CREDIT SUISSE

CREDIT SUISSE INVESTMENT HOLDINGS (UK)

Annual Report
For the year ended 31 December 2017

Company Registration Number: 03045280

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Board of Directors

Julian R. Houghton	Director
Christopher Horne	Director
Paul E. Hare	Director
Caroline M. Waddington	Director

Company Secretary

Paul E. Hare	Secretary

Strategic Report for the year ended 31 December 2017

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

Business Profile

Credit Suisse Investment Holdings (UK) (the 'Company') is an investment holding company, established primarily to hold the interests of its holding company, Credit Suisse Investments (UK) ('CSIUK'), a UK company whose ultimate parent is Credit Suisse Group AG ('CSG'), which is incorporated in Switzerland.

Principal activities

The Company's principal activity is to act as a holding company.

The Company's interests include an investment in Credit Suisse Securities (Europe) Limited ('CSSEL'), whose principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis. Refer to note 8 of the Financial Statements for the complete list of subsidiaries.

Business review

There has been no significant change in the Company's principal activities compared to previous years. The Directors are not aware of any significant developments or factors which will have a major impact on the continued success or operation of the business in the future.

Performance

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

<u>Statement of Income</u>

For the year ended 31 December 2017, the Company reported a loss before tax of US$ 420m (2016: profit before tax of US$ 147m). The variance is mainly on account of impairment of investment in CSSEL of US$ 407m (2016: reversal of impairment US$ 155m).

<u>Statement of Financial Position</u>

As at 31 December 2017, the Company had total assets of US$ 9,106m (2016: US$ 8,262m). The net increase in total assets of US$ 844m is mainly due to addition of loans and receivables of US$ 1,250m and impairment of investment in CSSEL of US$ (407m).

The US$ 1,250m increase in Loans and Receivables was due to the Company purchasing debt issued by CSSEL of US$ 1,250m; this debt was issued by CSSEL as part of its preparation for compliance with Minimum Requirements for own funds and Eligible Liabilities ("MREL") under the bank Recovery and Resolution Directive ('BRRD') and provides CSSEL with a certain amount of bail-inable loss-absorbing capacity in the event of a recovery and resolution event.

As at 31 December 2017, the Company had total liabilities of US$ 2,132m (2016: US$ 867m). The increase in liabilities was mainly due to an increase in debt issued of US$ 1,250m from CSIUK. The proceeds of which was used to fund the purchase of debt issued by CSSEL of US$ 1,250m as noted above.

As at 31 December 2017, the Company had equity of US$ 6,974m (2016: US$ 7,394m).

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The Company is a holding company and the main risk facing the Company is impairment of investment in subsidiaries. Apart from this, the assets of the Company mainly comprise of deposits and other receivables facing fellow group companies under common control. Hence, the Company is not exposed to any significant external credit risk. The Company's financial risk management policies are outlined in note 16 to the Financial Statements.

Modern Slavery and Human Trafficking

In its role as an employer, and as a user and provider of services, Credit Suisse group is committed to human rights and respects them as a key element of responsible business conduct. Credit Suisse group voluntarily commits to uphold certain international agreements relating to 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 the business. In addition Credit Suisse Group Supplier Code of Conduct aims to ensure that the CS group's external business partners, including their employees, subsidiaries and subcontractors, respect human rights, labour rights, employment laws and environmental regulations. In 2016 CS group introduced a formal Third Party Risk Management ('TPRM') framework to scrutinise and monitor the operational, financial and reputational risk associated with third party relationships. The TPRM framework provides for structured due diligence assessments of all suppliers to identify where modern slavery and human trafficking risks may exist.

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

Approved by the Board of Directors on 6 August 2018 and signed on its behalf by:

Paul E. Hare
Company Secretary

One Cabot Square
London E14 4QJ
6 August 2018

Company Registration Number: 03045280

Directors' Report for the year ended 31 December 2017

International Financial Reporting Standards

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Financial Statements were approved and authorised for issue by the Directors on 6 August 2018.

Going concern

The Financial Statements have been prepared on a going concern basis, notwithstanding the deficiency in the net current assets, as Credit Suisse AG, Zurich has confirmed its intention to provide the necessary financial support to the Company to continue operations and meet its liabilities as and when they fall due.

Share Capital

The Company is not subject to externally imposed capital requirements. There was no change in the Share Capital of the Company during current year.

Dividends

No dividends were paid or are proposed for year ended 31 December 2017 (2016: US$ nil).

Directors

The names of the Directors as at the date of this report are set out on page 3. Following are the changes in the Directorate since 31 December 2016, and up to the date of this report:

Appointment	Caroline M. Waddington	05 April 2017
Resignation	Robert K. Arbuthnott	05 April 2017

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

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company'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 the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, KPMG LLP continues in office as the Company's auditor.

Exemption for group accounts

Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering group Financial Statements as the Company is a wholly owned indirect subsidiary of Credit Suisse Group AG, incorporated in Switzerland, which prepares consolidated Financial Statements.

Subsequent events

In January 2018, the Company received a dividend of US$ ('000) 52 as a part of liquidation proceeds from Credit Suisse (Kazakhstan) Limited Liability Partnership.

There are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at the date of this report.

