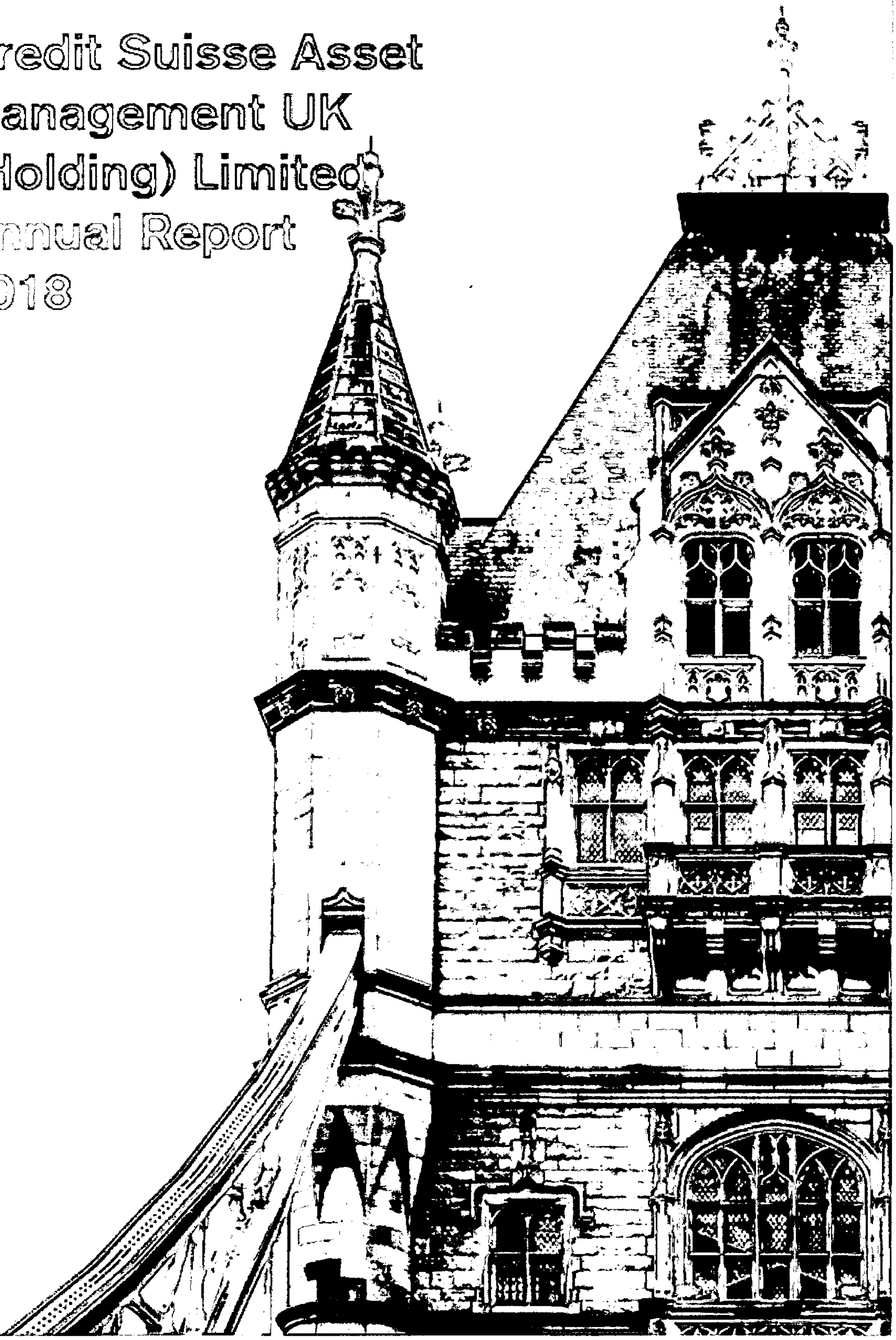
Credit Suisse Asset Management UK (Holding) Limited
Annual Report 2018



Company Registration Number 03045295

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Company Information

Board of Directors as at 24th April 2019 (forms part of the Directors' report)

Stephen Foster (Chair)
Tracy Cherrington
Timothy Bradshaw
Maura Sullivan

Company Secretary

Paul E. Hare

Company Registration Number

03045295

Registered Office

One Cabot Square
London
E14 4QJ

Independent Auditor

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their strategic report for the year ended 31 December 2018.

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 its ultimate parent is Credit Suisse Group AG ('CSG'), which is the 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.

