



**CREDIT SUISSE INVESTMENTS (UK)**

**Annual Report  
For the year ended 31 December 2018**



Company Registration Number: 03582961

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**Board of Directors**

Christopher Horne	Director
Caroline Waddington	Director
Julian Houghton	Director
Paul Hare	Director

**Company Secretary**

Paul Hare	Secretary
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## Strategic Report for the year ended 31 December 2018

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2018.

### Business Profile

Credit Suisse Investments (UK) (the 'Company') is domiciled in the United Kingdom and is owned by Credit Suisse AG ('CS AG') incorporated in Switzerland. The ultimate holding Company is Credit Suisse Group AG ('CSG'), which is incorporated in Switzerland.

### Principal activities

The Company's principal activity is to act as an investment holding Company.

The Company's principal interests include an investment in Credit Suisse Investment Holdings (UK) ('CSIHUK'), an investment holding Company, established primarily to hold the interests of Credit Suisse group companies. Refer to note 9 in the Financial Statements for the complete list of subsidiaries.

### Business review

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

### Performance

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

#### Statement of Income

The loss after tax for the year was US\$ 98m (Restated 2017: US\$ 404m). The variation is primarily driven by impairment of investment in CSIHUK of US\$ 89m (Restated 2017: US\$ 360m).

#### Statement of Financial Position

As at 31 December 2018, the Company had total assets of US\$ 10,972m (Restated 2017: US\$ 12,263m). The net decrease in total assets of US\$ 1,291m is primarily due to an decrease in net loans of US\$ 1,223m and impairment of investment in CSIH UK of US\$ 89m.

The decrease in net loans by US\$ 1,223m was due to repayment of US\$ 1,250m loan the Company provided to CSIH UK in 2017, which CSIH UK required to purchase issued debt by Credit Suisse Securities (Europe) Limited (CSS(E)L).

As at 31 December 2018, the Company had total liabilities of US\$ 4,702m (2017 US\$ 5,894m). The decrease in liabilities was mainly due to decrease in debt issued by CSAG London Branch of \$1,250m.

As at 31 December 2018, the Company had equity of US\$ 6,270m (Restated 2017: US\$ 6,369m).

### Key performance indicators

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

### Principal risks and uncertainties

The Company is a holding Company and the main risk facing the Company is impairment of investment in subsidiaries. Apart from this, the assets of the Company mainly comprise of net loans from fellow group companies under common control. Hence, the Company is not exposed to any significant credit risk. The Company's financial risk management policies are outlined in note 18 to the Financial Statements.

The Company is not materially impacted by Brexit being a holding Company with no European clients.

## Strategic Report for the year ended 31 December 2018

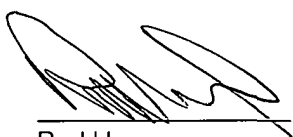
### Modern Slavery and Human Trafficking

In its role as an employer, and as a user and provider of services, CS group is committed to human rights and respects them as a key element of responsible business conduct. CS group voluntarily commits to uphold certain international agreements relating to human rights, including: the 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, 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.

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](http://www.credit-suisse.com).

Approved by the Board of Directors on 27 September 2019 and signed on its behalf by:



Paul Hare  
Company Secretary

One Cabot Square  
London E 14 4QJ  
27 September 2019

## Directors' Report for the year ended 31 December 2018

### International Financial Reporting Standards

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

### Going concern

The Financial Statements have been prepared on a going concern basis.

### Capital Resources

The Company is the parent of a group that is subject to consolidated supervision by the Prudential Regulation Authority ('PRA'), the principal regulated entity being CSS(E)L. The Company has put in place processes and controls to monitor and manage the group's capital adequacy on a consolidated basis.

### Share Capital

There was no movement in share capital during the year (2017: US\$ Nil).

### Dividends

No dividends were paid or were proposed for 2018 (2017: US\$ Nil).

### Directors

The names of the Directors as at the date of this report are set out on page 3. There are no changes in the Directorate since 31 December 2017, and up to the date of this report.

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

None of the Directors who held office at the end of the financial year were beneficially interested, at any time during the year, in the shares of the Company.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with 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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from

material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Donations**

No charitable or political donations were made during the year (2017: US\$ Nil).

#### **Auditors**

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

#### **Exemption from group accounts**

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

#### **Subsequent events**

CSS(E)L, a wholly owned sub-subsidary of the Company, completed a share capital restructure during 2018 in order to create additional distributive reserves, by transferring share premium contribution to retained earnings. A similar capital restructure to create additional distributive reserves for the Company was approved on 16 July 2019, which resulted in the cancellation of the entire share premium account and the balance transferred to retained earnings of US\$ 8,335,865,814 furthermore both the capital reserve of US\$ 245,000,000 and capital contribution reserve of US\$ 1,408,000,000 were transferred to retained earnings. The total transfer to retained earnings due to restructuring is US\$ 9,988,865,814.

On 30 August 2019, CSS(E)L transferred the Principal Employer status of the UK Pension Fund to Credit Suisse International, this transfer included CSS(E)L's share of the assets and liabilities of the defined benefit arrangement. This was a deemed distribution estimated to be in the region of US\$ 1 billion. The distribution will result in reduction in net assets of CSS(E)L and additional impairment of the Company's investment in Credit Suisse Investment Holdings UK (CSS(E)L's parent) which is estimated to be in the region of US\$ 1 billion during the year ending 31 December 2019.

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

Approved by the Board of Directors on 27 September 2019 and signed on its behalf by:



Caroline Waddington  
Director

One Cabot Square  
London E14 4QJ  
27 September 2019

Company Registration Number: 03582961

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT SUISSE INVESTMENTS (UK)**

## **Opinion**

We have audited the financial statements of Credit Suisse Investments (UK) ("the Company") for the year ended 31 December 2018 which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes, 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.

## **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 for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

## **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or



- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Alexander Snook**

**(Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London E14 5GL

27 September 2019

**Statement of Income for the year ended 31 December 2018**

	Note	2018 US\$ M	Restated 2017 <sup>1</sup> US\$ M
Interest income	3	216	143
-of which Interest income from instruments at amortised cost		216	143
Interest expense	3	(248)	(176)
-of which Interest expense from instruments at amortised cost		(248)	(176)
<b>Net interest expense</b>		<b>(32)</b>	<b>(33)</b>
Administrative expenses	4	—	—
Impairment of Investments in subsidiaries	9	(89)	(360)
<b>Loss before tax</b>		<b>(121)</b>	<b>(393)</b>
Income tax benefit/(charge)	5	23	(11)
<b>Loss attributable to the shareholders of the Company</b>		<b>(98)</b>	<b>(404)</b>

<sup>1</sup> The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 - Prior Period Adjustments.

The Company's loss after tax was US\$ 98m for the year ended 31 December 2018 (2017: US\$ 404m. Restated due to prior period adjustments. Details are included in Note 20 - Prior Period Adjustments.)

Loss for 2018 and 2017 are from continuing operations.

There is no other comprehensive income in the current and prior year. Accordingly, no Statement of Other Comprehensive Income is provided.

The notes on pages 14 to 41 form an integral part of these Financial Statements.