Approved by the Board of Directors on 6 August 2018 and signed on its behalf by:

Christopher Horne
Director

One Cabot Square
London E14 4QJ
6 August 2018

Company Registration Number: 03045280

Independent Auditor's Report to the members of Credit Suisse Investment Holdings (UK)

We have audited the financial statements of Credit Suisse Investment Holdings (UK) ("the company") for the year ended 31 December 2017 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic reports and director's report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 6-7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Alexander Snook
(Senior Statutory Auditor)

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

Statement of Income for the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Interest income		1,520	1
Interest expense		(14,799)	(8,398)
Net interest expense		**(13,279)**	**(8,397)**
Dividend income		-	300
Net expense		**(13,279)**	**(8,097)**
Impairment of investment	8	(407,000)	-
Reversal of Impairment of investment	8	-	155,000
Administrative expenses	3	(14)	(10)
Other income	4	3	1
(Loss)/Profit before tax		**(420,290)**	**146,894**
Income tax benefit	5	59	134
(Loss)/Profit after tax		**(420,231)**	**147,028**

Loss for 2017 and profit for 2016 are from continuing operations.

There is no other comprehensive income in the current and prior year. Accordingly, Statement of Other Comprehensive Income is not provided.

The notes on pages 14 to 36 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2017

	Note	2017 US$'000	2016 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	132,449	132,520
Other assets	7	1,872	306
Financial investment held as available-for-sale	8	1	1
Total current assets		**134,322**	**132,827**
Non-current assets			
Investments in subsidiaries	8	7,722,001	8,129,001
Loans and receivables	9	1,250,000	-
Total non-current assets		**8,972,001**	**8,129,001**
Total assets		**9,106,323**	**8,261,828**
LIABILITIES			
Current liabilities			
Short term borrowings	10	879,686	866,814
Other liabilities	11	2,372	518
Total current liabilities		**882,058**	**867,332**
Non-current liabilities			
Long term debt	9	1,250,000	-
Total non-current liabilities		**1,250,000**	**-**
Total liabilities		**2,132,058**	**867,332**
SHAREHOLDERS' EQUITY			
Share capital	12	10,790,610	10,790,610
Share premium	12	362,600	362,600
Capital reserve	13	2,411,690	2,411,690
Accumulated losses		(6,590,635)	(6,170,404)
Total shareholders' equity		**6,974,265**	**7,394,496**
Total liabilities and shareholders' equity		**9,106,323**	**8,261,828**

The notes on pages 14 to 36 form an integral part of these Financial Statements.

Approved by the Board of Directors on 6 August 2018 and signed on its behalf by

Christopher Horne
Director

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

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2017	**10,790,610**	**362,600**	**2,411,690**	**(6,170,404)**	**7,394,496**
Loss for the year	-	-	-	(420,231)	**(420,231)**
Balance at 31 December 2017	**10,790,610**	**362,600**	**2,411,690**	**(6,590,635)**	**6,974,265**

	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2016	**10,790,610**	**362,600**	**2,411,690**	**(6,317,432)**	**7,247,468**
Profit for the year	-	-	-	147,028	**147,028**
Balance at 31 December 2016	**10,790,610**	**362,600**	**2,411,690**	**(6,170,404)**	**7,394,496**

The notes on pages 14 to 36 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Operating activities			
(Loss)/Profit before tax		(420,290)	146,894
Adjustments to reconcile net loss to net cash from operating activities			
Non-cash items included in profit/(loss) before tax and other adjustments:			
Impairment of investments		407,000	-
Reversal of impairment on investments		-	(155,000)
Interest expense		14,799	8,398
Interest income		(1,520)	(1)
Foreign exchange gain		-	(1)
Operating (loss)/profit before working capital changes		**(11)**	**290**
Net movement in operating assets/ liabilities:			
Other assets		-	87
Borrowings		12,872	8,254
Other liabilities		11	(13)
Interest received		12	1
Interest paid		(12,956)	(8,204)
Group relief received		1	1,277
Net cash (used)/from in operating activities		**(71)**	**1,692**
Financing activities			
Proceeds from Financial assets loans and receivables		(1,250,000)	-
Debt issued		1,250,000	-
Net cash flow generated from financing activities		**-**	**-**
Net (decrease)/increase in cash and cash equivalents		**(71)**	**1,692**
Cash and cash equivalents at beginning the year		132,520	130,827
Effects of movements in exchange rates on cash held		-	1
Cash and cash equivalents at end of the year	6	**132,449**	**132,520**

The notes on pages 14 to 36 form an integral part of these Financial Statements.

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

1. General

The Company is domiciled in the United Kingdom. The Company's registered office is at One Cabot Square, London, E14 4QJ. The Company's principal activity is to serve as a holding company.

2. Significant accounting policies

a) Statement of compliance

The Financial Statements have been prepared in accordance with IFRS as adopted by the EU and the Companies Act 2006.

The Financial Statements were approved and authorised for issue by the Directors on 6 August 2018.

The Financial Statements have been prepared on a going concern basis, notwithstanding the deficiency in current assets, as Credit Suisse AG, Zurich has confirmed its intention to provide the necessary financial support to the Company to continue operations and meet its liabilities as and when they fall due.

