CREDIT SUISSE

CREDIT SUISSE INVESTMENTS (UK)

Annual Report
For the year ended 31 December 2017

Company Registration Number: 03582961

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Board of Directors

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

Company Secretary

Paul E. Hare	Secretary

Strategic Report for the year ended 31 December 2017

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

Business Profile

Credit Suisse 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, which is incorporated in Switzerland.

Principal activities

The Company is an investment holding company primarily established to hold the interest in United Kingdom entities of CS AG.

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$ 464m (2016: profit after tax of US$ 113m). The variation is primarily driven by impairment of investment in CSIHUK of US$ 420m (2016: reversal of impairment US$ 147m).

Statement of Financial Position

As at 31 December 2017, the Company had total assets of US$ 12,784m (2016: US$ 11,931m). The net increase in total assets of US$ 853m is primarily due to an increase in loans & receivables of US$ 1,250m and impairment of investment in CSIH UK of US$ 420m.

The increase in loans & receivables of US$ 1,250m was due to a new US$ 1,250m loan the Company provided to CSIH UK, which CSIH UK required to purchase issued debt by Credit Suisse Securities (Europe) Limited (CSSEL) of US$ 1,250m. This debt was issued by CSSEL as part of its preparation for compliance with Minimum Requirements for own funds and Eligible Liabilities ("MREL") under the Recovery and Resolution Directive ('BRRD') and provides CSSEL with a certain amount of bail-inable loss-absorbing capacity in the event of a recovery and resolution event.

As at 31 December 2017, the Company had total liabilities of US$ 5,894m (2016 US$ 4,577m). The increase in liabilities was mainly due to an increase in debt issued with CSAG London Branch of $1,250m which were on-lent to CSIH UK (as noted above) for use in the CSSEL ('BRRD') requirements.

As at 31 December 2017, the Company had equity of US$ 6,890m (2016: US$ 7,354m).

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 loans and receivables facing 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 17 to the Financial Statements.

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. In 2017, CS group in the UK became accredited as a Living Wage Employer. Further information can be found at:
www.credit-suisse.com/corporate/en/responsibility/banking/human-rights.html.

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

Paul Hare
Company Secretary

One Cabot Square
London E 14 4QJ
6 August 2018

Directors' Report for the year ended 31 December 2017

International Financial Reporting Standards

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

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

Going concern basis

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 CSSEL. 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 (2016: Nil).

Dividends

No dividends were paid or were proposed for 2017 (2016: US$ nil).

Directors

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

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

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

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with 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.

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

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

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

Christopher Horne
Director

One Cabot Square
London E14 4QJ
6 August 2018

Independent Auditor's Report to the Members of Credit Suisse Investments (UK)

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

Alexander Snook
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London

E14 5GL

06 August 2018

Statement of Income for the year ended 31 December 2017

	Note	2017 US$M	2016 US$M
Interest income		143	126
Interest expense		(176)	(150)
Net interest expense		**(33)**	**(24)**
Administrative expenses	4	-	-
(Impairment)/reversal of impairment of investment	9	(420)	147
(Loss)/profit before tax		**(453)**	**123**
Income tax charge	5	(11)	(10)
(Loss)/profit attributable to the shareholders of the Company		**(464)**	**113**

Loss for 2017 and profit for 2016 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 30 form an integral part of these Financial Statements.

Statement of Financial Position as at 31 December 2017

	Note	2017 US$M	2016 US$M
ASSETS			
Current assets			
Cash and cash equivalents	6	142	140
Loans and receivables	7	2,148	2,131
Other assets	8	19	15
Total current assets		**2,309**	**2,286**
Non-current assets			
Investments	9	6,975	7,395
Loans and receivables	7	3,500	2,250
Total non-current assets		**10,475**	**9,645**
Total assets		**12,784**	**11,931**
LIABILITIES			
Current liabilities			
Short term borrowings	10	1,097	1,046
Other liabilities	11	47	31
Total current liabilities		**1,144**	**1,077**
Non-current liabilities			
Long-term debt	12	4,750	3,500
Total non-current liabilities		**4,750**	**3,500**
Total liabilities		**5,894**	**4,577**
SHAREHOLDER'S EQUITY			
Share capital	13	3,045	3,045
Share premium	13	8,336	8,336
Capital reserve	13	245	245
Capital contribution reserve	13	1,408	1,408
Accumulated losses		(6,144)	(5,680)
Total shareholders' equity		**6,890**	**7,354**
Total liabilities and shareholders' equity		**12,784**	**11,931**

The notes on pages 14 to 30 form an integral part of these Financial Statements.

