

Credit Suisse Asset  
Management UK  
(Holding) Limited  
Annual Report  
2016



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**Board of Directors as at 21 April 2017**

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Stephen Foster (Chairman)

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Tracy Cherrington

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Eric Van Laer

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**Company Secretary**

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Paul E. Hare

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Company Registration Number

03045295

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**Registered Office**

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One Cabot Square  
London E14 4QJ

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**Independent Auditor**

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KPMG LLP  
Statutory auditor  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their strategic report for the year ended 31 December 2016.

### Profile

Credit Suisse Asset Management (UK) Holding Limited (the 'Company' or 'CSAMH') is a limited liability company and a subsidiary which is partly (77.52%) owned by Credit Suisse AG ('CSAG') and partly (22.48%) by Credit Suisse Holding Europe (Luxembourg) S.A. CSAG is domiciled in Switzerland and is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSAG 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](http://www.credit-suisse.com).

The principal activity of the Company is that of a holding company of its subsidiaries, Credit Suisse Asset Management Limited ('CSAM') and Credit Suisse Quantitative and Systematic Asset Management Limited ('QSAM'). The Company's subsidiary CSAM provides management/advisory services of a range of asset classes and investment vehicles, placement agency and advisory services to third party private equity managers and includes a distribution group providing sales and marketing support to UK and globally managed products. QSAM was incorporated on 11 November 2015 as an Alternative Investment Fund Manager to act as manager of a newly launched fund.

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 ('IWM') and Asia Pacific. These regional businesses are supported by two divisions specialising in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. 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.

The Company's business is managed as part of the IWM division. Through this division, CS group offers a wide range of financial solutions to private, corporate and institutional clients. The IWM division comprises the Wealth Management Clients, Corporate & Institutional Clients and Asset Management businesses. Wealth Management Client business serves high net worth and ultra-high-net-worth individuals around the globe and private clients in Switzerland. Its Corporate & Institutional Clients business serves the needs of corporations and institutional clients, mainly in Switzerland. The Asset Management business, which the Company is part of, offers a wide range of investment products and solutions across asset classes and all investment styles, serving governments, institutions, corporations and individuals worldwide.

### Key Performance Indicators ('KPIs')

The Company uses a range of KPI's which are listed below to manage the financial position of the Company. In a changing regulatory environment and with the increasing cost of capital these KPIs are critical to the successful management of the business to achieve the Company's objectives.

	2016	2015
<b>Earnings and Profitability</b>		
Net profit / (loss) after tax (£m)	9.7	(1.5)
<b>Statement of Financial Position</b>		
Total Assets (£m)	194	181
Total Assets growth / (reduction)	6.9%	(6.4%)
Return on Total Assets	5.0%	(0.8%)

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016****Performance****Statement of Income**

For the year ended 31 December 2016, the Company reported a net profit after tax of £9.7m (2015: loss of £1.5m). Net revenue amounted to £(0.03)m (2015: £0.3m).

**Statement of Financial Position**

As at 31 December 2016, the Company had total assets of £193.5m (2015: £180.9m) and total shareholders' equity of £157.5m (2015: £147.9m).

The Company has incurred taxes in the UK during 2016, including Bank Levy of £0.1m (2015: £0.3m). Corporation taxes paid in the United Kingdom ('UK') are £nil (2015: USD £nil) for CSAMH as the Company has not made taxable profits during the year.

**Principal Risk and Uncertainties**

The Company is a holding company and the main risk facing the Company is impairment of investment in subsidiaries. The Company also faces credit risk on the receivables primarily from other CS group companies. The Company's financial risk management objectives and policies are outlined in Note 21 – Financial risk management. The risks for the Company are actively managed within each of its subsidiaries.

**Outlook**

The Company aims to actively monitor the performance of the subsidiaries which are projecting profitability going forward from the strategies they have implemented.

**Liquidity**

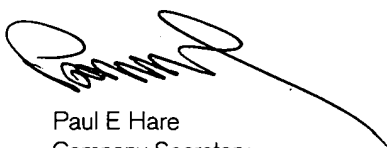
The CS group considers a strong and efficient liquidity position to be a priority. The liquidity position is monitored in accordance with all metrics, taking account of the current regulatory regime and any forthcoming changes to the regulatory framework or to the Company's business strategy. The CS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

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016****Capital resources**

During the year, the Company raised a short term loan of £22m from Credit Suisse AG, London Branch, to inject operating capital of \$60m into QSAM. QSAM is the newly set up Alternative Investment Fund Manager (AIFM), which manages a Cayman domiciled fund. The Company closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. 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. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework.

As noted above, the Company is the parent holding company of a UK regulatory consolidation group. Various disclosures are required under the Pillar 3 rules on a regulatory consolidation group level, and also in respect to any significant regulated subsidiaries within the consolidation group. These can be found on the Credit Suisse website at [www.credit-suisse.com](http://www.credit-suisse.com).

By Order of the Board



Paul E Hare  
Company Secretary

One Cabot Square  
London E14 4QJ  
21 April 2017

**DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016****International Financial Reporting Standards**

Credit Suisse Asset Management (UK) Holding Limited's 2016 annual accounts have been prepared in accordance with International Financial Reporting Standards and its interpretations ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the Directors on 21 April 2017.