**Statement of Financial Position as at 31 December 2018**

	Note	31 December 2018 US\$ M	Restated <sup>1</sup> 31 December 2017 US\$ M	Restated 1 January 2017 US\$ M
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6	150	142	140
Net Loans <sup>2</sup>	7	2,176	2,148	2,131
Other assets	8	32	19	15
<b>Total current assets</b>		<b>2,358</b>	<b>2,309</b>	<b>2,286</b>
<b>Non-current assets</b>				
Investments	9	6,365	6,454	6,814
Net Loans <sup>2</sup>	7	2,249	3,500	2,250
<b>Total non-current assets</b>		<b>8,614</b>	<b>9,954</b>	<b>9,064</b>
<b>Total assets</b>		<b>10,972</b>	<b>12,263</b>	<b>11,350</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Short term borrowings	10	1,164	1,097	1,046
Other liabilities <sup>1</sup>	11	38	47	31
<b>Total current liabilities</b>		<b>1,202</b>	<b>1,144</b>	<b>1,077</b>
<b>Non-current liabilities</b>				
Long-term debt	12	3,500	4,750	3,500
<b>Total non-current liabilities</b>		<b>3,500</b>	<b>4,750</b>	<b>3,500</b>
<b>Total liabilities</b>		<b>4,702</b>	<b>5,894</b>	<b>4,577</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	13	3,045	3,045	3,045
Share premium	13	8,336	8,336	8,336
Capital reserve	13	245	245	245
Capital contribution reserve	13	1,408	1,408	1,408
Accumulated losses		(6,764)	(6,665)	(6,261)
<b>Total shareholders' equity</b>		<b>6,270</b>	<b>6,369</b>	<b>6,773</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,972</b>	<b>12,263</b>	<b>11,350</b>

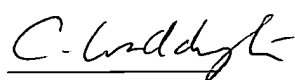
The notes on pages 14 to 41 form an integral part of these Financial Statements.

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 - Prior Period Adjustments.

<sup>1</sup> The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

<sup>2</sup> Loans and receivables was renamed to Net loans to better describe the financial instruments under these headings.

Approved by the Board of Directors on 27 September 2019 and signed on its behalf by



Caroline Waddington  
Director

**Statement of Changes in Equity for the year ended 31 December 2018**

	Share capital	Share premium	Capital reserve	Capital contribution reserve	Accumulated losses	Total <sup>1</sup>
	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
<b>Balance at 1 January 2018</b>	<b>3,045</b>	<b>8,336</b>	<b>245</b>	<b>1,408</b>	<b>(6,665)</b>	<b>6,369</b>
Adjustment on initial application of IFRS 9	—	—	—	—	(1)	(1)
<b>Adjusted balance at 1 January 2018</b>	<b>3,045</b>	<b>8,336</b>	<b>245</b>	<b>1,408</b>	<b>(6,666)</b>	<b>6,368</b>
Loss for the year	—	—	—	—	(98)	(98)
<b>Balance at 31 December 2018</b>	<b>3,045</b>	<b>8,336</b>	<b>245</b>	<b>1,408</b>	<b>(6,764)</b>	<b>6,270</b>

<sup>1</sup> The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

	Share capital	Share premium	Capital reserve	Capital contribution reserve	Accumulated losses	Restated Total
	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
<b>Balance at 1 January 2017</b>	<b>3,045</b>	<b>8,336</b>	<b>245</b>	<b>1,408</b>	<b>(5,680)</b>	<b>7,354</b>
Adjustment for restatement	—	—	—	—	(581)	(581)
<b>Restated balance at 1 January 2017</b>	<b>3,045</b>	<b>8,336</b>	<b>245</b>	<b>1,408</b>	<b>(6,261)</b>	<b>6,773</b>
Loss for the year	—	—	—	—	(404)	(404)
<b>Balance at 31 December 2017</b>	<b>3,045</b>	<b>8,336</b>	<b>245</b>	<b>1,408</b>	<b>(6,665)</b>	<b>6,369</b>

The notes on pages 14 to 41 form an integral part of these Financial Statements.

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 - Prior Period Adjustments.

**Statement of Cash Flows for the year ended 31 December 2018**

	Note	2018 US\$ M	Restated 2017 US\$ M
<b>Cash flows from operating activities</b>			
Loss before tax		(121)	(393)
<b>Adjustments for :</b>			
Non-cash items included in loss before tax and other adjustments:			
Impairment of Investments in subsidiaries		89	360
Interest income		(216)	(143)
Interest expense		248	176
<b>Operating loss before working capital changes</b>		—	—
Net movement in operating assets and liabilities:			
Net loans		(28)	(17)
Short term borrowings		67	51
Other liabilities		14	—
Interest received		216	139
Interest paid		(247)	(171)
Group relief paid		(14)	—
<b>Net cash inflow from operating activities</b>		<b>8</b>	<b>2</b>
<b>Financing activities</b>			
Proceeds from financial assets net loans		—	(1,250)
Issuance of long term debt		—	1,250
<b>Net cash flow generated from financing activities</b>		—	—
<b>Net increase in cash and cash equivalents</b>		<b>8</b>	<b>2</b>
Cash and cash equivalents at beginning of year		142	140
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>150</b>	<b>142</b>

The notes on pages 14 to 41 form an integral part of these Financial Statements.

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 - Prior Period Adjustments.

## Notes to the Financial Statements for the year ended 31 December 2018

### 1. General

Credit Suisse Investments (UK) (the 'Company') is domiciled in United Kingdom and is owned by Credit Suisse AG incorporated in Switzerland. The Company's registered office is at One Cabot Square, London, E14 4QJ. The Company's principal activity is to act as an investment holding Company.

### 2. Significant accounting policies

#### a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('adopted IFRS') and the Companies Act 2006.

The Financial Statements were authorised for issue by the Directors on 27 September 2019.

The Financial Statements of the Company have been prepared on a going concern basis, since the Directors have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

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

#### b) Basis of preparation

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

The preparation of Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these Financial Statements are set out in Note 2(l) Critical accounting estimates and judgements in applying accounting policies.

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

### 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 'Financial Instruments' (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 'Financial Instruments: Disclosures' resulting from IFRS 9 also requires 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. In October 2017, the IASB issued Prepayments Features with Negative Compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Company early adopted this amendment as at 1 January 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. As a result, the Significant Accounting Policies and Critical Accounting Estimates and Judgements notes have both the 2018 and 2017 policies where applicable.

## Notes to the Financial Statements for the year ended 31 December 2018

For the impact of adoption of IFRS 9 on 1 January 2018, please refer below.

The below table provides a reconciliation of impairment of financial assets between IAS 39 and IFRS 9.

	31 December 2017 (IAS 39/IAS37)	Reclassification	Remeasurement	1 January 2018 (IFRS 9)
	US\$ M	US\$ M	US\$ M	US\$ M
Net loans	—	—	1	1
<b>Total</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>1</b>

Under IAS 39, there was no provision required for expected credit losses up to 31 December 2017. On account of implementation of IFRS 9 with effect from 1 January 2018, the Company has booked a provision of US\$ 1M on net loans. The initial measurement of the credit losses has been adjusted from the opening balance of the retained earnings.