Pursuant to section 401 of the Companies Act 2006, the Company is exempt from preparing and delivering group Financial Statements as the Company is a wholly owned indirect subsidiary of Credit Suisse Group AG, incorporated in Switzerland, which prepares consolidated Financial Statements.

b) Basis of preparation

The Financial Statements are presented in United States dollars (US$), which is the Company's functional currency and have been rounded to the nearest thousand, unless otherwise stated. The Financial Statements are prepared on historical cost basis.

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 2(i) 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. Management believes that the estimates and assumptions used in the preparation of the Financial Statements are reasonable and consistently applied.

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

Standards and interpretations effective in the current year

The Company has adopted the following amendments in the current year:

- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The adoption of the Amendments to IAS 12 on 1 January 2017 did not have a material impact to the Company's financial position, results of operation or cash flows.

- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. As the Amendments to IAS 7 impact disclosures only, the adoption on 1 January 2017 did not have an impact to the Company's financial position, results of operation or cash flows.

- Annual Improvements to IFRSs 2014-2016 Cycle: In December 2016, the IASB issued 'Annual Improvements to IFRSs 2014-2016 cycle' (Improvements to IFRSs 2014-2016). The adoption of the Improvements to IFRSs 2014-2016 on 1 January 2017, did not have an impact to the Company's financial position, results of operation or cash flows.

Standards and interpretations endorsed by the EU but not yet effective

The Company is not yet required to adopt the following standards which are issued by the IASB and have been endorsed by the EU but not yet effective:

- IFRS 9 Financial Instruments: In July 2014, the IASB issued IFRS 9 as a complete standard which replaces IAS 39. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The amendments to IFRS 7 resulting from IFRS 9 also require new disclosures as well as the revision of current disclosure requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

  Under IFRS 9, financial assets will be classified on the basis of two criteria: 1) the business model of why financial assets are held and how they are managed and 2) the contractual cash flow characteristics of the financial asset. These factors will determine whether the financial assets are measured at Amortized Cost, Fair value through Other Comprehensive Income ('FVOCI') or Fair value through Profit & Loss ('FVTPL'). For equity investments that are not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income ('OCI'). The accounting for financial liabilities remains largely unchanged except for those financial liabilities designated at fair value through profit or loss, where the gains and losses arising from changes in credit risk will be presented in OCI rather than profit or loss.

  Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortized cost as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected credit loss ('ECL') model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. In terms of short-term cash and interest bearing deposit balances, the Company will measure expected credit losses by applying a probability to

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

default/loss-given default approach ('PD/LGD approach'). Under the PD/LGD approach, term structures of point-in-time, forward-looking PDs, LGDs and exposure at defaults will be estimated. These PD, LGD and EAD (exposure at defaults) parameters will form the basis to estimate expected credit losses for the short remaining life of the cash and interest bearing deposit balances.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all fee receivables. To measure the expected credit losses, the Company will apply a provision matrix in the form of aging analysis, including relevant forward looking information.

Under the new impairment guidance there will be no change to the write-off policy compared to IAS 39.

The Company does not have any classification changes to financial assets or financial liabilities nor were there any impacts due to modifications of financial assets or financial liabilities.

The assessment of the impact of IFRS 9 on the opening reserves balance at 1 January 2018 is ongoing.

- 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 Company is currently evaluating the impact of adopting IFRIC 22.

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

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

- IFRIC 23: In June 2017, the IASB issued IFRIC 23 'Uncertainty over Income Tax Treatments' (IFRIC 23). FRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The adoption of IFRIC 23 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

c) Foreign currency

The functional currency of the Company is United States Dollar (US$). Transactions denominated in currencies other than the functional currency of the Company are recorded by re-measuring to the functional currency of the Company at the exchange rate on the date of the transaction. At the reporting date, monetary assets and liabilities such as receivables and payables are reported using the spot exchange rates applicable at that date. Non-monetary assets and liabilities denominated in foreign currencies at reporting date are not revalued for movements in foreign exchange rates. Foreign exchange differences arising from re-measurement and settlement are recognised in the Statement of Income.

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

d) Interest income and expense

Interest income and expense are recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.
Interest income relates to interest received on short term deposits with group companies - Credit Suisse AG, London Branch and Credit Suisse Investments UK and on long term deposits with Credit Suisse Securities Europe Ltd. Interest expense relates to borrowings from group companies - Credit Suisse AG, London Branch and CSIUK.

e) Dividend income

Dividends from investments are recorded in the Statement of Income as dividend income once declared and approved in the shareholders' meeting of the Company's subsidiary.

f) Income tax and deferred tax

Income tax recognised in the Statement of Income for the year comprises current and deferred tax. Income tax is recognised in the Statement of Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised in equity. For items initially recognised in equity and subsequently recognised in Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Statement of Income.

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

For UK corporation tax purposes the Company may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the tax losses surrendered to the claimant company.

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

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

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

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

net or realised simultaneously. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay related dividend arises.