**Dividends**

No dividends were paid or are proposed for 2016 (2015: £nil).

**Directors**

The names of the Directors as at the date of this report are set out on page 2.

Changes in the directorate since 31 December 2015 and up to the date of this report are as follows:

**Appointments:**

Eric Van Laer	25 November 2016
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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. Directors of the Company benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

**Risk and Capital**

The way in which the risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 21 – Financial Risk Management.

Changes made to the capital structure are set out in Note 14 – Called-up Share Capital.

**Disclosure of information to auditors**

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 they ought to have taken as a Director to make themselves 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, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Exemption from 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 CSG, incorporated in Switzerland, which prepares Consolidated Financial Statements.

**DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

**Subsequent events**

No subsequent events occurred following the year ended 31 December 2016.

By Order of the Board



Stephen Foster  
Director

One Cabot Square  
London E14 4QJ  
21 April 2017

**STATEMENT OF DIRECTOR'S 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 the Company's Financial Statements for each financial year. Under that law they have elected to prepare the Company's Financial Statements in accordance with IFRS 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 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 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 Company will continue in business.

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 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 Company and to prevent and detect fraud and other irregularities.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT SUISSE ASSET MANAGEMENT (UK) HOLDING LIMITED

We have audited the financial statements of Credit Suisse Asset Management (UK) Holding Limited for the year ended 31 December 2016 set out on pages 11 to 38. 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.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT SUISSE ASSET MANAGEMENT (UK)  
HOLDING LIMITED

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

*Alison Allen*

**Alison Allen** (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
21 April 2017

**STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2016**

		<b>2016</b>	<b>2015</b>
	Note	£000	£000
Interest income	4	32	28
Interest expense	4	(58)	(7)
<b>Net interest income</b>		<b>(26)</b>	<b>21</b>
Dividend income	5	-	235
Other income	5	-	9
<b>Non-interest income</b>		<b>-</b>	<b>244</b>
<b>Net revenue</b>		<b>(26)</b>	<b>265</b>
Operating expense	6	(25)	(95)
Reversal of impairment of investment in subsidiary	10	9,486	109
Net foreign exchange gain/(loss)		104	(194)
<b>Profit before tax</b>		<b>9,539</b>	<b>85</b>
Income tax benefit/(charge)	7	136	(1,564)
<b>Profit/(Loss) after tax</b>		<b>9,675</b>	<b>(1,479)</b>
<b>Profit/(Loss) attributable to equity holders of the Company</b>		<b>9,675</b>	<b>(1,479)</b>

There were no items of other comprehensive income during the period.

All profits/(losses) for 2016 and 2015 are from continuing operations.

The notes on pages 16 to 38 are an integral part of these Financial Statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

		<b>2016</b>	<b>2015</b>
	Note	£000	£000
<b>Assets</b>			
Cash and due from banks	8	8,211	34,716
Current tax assets		2,935	-
Deferred tax assets	7	2,617	4,854
Amounts owed by CS group companies		10,999	27,504
Other receivables	9	9	131
Investment in subsidiaries	10	168,751	113,684
<b>Total assets</b>		<b>193,522</b>	<b>180,889</b>
<b>Liabilities</b>			
Short term borrowings	11	24,800	-
Current tax liabilities		-	3,390
Provisions	12	-	15
Amounts owed to CS group companies		762	773
Other liabilities	13	10,420	28,846
<b>Total liabilities</b>		<b>35,982</b>	<b>33,024</b>
<b>Shareholders' equity</b>			
Called-up share capital	14	144,199	144,199
Share premium account		23,198	23,198
Capital reserve		114,617	114,617
Retained earnings		(124,474)	(134,149)
<b>Total shareholders' equity</b>		<b>157,540</b>	<b>147,865</b>
<b>Total liabilities and shareholders' equity</b>		<b>193,522</b>	<b>180,889</b>

The notes on pages 16 to 38 are an integral part of these Financial Statements.

Approved by the Board of Directors on 21 April 2017 and signed on its behalf by



Stephen Foster  
(Director)

COMPANY REGISTRATION NUMBER: 03045295

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

	<b>Called-up share capital £000</b>	<b>Share premium £000</b>	<b>Capital reserve £000</b>	<b>Retained earnings £000</b>	<b>Total shareholders' equity £000</b>
<b>Balance as at 1 January 2016</b>	<b>144,199</b>	<b>23,198</b>	<b>114,617</b>	<b>(134,149)</b>	<b>147,865</b>
Net profit for the year	-	-	-	9,675	<b>9,675</b>
<b>Balance as at 31 December 2016</b>	<b>144,199</b>	<b>23,198</b>	<b>114,617</b>	<b>(124,474)</b>	<b>157,540</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Called-up share capital £000</b>	<b>Share premium £000</b>	<b>Capital reserve £000</b>	<b>Retained earnings £000</b>	<b>Total shareholders' equity £000</b>
<b>Balance as at 1 January 2015</b>	<b>144,199</b>	<b>23,198</b>	<b>114,617</b>	<b>(132,670)</b>	<b>149,344</b>
Net loss for the year	-	-	-	(1,479)	<b>(1,479)</b>
<b>Balance as at 31 December 2015</b>	<b>144,199</b>	<b>23,198</b>	<b>114,617</b>	<b>(134,149)</b>	<b>147,865</b>

The notes on pages 16 to 38 are an integral part of these Financial Statements.