### 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 and have been endorsed by the EU.

- **IFRIC 23:** In June 2017, the IASB issued IFRIC 23 'Uncertainty over Income Tax Treatments' (IFRIC 23). IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The adoption of IFRIC 23 on 1 January 2019 did not have a material impact on the Company's financial position, results of operations or cash flows.
- **Annual Improvements to IFRSs 2015-2017 Cycle:** In December 2017, the IASB issued 'Annual Improvements to IFRSs 2015-2017 cycle' (Improvements to IFRSs 2015-2017). The Improvements to IFRSs 2015-2017 are effective for annual periods beginning on or after 1 January 2019. The adoption of Annual Improvements to IFRSs 2015-2017 Cycle will not have a material impact on the Company's financial position, results of operations or cash flows.

The accounting policies have been applied consistently by the Company entities. 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 income/ (loss) or total shareholders' equity.

### c) Foreign currency

The Company's functional currency is United States Dollars (US\$). Transactions denominated in currencies other than the functional currency of the reporting entity are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US\$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising from re-measurement 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.

### d) Interest income and expense

Interest income and expense are recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The interest income mainly relates to the interest earned on the deposits with Credit Suisse AG, London Branch, CSIHUK and CSS(E)L and on the cash balance in the bank account with Credit Suisse AG, Zurich. The interest expense mainly relates to the interest accrued on the debt issued from DLJ UK Investment Holdings Limited. DLJ UK Holding and Credit Suisse AG, London Branch and borrowings from Credit Suisse AG, London Branch and Credit Suisse Investments Holdings (UK).

## Notes to the Financial Statements for the year ended 31 December 2018

### e) Income tax and deferred tax

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

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

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

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

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

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

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

Other taxes include tax on Shareholder's funds and net wealth tax. The tax on shareholder's funds and net wealth tax are tax payable on the net wealth of the Company at pre-enacted rates.

### f) Investment in subsidiary

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

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

When the Company has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The Company also determines whether another entity with decision-making rights is acting as an agent for the Company. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the factors below, in determining whether it is an agent:

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



## Notes to the Financial Statements for the year ended 31 December 2018

The Company makes significant judgements and assumptions when determining if it has control of another entity. The Company may control an entity even though it holds less than half of the voting rights of that entity, for example if the Company has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the Company may not control an entity even though it holds more than half of the voting rights of that entity, for example where the Company holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns.

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

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

At each reporting date, the Company assesses whether there is an indication that a previously recognized impairment loss has reversed. If such an indication exists, the entity estimates the recoverable amount of the asset. Reversal, if any on such assessment, of an impairment loss is recognized in the Statement of Income to the extent of the impairment loss booked earlier on the same asset.

### g) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. These are carried at cost.

### h) Financial assets and liabilities (Accounting policy for 2018)

The Company's financial assets are classified on the basis of two criteria: 1) the business model which refers to how the Company manages a financial asset in order to generate cash flows and 2) the contractual cash flow characteristics of the financial asset.

The business model assessments are performed by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management. The assessment is made at the level at which the group of financial assets are managed. These assessments are based on reasonable expectations. All relevant and objective evidence are considered while performing the business model assessments, for example:

- How the performance of the financial assets are evaluated and reported to key management personnel.
- The risks that affect the performance of the financial assets and how those risks are managed.
- How managers of the business are compensated.

The 'Hold to Collect' business model is a model with the objective to hold a financial asset to collect contractual cash flows. Sales are incidental to the objective of this model. The 'Hold to Collect and Sell' business model is a model with the objective to both hold financial assets to collect contractual cash flows and to sell financial assets. This model has a greater frequency of sales than a 'Hold to Collect' business model. The Company does not have any financial assets which are under the 'Hold to Collect and Sell' business model.

The financial assets which are not classified under the 'Hold to Collect' and 'Hold to Collect and Sell' business models are measured at fair value. These include financial assets that meet the trading criteria; those that are managed on a fair value basis or designated at fair value as well as equity instruments where an irrevocable election is made on initial recognition to present changes in fair value in other comprehensive income (OCI). Refer to sections below for further guidance.

For 'Hold to Collect' and 'Hold to Collect and Sell' business model, the contractual cash flows of the financial assets are assessed to determine if they consist of solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider

## Notes to the Financial Statements for the year ended 31 December 2018

the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

These criteria determine how a financial asset is subsequently measured.

### Amortised Cost

Financial assets which have contractual cash flows which consist solely of payments of principal and interest and are held in a 'Hold to Collect' business model are subsequently measured at amortised cost and are subject to impairment. (Refer note f).

### Financial instruments (Accounting Policy for 2017)

- **Recognition and derecognition**

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

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

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

- **Financial assets**

#### Net loans

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

#### Available for sale investments

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

#### Cash and cash equivalents

For the purpose of preparation and presentation of the Statement of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are subject to an insignificant risk of changes in their fair value and that are held for cash management purposes.

Cash and cash equivalents also include overdrafts for the purposes of the Statement of Cash Flows.

## Notes to the Financial Statements for the year ended 31 December 2018

### • Financial liability

Financial liabilities comprise mainly of debt issued and borrowings. These liabilities are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### i) Impairment of financial assets, loan commitments and financial guarantees (Accounting Policy for 2018)

The impairment requirements apply primarily to financial assets measured at amortised cost as well as certain loan commitments and financial guarantee contracts. The impairment requirements are based on a forward-looking expected credit loss ('ECL') model 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.

All financial assets attract a 12 month ECL on origination (Stage 1) except for loans that are purchased or originated credit-impaired. When credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement is changed from 12-month expected credit losses (Stage 1) to lifetime expected credit losses (Stage 2).

The assessment of a significant increase in credit risk since initial recognition is based on different quantitative and qualitative factors that are relevant to the particular financial instrument in scope. If the financial assets are credit-impaired they are then moved to Stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

### Measurement of ECLs

ECLs are a probability-weighted estimate of potential credit losses and application of measurement is as follows:

- Financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. The Company applies a PD/LGD approach under which term structures of point-in-time probability of defaults ("PDs"), point-in-time loss given defaults ("LGDs") and exposure at defaults ("EADs") are estimated;
- Financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows.

### Definition of default

The definition of default is aligned with the regulatory definition of default which is based on 90 days past due and unlikely to pay on material obligation.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. breaches of covenants;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

## Notes to the Financial Statements for the year ended 31 December 2018

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

### Forward looking information

The estimation and application of forward-looking information requires significant judgment. The Company's estimation of expected credit losses is based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios to capture the point of non-linearity of losses: a base scenario, an upside scenario, and a downside scenario. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. Currently, the other scenarios represent more optimistic and more pessimistic outcomes with the downside scenario being more severe than the upside scenario.

Scenarios are probability-weighted according to the Company's best estimate of their relative likelihood based on historical frequency and current trends and conditions and macroeconomic factors such as interest rates, gross domestic product and unemployment rates. Probability weights are reviewed and updated (if required) on a quarterly basis.

### Significant increases in credit risk ("SICR")

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The Company has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Company's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by portfolio.

The assessment of significant increases in credit risk is generally based on two indicators:

- changes in probability-weighted forward-looking lifetime PD, using the same macroeconomic scenarios as the calculation of expected credit losses for newly originated financial instruments (forward book); or changes in credit rating for financial instruments originated prior to the effective date of IFRS 9 (back book), and
- credit watch list as specific qualitative information.

The rebuttable presumption of more than 30 days past due has not been used because financial instruments are considered credit-impaired and therefore transferred into Stage 3 earlier than 30 days past due, unless credit risk management determines the default to be operational in nature and it is rectified in a short period of time (normally within a week).