The principal activity of the Company is that of a holding company of its subsidiary, Credit Suisse Asset Management Limited ('CSAM'). CSAM is a UK regulated asset management entity that forms a part of the global investment management group within the Credit Suisse group ('CS group') headed by Credit Suisse Group AG ('CSG'). CSAM is authorised and regulated by the Financial Conduct Authority ('FCA'). Its principal activities are management and advisory services, as well as placement agency and advisory services to third-party private equity managers. CSAM also has a distribution group that provides sales and marketing support to the Global Asset Management Group, which offers a wide range of investment products and functions across asset classes and investment styles. CSAM does not conduct business with private individuals. The Company was a parent of Credit Suisse Quantitative Systematic Asset Management Limited ('QSAM'), now known as Qube Research Technologies ('QRT'), until its sale on 31 December 2017.

On 1 January 2018, the Quantitative Trading ('QT') Group at Credit Suisse transferred its five UK employees ('QT UK') into the Company. Whilst employed by the Company they are seconded to G10, a regulatory hosting platform for the purposes of acting as sub-investment manager to Credit Suisse's QT Fund Ltd ("QT Fund"), which is domiciled in the Cayman Islands and is a quantitative fund specialising in systematic trading strategies. The QT Fund aims to deliver uncorrelated, low volatility returns by developing and deploying systematic data-driven investment strategies. The trading strategies tend to focus on profit opportunities from distortions in the relative valuations of large and diverse global portfolios or react to real-time demand for global securities by providing liquidity.

Key Performance Indicators ('KPIs')

The Company uses a range of KPIs which are listed below to manage the financial position of the Company.

	2018	2017
Earnings and Profitability		
Net (loss)/profit after tax (£m)	(3.6)	6.2
Statement of Financial Position		
Total Assets (£m)	163.0	168.4

Performance

Statement of Income
For the year ended 31 December 2018, the Company reported a net loss after tax of £3.6m (2017: profit of £6.2m). The loss arises from the reduction in deferred sales proceeds from the sale of QSAM on 31 December 2017.

Statement of Financial Position
As at 31 December 2018, the Company had total assets of £163.0m (2017: £168.4m) and total shareholders' equity of £160.1m (2017: £163.7m).

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Principal Risk and Uncertainties

The Company is a holding company and its main risk is that of impairment of its investment in its subsidiary. The Company also faces credit risk on its receivables, which are primarily from other CS group companies. The Company's financial risk management objectives and policies are outlined in Note 22 - Financial risk management. The risks for the Company are actively managed within each of its subsidiary.

Outlook

The Company actively monitors the performance of the subsidiary, which is projecting profitability going forward from the strategies it has implemented.

UK EU exit

The Company expects minimal impact of a no-deal UK exit from the EU on the QT UK business, as it neither sells nor distributes into Europe and has a trading-only relationship under a sub-investment management arrangement. The QT UK business uses a host for its regulated execution responsibilities and this host would facilitate the QT UK business through its existing relationships with other providers. In terms of contingency arrangements, QT UK can transfer its execution responsibilities to the US with minimal impact on its current business.

Liquidity

The CS group considers a strong and efficient liquidity position to be a priority. 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.

Capital resources

The Company is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the Financial Conduct Authority ('FCA') on a consolidated basis. The Company has put in place processes and controls to monitor and manage the Company's capital adequacy. No breaches were reported to the FCA during the year.

Pillar 3 disclosures of the company can be found separately at www.credit-suisse.com.

Modern Slavery and Human Trafficking statement

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

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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.

S Foster

By Order of the Board

Stephen Foster
Director

One Cabot Square
London E14 4QJ
24 April 2019

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

International Financial Reporting Standards

Credit Suisse Asset Management (UK) Holding Limited's 2018 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 24 April 2019.

Dividends

No dividends were paid nor are proposed for 2018 (2017: £nil).

Directors

The names of the Directors as at the date of this report are set out on page 3. Changes in the Directorate since 31 December 2017 and up to the date of this report are as follows:

Appointment:

Timothy Bradshaw	05 July 2018
Maura Sullivan	24 October 2018

Resignation:

Eric Van Laer	20 February 2018

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 22 - Financial risk management. Changes made to the capital structure are set out in Note 15 - Called-up share capital.

Political donations

There were no political donations made or political expenditure incurred for 2018 (2017: £nil).

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.

In view of EU rules with respect to mandatory auditor rotation for certain of Credit Suisse Group ('CSG') significant subsidiaries, including CSAM, the CSG Audit Committee has decided to pursue a rotation of the CSG auditor.

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The CS group Board of Directors approved that PricewaterhouseCoopers be proposed as the new statutory auditor to the CS group Annual General Meeting in April 2020. The appointment is proposed to be effective for the fiscal year ending 31 December, 2020 and remains subject to CS group shareholder approval.