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

Christopher Horne
Director

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

	Share capital	Share premium	Capital reserve	Capital contribution reserve	Accumulated losses	Total
	US$M	US$M	US$M	US$M	US$M	US$M
Balance at 1 January 2017	**3,045**	**8,336**	**245**	**1,408**	**(5,680)**	**7,354**
Loss for the year	-	-	-	-	(464)	**(464)**
Balance at 31 December 2017	**3,045**	**8,336**	**245**	**1,408**	**(6,144)**	**6,890**

Balance at 1 January 2016	**3,045**	**8,336**	**245**	**1,408**	**(5,793)**	**7,241**
Profit for the year	-	-	-	-	113	**113**
Balance at 31 December 2016	**3,045**	**8,336**	**245**	**1,408**	**(5,680)**	**7,354**

The notes on pages 14 to 30 form an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 US$M	2016 US$M
Cash flows from operating activities			
(Loss)/profit before tax		(453)	123
Adjustments for :			
Non-cash items included in profit/ (loss) before tax and other adjustments:			
Impairment/(reversal of impairment) of investment in subsidiary		420	(147)
Interest income		(143)	(126)
Interest expense		176	150
Operating loss before working capital changes		**-**	**-**
Net movement in operating assets and liabilities:			
Loans and receivables		(17)	(10)
Short term borrowings		51	57
Interest received		139	124
Interest paid		(171)	(147)
Net cash inflow from operating activities		**2**	**24**
Financing activities			
Proceeds from Financial assets loans and receivables		(1,250)	-
Issuance of long term debt		1,250	-
Net cash flow generated from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**2**	**24**
Cash and cash equivalents at beginning of year		140	**116**
Cash and cash equivalents at end of year	6	**142**	**140**

The notes on pages 14 to 30 form an integral part of these Financial Statements.

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

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. Going concern basis

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

3. Significant accounting

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 6 August 2018.

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.

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. The Financial Statements are prepared on historical cost basis.

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

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

Standards and interpretations effective in the current year

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

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

- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced statement of cash flow disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

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

As the Amendments to IAS 7 impact disclosures only, the adoption on 1 January 2017 did not have an impact to the Company's financial position, results of operation or cash flows.

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

Standards and interpretations endorsed by the EU and not yet effective

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

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

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

  Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortized cost as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected credit loss ('ECL') model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. In terms of short-term cash and interest bearing deposit balances, the Company will measure expected Credit losses by applying a probability to default/loss-given default approach ('PD/LGD approach'). Under the PD/LGD approach, term structures of point-in-time, forward-looking PDs, LGDs and exposure at defaults will be estimated. These PD, LGD and EAD (exposure at defaults) parameters will form the basis to estimate expected credit losses for the short remaining life of the cash and interest bearing deposit balances.

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

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

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

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

- IFRIC 22: In December 2016, the IASB issued IFRIC 22 1Foreign Currency Transactions and Advance Consideration• (IFRIC 22). IFRIC 22 clarifies the date of the transaction for the purposes of determining the exchange rate used on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. The Company Is currently evaluating the impact of adopting IFRIC 22.

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

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

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

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

c) Foreign currency

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

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 CSSEL 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 andborrowings from Credit Suisse AG, London Branch and Credit Suisse Investments Holdings (UK).

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.

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

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.

f) Investment in subsidiaries

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

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

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

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

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

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

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

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

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 instruments

- **Recognition and derecognition**

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

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

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

- **Financial assets**

Loans and receivables

Loans and receivables 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.

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.

- **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) Critical accounting estimates and judgements in applying accounting policies

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

Impairment of investment in subsidiaries

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

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

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 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'.

4. Administrative expenses

Administrative expenses include auditor's remuneration in relation to the statutory audit of these Financial Statements of US$ 10K (2016: US$ 10K).

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

5. Income tax charge

a) Income tax charge

	2017 US$M	2016 US$M
Current tax		
Current tax on loss for the period	(11)	(10)
Income tax charge	**(11)**	**(10)**

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 19.25% (2016 : 20%) as follows:

	2017 US$M	2016 US$M
(Loss)/profit before tax	(453)	123
(Loss) / Profit before tax multiplied by the UK statutory rate of corporation tax of 19.25% (2016: 20%)	87	(25)
Non deductible impairment /(Non taxable reversal of impairment) of investment in subsidiary	(81)	29
Other permanent differences	(17)	(14)
Adjustments to current tax in respect of previous periods	-	-
Income tax charge	**(11)**	**(10)**

c) Deferred taxes

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

Deferred tax assets are recognised on deductible temporary differences and tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Capital losses carried forward on which no deferred tax assets have been recognised is $570,259 (2016: $519,499). The deferred tax asset not recognised on these losses carried forward is $96,944 (2016: $88,315). The benefit of the losses carried forward has not been recognised in these financial statements due to the uncertainty of their recoverability. The losses carried forward have no expiry date.