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
<b>Cash flows from operating activities</b>			
Profit before tax for the year		9,539	85
<b>Adjustments to reconcile net profit to net cash generated from/(used in) operating activities</b>			
Dividend income received		-	(235)
<b>Non-cash items included in profit before tax:</b>			
Gain on reversal of impairment of investment in subsidiary	10	(9,486)	(109)
<b>Cash (used in)/generated before changes in operating assets and liabilities</b>		<b>53</b>	<b>(259)</b>
Amount owed by CS group companies		16,505	7,548
Other receivables	9	122	(74)
<b>Net increase in operating assets</b>		<b>16,627</b>	<b>7,474</b>
Amount owed to CS group companies		(11)	(1,002)
Other liabilities	13	(18,426)	(9,176)
Provisions	12	(15)	(85)
<b>Net decrease in operating liabilities</b>		<b>(18,452)</b>	<b>(10,263)</b>
Group relief paid		(3,952)	-
<b>Net cash used in operating activities</b>		<b>(5,724)</b>	<b>(3,048)</b>
<b>Cash flows from investing activities</b>			
Dividend received	5	-	235
Investment in subsidiary		(45,581)	-
<b>Net cash (used in)/from investing activities</b>		<b>(45,581)</b>	<b>235</b>
<b>Cash flows from financing activities</b>			
Short term borrowings	11	24,800	-
<b>Net cash generated by financing activities</b>		<b>24,800</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(26,505)</b>	<b>(2,813)</b>
Cash and cash equivalents at the beginning of the year		34,716	37,529
<b>Cash and cash equivalents at the end of the year</b>		<b>8,211</b>	<b>34,716</b>
<b>Cash and cash equivalents at the end of the year comprise:</b>			
		2016 £000	2015 £000
Cash and due from banks	8	8,211	34,716
<b>Cash and cash equivalents at the end of the year</b>		<b>8,211</b>	<b>34,716</b>

The notes on pages 16 to 38 are an integral part of these Financial Statements.

**Notes to the financial statements**

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. General

Credit Suisse Asset Management (UK) Holding Limited is a company domiciled in the United Kingdom. The address of the Company's registered office is One Cabot Square, London E14 4QJ. The Financial Statements were authorised for issue by the Directors on 21 April 2017.

### 2. Significant accounting policies

#### a) Statement of compliance

The Financial Statements have been prepared on a going concern basis, approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS') and are in compliance with the Companies Act 2006.

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 CSG, incorporated in Switzerland, which prepares Consolidated Financial Statements.

#### b) Basis of preparation

The Company's Financial Statements are presented in Great British Pounds ('£' or 'GBP') rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments designated by the Company as at fair value through profit and loss. The accounting policies set out below have, unless otherwise stated, been consistently applied to all the periods presented in these Financial Statements.

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.

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.

Certain reclassifications have been made to the prior year Financial Statements of the company to conform to the current year's presentation and had no impact on net profit/(loss) or total shareholders' equity.

#### Standards and Interpretations effective in the current period

The Company 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 a material impact to the Company'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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

or Loss and Other Comprehensive income. The Amendments will 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 a material impact to the Company's financial position, results of operation or cash flows.

### **Standards and Interpretations 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.

- **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 amortized 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 group has not yet identified any material changes to the classification and 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 Company group has established a cross-functional implementation team and governance structure for the project. The Company has decided on a point-in-time, forward-looking PD/LGD approach 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 Company 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 Company 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 macroeconomic factors; and
- the credit quality of the financial instruments in scope at the adoption date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 Company does not plan to early adopt. The Company is currently evaluating 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.

### **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.

- **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 bank is required to distinguish between finance leases, which are recognized 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 Company has established a cross-functional implementation team and governance structure for the project. The Company is currently reviewing its existing contracts to determine the impact of the adoption of IFRS 16. The Company expects an increase in total assets and total liabilities as a result of recognizing 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 bank'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 Amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2017, with retrospective application required. The Company is currently evaluating the impact of adopting the Amendments to IAS 12.
- **Disclosure Initiative (Amendments to IAS 7):** In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The Amendments are effective for annual periods beginning on or after 1 January 2017. The Company is currently evaluating the impact of adopting the Amendments to IAS 7.
- **IFRIC 22:** In December 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration". 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.
- **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), which are effective for annual periods beginning on or after 1 January 2017. The Company is currently evaluating the impact of adopting Improvements to IFRSs.

### **c) Dividends**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016****d) Cash and due from banks**

For the purpose of preparation and presentation of the 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.

**e) Income tax**

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

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 the 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 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 the Company 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 principal temporary differences arise from deferred compensation. 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 in the Statement of Financial Position, using tax rates enacted or substantively enacted at the reporting date.

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. A deferred tax liability is recognised on taxable temporary differences arising on un-remitted earnings of subsidiaries except to the extent that it is probable that such temporary differences will not reverse in the foreseeable future.