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.

Subsequent events

Subsequent events are set out in Note 23 - Subsequent events.

By Order of the Board

Stephen Foster
Director

One Cabot Square
London E14 4QJ
24 April 2019

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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs 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 its 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.

Opinion

We have audited the financial statements of Credit Suisse Asset Management (UK) Holding Limited ("the Company") for the year ended 31 December 2018, which comprise the statement of financial position as at 31 December 2018, and the related statements of income, changes in equity, and cash flows for the year then ended, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of investments and related disclosures, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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 page 9, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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'swebsite 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.

Alison Allen

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

Chartered Accountants
15 Canada Square
London
E14 5GL
29 April 2019

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£000	£000
Interest income	4	78	27
- of which relates to financial instruments held at amortised cost		78	27
Interest expense	4	(70)	(152)
- of which relates to financial instruments held at amortised cost		(70)	(152)
Net interest revenue		**8**	**(125)**
Management advisory, performance and other service fees	5	427	—
Net revenue		**435**	**(125)**
Operating expense	6	(433)	(510)
Loss on disposal of investment in subsidiary	12	—	(2,162)
Decrease in deferred sales proceeds from sale of subsidiary (*)		(3,699)	—
Unrealised gain on equity method investment		44	
Reversal of impairment of investment in subsidiary	12	—	8,749
Net foreign exchange gain	4	148	2
Profit/(Loss) before tax		**(3,505)**	**5,954**
Income tax (charge)/benefit	8	(95)	236
Profit/(Loss) after tax		**(3,600)**	**6,190**
Profit/(Loss) attributable to equity holders of the Company		**(3,600)**	**6,190**

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

The notes on pages 17 to 39 form an integral part of these Financial Statements.

* The decrease in deferred sale proceeds relates to the amounts due to the Company following the disposal of QSAM on 31 December 2017. During 2018, the Company agreed to reduce the remaining sale proceeds to align with the requirements of the sale agreement and to account for incremental costs incurred by QSAM post disposal.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Assets			
Cash and due from banks	9	26,868	22,411
Current tax assets		1,395	4,104
Deferred tax assets	8	1,092	1,685
Amounts owed by CS group companies	10	1,143	4,119
Other receivables	11	7	4,155
Equity Method Investment (*)		562	—
Investment in subsidiary	12	131,919	131,919
Total assets		**162,986**	**168,393**
Liabilities			
Amounts owed to CS group companies	17	616	182
Other liabilities	13	2,188	4,481
Short term borrowings	14	53	—
Total liabilities		**2,857**	**4,663**
Shareholders' equity			
Called-up share capital	15	144,199	144,199
Share premium account		23,198	23,198
Capital reserve		114,617	114,617
Retained earnings		(121,885)	(118,284)
Total shareholders' equity		**160,129**	**163,730**
Total liabilities and shareholders' equity		**162,986**	**168,393**

The notes on pages 17 to 39 form an integral part of these Financial Statements.

* The Equity Method investment is an investment the Company has made in the QT Fund Ltd for the purposes of hedging the deferred compensation liability that arises in respect of awards made to certain QT UK employees whose compensation is indexed to the QT Fund Ltd.

Approved by the Board of Directors on 24 April 2019 and signed on its behalf by

Stephen Foster
(Director)

COMPANY REGISTRATION NUMBER: 03045295

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called-up share capital	Share premium	Capital reserve	Retained earnings	Total shareholders' equity
	£000	£000	£000	£000	£000
Balance as at 1 January 2018	**144,199**	**23,198**	**114,617**	**(118,284)**	**163,730**
Adjustment on initial application for IFRS 9	—	—	—	(1)	(1)
Adjusted balance at 1st January 2018	144,199	23,198	114,617	(118,285)	**163,729**
Net loss for the year	—	—	—	(3,600)	**(3,600)**
Balance as at 31 December 2018	**144,199**	**23,198**	**114,617**	**(121,885)**	**160,129**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called-up share capital	Share premium	Capital reserve	Retained earnings	Total shareholders' equity
	£000	£000	£000	£000	£000
Balance as at 1 January 2017	**144,199**	**23,198**	**114,617**	**(124,474)**	**157,540**
Net profit for the year	—	—	—	6,190	**6,190**
Balance as at 31 December 2017	**144,199**	**23,198**	**114,617**	**(118,284)**	**163,730**

