–
France							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	87	100	11	10	–
Poland							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	4	2	1	–	–
Germany							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	77	48	8	2	–
The Netherlands							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	–	–	–	–	–
South Korea							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	95	129	102	19	–
Credit Suisse Securities (Europe) Limited	Consolidated ¹		3,930	1,541	20	31	–

¹ Variable Interest entities are not included in the above reporting for a full list please see Note 34.

² The Corporation taxes paid above do not include taxes refunded during 2016. Taxes refunded during 2016 for CSS(E)L amounted to USD 1.5 million.

Although no Corporation Taxes were paid in the UK, the Company incurred Bank Levy of USD 37 million, employees social security of USD 70 million and irrecoverable UK value added tax of USD 72 million.

Country-by-Country report for the year ended 31 December 2015

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Corporation Taxes Paid USD Million ²	Public Subsidies Received
United Kingdom							
Credit Suisse Securities (Europe) Limited	Parent	Investment firm	4,651	1,429	(664)	–	–
CSFB Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
Italy							
Credit Suisse Securities (Europe) Limited, Milan Branch	Branch	Branch of an investment firm	17	16	1	–	–
Sweden							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	–	1	–	–	–
France							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	102	145	(13)	4	–
Poland							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	3	2	1	–	–
Germany							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	79	47	(3)	5	–
The Netherlands							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	13	7	–	1	–
South Korea							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	90	116	81	16	–
Credit Suisse Securities (Europe) Limited	Consolidated ¹		4,955	1,763	(597)	26	–

¹ Variable Interest entities are not included in the above reporting for a full list please see Note 34.

² The Corporation taxes paid above do not include taxes refunded during 2015. Taxes refunded during 2015 for CSS(E)L amounted to USD 45 million

Although no Corporation Taxes were paid in the UK, the Company incurred Bank Levy of USD 51 million, employees social security of USD 145 million and irrecoverable UK value added tax of USD 94 million.

42 CSS(E)L's Subsidiaries and Associates

In accordance with Section 409 of the Companies Act 2006 a list of CSS(E)L's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2016 is disclosed below.

	Country	Security	Immediate parent	Total (%)
31 December 2016				
Subsidiaries				
Credit Suisse AF Trust	USA ²	Beneficiary	CSS(E)L	100
CSSEL Bare Trust	USA ²	Beneficiary	CSS(E)L	100
Redwood Master Trust I	USA ²	Beneficiary	CSS(E)L	100
Redwood Master Trust II	USA ²	Beneficiary	CSS(E)L	100
Redwood – Master Client Trust	USA ²	Beneficiary	CSS(E)L	100
Redwood Funding Trust I	USA ²	No shares	Redwood Master Trust I	- ¹
Redwood Funding Trust II	USA ²	No shares	Redwood Master Trust II	- ¹
Redwood Trust I	USA ²	No shares	Redwood Master Trust I	- ¹
Redwood Trust II	USA ²	No shares	Redwood Master Trust II	- ¹
Sail Master Trust I	USA ²	Beneficiary	CSS(E)L	100
Sail Master Trust II	USA ²	Beneficiary	CSS(E)L	100
Sail Funding Trust I	USA ²	No shares	Sail Master Trust I	- ¹
Sail Funding Trust II	USA ²	No shares	Sail Master Trust II	- ¹
Sail Trust I	USA ²	No shares	Sail Master Trust I	- ¹
Sail Trust II	USA ²	No shares	Sail Master Trust II	- ¹
Positive – Master Client LLC	USA ²	Beneficiary	CSS(E)L	100
Credit Suisse Client Nominees (UK) Limited	United Kingdom ²	GBP 1 Ordinary shares	CSS(E)L	100
Credit Suisse First Boston PF (Europe) Limited	United Kingdom ²	GBP 1 Ordinary shares	CSS(E)L	100
Credit Suisse First Boston Trustees Limited	United Kingdom ²	GBP 1 Ordinary shares	CSS(E)L	100
Associates				
Peninsula HEDGE CSHG Fundo de Investimento em Cotas de Fundo de Investimento Multmercado	Brazil ²	Quotas with no par value	Investing partners	25.21
Gaoh Offshore (UK) Ltd	United Kingdom ²	GBP 0.001p Ordinary shares	No immediate parent	20.30

¹ Subsidiaries included in Note 34 – Interests in Other Entities, where CSSEL does not hold any share capital.

² Detailed Registered Office Address mentioned in below Table.

CSG is the ultimate parent for the above subsidiaries.

	Country	Registered Office
31 December 2016		
Subsidiaries		
Credit Suisse AF Trust	USA	11 Madison Avenue, New York, New York 10010 – USA
CSSEL Bare Trust	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Master Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Master Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Funding Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Funding Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood – Master Client Trust	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Redwood Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Master Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Master Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Funding Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Funding Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Trust I	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Sail Trust II	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Positive – Master Client LLC	USA	Wells Fargo Delaware Trust Company, 919 North Market Street, Wilmington, Delaware 19801 – USA
Credit Suisse Client Nominees (UK) Limited	United Kingdom	One Cabot Square, London E14 4QJ – United Kingdom
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	One Cabot Square, London E14 4QJ – United Kingdom
Credit Suisse First Boston Trustees Limited	United Kingdom	One Cabot Square, London E14 4QJ – United Kingdom
Associates		
Peninsula HEDGE CSHG Fundo de Investimento em Cotas de Fundo de Investimento Multmercado	Brazil	Rua Leopoldo Couto de Magalhães Junior, 700, 11° (parte), 13, 14° (parte), São Paulo – Brazil
Gaoh Offshore (UK) Ltd	United Kingdom	Ocean House, 22 Cousin Lane, London, EC4R 3TE



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