Information as to the calculation of income tax on the profit or loss for the periods presented is included in Note 7 - Taxation.

**f) Foreign currency**

The Company's functional currency is GBP. Transactions denominated in currencies other than GBP 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 GBP at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the 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.

**g) Interest income and expense**

Interest income and expense is recognised for all financial assets and liabilities measured at amortised cost using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### **h) Other receivables**

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses.

### **i) Allocation of expenditure**

Administrative expenses include amounts recharged from other CSG subsidiary undertakings on a basis which appropriately reflects the costs applicable to the Company.

### **j) Financial assets**

Management determines the classification of the Company's financial assets at initial recognition into one of the following categories: loans and receivables, held-to-maturity financial assets, available for sale financial assets and financial assets at fair value through profit or loss; and re-evaluates this designation at each reporting date.

Other loans and receivables are initially recorded at fair value plus any directly attributable transaction costs and subsequently are amortised on an effective yield basis, less impairment losses.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership.

### **k) Financial liabilities**

Financial liabilities include intra-group borrowings and payables. Intra-group borrowings, demand deposits and payables are recognised initially at fair value net of transaction costs. These liabilities are subsequently stated at amortised cost using the effective interest rate method. Financial liabilities are classified as current unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### **l) 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 in the principal (or most advantageous) market at the measurement date. The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. Fair value can be based on quoted market prices (unadjusted), observable inputs other than quoted prices or unobservable inputs. The inputs that are used to calculate the fair value, determine which level of the fair value hierarchy the instrument is categorised in.

### **m) Contingent liabilities**

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

### **n) 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in general and administrative expenses on

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

the statement of income. Provisions for loan losses are recorded in provision for credit losses in the Statement of Income.

### **o) Investment in subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the financial statements for the Company, investments in subsidiaries are recorded at cost and are assessed for impairment on an annual basis. Any charges relating to the impairment of investments in subsidiaries are recognised in the Statement of Income in the period in which the impairment occurs. When investments are disposed, the profit or loss resulting from the disposal is recognised in the statement of income. Pre-acquisition dividends received from subsidiary undertakings are treated as a reduction in the value of the subsidiary.

Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

### **p) Going concern**

The Company maintains an actively managed capital base to support the risks inherent in the business. There is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis in preparing the financial statements continues to be adopted.

## **3. Critical accounting estimates and judgements**

In order to prepare the financial statements in accordance with IFRS, management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the financial statements are reasonable and consistently applied.

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 financial statements.

### **Income taxes**

#### *Deferred tax valuation*

Deferred tax assets and liabilities are recognised to reflect the estimated amounts of income tax recoverable/payable in future periods in respect of temporary differences and unused carry forward of tax losses. For temporary differences, a deferred tax asset is recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised. Similarly, a deferred tax asset is recognised on unused carry forward tax losses to the extent that it is probable that future taxable profits will be available against which the unused carry forward tax losses can be utilised.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### *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.

### *Share-Based Payments*

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

### *Transfer pricing*

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

## **4. Net interest income**

Interest income is earned on cash and cash equivalents held with CS group entities.

## **5. Non-interest income**

2015 income primarily relates to dividend of £235k received from Credit Suisse Asset Management Funds (UK) Limited. No dividend income received in 2016.

## **6. Operating expenses**

The following table sets forth the details of compensation and benefits:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Salaries and bonuses	(823)	(19,942)
Social security	1,761	(2,615)
Pensions	-	(531)
Other	(21)	(86)
<b>Net compensation and benefits</b>	<b>917</b>	<b>(23,174)</b>

Net compensation and benefits impacted by prior period accruals relating to staff employed in the Company. Salaries and bonuses includes net MTM on deferred awards. Social security includes reversal of accrued payroll taxes due to lower valuation of deferred awards upon delivery.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

The following table sets forth the details of other expenses:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Professional services	(27)	(707)
Occupancy	(128)	(982)
Travel and Entertainment	14	(618)
Market Data	3	(317)
Expense recharges	(401)	(31)
Commission	-	(35)
Provisions	12	35
IT and Machinery	-	(4)
Other expenses	(127)	(1,085)
Cost allocation to CS group entities	223	1,218
Cost allocation from/to subsidiary	(511)	25,605
<b>Net other expenses</b>	<b>(942)</b>	<b>23,079</b>
<b>Total operating expenses</b>	<b>(25)</b>	<b>(95)</b>

The Company provides a range of administrative services to the subsidiaries and the costs in relation to general and administration services including the deferred compensation recharge have been charged to the subsidiaries.

**7. Taxation**
**a) Analysis of tax charge for the year**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax</b>		
Current tax for the period	1,946	563
Adjustments in respect of prior periods	426	(771)
<b>Total current tax (charge)/benefit</b>	<b>2,372</b>	<b>(208)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,978)	(839)
Adjustments in respect of prior periods	(302)	12
Effect of changes in tax rates	44	(529)
<b>Total deferred tax (charge)/benefit</b>	<b>(2,236)</b>	<b>(1,356)</b>
<b>Income tax (charge)/benefit</b>	<b>136</b>	<b>(1,564)</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

The income tax charge for the year can be reconciled to the profit per the statement of income as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Profit before tax	9,539	85
Profit/(loss) before tax multiplied by the UK statutory rate of corporate tax at the rate of 20% (2015: 20.25%)	(1,908)	(17)
Non-taxable dividend	-	47
Non-deductible expenses	(22)	(69)
Non-taxable reversal of write down of investment in subsidiaries	1,897	22
Other permanent differences	-	(259)
Adjustments to current tax in respect of prior periods	426	(771)
Adjustments to deferred tax in respect of prior periods	(302)	12
Effect on deferred tax resulting from changes to tax rates	44	(529)
<b>Income tax (charge)/benefit</b>	<b>136</b>	<b>(1,564)</b>

**b) Deferred taxes**

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.