The notes on pages 17 to 39 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£000	£000
Cash flows from operating activities			
Profit before tax for the year		(3,505)	5,954
Adjustments to reconcile net profit to net cash generated from/(used in) operating activities			
Non-cash items included in profit before tax:			
Loss on disposal of a subsidiary	12	—	2,162
Gain on reversal of impairment of investment in subsidiary	12	—	(8,749)
Decrease in deferred sales proceeds from sale of subsidiary		3,699	—
Unrealised gain on equity method investment		(44)	—
Cash generated from/(used in) before changes in operating assets and liabilities		**150**	**(633)**
Amount owed by CS group companies	10	2,109	6,880
Other receivables	11	448	2
Net increase in operating assets		**2,557**	**6,882**
Amount owed to CS group companies		434	(580)
Other liabilities	13	(2,293)	(5,940)
Net decrease in operating liabilities		**(1,859)**	**(6,520)**
Group relief received		3,207	—
Net cash generated from/(used in) operating activities		**4,055**	**(271)**
Cash flows from investing activities			
Repayment following share capital reduction of subsidiary	12	—	21,507
Net cash inflow on disposal of subsidiary	12	—	17,764
Equity method investment		349	—
Net cash generated from/(used in) investing activities		**349**	**39,271**
Cash flows from financing activities			
Issuance of short-term borrowings		53	—
Repayment of short-term borrowings	12	—	(24,800)
Net cash generated from/(used in) financing activities		**53**	**(24,800)**
Net increase/(decrease) in cash and cash equivalents		**4,457**	**14,200**
Cash and cash equivalents at the beginning of the year		22,411	8,211
Cash and cash equivalents at the end of the year		**26,868**	**22,411**

Cash and cash equivalents at the end of the year comprise:

	Note	2018	2017
		£000	£000
Cash and due from banks	9	26,868	22,411
Cash and cash equivalents at the end of the year		**26,868**	**22,411**

The notes on pages 17 to 39 form an integral part of these Financial Statements.

Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 24 April 2019.

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.

Standards and Interpretations effective in the current period

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

- 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. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Changes in accounting policies resulting from the adoption of IFRS 9 are generally applied retrospectively; however the Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

For the impact of adoption of IFRS 9 on 1 January 2018, please refer to the subsequent sections detailing the changes to the significant accounting policies.

c) Financial assets and liabilities

Financial assets are classified on the basis of two criteria: 1) the business model of why the financial assets are held and how they are managed and 2) the contractual cash flow characteristics of the financial asset. These factors determine whether the financial assets are measured at Amortised Cost, Fair value through Other Comprehensive Income ('FVOCI') or Fair value through Profit & Loss ('FVTPL'). For equity investments that are not held for trading, the CSi group may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income ('OCI').

Amendments to Statement of Financial Position presentation

The investments in financial instruments that were classified as "Financial assets designated at fair value through profit or loss" under IAS 39 are being reclassified as "Financial assets mandatorily at fair value through profit or loss" as a part of the adoption of IFRS 9 as at 1 January 2018.

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.

d) Impairment of financial assets

The impairment requirements apply primarily to financial assets measured at amortised cost and fair value through other comprehensive income The impairment requirements have changed from an incurred loss model under IAS 39 to an expected credit loss ("ECL") model under IFRS 9 by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. This requires considerable judgement over how changes in economic factors affect ECLs, which is determined on a probability-weighted basis.

Impairment on receivables
Receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated. When calculating the effective interest, the Company estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

e) Dividends

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

f) 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.

g) 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 subsidiary 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 8 - Taxation.

h) 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.

i) 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 2018

j) 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.

k) 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.

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

o) Investment in subsidiary

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) Equity method Investments

The Company has made an investment in the QT Fund Ltd for the purposes of hedging deferred compensation liability associated with the Notional Co-Investment Awards ('NCIA') provided to certain QT UK employees. NCIA represent a general, unsecured obligation of the CS Group to pay an amount of cash equal to the value of a hypothetical investment in the QT Fund Ltd. The investment is accounted for as an equity method investment and is initially recorded at cost.

q) Going concern

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

Management is required to make certain accounting estimates to ascertain the value of assets and liabilities in order to prepare the financial statements in accordance with IFRS. These estimates are based upon judgement and the information available at the time. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Share-based compensation

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.

4. Net interest income

Interest income is earned on cash and cash equivalents held with other CS group companies. Interest expense incurred is primarily on short term borrowings.

The foreign exchange gain arose on open positions on balance sheet.