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

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

6. Cash and cash equivalents

	2017 US$M	2016 US$M
Short term money market deposits	130	130
Cash at bank	12	10
Cash and cash equivalent	**142**	**140**

The short-term money market deposits as at 31 December 2017 were held with Credit Suisse AG, London Branch with an average interest reset period of 30 days (2016: 30 days).

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

7. Loans and receivables

Current

2017	**Counterparty**	**Effective rate of interest**	**Average interest reset period**	**Amount in US$M**
Money market deposit	CSSEL	1.67%	3 months	1,268
Money market deposit	CSIH UK	1.92%	1 months	880
Total				**2,148**

2016	**Counterparty**	**Effective rate of interest**	**Average interest reset period**	**Amount in US$M**
Money market deposit	CSSEL	1.23%	3 months	1,264
Money market deposit	CSIH UK	1.17%	1 months	867
Total				**2,131**

Non-current

2017	**Counterparty**	**Effective rate of interest**	**Average interest reset period**	**Amount in US$M**
Loans and receivables*	CSIH UK	2.46%	-	1,250
Subordinated loan	CSSEL	5.89%	3 months	750
Subordinated loan	CSSEL	4.78%	3 months	1,500
Total				**3,500**

2016	**Counterparty**	**Effective rate of interest**	**Average interest reset period**	**Amount in US$M**
Subordinated loan	CSSEL	5.20%	3 months	750
Subordinated loan	CSSEL	4.30%	3 months	1,500
Total				**2,250**

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

8. Other assets

Other assets represent interest receivable on loans and receivables.

9. Investments

	2017 US$M	**2016 US$M**
Investment in subsidiaries	6,975	7,395
Total	**6,975**	**7,395**

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

	2017 US$M	**2016 US$M**
As at 1 January	7,395	7,248
(Impairment)/reversal of impairment of investment	(420)	147
As at 31 December	**6,975**	**7,395**

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

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$ 420m (2016: reversal of impairment of US$ 147m) 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.

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

2017 % of equity	2016 % of equity	Company name	Domicile	2017 US$M	2016 US$M
100	100	Credit Suisse Investment Holdings (UK)	UK	6,975	7,395
100	100	Credit Suisse Securities (Europe) Limited	UK	Indirect	Indirect
100	100	Credit Suisse First Boston Trustees Limited	UK	Indirect	Indirect
100	100	Credit Suisse First Boston Investco UK Limited	Cayman	Indirect	Indirect
100	100	Credit Suisse First Boston PF (Europe) Limited	UK	Indirect	Indirect
100	100	Credit Suisse Client Nominees (UK) Limited	UK	Indirect	Indirect
100	100	Credit Suisse AF Trust	USA	Indirect	Indirect
100	100	CSSEL Bare Trust	USA	Indirect	Indirect
100	-	CSSEL Guernsey Bare Trust	Guernsey	Indirect	-
100	-	Credit Suisse Guernsey AF Trust	Guernsey	Indirect	-
100	100	Redwood – Master Client Trust	USA	Indirect	Indirect
100	100	Redwood Master Trust I	USA	Indirect	Indirect
100	100	Redwood Master Trust II	USA	Indirect	Indirect
100	100	Redwood Trust I	USA	Indirect	Indirect
100	100	Redwood Trust II	USA	Indirect	Indirect
100	100	Redwood Funding Trust I	USA	Indirect	Indirect
100	100	Redwood Funding Trust II	USA	Indirect	Indirect
100	-	Redwood Guernsey I Master Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey II Master Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey I Funding Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey II Funding Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey I SPIA Trust	Guernsey	Indirect	-
100	-	Redwood Guernsey II SPIA Trust	Guernsey	Indirect	-
100	100	Sail Master Trust I	USA	Indirect	Indirect
100	100	Sail Master Trust II	USA	Indirect	Indirect
100	100	Sail Trust I	USA	Indirect	Indirect
100	100	Sail Trust II	USA	Indirect	Indirect
100	100	Sail Funding Trust I	USA	Indirect	Indirect
100	100	Sail Funding Trust II	USA	Indirect	Indirect
100	-	Sail Guernsey I Master Trust	Guernsey	Indirect	-
100	-	Sail Guernsey II Master Trust	Guernsey	Indirect	-
100	-	Sail Guernsey I Funding Trust	Guernsey	Indirect	-
100	-	Sail Guernsey II Funding Trust	Guernsey	Indirect	-
100	-	Sail Guernsey I SPIA Trust	Guernsey	Indirect	-
100	-	Sail Guernsey II SPIA Trust	Guernsey	Indirect	-
100	100	Positive – Master Client LLC	USA	Indirect	Indirect
				6,975	**7,395**

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

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 (2016: 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.