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

A financial instrument is transferred from Stage 2 to Stage 1, if it no longer meets the stage transition criteria. The stage transition criteria implicitly reflect a probation period, either by the idiosyncratic nature of PDs or by the credit watch list process.

A financial instrument is transferred from Stage 3 to Stage 2 or 1 after a probation period in line with the Company's credit risk management practices. If the financial instrument has not met the criteria to be considered credit-impaired for a minimum number of months, it will be returned to either Stage 2 or Stage 1 depending on the characteristics of the financial instrument.

The low credit risk exemption has not been used in the context of determining significant increases in credit risk.

Reverse repurchase agreements and securities borrowing transactions are not impacted by the SICR process due to the risk management practices adopted, including regular margin calls. If margin calls are not satisfied, positions will be closed out immediately with any shortfall generally classified as a Stage 3 position.

## Notes to the Financial Statements for the year ended 31 December 2018

### Expected life

The maximum period to consider when measuring expected credit losses is the maximum contractual period (including borrower-only extension options) over which the Company is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

### Grouping financial assets measured on a collective basis

For Stage 1 and Stage 2 ECLs, financial assets are grouped based on shared credit risk characteristics, e.g. product type and geographic location. However, for each financial asset within the grouping an ECL is calculated based on the PD/LGD approach. Financial assets are grouped as follows:

- Financial institutions
- Corporates
- Fallback (assets not included in any of the above categories)

For all Stage 3 assets, regardless of the class of financial assets, the Company calculates ECL on an individual basis.

### Write-off of loans

When it is considered certain that there is no reasonable prospect of recovery and all collateral has been realised or transferred to the Company, the loan and any associated allowance is written off. If the amount of loss on write-off is greater than the accumulated loss allowance, the differences result in an additional impairment loss. The additional impairment loss is first recognised as an addition to the allowance that is then applied against the gross carrying amount. Any repossessed collateral is initially measured at fair value. The subsequent measurement depends on the nature of the collateral.

### j) Net Loans (Accounting Policy for 2018)

Loans are measured at amortised cost or mandatorily at fair value through profit or loss depending on the business model and the sole payment of principal and interest application.

Loans and receivables in 2017 are renamed to Net loans in 2018 to better describe the financial instruments. When calculating the effective interest on non-credit impaired loans measured at amortised cost, the Company estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not expected credit losses.

### k) Share Capital

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### l) Critical accounting estimates and judgements in applying accounting policies

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

### Allowance and impairment losses financial instruments subject to expected credit loss model (Applicable to 2018)

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

## Notes to the Financial Statements for the year ended 31 December 2018

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's quantitative and qualitative criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis
- The segmentation of financial assets under the PD/LGD approach to estimate Stage 1 and Stage 2 ECLs
- The development of ECL models, including the various formulas and the choice of inputs
- The determination of the associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Company's policy to regularly review its models for actual loss experience and adjust when necessary. Please see Note 7 – Net loans for more information.

### Impairment of investment in subsidiaries

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

### Tax contingencies

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

### Income taxes - deferred tax valuation

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

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

### Fair value

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

The fair value of the financial instruments is based on quoted prices in active markets or observable inputs.

For all financial instruments which are carried at amortised cost, the determination of fair value requires subjective assessment and judgement depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Uncertainty of pricing assumptions and liquidity are features of both derivative and non-derivative transactions. These features have been considered as part of the valuation process. As a result of these uncertainties, the Company does not recognise an unrealised gain or loss at the inception of a derivative or non-derivative transaction unless the valuation

## Notes to the Financial Statements for the year ended 31 December 2018

underlying the unrealised gain or loss is evidenced by quoted market prices in an active market, observable prices of other current market transactions, or other observable data supporting a valuation technique in accordance with IAS 39 'Financial Instruments Recognition and Measurement'.

## 3. Interest income and interest expense

Net interest income	2018 US\$ M	2017 US\$ M
Loans	216	143
Other	—	—
<b>Total interest income</b>	<b>216</b>	<b>143</b>
Short term borrowings	(54)	(37)
Long-term debt	(194)	(137)
Other	—	(2)
<b>Total interest expense</b>	<b>(248)</b>	<b>(176)</b>
<b>Net interest income</b>	<b>(32)</b>	<b>(33)</b>
of which		
Interest income from Financial assets at amortised cost	216	143
Interest expense from Financial liabilities at amortised cost	(248)	(176)

## 4. Administrative expenses

Administrative expenses include auditor's remuneration in relation to the statutory audit of these Financial Statements of US\$ 10,000 (2017: US\$ 10,000).

## 5. Income tax charge

## a) Income tax benefit/(charge)

	2018 US\$ M	Restated 2017 US\$ M
<b>Current tax</b>		
Current tax on loss for the period	6	(11)
Adjustments in respect of previous periods	17	—
<b>Income tax benefit/(charge)</b>	<b>23</b>	<b>(11)</b>

## b) An explanation of the relationship between tax charge and the accounting (loss) / profit

The current tax for the year can be reconciled to the standard rate of corporation tax in the UK of 19% (2017 : 19.25%) as follows:

	2018 US\$ M	Restated 2017 US\$ M
<b>Loss before tax</b>	<b>(121)</b>	<b>(393)</b>
Loss before tax multiplied by the UK statutory rate of corporation tax of 19% (2017: 19.25%)	23	76
Non deductible impairment of investment in subsidiary	(17)	(70)
Other permanent differences	—	(17)
Adjustments to current tax in respect of previous periods	17	—
<b>Income tax benefit/(charge)</b>	<b>23</b>	<b>(11)</b>

**Notes to the Financial Statements for the year ended 31 December 2018**

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 Prior Period Adjustments.

**c) Deferred taxes**

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 17% (2017: 17%).

Deferred tax assets are recognised on deductible temporary differences and tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Capital losses carried forward on which no deferred tax assets have been recognised is US\$ 539,629 (2017: US\$ 570,259). The deferred tax asset not recognised on these losses carried forward is US\$ 91,737 (2017: US\$ 96,944). The benefit of the losses carried forward has not been recognised in these financial statements due to the uncertainty of their recoverability. The losses carried forward have no expiry date.

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

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

**6. Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>US\$ M</b>	<b>US\$ M</b>
Short term money market deposits	132	130
Cash at bank	18	12
<b>Cash and cash equivalents</b>	<b>150</b>	<b>142</b>

The short-term money market deposits as at 31 December 2018 were held with Credit Suisse AG, London Branch with an average interest reset period of 30 days (2017: 30 days).