5. Management advisory, performance and other service fees

The management advisory, performance and other service fees comprises of a fee sharing arrangement with Credit Suisse Asset Management LLC, whereby the Company recovers all costs associated with the QT UK business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. Operating expenses

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

	2018	2017
	£000	£000
Salaries and bonuses	(2,380)	(3,476)
Social Security	16	359
Pension	(77)	—
Other	(19)	(17)
Total Compensation and benefits	**(2,460)**	**(3,134)**

The following table sets forth the details of other expenses:

	2018	2017
	£000	£000
Occupancy	(75)	(80)
IT and Machinery	(6)	—
Travel & Entertainment	(37)	(15)
Professional services	(601)	(491)
Market Data	(167)	—
Expense recharges	—	(7)
Expenses reimbursed by other CS group companies	1,383	(4)
Expenses reimbursed by the Company's subsidiary	1,662	3,358
Other expenses	(132)	(137)
Net other expenses	**2,027**	**2,624**
Total operating expenses	**(433)**	**(510)**

The Company charges certain costs to its subsidiary, including deferred compensation expenses, in respect of a range of administrative services.

7. Provision for credit losses

The provision for expected credit losses on cash and amounts due from banks and other assets is £1k.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. Taxation

a) Analysis of tax charge for the year

	2018	2017
	£000	£000
Current tax		
Current tax for the period	425	897
Adjustments in respect of prior periods	74	272
Total current tax (charge)/benefit	**499**	**1,169**
Deferred tax		
Origination and reversal of temporary differences	(431)	(701)
Adjustments in respect of prior periods	(163)	(232)
Total deferred tax (charge)/benefit	**(594)**	**(933)**
Income tax (charge)/benefit	**(95)**	**236**

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

	2018	2017
	£000	£000
Profit before tax	(3,505)	5,954
Profit before tax multiplied by the UK statutory rate of corporation tax at the rate of 19% (2017: 19.25%)	666	(1,146)
Non-deductible expenses	(20)	(19)
Non-taxable reversal of write down of investment in subsidiaries	—	1,684
Non-deductible write-off of receivables re sale of QSAM	(703)	—
Tax impact of loss on sale of investment	—	(416)
Adjustments to current tàx in respect of prior periods	74	272
Adjustments to deferred tax in respect of prior periods	(163)	(232)
Impact of differential in deferred tax rate and statutory tax rate	51	93
Income tax (charge)/benefit	**(95)**	**236**

b) Deferred taxes

Deferred tax assets are recognised on deductible temporary differences and tax losses carry forward only to the extent that the realisation of the related tax benefit is probable.

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

	2018	2017
	£000	£000
Opening Balance	1,685	2,617
(Charge)/benefit for the year	(431)	(701)
Adjustments in respect of prior periods	(162)	(231)
At the end of the year	**1,092**	**1,685**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Deferred tax assets are attributable to the following items:

	2018	2017
	£000	£000
Deferred tax assets		
Decelerated tax depreciation	899	1,096
Share-based compensation	7	126
Other short-term temporary differences	186	463
At the end of year	**1,092**	**1,685**

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

	2018	2017
	£000	£000
Decelerated tax depreciation	197	—
Share-based compensation	119	(314)
Other short-term temporary differences	278	(619)
Total deferred tax (charge)/benefit in the statement of income	**594**	**(933)**

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17% (2017: 17%). The UK corporation tax rate reduces to 17% with effect from 1 April 2020.

9. Cash and due from banks

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

10. Amounts owed by CS group companies

	2018	2017
	£000	£000
Amounts owed by CS Group companies	1,144	4,119
Provision for expected credit losses	(1)	—
Net Amount	**1,143**	**4,119**

11. Other receivables

Aging of other receivables

2018	1-30 days	31-90 days	Over 90 days	Total
	£000	£000	£000	£000
Other receivables	—	—	7	7

2017	1-30 days	31-90 days	Over 90 days	Total
	£000	£000	£000	£000
Other receivables	—	4,148	7	4,155

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The receivable of £4,148k in 2017 related to deferred sale proceeds in respect of the sale of QSAM.

12. Investment in subsidiary

The Company has the following investment in a subsidiary as at 31 December 2018.

Direct subsidiary:	Nature of Business	Status
Credit Suisse Asset Management Limited	Management of range of asset classes and investment vehicles	Going concern

Impairment of investment in subsidiaries

There were no indicators of impairment identified during the year ending 31 December 2018 and therefore no impairment of the investment in the subsidiary was deemed necessary.