Information as to the calculation of income tax on the profit and loss for the periods presented is included in note 5 – Income tax (charge)/ benefit.

g) Investment in subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when all the following conditions are met:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

When the Company has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The Company also determines whether another entity with decision-making rights is acting as an agent for the Company. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the factors below, in determining whether it is 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 Company makes significant judgements and assumptions when determining if it has control of another entity. The Company may control an entity even though it holds less than half of the voting rights of that entity, for example if the Company has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the Company may not control an entity even though it holds more than half of the voting rights of that entity, for example where the Company holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns.

Investment in subsidiaries is carried at cost and is reviewed for impairment on each reporting date to determine whether there is any indication that the carrying amount may not be recoverable. If such an indication exists, the carrying amount of the investment is written down to its recoverable amount (i.e. the higher of the fair value less costs to sell and the value in use).

Any charges relating to the impairment of investment in subsidiary is recognised in the Statement of Income in the period in which the impairment occurs. When an investment is disposed of, the profit or loss resulting from the disposal is recognised in the Statement of Income.

At each reporting date, the Company assesses whether there is an indication that a previously recognised impairment loss has reversed. If such an indication exists, the entity estimates the recoverable amount of the asset. Reversal, if any on such assessment, of an impairment loss is

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

recognised in the Statement of Income to the extent of the impairment loss booked earlier on the same asset. When an investment is disposed of, the profit or loss resulting from the disposal is recognised in the Statement of Income.

h) Financial instruments

- **Recognition and derecognition**

The Company recognises financial assets and liabilities on its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. Financial assets/ financial liabilities are recognised/ derecognised using settlement date accounting.

- **Financial assets**

Cash and cash equivalents

For the purpose of preparation and presentation of the Statement of Cash Flows, cash and cash equivalents are defined as 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 for cash management purposes.

Available for sale investments

Available for sale investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Available for sale investments comprise equity securities. Where the equity securities are unquoted and fair value cannot be measured reliably, they are carried at cost. Otherwise they are carried at fair value and changes in fair value are recognised in other comprehensive income.

Loans and receivables

Loans and receivables comprise loans and interest accrued thereon, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, they are measured at amortised cost using the effective interest method.

- **Financial liability**

Financial liabilities comprise of borrowings. These liabilities are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at

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

amortised cost using the effective interest method.

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of investment in subsidiaries

Significant judgement is required in determining the expected recoverable amount in reviewing for impairment. The Directors consider net asset value to be a reasonable approximation to fair value and therefore an appropriate basis in determining the recoverable amount of the investment in subsidiaries.

Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The Company may accrue for tax contingencies despite the belief that positions taken in tax returns are always fully supportable. Tax contingency accruals are adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes. Management believes that it has appropriately accrued for any contingent tax liabilities.

Income 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 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 and is a corresponding deferred tax assets established without impairment.

Periodically, management evaluates the probability that taxable profits will be available against which the deductible temporary differences and unused carry forward tax losses and credits can be utilised. Within this evaluation process, management also considers tax-planning strategies. The evaluation process requires significant management judgement, primarily with respect to projecting future taxable profits.

Fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of the financial instruments is based on quoted prices in active markets or observable inputs. For all financial instruments which are carried at

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

amortised cost, 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.

3. Administrative expenses

	2017 US$'000	2016 US$'000
Audit fees	(8)	(8)
VAT on audit fees	(2)	(2)
Legal fees	(4)	-
Total	**(14)**	**(10)**

4. Other income

	2017 US$'000	2016 US$'000
Foreign exchange gain	3	1
Total	**3**	**1**

5. Income tax benefit

a. Components of tax benefit

	2017 US$'000	2016 US$'000
Current tax		
Current tax on (loss) /profit for the year	59	134
Total income tax benefit	**59**	**134**

b. An explanation of the relationship between the income tax benefit and the accounting (loss)/profit

The current tax for the year can be reconciled to the standard rate of corporation tax in the UK of 19.25% (2016: 20%) as follows:

	2017 US$'000	2016 US$'000
(Loss)/profit before tax	**(420,290)**	**146,894**
(Loss) /profit before tax multiplied by the UK statutory rate of corporation tax of 19.25% (2016: 20%)	80,891	(29,379)
Tax effect of expenses that are non-deductible in determining taxable income	(2,499)	(1,547)
(Non-deductible impairment)/non-taxable reversal of impairment of investment in subsidiary	(78,333)	31,000
Non-taxable dividend income	-	60
Total income tax benefit	**59**	**134**

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

c. Deferred taxes

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

Deferred tax assets are recognised on deductible temporary differences and tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Capital losses carried forward on which no deferred tax assets have been recognised as at 31 December 2017 is US$('000) 68,796 (2016: US$('000) 62,672). The deferred tax asset not recognised on these losses carried forward is US$('000) 11,695 (2016: US$('000) 10,654). The benefit of the losses carried forward has not been recognised in these Financial Statements due to the uncertainty of their recoverability. The losses carried forward have no expiry date.

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

There are restrictions on the use of tax losses carried forward.

6. Cash and cash equivalents

	2017 US$'000	2016 US$'000
Short term money market deposit	132,443	130,237
Cash at bank	6	2,283
Total	**132,449**	**132,520**

Bank accounts are available on demand and are with Credit Suisse AG, Zurich a related company. The short-term money market deposits are held with Credit Suisse Investments (UK) and Credit Suisse AG, London Branch (2016: Credit Suisse Investments (UK)) with maturity of 3 months or less (2016: 3 months or less).