The movement for the year on the deferred tax position was as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	4,854	6,210
(Charge)/benefit for the year	(1,978)	(839)
Adjustments in respect of prior periods	(302)	12
Effect of change in tax rate	44	(529)
<b>At the end of the year</b>	<b>2,617</b>	<b>4,854</b>

Deferred tax assets are attributable to the following items:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Deferred tax assets</b>		
Decelerated tax depreciation	1,096	1,161
Share based compensation	440	1,477
Other short term temporary differences	1,081	2,216
<b>At the end of year</b>	<b>2,617</b>	<b>4,854</b>

The deferred tax (charge)/benefit in the statement of income is comprised of the following temporary differences:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Decelerated tax depreciation	(64)	(129)
Share based compensation	(1,037)	(1,231)
Other short term temporary differences	(1,135)	4
<b>Total deferred tax (charge)/benefit in the statement of income</b>	<b>(2,236)</b>	<b>(1,356)</b>

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 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.

The above tax rate reductions resulted in an impact to the company's net deferred tax asset as at 31 December 2016 of £44k (2015: £(529)k).

### 8. Cash and due from banks

Cash and due from banks are held with CS group companies. Cash and due from banks earns interest at floating rates based on daily bank deposit rates.

### 9. Other receivables

#### Aging of other receivables

2016	1-30 days £000	31-90 days £000	Over 90 days £000	Total £000
Other receivables	-	5	4	9
2015	1-30 days £000	31-90 days £000	Over 90 days £000	Total £000
Other receivables	-	131	-	131

No receivables are deemed impaired therefore no provision for doubtful debt has been made.

### 10. Investment in subsidiaries

<u>Direct subsidiaries:</u>	<u>Nature of Business</u>	<u>Status</u>
Credit Suisse Asset Management Limited	Management of range of asset classes and investment vehicles	Going concern
Credit Suisse Quantitative and Systematic Asset Management Limited	Alternative Investment Fund manager	Going concern

#### Impairment of investment in subsidiaries

The recoverable amount of investment in subsidiaries is estimated based on its net asset value. The investment in subsidiaries balance was reviewed for impairment in the year. Based on the assessment in 2016, the net assets value of the subsidiaries is higher than its carrying value of investment. The Directors believe that its recoverable amount has increased to £169m and accordingly a reversal of impairment of £9.5m has been recognised for the year ended 31 December 2016. This is a partial reversal of impairment loss on investment in subsidiaries, recognised in earlier years.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

The Directors consider net asset value to be an appropriate basis in determining the fair value of the investment in subsidiaries as the subsidiary does not trade in the active market and the assets and liabilities that the subsidiary holds are short term in nature and maturity is less than one year.

	<b>2016</b> £000	<b>2015</b> £000
Carrying value at 1 January	113,684	113,575
Investment in QSAM	45,581	-
Gain on reversal of impairment of investment in subsidiary	9,486	109
<b>Carrying value as at 31 December</b>	<b>168,751</b>	<b>113,684</b>

<b>Direct subsidiaries:</b>	<b>Impairment assessment:</b>	<b>2016</b> £000	<b>2015</b> £000
Credit Suisse Asset Management Funds (UK) Limited	-	-	235
Credit Suisse Asset Management Limited	Impairment provided in earlier years is reversed to the extent of excess of net assets over carrying value of investment	(9,486)	(344)
Credit Suisse Quantitative and Systematic Asset Management Limited		-	-
<b>Total (gain) on reversal of impairment of investment in subsidiary</b>		<b>(9,486)</b>	<b>(109)</b>

**11. Short term borrowings**

<b>2016</b>	Balance £000	Interest rate	Roll forward period	Maturity date
GBP loan	22,000	0.756%	12 months	29 Sep 2017
GBP loan	2,800	0.758%	1 month	30 Jan 2017
<b>Total Short term borrowings</b>	<b>24,800</b>			

Short term borrowings are entirely from CS group companies. There were no Short term borrowings in 2015.

**12. Provisions**

<b>2016</b>	Unoccupied space £000
Balance as at 1 January 2016	15
Write-off losses	(3)
Release of provision	(12)
<b>Balance as at 31 December 2016</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

<b>2015</b>	<b>Unoccupied space</b>
	<b>£000</b>
Balance as at 1 January 2015	100
Utilised during the year	(50)
Release of provision	(35)
<b>Balance as at 31 December 2015</b>	<b>15</b>

**Unoccupied space**

Provision for 2015 relates to costs from the termination of a leasehold property.