## Notes to the Financial Statements for the year ended 31 December 2018

## 7. Net Loans

Current 2018	Counterparty	Effective rate of interest	Average interest reset period	Amount in US\$ M
<b>Financial institutions</b>				
Money market deposit	CSS(E)L	2.81%	3 months	1,274
Money market deposit	CSIH UK	3.03%	1 months	902
<b>Gross Loans</b>				<b>2,176</b>
of which domestic				2176
Allowance for credit losses				—
<b>Net Loans</b>				<b>2,176</b>
<b>Gross impaired loans</b>				<b>—</b>
of which loans with an individual allowance				—

2017	Counterparty	Effective rate of interest	Average interest reset period	Amount in US\$ M
<b>Financial institutions</b>				
Money market deposit	CSS(E)L	1.67%	3 months	1,268
Money market deposit	CSIH UK	1.92%	1 months	880
<b>Gross Loans</b>				<b>2,148</b>
of which domestic				2,148
Allowance for credit losses				—
<b>Net Loans</b>				<b>2,148</b>
<b>Gross impaired loans</b>				<b>—</b>
of which loans with an individual allowance				—

## Notes to the Financial Statements for the year ended 31 December 2018

Non-current 2018	Counterparty	Effective rate of interest	Average interest reset period	Amount in US\$ M
<b>Financial institutions</b>				
Subordinated loan	CSS(E)L	6.38%	3 months	750
Subordinated loan	CSS(E)L	5.49%	3 months	1,500
<b>Gross Loans</b>				<b>2,250</b>
of which domestic				2,250
Allowance for loan losses				(1)
<b>Net Loans</b>				<b>2,249</b>
<b>Gross impaired loans</b>				<b>—</b>
of which loans with an individual allowance				—

2017	Counterparty	Effective rate of interest	Average interest reset period	Amount in US\$ M
<b>Financial institutions</b>				
Net loans*	CSIH UK	2.46%	—	1,250
Subordinated loan	CSS(E)L	5.89%	3 months	750
Subordinated loan	CSS(E)L	4.78%	3 months	1,500
<b>Gross Loans</b>				<b>3,500</b>
of which domestic				3,500
Allowance for loan losses				—
<b>Net Loans</b>				<b>3,500</b>
<b>Gross impaired loans</b>				<b>—</b>
of which loans with an individual allowance				—

\* The decrease in loans & receivables of US\$ 1,250m was due to repayment of US\$ 1,250m loan, the Company had provided to CSIHUK, which CSIHUK required to purchase issued debt by CSS(E)L of US\$ 1,250m. This debt was issued by CSS(E)L as part of its preparation for compliance with Minimum Requirements for own funds and Eligible Liabilities ("MREL") under the Bank Recovery and Resolution Directive ('BRRD') and provides CSS(E)L with a certain amount of bail-inable loss-absorbing capacity in the event of a recovery and resolution event.

## 8. Other assets

	2018 US\$ M	2017 US\$ M
Interest accrued on loans and deposits	20	19
Group relief receivable	12	—
<b>Total</b>	<b>32</b>	<b>19</b>

## 9. Investments

	2018 US\$ M	Restated 2017 US\$ M
Investment in subsidiaries	6,365	6,454
<b>Total</b>	<b>6,365</b>	<b>6,454</b>

## Notes to the Financial Statements for the year ended 31 December 2018

Movement in investment in subsidiaries for the year is as follows:

	2018 US\$ M	Restated 2017 US\$ M
As at 1 January	6,454	6,814
Impairment of impairment of investment	(89)	(360)
<b>As at 31 December</b>	<b>6,365</b>	<b>6,454</b>

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 Prior Period Adjustments.

Investment in subsidiaries is carried at cost less impairment. The recoverable amount of the investment is estimated based on its net asset value. Based on the assessment during the year, the carrying amount of the investment was determined to be lower than its recoverable amount and impairment of US\$ 89m (Restated 2017: US\$ 360m) was recognised.

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

## Notes to the Financial Statements for the year ended 31 December 2018

The following table sets forth the details of Investments by the Company:-

2018	2017			2018	Restated 2017
% of equity		Company name	Domicile	US\$ M	US\$ M
100	100	Credit Suisse Investment Holdings (UK)	UK	6,365	6,454
100	100	Credit Suisse Securities (Europe) Limited	UK	Indirect	Indirect
100	100	Credit Suisse First Boston Investco UK Limited	Cayman	Indirect	Indirect
—	100	Credit Suisse (Kazakhstan) Limited Liability Partnership	Kazakhstan	—	Indirect
100	100	Credit Suisse First Boston Trustees Limited	UK	Indirect	Indirect
—	100	Credit Suisse First Boston PF (Europe) Limited	UK	—	Indirect
100	100	Credit Suisse Client Nominees (UK) Limited	UK	Indirect	Indirect
—	100	Credit Suisse AF Trust	USA	—	Indirect
—	100	CSS(E)L Bare Trust	USA	—	Indirect
100	100	CSS(E)L Guernsey Bare Trust	Guernsey	Indirect	Indirect
100	100	Credit Suisse Guernsey AF Trust	Guernsey	Indirect	Indirect
—	100	Redwood – Master Client Trust	USA	—	Indirect
—	100	Redwood Master Trust I	USA	—	Indirect
—	100	Redwood Master Trust II	USA	—	Indirect
—	100	Redwood Trust I	USA	—	Indirect
—	100	Redwood Trust II	USA	—	Indirect
—	100	Redwood Funding Trust I	USA	—	Indirect
—	100	Redwood Funding Trust II	USA	—	Indirect
100	100	Redwood Guernsey I Master Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey II Master Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey I Funding Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey II Funding Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey I SPIA Trust	Guernsey	Indirect	Indirect
100	100	Redwood Guernsey II SPIA Trust	Guernsey	Indirect	Indirect
—	100	Sail Master Trust I	USA	—	Indirect
—	100	Sail Master Trust II	USA	—	Indirect
—	100	Sail Trust I	USA	—	Indirect
—	100	Sail Trust II	USA	—	Indirect
—	100	Sail Funding Trust I	USA	—	Indirect
—	100	Sail Funding Trust II	USA	—	Indirect
100	100	Sail Guernsey I Master Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey II Master Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey I Funding Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey II Funding Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey I SPIA Trust	Guernsey	Indirect	Indirect
100	100	Sail Guernsey II SPIA Trust	Guernsey	Indirect	Indirect
—	100	Positive – Master Client LLC	USA	—	Indirect
				<b>6,365</b>	<b>6,454</b>

## Investment in associate

Investments also include the Company's 20% investment in Trade Ideas Limited, a UK domiciled entity, held as investment in associate entity US\$ 3 (2017: US\$ 3). Due to the minimal value and rounded presentation, the amount of investment in Trade Ideas Limited is not reflected in the table of investments under note 9.

## Notes to the Financial Statements for the year ended 31 December 2018

## 10. Short term borrowings

During the year, the Company has taken an additional borrowing of US\$ 65m (2017: US\$ 51m) from Credit Suisse AG, London Branch, with effective interest rate of 2.83% (2017: 1.92%) as at 31 December 2018 and an average maturity of 30 days (2017: 30 days). As at 31 December 2018, the borrowing outstanding from Credit Suisse AG, London Branch amounted to US\$ 1,032m (2017: US\$ 967m). Also, the Company has borrowing of US\$ 132m (2017: US\$ 130m) with Credit Suisse Investment Holding (UK) with an average maturity of 1 month (2017: 1 month).

## 11. Other liabilities

	2018 US\$ M	2017 US\$ M
Interest payable on long term debt	24	22
Group relief payable	—	25
Inter-Company payables	14	—
<b>Total</b>	<b>38</b>	<b>47</b>

## 12. Long-term debt

Debt issued represents subordinated debt of US\$ 1.5bn (2017: US\$ 1.5bn) due to mature on 15 April, 2026 from DLJ UK Holdings, for which the effective interest rate as at 31 December 2018 was 5.86% (2017: 5.11%) with an average interest reset period of 90 days (2017: 90 days), US\$ 2bn (2017: US\$ 2bn) due to mature on 18 September, 2022 issued to DLJ UK Investment Holdings Limited, for which the effective interest rate as at 31 December 2018 was 6.03% (2017: 4.92%) with an average interest reset period of 90 days (2017: 90 days).