7. Other assets

	2017 US$'000	2016 US$'000
Group relief receivable	364	306
Interest receivable on loans and receivables*	1,508	-
Total	**1,872**	**306**

*Interest receivable on loans and receivables is from CSSEL with maturity of 3 months or less.

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

8. Investments

a. Investment in subsidiaries

	2017 US$'000	2016 US$'000
Investment in subsidiaries	7,722,001	8,129,001
Total	**7,722,001**	**8,129,001**

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

	2017 US$'000	2016 US$'000
As at 1 January	8,129,001	7,974,001
Impairment of investments	(407,000)	-
Reversal of impairment of investment	-	155,000
As at 31 December	**7,722,001**	**8,129,001**

At year end impairment testing, there was an impairment of investment in CSSEL amounting US$ ('000) 407,000 (2016: reversal of Impairment of investment in CSSEL of US$ ('000) 155,000)

The level of the fair value hierarchy applied to the impaired investment is level 3. The Directors consider net asset value to be an appropriate basis in determining the fair value of the investment in subsidiaries for impairment purposes as the shares of the subsidiary don't trade in an active market and the inputs for assets and liabilities that the subsidiary holds are not based on observable market data.

Details of the investments are as follows:

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

2017	2016	Company name	Domicile	2017	2016
% of equity				Carrying Value	
				US$'000	US$'000
100	100	Credit Suisse Securities (Europe) Limited	UK	7,722,000	8,129,000
100	100	Credit Suisse First Boston Investco UK Limited	Cayman	1	1
100	100	Credit Suisse (Kazakhstan) Limited Liability Partnership	Kazakhstan	-	-
100	100	Credit Suisse First Boston Trustees Limited	UK	Indirect	Indirect
100	100	Credit Suisse First Boston PF (Europe) Limited	UK	Indirect	Indirect
100	100	Credit Suisse Client Nominees (UK) Limited	UK	Indirect	Indirect
100	100	Credit Suisse AF Trust	USA	Indirect	Indirect
100	100	CSSEL Bare Trust	USA	Indirect	Indirect
100	-	CSSEL Guernsey Bare Trust	Guernsey	Indirect	-
100	-	Credit Suisse Guernsey AF Trust	Guernsey	Indirect	-
100	100	Redwood – Master Client Trust	USA	Indirect	Indirect
100	100	Redwood Master Trust I	USA	Indirect	Indirect
100	100	Redwood Master Trust II	USA	Indirect	Indirect
100	100	Redwood Trust I	USA	Indirect	Indirect
100	100	Redwood Trust II	USA	Indirect	Indirect
100	100	Redwood Funding Trust I	USA	Indirect	Indirect
100	100	Redwood Funding Trust II	USA	Indirect	Indirect
100	-	Redwood Guernsey I Master Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey II Master Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey I Funding Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey II Funding Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey I SPIA Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey II SPIA Trust	Guernsey	Indirect	-
100	100	Sail Master Trust I	USA	Indirect	Indirect
100	100	Sail Master Trust II	USA	Indirect	Indirect
100	100	Sail Trust I	USA	Indirect	Indirect
100	100	Sail Trust II	USA	Indirect	Indirect
100	100	Sail Funding Trust I	USA	Indirect	Indirect
100	100	Sail Funding Trust II	USA	Indirect	Indirect
100	-	Sail Guernsey I Master Trust	Guernsey	Indirect	-
100	-	Sail Guernsey II Master Trust	Guernsey	Indirect	-
100	-	Sail Guernsey I Funding Trust	Guernsey	Indirect	-
100	-	Sail Guernsey II Funding Trust	Guernsey	Indirect	-
100	-	Sail Guernsey I SPIA Trust	Guernsey	Indirect	-
100	-	Sail Guernsey II SPIA Trust	Guernsey	Indirect	-
100	100	Positive – Master Client LLC	USA	Indirect	Indirect
				7,722,001	**8,129,001**

In January 2018, the Company received a dividend of US$ ('000) 52 as a part of liquidation proceeds from Credit Suisse (Kazakhstan) Limited Liability Partnership.

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

b. Investment held as available-for-sale

	2017 US$'000	2016 US$'000
Financial investment held as available-for-sale	1	1
Total	**1**	**1**

Movements in investment held as available-for-sale for the year were as follows:

	2017 US$'000	2016 US$'000
As at 1 January	1	1
Less: sold during the year	-	-
As at 31 December	**1**	**1**

The Company has a 1% investment in Woodgate S.A of US$ 1('000) (2016: US$ 1('000)).

9. Loans and receivables/debt issued

Loans and receivables	Counterparty	Date of Facility	Maturity
US$ ('000) 625,000	CSSEL	14 December 2017	1460 days
US$ ('000) 625,000	CSSEL	14 December 2017	729 days

Debt issued	Counterparty	Date of Facility	Maturity
US$ ('000) 625,000	CSIUK	14 December 2017	1460 days
US$ ('000) 625,000	CSIUK	14 December 2017	729 days

The average interest rate on loans and receivables / debt issued at 31 December is 2.41%.