**13. Other liabilities**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Accruals for bonus and social security on bonus	-	5,118
Accruals for deferred compensation	8,966	20,532
Accruals for operating expenses	1,454	3,196
<b>Total other liabilities</b>	<b>10,420</b>	<b>28,846</b>

**14. Called-up share capital**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised:</b>		
150,000,000 ordinary shares of £1 each	150,000	150,000
<b>Called up, allotted, fully paid:</b>		
144,198,587 ordinary shares of £1 each	144,199	144,199

The Company's wholly-owned subsidiaries, CSAM and QSAM, are authorised and regulated by the Financial Conduct Authority ('FCA'), and the Company is thus the parent holding company of a UK regulatory consolidation group. Although the Company is not regulated in its own right, it must have regard to the regulatory capital requirements of both the consolidation group and those of CSAM and QSAM.

The capital balances and capital requirements of the regulatory consolidation group are monitored on a monthly basis by the regulatory reporting departments of the CS group. Funding from the parent companies, Credit Suisse AG and Credit Suisse Holding Europe (Luxembourg) S.A. is provided when necessary to meet capital requirements, and is approved by the CS group Treasury Department.

CS group's policy is to maintain a strong capital base in order to provide returns to the shareholders and sustain the future development of the business. The Directors of the Company monitor the capital base and the return of capital to investors.

**15. Pillar 3 disclosure**

As noted above, the Company is the parent holding company of a UK regulatory consolidation group. Various disclosures are required under the Pillar 3 rules on a regulatory consolidation group level, and also in respect to any significant regulated subsidiaries within the consolidation group. These can be found on the Credit Suisse website at [www.credit-suisse.com](http://www.credit-suisse.com).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**
**16. Related party transactions**

The Company is indirectly wholly owned subsidiary of the ultimate parent company, 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 following table sets forth the details of related party balances and transactions:

**a) Related party assets and liabilities**

	<b>2016</b>	<b>2015</b>
	£000	£000
	Parent, Subsidiaries and Fellow subsidiaries	Parent, Subsidiaries and Fellow subsidiaries
<b>Assets</b>		
Cash and due from banks	8,211	34,716
Investment in subsidiaries	168,751	113,684
Amounts owed by CS group companies	10,999	27,504
<b>Total assets</b>	<b>187,961</b>	<b>175,904</b>
<b>Liabilities</b>		
Short Term borrowings	24,800	-
Amounts owed to CS group companies	762	773
Corporation tax payable – group relief	-	3,390
<b>Total liabilities</b>	<b>25,562</b>	<b>4,163</b>

**b) Related party revenues and expenses**

	<b>2016</b>	<b>2015</b>
	£000	£000
	Parent, Subsidiaries and Fellow subsidiaries	Parent, Subsidiaries and Fellow subsidiaries
Net interest income	(26)	21
Other Revenue	(36)	230
<b>Total operating revenues</b>	<b>(62)</b>	<b>251</b>
Other expenses	9,486	391
Amounts owed by CS group companies	(178)	1,186
Cost allocation from/to subsidiary	(511)	25,605
<b>Total operating expenses</b>	<b>8,797</b>	<b>27,182</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. Employee Share-based Compensation and Other Compensation Benefits

All the employees on the payroll of the Company were transferred to the subsidiary CSAM in 2015. The Company retained responsibility for awards granted prior to the transfer to CSAM and on a pro rata basis for the awards granted in the year of transfer.

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 £(2)m and £5m respectively. The total stock award liability recorded as at 31 December 2016 was £3m (2015: £8m). 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 14.45 (2015: CHF 16.89). The intrinsic value of vested share based awards outstanding as at year end was £0.7m (2015: £1.2m).

#### *Phantom Share awards*

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). 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 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.

While share awards granted between 1 January 2014 and 31 December 2015 did not include the right to receive dividend equivalents, share awards granted after 1 January 2016 include the right to receive dividends equivalents, upon vesting.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

	<b>2016</b>	<b>2015</b>
	<b>'000</b>	<b>'000</b>
As at 1 January	260	633
Granted	-	300
Shares Transferred in/(out)	-	(316)
Delivered	(235)	(336)
Forfeited	(1)	(21)
<b>As at 31 December</b>	<b>24</b>	<b>260</b>

*Performance share awards ('PSA')*

Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance based malus provisions. Performance share awards granted until 2015 were subject to a negative adjustment in the event of a negative strategic ROE of CSG, which was calculated based on core results, adjusted for the goodwill impairment charge related to the re-organization 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 31 December 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.

While performance share awards granted between 1 January 2014 and 31 December 2015 did not include the rights to receive dividend equivalents, performance share awards granted after 1 January 2016 include the rights to receive dividend equivalents, upon vesting.