The decrease in subordinated debt of US\$M 1,250 was due to the repayment of debt during the year. The Company had borrowed US\$M 1,250 from CSAG London Branch which was on lent to CSIH UK for use as part of its preparation for compliance with Minimum Requirements for own funds and Eligible Liabilities ("MREL") under the bank Recovery and Resolution Directive ('BRRD') and receive a certain amount of bail-inable loss-absorbing capacity in the event of a recovery and resolution event.

## 13. Share capital, share premium, capital reserve and capital contribution reserve

## Share capital

	2018 US\$ M	2017 US\$ M
<b>Authorised</b>	<b>Unlimited</b>	<b>Unlimited</b>
<b>Allotted, called up and fully paid:</b>		
- 100 ordinary shares of GBP 1 each	—	—
- 30,447,068,475 ordinary shares of US\$ 0.1 each	3,045	3,045
<b>Total</b>	<b>3,045</b>	<b>3,045</b>

## Share premium

	2018 US\$ M	2017 US\$ M
Share premium	8,336	8,336
<b>Total</b>	<b>8,336</b>	<b>8,336</b>

There was no movement in share capital during current year (2017: US\$ Nil).

Due to the minimal value and rounded presentation, the amount of ordinary shares of GBP 1 each is not reflected in the above table. The holders of ordinary shares have voting rights and the right to receive dividends.

## Notes to the Financial Statements for the year ended 31 December 2018

### Capital reserve

Capital reserve represents capital contribution received from the parent Company.

### Capital contribution reserve

Capital contribution reserve represents contributions made by the parent Company to the Company's reserves.

### Share options

The Company does not offer share options to Directors.

### Capital Management

The Company is an investment holding company, established primarily to hold the United Kingdom interests of CS AG. The Company's policy is to maintain a strong capital base to sustain the future development of its investments.

The capital adequacy and capital resources of the Company's indirect subsidiary, CSS(E)L, are managed and monitored based on practices developed by the Basel Committee on Banking Supervision (the 'Basel Committee') and governed by European Union regulations as set out by the European Banking Authority ('EBA'). These are set out in the Capital Requirements Regulation ('CRR') and the Capital Requirements Directive ('CRD') collectively referred to as CRDIV.

## Notes to the Financial Statements for the year ended 31 December 2018

## 14. Expected credit loss measurement

The following table shows reconciliations from the opening to the closing balance of the loans allowance by class of financial instrument as well as a reconciliation of the gross carrying amount.

	12 Month ECL		Lifetime ECL		Lifetime ECL (excluding Purchased / Originated Credit impaired)		Total	Total
	Stage 1		Stage 2		Stage 3			
31 December 2018	Gross Carrying Amount	Allowance for ECL	Gross Carrying Amount	Allowance for ECL	Gross Carrying Amount	Allowance for ECL	Gross Carrying Amount	Allowance for ECL
Net Loans	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
Opening Balance	5,648	1	—	—	—	—	5,648	1
Financial Assets that have been derecognized (including write-offs)	(1,250)	—	—	—	—	—	(1,250)	—
Other changes	28	—	—	—	—	—	28	—
<b>Closing Balance</b>	<b>4,426</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,426</b>	<b>1</b>

**Notes to the Financial Statements for the year ended 31 December 2018****15. Pillar 3**

The Pillar 3 disclosure requirements contained in the CRR affect CSS(E)L as an individually regulated entity, and also Credit Suisse Investments (UK) as the ultimate parent Company in the UK regulatory consolidation group. Disclosures relating to the year ended 31 December 2018, for both the regulatory consolidation group and CSS(E)L on a standalone basis, can be found at [www.credit-suisse.com](http://www.credit-suisse.com).

**16. Related party transactions**

The Company is owned by CS AG incorporated in Switzerland. The ultimate parent company is CS Group AG, which is incorporated in Switzerland.

Copies of group Financial Statements of CS AG and CS 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 CS Group AG, Paradeplatz 8, 8070 Zürich, Switzerland.

The Company is involved in significant financing and other transactions, and has significant related party balances, with subsidiaries and affiliates of CS Group AG. The Company generally enters into these transactions in the ordinary course of business and believes that these transactions are generally on market terms that could be obtained from unrelated parties. The following tables set forth the Company's related party assets and liabilities and related party income and expenses:



## Notes to the Financial Statements for the year ended 31 December 2018

## a) Related party assets and liabilities

	2018 (US\$ M)			Total	Restated 2017 (US\$ M)			Total		
	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)		Parent	Fellow group companies	Subsidiaries (Direct and Indirect)			
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents	150	—	—	150	142	—	—	142		
Net Loans <sup>1</sup>	—	—	2,176	2,176	—	—	2,148	2,148		
Other assets	—	—	20	20	—	—	19	19		
<b>Total current assets</b>	<b>150</b>	<b>—</b>	<b>2,196</b>	<b>2,346</b>	<b>142</b>	<b>—</b>	<b>2,167</b>	<b>2,309</b>		
<b>Non-current assets</b>										
Investments	—	—	6,365	6,365	—	—	6,454	6,454		
Net Loans <sup>1</sup>	—	—	2,249	2,249	—	—	3,500	3,500		
<b>Total non-current assets</b>	<b>—</b>	<b>—</b>	<b>8,614</b>	<b>8,614</b>	<b>—</b>	<b>—</b>	<b>9,954</b>	<b>9,954</b>		
<b>Total assets</b>	<b>150</b>	<b>—</b>	<b>10,810</b>	<b>10,960</b>	<b>142</b>	<b>—</b>	<b>12,121</b>	<b>12,263</b>		
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Borrowings	1,032	—	132	1,164	967	—	130	1,097		
Other liabilities	—	38	—	38	1	21	—	22		
<b>Total current liabilities</b>	<b>1,032</b>	<b>38</b>	<b>132</b>	<b>1,202</b>	<b>968</b>	<b>21</b>	<b>130</b>	<b>1,119</b>		
<b>Non-current liabilities</b>										
Debt issued	—	3,500	—	3,500	1,250	3,500	—	4,750		
<b>Total non-current liabilities</b>	<b>—</b>	<b>3,500</b>	<b>—</b>	<b>3,500</b>	<b>1,250</b>	<b>3,500</b>	<b>—</b>	<b>4,750</b>		
<b>Total liabilities</b>	<b>1,032</b>	<b>3,538</b>	<b>132</b>	<b>4,702</b>	<b>2,218</b>	<b>3,521</b>	<b>130</b>	<b>5,869</b>		

<sup>1</sup>Loans and receivables was renamed to Net loans to better describe the financial instruments under these headings.

For UK corporation tax purposes, the Company may claim certain losses from another UK group Company. The group relief receivable as at 31 December 2018 is US\$ 12m (2017: Group relief payable US\$ 25m).