The US$ ('000) 1,250,000 increase in Loans and Receivables was due to the Company purchasing two tranches of US$ ('000) 625,000 debt issued by CSSEL; this debt was issued by CSSEL as part of its preparation for compliance with Minimum Requirements for own funds and Eligible Liabilities ("MREL") under the bank Recovery and Resolution Directive ('BRRD') and provides CSSEL with a certain amount of bail-inable loss-absorbing capacity in the event of a recovery and resolution event.

The increase in debt issued of US$ ('000) 1,250,000 was due to the Company borrowing two tranches of US$ ('000) 625,000 from CSIUK. The proceeds of which was used to fund the purchase of debt issued by CSSEL of US$ ('000) 1,250,000 as noted above.

10. Borrowings

The effective interest rate as at year end on short-term money market borrowings from CSIUK is 1.92% (2016: 1.17%) and the average maturity was 30 days (2016: 30 days).

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

11. Other liabilities

	2017 US$'000	2016 US$'000
Audit fee payable	20	9
Interest payable on debt issued	1,508	-
Interest payable on borrowings	844	509
Total	**2,372**	**518**

12. Share capital and share premium

	2017 US$'000	2016 US$'000
Authorised	**Unlimited**	**Unlimited**
Allotted, called up and fully paid share capital		
10,790,610,103 ordinary shares of US$ 1 each	10,790,610	10,790,610
Total	**10,790,610**	**10,790,610**

	2017 US$'000	2016 US$'000
Share premium	362,600	362,600
Total	**362,600**	**362,600**

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

Share options

The Company does not offer share options.

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses.

The Company funds its operations and growth through equity. This includes assessing the need to raise additional equity where required.

The Company is not subject to externally imposed capital requirements, although its subsidiary CSSEL is regulated by the Prudential Regulation Authority and the Financial Conduct Authority. There were no significant changes in the Company's approach to capital management during the year.

13. Capital reserve

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

Capital Reserve represents capital injections from CSIUK over the years.

14. Related party transactions

The Company is controlled by CSIUK, incorporated in the United Kingdom, which owns 100% of the ordinary shares. The ultimate parent company is Credit Suisse Group AG, which is incorporated in Switzerland.

Copies of group Financial Statements of Credit Suisse AG and Credit Suisse Group AG, which are those of the smallest and largest groups in which the results of the Company are consolidated, are available to the public and may be obtained from Credit Suisse Group AG, Paradeplatz 8, 8070 Zurich, Switzerland.

The Company is involved in transactions with, and has related party balances, with subsidiaries and affiliates of Credit Suisse Group AG. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated parties.

The following tables set forth the Company's related party assets and liabilities and related party income and expenses:

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

a) Related party assets and liabilities

	2017(US$'000)				2016 (US$'000)			
	Parent	Fellow group companies	Subsidiaries	Total	Parent	Fellow group companies	Subsidiaries	Total
ASSETS								
Current assets								
Cash and cash equivalents	130,200	2,249	-	**132,449**	132,520	-	-	**132,520**
Other assets	-	-	1,508	**1,508**	-	-	-	**-**
Financial Investments held as available for sale	-	1	-	**1**	-	1	-	**1**
Total current assets	**130,200**	**2,250**	**1,508**	**133,958**	**132,520**	**1**	**-**	**132,521**
Non-current assets								
Investment in subsidiaries	-	-	7,722,001	**7,722,001**	-	-	8,129,001	**8,129,001**
Loans and receivables	-	-	1,250,000	**1,250,000**	-	-	-	**-**
Total non-current assets	**-**	**-**	**8,972,001**	**8,972,001**	**-**	**-**	**8,129,001**	**8,129,001**
Total assets	**130,200**	**2,250**	**8,973,509**	**9,105,959**	**132,520**	**1**	**8,129,001**	**8,261,522**
LIABILITIES								
Current liabilities								
Borrowings	879,671	15	-	**879,686**	866,814	-	-	**866,814**
Other liabilities	2,352	-	-	**2,352**	509	-	-	**509**
Total current liabilities	**882,023**	**15**	**.**	**882,038**	**867,323**	**-**	**-**	**867,323**
Non-current liabilities								
Debt issued	1,250,000	-	-	**1,250,000**	-	-	-	**-**
Total non-current liabilities	**1,250,000**	**-**	**-**	**1,250,000**	**-**	**-**	**-**	**-**
Total liabilities	**2,132,023**	**15**	**.**	**2,132,038**	**867,323**	**-**	**-**	**867,323**

For UK corporation tax purposes the Company may surrender or claim certain losses from another UK group company. The group relief receivable as at 31 December 17 is US$ ('000) 364 (2016: US$ ('000) 306).