	2018	2017
	£000	£000
Carrying value at 1 January	131,919	168,751
Repayment following share capital reduction of QSAM	—	(21,507)
Net cash inflow on disposal of QSAM	—	(17,764)
Deferred sale proceeds on disposal of QSAM	—	(4,148)
Loss on sale of QSAM	—	(2,162)
Gain on reversal of impairment of investment in subsidiary	—	8,749
Carrying value as at 31 December	**131,919**	**131,919**

Direct subsidiary:	Impairment assessment:	2018	2017
		£000	£000
Credit Suisse Asset Management Limited	Impairment provided in earlier years is reversed to the extent of impairment recognised in prior years.	—	8,749
Total gain on reversal of impairment of investment in subsidiary		**—**	**8,749**

13. Other liabilities

	2018	2017
	£000	£000
Accruals for deferred compensation	1,402	3,522
Accruals for bonus and social security on bonus	326	—
Accruals for operating expenses	460	959
Total other liabilities	**2,188**	**4,481**

The decrease in accruals for deferred compensation is due to lower carry plan expense of £1,573k (2017: £3,187k) and unrealised loss of £(128)k (2017: gain of £618k).

14. Short term borrowings

Short term borrowings of £53k (2017 : £Nil) are held with CS group companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. Called-up share capital

	2018 £000	2017 £000
Authorised:		
150,000,000 ordinary shares of £1 each	150,000	150,000
Called up, allotted, fully paid:		
144,198,587 ordinary shares of £1 each	144,199	144,199

The Company's wholly-owned subsidiary, CSAM, is authorised and regulated by the FCA and as a consequence the Company heads up 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 its regulatory consolidation group and that of CSAM.

16. Pillar 3 disclosure

Certain regulatory disclosures are required to be made by the Company under the Capital Requirements Regulation. These can be found on the Credit Suisse website at www.credit-suisse.com.

17. Related party transactions

The Company is an 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

	2018 £000 Parent, Subsidiary and Fellow subsidiary	2017 £000 Parent, Subsidiary and Fellow subsidiary
Assets		
Cash and due from banks	26,868	22,411
Investment in subsidiary	131,919	131,919
Amounts owed by CS group companies *	1,144	4,119
Total assets	**159,931**	**158,449**
Liabilities		
Short Term borrowings	53	—
Amounts owed to CS group companies	616	182
Other liability	(17)	—
Total liabilities	**652**	**182**

(*) - The Amounts owed by CS group companies of £1,144k do not include a provision for expected credit losses of £1k.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

b) Related party revenues and expenses

	2018	2017
	£000	£000
	Parent, Subsidiary and Fellow subsidiary	Parent, Subsidiary and Fellow subsidiary
Net interest income	8	(125)
Other Revenue	427	7
Total operating revenues	**435**	**(118)**
Reversal of impairment of investment in subsidiary	—	8,749
Amounts owed by CS group companies	1,137	(11)
Cost allocation to/(from) subsidiary	1,662	3,358
Total operating expenses	**2,799**	**12,096**

18. Employee Share-based Compensation and Other Compensation Benefits

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

The 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. The 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 2018 and 2017 was (£89k) and £58k, respectively. The total stock award liability recorded as at 31 December 2018 was £46k (2017: £740k). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2018 of CHF 10.80 (2017: CHF 17.40). The average weighted fair value of awards granted in 2018 was CHF 17.22 (2017: nil). The intrinsic value of vested share based awards outstanding as at year end was nil (2017: £0.2m).

The recognition of compensation expense for the deferred compensation awards granted in February 2019 began in 2019 and thus had no impact on the 2018 financial statements.

Phantom Share awards

Share awards granted in February 2019 are similar to those granted in February 2018. Each share award granted entitles the holder of the award to receive one CSG share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery.

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

The number of share awards granted to employees was determined by dividing the deferred component of variable compensation being granted as shares by the average price of CSG share over the ten business days ended February 28, 2019. The fair value of each share award was CHF 11.75, the CSG share price on the grant date.

The majority of share awards granted include the right to receive dividend equivalents on vested shares.

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

	2018 '000	2017 '000
As at 1 January	2	24
Granted	4	—
Shares Transferred in/(out)	17	—
Delivered	(11)	(22)
Forfeited	(7)	—
As at 31 December	**5**	**2**

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 from 2016 are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as of 31 December 2018, or a negative CSG return on equity ('ROE'), whichever results in a larger adjustment. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

The number of performance share awards was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the ten business days ended 28 February 2019. The fair value of each performance share award was CHF 11.75, the CSG share price on the grant date.