10. Borrowings

During the year, the Company has taken an additional borrowing of US$ 51m (2016: US$ 57m) from Credit Suisse AG, London Branch, with effective interest rate of 1.92% (2016: 0.73%) as at 31 December 2017 and an average maturity of 30 days (2016: 30 days). As at 31 December 2017, the borrowing outstanding from Credit Suisse AG, London Branch amounted to USD$ 967m. Also, the Company has borrowing of US$ 130m (2016: US$ 130m) with Credit Suisse Investment Holding (UK) with an average maturity of 1 month (2016: 1 month).

11. Other liabilities

	2017 US$M	2016 US$M
Interest payable on debt issued	22	17
Group relief payable	25	14
Total	**47**	**31**

12. Debt Issued

Debt issued represents subordinated debt of US$ 1.5bn (2016: US$ 1.5bn) due to mature on 15 April, 2026 from DLJ UK Holdings, for which the effective interest rate as at 31 December 2017 was 5.11% (2016: 4.30%) with an average interest reset period of 90 days (2016: 92 days), US$ 2bn due to mature on 19 September, 2022 issued to DLJ UK Investment Holdings Limited, for which the effective interest rate as at 31 December 2017 was 4.92% (2016: 4.22%) with an average interest reset period of 90 days (2016: 91 days).

During the year, the Company borrowed $1.250bn from Credit Suisse AG, London Branch as debt issued, of which US$ 0.625bn is due to mature on 13 December 2021, with an effective interest rate as at 31 Dec 2017 of 2.59% with an average interest reset period of 90 days. A further $0.625bn is due to mature on 13 December 2019, with an effective interest rate as at 31 Dec 2017 of 2.33% with an average interest reset period of 90 days.

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

Share capital

	2017 US$M	2016 US$M
Authorised	**Unlimited**	**Unlimited**
Allotted, called up and fully paid:		
- 100 ordinary shares of GBP 1 each	-	-
- 30,447,068,475 ordinary shares of US$ 0.1 each	3,045	3,045
Total	**3,045**	**3,045**

Share premium

	2017 US$M	2016 US$M
Share premium	8,336	8,336
Total	**8,336**	**8,336**

There was no movement in share capital during current year. (2016: Nil)

Due to the minimal value and rounded presentation, the amount of ordinary shares of GBP 1 each is not reflected in

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

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

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 Credit Suisse 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, CSSEL, 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.

14. Pillar 3

The Pillar 3 disclosure requirements contained in the CRR affect CSSEL 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 2017, for both the regulatory consolidation group and CSSEL on a standalone basis, can be found at www.credit-suisse.com.

15. Related party transactions

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

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

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

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

a) Related party assets and liabilities

	2017 (US$M)				2016 (US$M)			
	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)	Total	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)	Total
ASSETS								
Current assets								
Cash and cash equivalents	12	130	-	**142**	140	-	-	**140**
Loans and receivables	-	-	2,148	**2,148**	-	-	2,131	**2,131**
Other assets	-	-	19	**19**	-	-	15	**15**
Total current assets	**12**	**130**	**2,167**	**2,309**	**140**	**-**	**2,146**	**2,286**
Non-current assets								
Investments	-	-	6,975	**6,975**	-	-	7,395	**7,395**
Loans and receivables	-	-	3,500	**3,500**	-	-	2,250	**2,250**
Total non-current assets	**-**	**-**	**10,475**	**10,475**	**-**	**-**	**9,645**	**9,645**
Total assets	**12**	**130**	**12,642**	**12,784**	**140**	**-**	**11,791**	**11,931**
LIABILITIES								
Current liabilities								
Borrowings	-	967	130	**1,097**	916	-	130	**1,046**
Other liabilities	-	22	-	**22**	-	17	-	**17**
Total current liabilities	**-**	**989**	**130**	**1,119**	**916**	**17**	**130**	**1,063**
Non-current liabilities								
Debt issued	1,250	3,500	-	**4,750**	-	3,500	-	**3,500**
Total non-current liabilities	**1,250**	**3,500**	**-**	**4,750**	**-**	**3,500**	**-**	**3,500**
Total liabilities	**1,250**	**4,489**	**130**	**5,869**	**916**	**3,517**	**130**	**4,563**

For UK corporation tax purposes, the Company may claim certain losses from another UK group company. The group relief payable as at 31 December 2017 is US$ 25m (2016: US$ 14m).