## Notes to the Financial Statements for the year ended 31 December 2018

## b) Related party income and expenses

	2018 (US\$ M)				Restated 2017 (US\$ M)			
	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)	Total	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)	Total
Interest income	2	—	214	216	—	—	143	143
<b>Total related party income</b>	<b>2</b>	<b>—</b>	<b>214</b>	<b>216</b>	<b>—</b>	<b>—</b>	<b>143</b>	<b>143</b>
Interest expense	(53)	(194)	(1)	(248)	—	(176)	—	(176)
Impairment of investment	—	—	(89)	(89)	—	—	(360)	(360)
<b>Total related party expenses</b>	<b>(53)</b>	<b>(194)</b>	<b>(90)</b>	<b>(337)</b>	<b>—</b>	<b>(176)</b>	<b>(360)</b>	<b>(536)</b>

2017 numbers have been restated due to prior period adjustments. Details are included in Note 20 Prior Period Adjustments.

## c) Remuneration of Directors and Key Management Personnel

The Directors and Key Management Personnel did not receive any remuneration in respect of their services for the Company (2017: US\$ Nil). The Directors and Key Management Personnel are employees of its related companies and the Company does not reimburse its related companies for the services rendered by these Directors and Key Management Personnel.

All Directors benefited from qualifying third party indemnity provisions.

## d) Loans and advances to Directors and Key Management Personnel

There were no loans or advances made to Directors or Key Management Personnel during the year (2017: US\$ Nil).

## e) Liabilities due to pension funds

The Company has no employees and therefore does not have any liabilities with regard to pension funds (2017: US\$ Nil).

## Notes to the Financial Statements for the year ended 31 December 2018

### 17. Financial instruments

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

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy)
- Fair value of financial instruments not carried at fair value.

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

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

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

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

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

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

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

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

There have been no transfers between level 2 and level 1 in the year (2017: No Transfers).

## Notes to the Financial Statements for the year ended 31 December 2018

The levels in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured in the Statement of Financial Position are as follows:

2018 (US\$ M)	Amortised cost	Fair Value			
	Other financial assets/ liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash and cash equivalents	150	150	—	—	150
Net loans	4,425	—	4,883	—	4,883
Other assets	32	—	32	—	32
<b>Total financial assets</b>	<b>4,607</b>	<b>150</b>	<b>4,915</b>	<b>—</b>	<b>5,065</b>
<b>Financial liabilities</b>					
Short term borrowings	1,164	1,164	—	—	1,164
Other liabilities	38	—	38	—	38
Long-term debt	3,500	—	3,795	—	3,795
<b>Total financial liabilities</b>	<b>4,702</b>	<b>1,164</b>	<b>3,833</b>	<b>—</b>	<b>4,997</b>

Restated 2017 (US\$ M)	Carrying	Fair Value				Total
	amount	Other	Level 1	Level 2	Level 3	
	Net loans	financial assets/ liabilities				
<b>Financial assets</b>						
Cash and cash equivalents	—	142	142	—	—	142
Net loans	5,648	—	—	6,184	—	6,184
Other assets	19	—	—	19	—	19
<b>Total financial assets</b>	<b>5,667</b>	<b>142</b>	<b>142</b>	<b>6,203</b>	<b>—</b>	<b>6,345</b>
<b>Financial liabilities</b>						
Borrowings	—	1,097	—	1,097	—	1,097
Other liabilities	—	22	—	22	—	22
Debt issued	—	4,750	—	5,056	—	5,056
<b>Total financial liabilities</b>	<b>—</b>	<b>5,869</b>	<b>—</b>	<b>6,175</b>	<b>—</b>	<b>6,175</b>

2017 numbers have been restated due to prior period adjustments.

Net loans of US\$ 5,648m includes sub-ordinated loan to CSS(E)L amounting to US\$ 2,250m. The fair value of the loan held by CSS(E)L used in the impairment assessment had been calculated incorrectly in the periods prior to 2018 when a new valuation methodology was applied. The 2017 restatement reflects the changes resulting from applying the 2018 valuation methodology to the valuation of these loans within the impairment assessment performed for these prior periods. Please refer to Note 20 Prior Period Adjustments for further details.

## 18. Financial risk management

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

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

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

Risk management of the Company is carried out by the Central Group Treasury department of CS Group under policies approved by its Board of Directors. Group Treasury identifies, evaluates and hedges financial risks. The Board provides written principles for risk, credit risk, use of derivative financial instruments and non-derivative financial instruments,

## Notes to the Financial Statements for the year ended 31 December 2018

and investing excess overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate liquidity.

### Market risk

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

#### (i) Interest rate risk

The Company has interest bearing financial assets and liabilities, which are mainly in the form of net loans, cash and cash equivalents and debt issued and borrowings. The interest rates on these instruments typically resets within 3 months which minimises the risk to changes in interest rates. As the Company's interest-bearing assets and liabilities are against group companies, the Company is not exposed to any third party counter party interest rate risks.

The Company holds no other significant interest-bearing assets or liabilities and the remaining expenses and operating cash flows are independent of changes in interest rates.

The sensitivity analysis is prepared based on financial instruments that are recognised at the reporting dates. The sensitivity assumes changes in certain market conditions. These assumptions may differ materially from the actual turn out due to the inherent uncertainties in global financial markets. In practice, market risks rarely change in isolation and are likely to be interdependent. The methods and assumptions used are the same for both reporting periods.

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

<b>2018 (US\$ M)</b>	<b>+25%</b>	<b>-25%</b>
Change in equity and income or (loss) with interest rate fluctuation in net loans	51	(51)
Change in equity and income or (loss) with interest rate fluctuation in long term debt and short term borrowings	(61)	61
<b>Total</b>	<b>(10)</b>	<b>10</b>
<b>2017 (US\$ M)</b>	<b>+25%</b>	<b>-25%</b>
Change in equity and income or (loss) with interest rate fluctuation in net loans	40	(40)
Change in equity and income or (loss) with interest rate fluctuation in long term debt and short term borrowings	(50)	50
<b>Total</b>	<b>(10)</b>	<b>10</b>

#### (ii) Foreign exchange risk

The Company operates internationally and has limited exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP.

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

Considering that the Company has limited exposure to foreign exchange risk, sensitivity analysis has not been performed.

### Credit risk

Credit risk is the possibility of a loss being incurred by the Company as a result of a borrower or counter-party failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counter-party.

The Company is exposed to credit risk from third parties. The carrying value of loans from third parties represents the maximum credit exposure of the Company to counter-parties. The Company has policies that limit the amount of credit exposure to any financial institution. Transactions are limited to fellow group companies and high credit quality financial institutions.