The majority of performance share awards granted include the right to receive dividend equivalents upon vesting. There was no negative adjustment applied to performance share awards granted in 2018 or in previous years as the 2018 divisional adjusted results and adjusted ROE of CSG were both positive.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Movements in the number of PSA outstanding were as follows:

	2018 '000	**2017** '000
As at 1 January	31	117
Granted	—	—
Shares Transferred in/(out)	—	—
Delivered	(29)	(86)
Forfeited	(2)	—
As at 31 December	—	31

Contingent Capital Awards ('CCA')

Contingent Capital Awards ('CCA') were granted in February 2018, January 2015 and January 2014 as part of the 2017, 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, with rates being dependent upon the vesting period and currency of denomination. CCA granted in 2018, 2015 and 2014 that are denominated in US dollars receive interest equivalents, at a rate of 3.05%, 5.75% and 5.33%, respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR) and vest three years from the date of grant. The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that CSG has issued.

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

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

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

Total compensation expense/(income) recognised for Feb18, Jan15 and Jan14 CCA during the year ended 31 December 31 2018 was £ 0.003m (2017: £0.2m).

Contingent Capital Share Awards ('CCAS')

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 ('CCAS') at a conversion price of CHF 14.57/USD 15.02 CCA holders elected to convert CHF 1.85 million of their CCA into CCAS 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/USD 14.90 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original CCA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Movements in the number of CCAS awards outstanding were as follows:

	2018	2017
	'000	'000
As at 1 January	21	79
Granted	—	—
Shares Transferred in/(out)	—	—
Delivered	(16)	(56)
Forfeited	(5)	(2)
As at 31 December	—	21

2011 Partner Asset Facility

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

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

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

i. Capital Opportunity Facility ('COF'): participants elected for their award to be referenced to a COF. The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions, to be entered into with CSG, chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and

ii. CCA: participants elected to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards which settled in 2016, following regulatory approvals. Settlement of the PAF2 CCA occurred in the first half of 2016, following regulatory approvals. Final payout upon settlement of these awards was 94% of the amount awarded.

Total compensation expense recognised for the COF during the year ended 31 December 2018 was not material.

Notional Hedge Fund ('HFN') Awards

Certain employees received a portion of their 2012, 2013 and 2014 deferred variable compensation in the form of Notional Hedge Fund ('HFN') awards. These awards essentially provide employees with compensation that will be determined by reference to the returns on an investment in one or more Credit Suisse sponsored hedge funds. Each award vests over three years, such that the awards vest equally on each of the three anniversaries of the grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

Total compensation (income)/expense recognised for the HFN during the year ended 31 December 2018 was £(0.02m) (2017: £(0.001m)).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notional Co-Investment Awards ('NCIA')

Notional Co-Investment Awards ('NCIA') are provided to certain QT UK employees and represent a general, unsecured obligation of the CS Group to pay an amount of cash equal to the value of a hypothetical investment in the QT Fund Ltd. Participation in this award generally will, therefore, offer an earning power correlated to an investment in the QT Fund Ltd. Eligible employees will receive a payment (if any) with respect to their NCIA as soon as reasonably practicable after the third anniversary of the date when awards are made.

Total compensation (income)/expense recognised for NCIA during the year ended 31 December 2018 was £0.02m (2017: nil).

19. Employees

The average number of persons employed during the year was 4. The average number of employees is calculated using 12 months as the base.

20. Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to £64k (2017: £32k). The fees for the year ending 31 December 2018 were higher than the prior year as they included additional fees associated with the audit of QSAM.

21. Financial Instruments

The disclosure of the Company's financial instruments below includes the following sections:
- Analysis of financial instruments by categories; and
- 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.

As at 31 December 2018 £000	**Designated at Fair Value**	**Loans and receivables**	**Other amortised cost**	**Total**
Financial Assets				
Cash and due from banks	–	–	26,868	26,868
Investments	562	–	–	562
Amount owed by CS group companies (*)	–	717	427	1,144
Other receivables	–	7	–	7
Total financial assets at fair value	**562**	**724**	**27,295**	**28,581**
Financial Liabilities				
Other liabilities	–	–	639	639
Short term borrowings	–	–	53	53
Amount owed to CS group companies	–	–	616	616
Total financial liabilities at fair value	**–**	**–**	**1,308**	**1,308**

(*) - The Amounts owed by CS group companies of £1,144k do not include the associated provision for expected credit losses of £1k.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

As at 31 December 2017	Designated at Fair Value	Loans and receivables	Other amortised cost	Total
Financial Assets				
Cash and due from banks	—	—	22,411	22,411
Other receivables	—	4,148	—	4,148
Amounts owed by CS group companies	—	4,119	—	4,119
Total financial assets at fair value	**—**	**8,267**	**22,411**	**30,678**
Financial Liabilities				
Other liabilities	—	—	836	836
Amounts owed to other CS group companies	—	—	182	182
Total financial liabilities at fair value	**—**	**—**	**1,018**	**1,018**

b) Fair value of financial instruments not carried at fair value

Fair value hierarchy

The financial instruments carried at fair value are 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