Movements in the number of PSA outstanding were as follows:

	<b>2016</b>	<b>2015</b>
	<b>'000</b>	<b>'000</b>
As at 1 January	304	415
Granted	-	274
Shares Transferred in/(out)	-	(175)
Delivered	(187)	(210)
Forfeited	-	-
<b>As at 31 December</b>	<b>117</b>	<b>304</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### *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 1.85 million of their CCA into Contingent Capital share awards during the election period. This fair value represented an approximate conversion rate of 19%. 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 CCA share outstanding were as follows:

	<b>2016</b>	<b>2015</b>
	'000	'000
As at 1 January	-	-
Granted	123	-
Share Transferred in/out	-	-
Delivered	(44)	-
Forfeited	-	-
<b>As at 31 December</b>	<b>79</b>	<b>-</b>

### *Contingent Capital Awards*

Contingent Capital Awards (CCA) were granted in January 2016, 2015 and 2014 as part of the 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 and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled. CCA granted in 2016, 2015 and 2014 that are denominated in US dollars receive interest rate equivalents, at a rate of 5.41%, 5.75% and 5.33%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (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/(income) recognized for Jan16, Jan15 and Jan14 CCA during the year ended 31 December 2016 was £(0.03)m (2015: £1.7m).

### *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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 (income)/expense recognised during the year ended 31 December 2016 was £0.004m (2015: (£0.03)m).

### *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 realized 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:

- i. **Capital Opportunity Facility (COF)** : Participants elect for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions, to be entered into with CSG, chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and
- ii. **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 expense/(income) recognized for the PAF2 CCA during the year ended 31 December 2016 was £ (0.2)m (2015: £0.4m).

Total compensation expense recognized for the COF during the year ended 31 December 2016 was £0.03m (2015: £0.03m).

## **18. Employees**

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

<b>Company</b>	<b>2016 Number</b>	<b>2015 Number</b>
Employees	-	66
<b>Total</b>	<b>-</b>	<b>66</b>

The average number of employees in 2015 is calculated taking 8 months as the base, which is the total number of months wherein the Company had employees on its payroll. There were no employees in the Company in 2016.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

The Company receives a range of services from related parties within CS group. The headcount related to these services received cannot be accurately ascertained and is not therefore included in the above numbers.

All the employees in the payroll of the Company were transferred to the payroll of the subsidiary CSAM in 2015 resulting in a proportionate share of compensation and benefits expense for the year.

**19. Auditor's remuneration**

Auditor's remuneration in relation to the statutory audit amounted to £28k (2015: £28k).

**20. Financial Instruments**

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

- Analysis of financial instruments by categories
- Fair value of financial instruments not carried at fair value.

**a) 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 Company's financial assets and liabilities by categories.

<b>2016</b> £000	<b>Loans and receivables</b>	<b>Other amortised cost</b>	<b>Total</b>
<b>Financial Assets</b>			
Cash and due from banks	-	8,211	8,211
Other receivables	9	-	9
Amounts owed by other CS group companies	10,999	-	10,999
<b>Total</b>	<b>11,008</b>	<b>8,211</b>	<b>19,219</b>

<b>Financial Liabilities</b>			
Other liabilities	-	1,352	1,352
Short Term Borrowings	-	24,800	24,800
Amounts owed to other CS group companies	-	762	762
<b>Total</b>	<b>-</b>	<b>26,914</b>	<b>26,914</b>

<b>2015</b> £000	<b>Loans and receivables</b>	<b>Other amortised cost</b>	<b>Total</b>
<b>Financial Assets</b>			
Cash and due from banks	-	34,716	34,716
Other receivables	131	-	131
Amounts owed by other CS group companies	27,504	-	27,504
<b>Total</b>	<b>27,635</b>	<b>34,716</b>	<b>62,351</b>

<b>Financial Liabilities</b>			
Other liabilities	-	8,154	8,154
Amounts owed to other CS group companies	-	773	773
<b>Total</b>	<b>-</b>	<b>8,927</b>	<b>8,927</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**
**b) Fair value of financial instruments not carried at fair value**
**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 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 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 assets or liabilities that are not based on observable market data (unobservable inputs). These inputs reflect the Company'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 Company's own data. The Company's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the statements of financial position. IFRS also requires the disclosure of the fair values of these financial instruments within the fair value hierarchy.

The following table presents the carrying value of the financial instruments that are not held at fair value across the three levels of the fair value hierarchy.

**As at 31 December 2016**

£000	Level 1	Level 2	Level 3	Total at fair value
<b>Financial assets</b>				
Cash and due from banks	8,211	-	-	8,211
Other receivables	-	9	-	9
Amounts owed by other CS group companies	-	10,999	-	10,999
<b>Total financial assets at fair value</b>	<b>8,211</b>	<b>11,008</b>	<b>-</b>	<b>19,219</b>
<b>Financial liabilities</b>				
Short term liabilities	-	24,800	-	24,800
Other liabilities	-	1,352	-	1,352
Amounts owed to other CS group companies	-	762	-	762
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>26,914</b>	<b>-</b>	<b>26,914</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**
**As at 31 December 2015**

£000	Level 1	Level 2	Level 3	Total at fair value
<b>Financial assets</b>				
Cash and due from banks	34,716	-	-	34,716
Other receivables	-	131	-	131
Amounts owed by other CS group companies	-	27,504	-	27,504
<b>Total financial assets at fair value</b>	<b>34,716</b>	<b>27,635</b>	<b>-</b>	<b>62,351</b>

**Financial liabilities**

Other liabilities	-	8,154	-	8,154
Amounts owed to other CS group companies	-	773	-	773
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>8,927</b>	<b>-</b>	<b>8,927</b>

**21. Financial risk management**
**a) Overview**

The Company is part of CS group and its risks are managed as part of the global CS group of entities.