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

b) Related party income and expenses

	2017 (US$'000)				2016 (US$'000)			
	Parent	Fellow group companies	Subsidiaries	Total	Parent	Fellow group companies	Subsidiaries	Total
Interest income	-	12	1,508	**1,520**	1	-	-	**1**
Dividend income	-	-	-	-	-	-	300	**300**
Reversal of impairment of investment	-	-	-	-	-	-	155,000	**155,000**
Total related party income	**-**	**12**	**1,508**	**1,520**	**1**	**-**	**155,300**	**155,301**
Interest expense	(14,799)	-	-	**(14,799)**	(8,398)	-	-	**(8,398)**
Impairment of investment	-	-	(407,000)	**(407,000)**	-	-	-	-
Total related party expenses	**(14,799)**	**-**	**(407,000)**	**(421,799)**	**(8,398)**	**-**	**-**	**(8,398)**

c) Remuneration of Directors and Key Management Personnel

The Directors and Key Management Personnel did not receive any remuneration in respect of their services for the Company (2016: US$ Nil). The Directors and Key Management Personnel are employees of its related companies and the Company does not reimburse its related companies for the services rendered by these Directors and Key Management Personnel.

All Directors benefited from qualifying third party indemnity provisions.

d) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to Directors or Key Management Personnel during the year (2016: US$ nil).

e) Liabilities due to pension funds

The Company has no employees and therefore does not have any liabilities with regard to pension funds.

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

15. Financial Instruments

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

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; qualitative and of valuation techniques);
- Fair value of financial instruments not carried at fair value.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial assets and liabilities is impacted by factors such as contractual cash flows and observable inputs like the benchmark interest rates and foreign exchange rates. Unobservable inputs used are credit spreads which is a part of the risk-adjusted discount factors. Valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of counterparty, and are applied to 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 Company's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities. The adjustments also take into account contractual factors designed to reduce the Company's credit exposure to counterparty.

Quoted market prices, when available, are used as the measure of fair value. In cases where quoted market prices are not available, fair values are determined using present value estimates or other valuation techniques, for example, the present value of estimated expected future cash flows using discount rates commensurate with the risks involved. Fair value estimation techniques normally incorporate assumptions that market participants would use in their estimates of values, future revenues, and future expenses, including assumptions about interest rates, default, prepayment and volatility. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent market quotes and, in many cases, the estimated fair values would not necessarily be realised in an immediate sale or settlement of the instrument.

For cash and other liquid assets, the fair value is assumed to approximate book value, given the short term nature of these instruments. For long term instruments fair value is calculated using the discounted cash flow methodology. The information presented herein represents estimates of fair values of accrual accounted instruments as at the Statement of Financial Position date.

The table below analyses financial instruments by valuation method. The different levels in the fair value hierarchy in which fair value measurements are categorised for financial assets and liabilities have been defined as follows:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

There have been no transfers between level 2 and level 1 in the year (2016: No Transfers). The levels in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured in the Statement of Financial Position are as follows:

2017 (US$'000)	**Carrying amount**			**Fair Value**			
	Loans and receivables	**Assets available for sale**	**Other financial assets/ liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Cash and cash equivalents	132,449	-	-	132,449	-	-	**132,449**
Investment	-	1	-	-	-	1	**1**
Loans and receivables	1,250,000	-	-		1,266,165	-	**1,266,165**
Total financial assets	**1,382,449**	**1**	**-**	**132,449**	**1,266,165**	**1**	**1,398,615**
Financial liabilities							
Borrowings	-	-	879,686	-	879,686	-	**879,686**
Other liabilities	-	-	2,372	-	2,372	-	**2,372**
Debt issued	-	-	1,250,000	-	1,266,165	-	**1,266,165**
Total financial liabilities	**-**	**-**	**2,132,058**	**-**	**2,148,223**	**-**	**2,148,223**
2016 (US$'000)							
Financial assets							
Cash and cash equivalents	132,520	-	-	132,520	-	-	**132,520**
Investment	-	1	-	-	-	1	**1**
Total financial assets	**132,520**	**1**	**-**	**132,520**	**-**	**1**	**132,521**
Financial liabilities							
Borrowings	-	-	866,814	-	866,814	-	**866,814**
Other liabilities	-	-	518	-	518	-	**518**
Total financial liabilities	**-**	**-**	**867,332**	**-**	**867,332**	**-**	**867,332**

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

Level 3 fair value measurements:

Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2017 (US$'000) Financials Assets Other Investments	2016 (US$'000) Financials Assets Other Investments
Balance at 1 January	1	1
Less: sold during the year	-	-
Balance at 31 December	**1**	**1**

During the year, there have been no transfers between levels 2 and 3 for any category of financial instruments. (2016: None).

16. Financial risk management

The Company's activities expose it to a variety of financial risks.

- Market risk (including foreign exchange risk and interest rate risk)
- Credit risk
- Liquidity risk
- Operational risk

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit Suisse Group AG, of which the Company is a part, manages its risks under global policies. The Credit Suisse Group AG risk management process is designed to ensure that there are sufficient controls to measure, monitor and control risks in accordance with Credit Suisse Group AG's control framework and in consideration of industry best practices. The primary responsibility for risk management lies with Credit Suisse Group AG's senior business line managers. They are held accountable for all risks associated with their businesses, including counterparty risk, market risk, liquidity risk, operational risk, legal risk and reputational risk.

a) Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices and other relevant market parameters, such as market volatilities.

(i) Interest rate risk

The Company has interest bearing financial assets and liabilities, which are mainly in the form of cash and cash equivalents and borrowings. The interest rates on these instruments typically resets within 1 months which minimises the risk to changes in interest rates. As the Company's interest-bearing assets and liabilities are against group companies, the Company is not exposed to any third party counter party interest rate risks.