£000	Level 1	Level 2	Level 3	Total at fair value
Financial assets				
Cash and due from banks	26,868	—	—	26,868
Investments	—	562	—	562
Amount owed by other CS group companies	—	1,143	—	1,143
Total financial assets at fair value	**26,868**	**1,705**	**—**	**28,573**
Financial liabilities				
Other liabilities	—	639	—	639
Short term borrowing	—	53	—	53
Amount owed to other CS group companies	—	616	—	616
Total financial liabilities at fair value	**—**	**1,308**	**—**	**1,308**

As at 31 December 2017

£000	Level 1	Level 2	Level 3	Total at fair value
Financial assets				
Cash and due from banks	22,411		—	22,411
Other receivables	—	4,148	—	4,148
Amounts owed by CS group companies	—	4,119	—	4,119
Total financial assets at fair value	**22,411**	**8,267**	**—**	**30,678**
Financial liabilities				
Other liabilities	—	836	—	836
Amounts owed to CS group companies	—	182	—	182
Total financial liabilities at fair value	**—**	**1,018**	**—**	**1,018**

22. Financial risk management

a) Overview

The Company is part of the CS group and its risks are managed in accordance with the group's policies and procedures.

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 arises on its receivables from third-parties and other CS group companies. The Company deposits cash only with other CS group companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Maximum exposure to Credit Risk	**2018**	**2017**
	£000	£000
Cash and due from banks	26,868	22,411
Other receivables	7	4,155
Amounts owed by other CS group companies	1,143	4,119
Total financial assets	**28,018**	**30,685**

No collateral or credit enhancements are held against cash and due from banks or other receivables.

The amounts in the above table are based on carrying values. Refer to Note 11 - Other receivables for disclosure of past due receivables.

Credit-impaired financial assets

Financial assets carried at amortised cost should be assessed for impaired at each reporting date. A financial asset is 'credit-impaired' when there is evidence that one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is credit-impaired includes but is not limited to the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Company had no credit-impaired financial assets as at 31 December 2018.

Maximum exposure to credit risk and credit quality analysis-

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless indicated otherwise, the amounts in the table represent gross carrying amounts.

Explanations of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3 - Critical accounting estimates and judgements .

Amounts owed by CS group companies and Fee receivable

Credit risk exposures by external rating grades

12-month ECL (Stage 1)	2018
	£000
A+ to A-	843
BBB+ to BBB-	301
BB+ to BB-	7
Sum	1,151
Loss allowance	(1)
Carrying amount	1,150

Cash and cash equivalents

The Company held cash and cash equivalents of £26,868k at 31 December 2018. The cash and cash equivalents are held with CS group companies that are rated at A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

c) Liquidity risk

Liquidity risk is the risk that the Company 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 its financial condition. The following table sets out details of the remaining undiscounted contractual maturities for financial liabilities.

As at 31 December 2018

£000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1and 5 years	Due after 5 years	Total
Amounts owed to CS group companies	—	616	—	—	—	616
Other liabilities at amortised cost	—	551	687	950	—	2,188
Short term borrowings	—	53	—	—	—	53
Total financial liabilities	**—**	**1,220**	**687**	**950**	**0**	**2,857**

As at December 2017

£000	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1and 5 years	Due after 5 years	Total
Amounts owed to CS group companies	—	182	—	—	—	182
Other liabilities at amortised cost	—	1,789	1,391	1,109	192	4,481
Total financial liabilities	**—**	**1,971**	**1,391**	**1,109**	**192**	**4,663**

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 Company 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 2018, the Company had CHF 426k net assets (2017: CHF 446k net assets), EUR (54)k net liabilities (2017: EUR 6,415k net assets), US$656k net assets (2017: US$3,789k 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.

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2018

	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	85	(85)	(12)	12	(129)	129
Total	**85**	**(85)**	**(12)**	**12**	**(129)**	**129**

2017

	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	85	(85)	1,423	(1,423)	703	(703)
Total	**85**	**(85)**	**1,423**	**(1,423)**	**703**	**(703)**

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 £26,868k (2017: £22,411k). 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 £109k/(£109k) (2017: £90k/(£90k)).

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 19% (2017: 19.25%).

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 2018

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 the Company's business, including the systems and processes that support its 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 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; or
- 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

The Company complies with the CSG policy 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 CSG, the relevant business proposal is required to be submitted to CSG Reputational Risk Review Process. This involves a vetting of the proposal by senior business management, and its subsequent referral to one of CSG 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.

23. Subsequent events

There were no events subsequent to the balance sheet date.

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