## Notes to the Financial Statements for the year ended 31 December 2018

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

## Distribution of net loans neither past due nor impaired:

Net loans	12-month ECL (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Purchased credit- impaired	Total
2018	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
A+ to A-	4,426	—	—	—	4,426
<b>Gross Carrying amount</b>	<b>4,426</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,426</b>
Loss allowance	(1)	—	—	—	(1)
<b>Net Carrying amount</b>	<b>4,425</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,425</b>

Cash and cash equivalents	12-month ECL (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Purchased credit- impaired	Total
2018	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
A+ to A-	150	—	—	—	150
<b>Gross Carrying amount</b>	<b>150</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>
Loss allowance	—	—	—	—	—
<b>Net Carrying amount</b>	<b>150</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>

Other Assets	12-month ECL (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Purchased credit- impaired	Total
2018	US\$ M	US\$ M	US\$ M	US\$ M	US\$ M
A+ to A-	32	—	—	—	32
<b>Gross Carrying amount</b>	<b>32</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>32</b>
Loss allowance	—	—	—	—	—
<b>Net Carrying amount</b>	<b>32</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>32</b>

## Counterparty Exposure by Rating:

	2017 US\$ M
A+ to A-	5,809
<b>Total</b>	<b>5,809</b>

## Liquidity risk

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

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

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

## Notes to the Financial Statements for the year ended 31 December 2018

2018 (US\$ M)	Carrying amount	Gross nominal outflow	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Short term borrowings	1,164	1,167	—	1,167	—	—	—	1,167
Other liabilities	24	24	—	24	—	—	—	24
Long-term debt	3,500	4,589	—	52	156	2,680	1,701	4,589
<b>Total financial liabilities</b>	<b>4,688</b>	<b>5,780</b>	<b>—</b>	<b>1,243</b>	<b>156</b>	<b>2,680</b>	<b>1,701</b>	<b>5,780</b>

2017 (US\$ M)	Carrying amount	Gross nominal outflow	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Short term borrowings	1,097	1,098	—	1,098	—	—	—	1,098
Other liabilities	22	22	—	22	—	—	—	22
Long-term debt	4,750	5,771	—	22	128	3,932	1,689	5,771
<b>Total financial liabilities</b>	<b>5,869</b>	<b>6,891</b>	<b>—</b>	<b>1,142</b>	<b>128</b>	<b>3,932</b>	<b>1,689</b>	<b>6,891</b>

**Operational Risk**

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

**19. Employees**

The Company had no employees during the year (2017: Nil). The Company receives a range of administrative services from related companies within the Credit Suisse group. Credit Suisse group Companies have borne the cost of these services.

**20. Prior Period Adjustments**

The Company assesses the carrying value of investment in subsidiaries and tests for impairment annually by comparing the carrying value of investments to their recoverable amounts. The Directors have determined that the fair value of the assets and liabilities of subsidiaries is an appropriate basis for determining the recoverable amounts for impairment purposes. Under this approach, the fair value of assets and liabilities of CSIHUK, a wholly owned subsidiary, are used to calculate the recoverable amount.

CSIHUK is 100% holding entity of CSS(E)L. During 2018 it was observed that the calculation of the fair value of certain liabilities held by CSS(E)L used in the impairment assessment referred to above were understated in the periods prior to 2018 when a more detailed valuation methodology was applied. The 2017 restatement reflects the changes resulting from applying the 2018 valuation methodology to the valuation of these liabilities within the impairment assessment performed for these prior periods, which in turn impacts the valuation of the investment in CSIHUK held by the Company. The restatement results in additional impairment of US\$ 581m for the period prior to 1 January 2017 and reversal of impairment of US\$ 60m for 2017. The impact of these changes is accounted for in opening reserves as on 1 January 2017 and Statement of Income for the year ended 2017. The prior period adjustments does not have any tax impact.

## Notes to the Financial Statements for the year ended 31 December 2018

	As previously reported US\$ M	Restatement impact US\$ M	Restated Balance US\$ M
<b>Statement of Financial Position as at 1 January 2017</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	7,395	(581)	6,814
<b>Total non-current assets</b>	<b>9,645</b>	<b>(581)</b>	<b>9,064</b>
<b>Total assets</b>	<b>11,931</b>	<b>(581)</b>	<b>11,350</b>
<b>SHAREHOLDERS' EQUITY</b>			
Accumulated losses	(5,680)	(581)	(6,261)
<b>Total shareholders' equity</b>	<b>7,354</b>	<b>(581)</b>	<b>6,773</b>
<b>Total liabilities and shareholders' equity</b>	<b>11,931</b>	<b>(581)</b>	<b>11,350</b>

	As previously reported US\$ M	Restatement impact US\$ M	Restated balance US\$ M
<b>Statement of Income for the year ended 31 December 2017</b>			
Impairment of investments in subsidiaries	(420)	60	(360)
<b>Loss before tax</b>	<b>(453)</b>	<b>60</b>	<b>(393)</b>
<b>Loss attributable to the shareholders of the Company</b>	<b>(464)</b>	<b>60</b>	<b>(404)</b>

	As previously reported US\$ M	Restatement impact US\$ M	Restated balance US\$ M
<b>Statement of Financial Position as at 31 December 2017</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	6,975	(521)	6,454
<b>Total non-current assets</b>	<b>10,475</b>	<b>(521)</b>	<b>9,954</b>
<b>Total assets</b>	<b>12,784</b>	<b>(521)</b>	<b>12,263</b>
<b>SHAREHOLDERS' EQUITY</b>			
Accumulated losses	(6,144)	(521)	(6,665)
<b>Total shareholders' equity</b>	<b>6,890</b>	<b>(521)</b>	<b>6,369</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,784</b>	<b>(521)</b>	<b>12,263</b>

	As previously reported		Restated	
	Accumulated losses US\$ M	Total US\$ M	Accumulated losses US\$ M	Total US\$ M
<b>Statement of changes in equity for the year ended 31 December 2017</b>				
Balance at 1 January 2017	(5,680)	7,354	(5,680)	7,354
Adjustment for restatement	—	—	(581)	(581)
<b>Restated balance at 1 January 2017</b>	<b>—</b>	<b>—</b>	<b>(6,261)</b>	<b>6,773</b>
Loss for the year	(464)	(464)	(404)	(404)
<b>Balance at 31 December 2017</b>	<b>(6,144)</b>	<b>6,890</b>	<b>(6,665)</b>	<b>6,369</b>



## Notes to the Financial Statements for the year ended 31 December 2018

	Year ended 31 December 2017		
	As previously reported	Restatement impact	Restated balance
	US\$ M	US\$ M	US\$ M
<b>Statement of Cash Flows for the year ended 31 December 2017</b>			
Loss before tax	(453)	60	(393)
Adjustments for:			
Non-cash items included in loss before tax and other adjustments:			
Impairment of Investments in subsidiaries	420	(60)	360
<b>Net cash inflow from operating activities</b>	<b>2</b>	<b>—</b>	<b>2</b>
<b>Net cash flow generated from financing activities</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>	<b>2</b>	<b>—</b>	<b>2</b>
Cash and cash equivalents at beginning of year	140	—	140
<b>Cash and cash equivalents at end of year</b>	<b>142</b>	<b>—</b>	<b>142</b>

**21. Subsequent events**

CSS(E)L, a wholly owned sub-subsidiary of the Company, completed a share capital restructure during 2018 in order to create additional distributive reserves, by transferring share premium contribution to retained earnings. A similar capital restructure to create additional distributive reserves for the Company was approved on 16 July 2019, which resulted in the cancellation of the entire share premium account and the balance transferred to retained earnings of US\$ 8,335,865,814 furthermore both the capital reserve of US\$ 245,000,000 and capital contribution reserve of US\$ 1,408,000,000 were transferred to retained earnings. The total transfer to retained earnings due to restructuring is US\$ 9,988,865,814.

On 30 August 2019, CSS(E)L transferred the Principal Employer status of the UK Pension Fund to Credit Suisse International, this transfer included CSS(E)L's share of the assets and liabilities of the defined benefit arrangement. This was a deemed distribution estimated to be in the region of US\$ 1 billion. The distribution will result in reduction in net assets of CSS(E)L and additional impairment of the Company's investment in Credit Suisse Investment Holdings UK (CSS(E)L's parent) which is estimated to be in the region of US\$ 1 billion during the year ending 31 December 2019.

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