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

The Company holds no other significant interest-bearing assets or liabilities and the remaining expenses and operating cash flows are independent of changes in interest rates.
The sensitivity analysis is prepared based on financial instruments that are recognised at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual turn out due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent.

Sensitivity analysis for changes in interest rate assume an instantaneous increase or decrease by 25% as at the reporting date, with all other variables remaining constant is given below:

2017 (US$'000)	**+25%**	**-25%**
Change in equity and (loss) or income with interest rate fluctuation in borrowings	(11,765)	11,765
Change in equity and income or (loss) with interest rate fluctuation in deposits	7,542	(7,542)
Total	**(4,223)**	**4,223**

2016 (US$'000)	**+25%**	**-25%**
Change in equity and (loss) or income with interest rate fluctuation in borrowings	(2,545)	2,545
Change in equity and income or (loss) with interest rate fluctuation in deposits	-	-
Total	**(2,545)**	**2,545**

(ii) Foreign exchange risk

Foreign currency risk is the risk that the value of monetary assets/ liabilities will fluctuate because of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR and GBP.

Foreign exchange risk related to expenses and net assets is centrally and systematically managed with a focus on risk reduction and diversification. Any currency risk that materialises will be managed centrally by the Credit Suisse Group through the Foreign Currency Exposure Management ('FCEM') process, utilising currency hedges at the Credit Suisse Group level.

The Company had the following assets and liabilities denominated in currencies other than US$:

2017	**EUR'000**	**GBP'000**
Monetary assets		
Cash and cash equivalents	37	4
Total	**37**	**4**
Monetary liabilities		
Borrowings	-	10
Other Liabilities	-	15
Total	**-**	**25**
Net exposure	**37**	**(21)**

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

2016	**EUR'000**	**GBP'000**
Monetary assets		
Cash and cash equivalents	2	74
Total	**2**	**74**
Monetary liabilities		
Borrowings	-	80
Other Liabilities	-	7
Total	**-**	**87**
Net exposure	**2**	**(13)**

Sensitivity analysis for changes in exchange rates assumes an instantaneous increase or decrease of 25% for foreign currency to US$ rates at the reporting date, with all other variables remaining constant are given below:

2017 (US$'000)	**GBP Impact**		**EUR Impact**	
	25%	**-25%**	**25%**	**-25%**
Non USD denominated assets and liabilities				
Change in equity and (loss) or income with foreign currency fluctuation	(7)	7	11	(11)
Total	**(7)**	**7**	**11**	**(11)**

2016 (US$'000)	**GBP Impact**		**EUR Impact**	
	25%	**-25%**	**25%**	**-25%**
Non USD denominated assets and liabilities				
Change in equity and (loss) or income with foreign currency fluctuation	(4)	4	1	(1)
Total	**(4)**	**4**	**1**	**(1)**

b) Credit risk

Credit risk is the possibility of a loss being incurred by the Company 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. The Company is exposed to credit risk from other Credit Suisse group companies. Transactions are limited to fellow group companies and high-credit-quality financial institutions. The carrying value of amounts due from related companies represents the maximum credit exposure of the Company to counterparties. The Company has policies that limit the amount of credit exposure to any financial institution.

There are no amounts due from related companies which are past due but not impaired.

Counterparty Exposure by Rating:

	2017	**2016**
	US$'000	**US$'000**
A+ to A-	1,382,449	132,520
Total	**1,382,449**	**132,520**

For the entities which are not individually rated, ratings have been derived using the Credit Suisse AG rating.

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

c) Liquidity risk

Liquidity risk is the risk that a company is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS liquidity and funding policy is designed to ensure that funding is available to all legal entities within CS to meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS' ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet any stress situation.

The following table sets out details of the remaining contractual maturity for financial liabilities.

	Carrying Amount	Gross Nominal Outflow	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
2017 (US$'000)								
Borrowings	879,686	881,028	-	881,028	-	-	-	**881,028**
Other liabilities	2,372	2,372	20	2,352	-	-	-	**2,372**
Debt issued	1,250,000	1,338,882	-	7,542	22,627	1,308,713	-	**1,338,882**
Total financial liabilities	**2,132,058**	**2,222,282**	**20**	**890,922**	**22,627**	**1,308,713**	**-**	**2,222,282**
2016 (US$'000)								
Borrowings	866,814	866,819	-	866,819	-	-	-	**866,819**
Other liabilities	518	518	9	509	-	-	-	**518**
Total financial liabilities	**867,332**	**867,337**	**9**	**867,328**	**-**	**-**	**-**	**867,337**

d) Operational Risk

Operational risk is the risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events. The Company is exposed to minimal operational risk.

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

17. Employees

The Company had no employees during the year (2016: nil). The Company receives a range of administrative services from related companies within the Credit Suisse group. Credit Suisse group companies have borne the cost of these services.

18. Subsequent events

In January 2018, the Company received a dividend of US$ ('000) 52 as a part of liquidation proceeds from Credit Suisse (Kazakhstan) Limited Liability Partnership.

There are no other material subsequent events that require disclosure in, or adjustment to, the Financial Statements as at the date of this report.