**b) Credit risk**
**Overview**

Credit risk is the risk that financial obligations due from counterparties are not met.

The Company is a Holding Company and credit risk only arises on receivables from third party and other CS group entities.

The Company only deposits cash with other CS group entities.

**Maximum exposure to Credit Risk**

	2016 £000	2015 £000
Cash and due from banks	8,211	34,716
Other receivables	9	131
Amounts owed by other CS group companies	10,999	27,504
<b>Total financial assets</b>	<b>19,219</b>	<b>62,351</b>

No collateral or credit enhancements are held against Cash and Cash equivalents or Other loans and receivables.

The amounts in the above table are based on carrying value. For disclosure on past due receivables refer Note 9 – Other receivables.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**
**c) Liquidity risk**

Liquidity risk is the risk that the firm will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of the firm.

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

**2016**  
 £000

	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Amounts owed to CS group companies	-	762	-	-	-	762
Other liabilities at amortised cost	-	5,425	2,443	2,351	201	10,420
<b>Total financial liabilities</b>	<b>-</b>	<b>6,187</b>	<b>2,443</b>	<b>2,351</b>	<b>201</b>	<b>11,182</b>

**2015**  
 £000

	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Amounts owed to CS group companies	-	773	-	-	-	773
Other liabilities at amortised cost	-	16,801	7,056	4,604	385	28,846
<b>Total financial liabilities</b>	<b>-</b>	<b>17,574</b>	<b>7,056</b>	<b>4,604</b>	<b>385</b>	<b>29,619</b>

**d) Market risk**

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, and other relevant market parameters, such as market volatilities. The CS group defines its market risk as potential changes in fair values of financial instruments in response to market movements. The entity does not trade on its own behalf and does not take proprietary market risk positions.

**Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company may enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than GBP.

As at 31 December 2016, the Company had CHF 0.5m net assets (2015: CHF 0.4m net assets), EUR 0.01m net assets (2015: EUR 0.1m net assets), USD 1.4m net liabilities (2015: USD 0.5m net liabilities) foreign currency exposure.

The sensitivity analysis, which is for illustrative purposes only, 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 results due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. The methods and assumptions used are the same for both reporting periods.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

A change of 25% in the foreign exchange rates at the reporting date would have increased / (decreased), equity and profit or loss by the following:

**2016**

	CHF +25% £000	CHF -25% £000	EUR +25% £000	EUR -25% £000	USD +25% £000	USD -25% £000
Change in equity and profit or loss with foreign currency fluctuation	91	(91)	2	(2)	(282)	282
<b>Total</b>	<b>91</b>	<b>(91)</b>	<b>2</b>	<b>(2)</b>	<b>(282)</b>	<b>282</b>

**2015**

	CHF +25% £000	CHF -25% £000	EUR +25% £000	EUR -25% £000	USD +25% £000	USD -25% £000
Change in equity and profit or loss with foreign currency fluctuation	75	(75)	20	(20)	(92)	92
<b>Total</b>	<b>75</b>	<b>(75)</b>	<b>20</b>	<b>(20)</b>	<b>(92)</b>	<b>92</b>

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk based on the variable interest earned/charged on the bank balances. The maximum exposure of this balance is £8.2m (2015: £34.8m). The Company manages the interest rate risk monthly, by financing overdrafts with short term borrowings through Treasury team.

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased), equity and income or loss by £33k/(£33k) (2015: £138k/(£138k)).

This calculation assumed that the change occurred at the reporting date and had been applied to risk exposures existing at that date and is stated net of income tax assuming the current corporation tax rate of 20% (2015: 20.25%).

**e) 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.

**f) Legal risk**

The Company faces legal risks in its businesses. Legal risks include, among other things, disputes over the terms of trades and other transactions in which the Company participates; the unenforceability or inadequacy of the documentation used to give effect to transactions in which the Company participates; investment suitability concerns; compliance with the laws and regulations (including change in laws or regulations) of the many countries in which the Company does business; and disputes with its employees. Some of these transactions or disputes may result in potential or actual litigation that the Company must incur legal expenses to defend.

The Company seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### **g) Operational risk**

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

Operational risk is inherent in most aspects of our business, including the systems and processes that support our 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, and 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.

### **h) Conduct risk**

Conduct risk is the risk that the conduct of Credit Suisse, its employees, associates or representatives gives rise to:

- Financial or non-financial detriment to clients, customers, or counterparties, whether dealt with directly or via third parties,
- Damage to the integrity of the financial markets,
- Ineffective competition in the markets in which Credit Suisse participates.
- Non-compliance with the law or the requirements and expectations of regulators, shareholders or other relevant stakeholders (e.g. Government bodies and tax authorities).

### **i) Reputational risk**

CS group's policy is to avoid any action or transaction that brings with it a potentially unacceptable level of risk to its reputation. Reputational risk may arise from a variety of sources, including the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself. Where the presence of these or other factors gives rise to potential reputational risk for CS group, the relevant business proposal is required to be submitted to CS group's Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of CS group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS group's participation.

## **22. Subsequent events**

No subsequent events occurred following the year ended 31 December 2016.