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

b) Related party income and expenses

	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)	2017 (US$M) Total	Parent	Fellow group companies	Subsidiaries (Direct and Indirect)	2016 (US$M) Total
Interest income	-	-	143	**143**	-	-	126	**126**
Total related party income		**-**	**143**	**143**	**-**	**-**	**126**	**126**
Interest expense	-	(176)	-	**(176)**	(8)	(142)	-	**(150)**
(Impairment)/reversal of impairment of investment	-	-	(420)	**(420)**	-	-	147	**147**
Total related party expenses	**-**	**(176)**	**(420)**	**(596)**	**(8)**	**(142)**	**147**	**(3)**

c) Remuneration of Directors and Key Management Personnel

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

All Directors benefited from qualifying third party indemnity provisions.

d) Loans and advances to Directors and Key Management Personnel

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

e) Liabilities due to pension funds

The Company has no employees and therefore does not have any liabilities with regard to pension funds (2016: nil).

15. Employees

The Company had no employees during the year (2016: nil).

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

16. 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 counterparty, and are applied to debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments or CVA) is considered when measuring the fair value of assets and the impact of changes in the Company's own credit spreads (known as debit valuation adjustments or DVA) is considered when measuring the fair value of its liabilities. The adjustments also take into account contractual factors designed to reduce the Company's credit exposure to counterparty.

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

For cash and other liquid assets, the fair value is assumed to approximate book value, given the short term nature of these instruments. For long term instruments (loans and receivables 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 (2016: No Transfers).

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

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

2017 (US$M)	Carrying amount		Fair Value			
	Loans and receivables	Other financial assets/ liabilities	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	-	142	142	-	-	**142**
Loans and receivables	5,648	-	-	6,117	-	**6,117**
Other assets	19	-	-	19	-	**19**
Total financial assets	**5,667**	**142**	**142**	**6,136**	**-**	**6,278**
Financial liabilities						
Borrowings	-	1,097	-	1,097	-	**1,097**
Other liabilities	-	22	-	22	-	**22**
Debt issued	-	4,750	-	5,056	-	**5,056**
Total financial liabilities	**-**	**5,869**	**-**	**6,175**	**-**	**6,175**

2016 (US$M)						
Financial assets						
Cash and cash equivalents	-	140	140	-	-	**140**
Loans and receivables	4,381	-	-	4,759	-	**4,759**
Other assets	15	-	-	15	-	**15**
Total financial assets	**4,396**	**140**	**140**	**4,774**	**-**	**4,914**
Financial liabilities						
Borrowings	-	1,046	-	1,046	-	**1,046**
Other liabilities	-	17	-	17	-	**17**
Debt issued	-	3,500	-	3,763	-	**3,763**
Total financial liabilities	**-**	**4,563**	**-**	**4,826**	**-**	**4,826**

17. 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 Credit Suisse 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, 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.

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

(i) Interest rate risk

The Company has interest bearing financial assets and liabilities, which are mainly in the form of loans and receivables, 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:

2017 (US$M)	**25%**	**-25%**
Change in equity and income or (loss) with interest rate fluctuation in loans and receivables	40	(40)
Change in equity and income or (loss) with interest rate fluctuation in long term debt and short term borrowings	(50)	50
Total	**(10)**	**10**

2016 (US$M)	**25%**	**-25%**
Change in equity and income or (loss) with interest rate fluctuation in loans and receivables	32	(32)
Change in equity and income or (loss) with interest rate fluctuation in long term debt and short term borrowings	(40)	40
Total	**(8)**	**8**

(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 Credit Suisse Group through the Foreign Currency Exposure Management ('FCEM') process, utilising currency hedges at the Credit Suisse 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 the result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty. The carrying value of amounts due from related companies represents the maximum credit exposure of the Company to counterparties. The Company has policies that limit the amount of credit exposure to any financial institution. Transactions are limited to fellow group companies and high-credit-quality financial institutions.

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

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

Distribution of loans and receivables neither past due nor impaired:

	2017 US$M	2016 US$M
A+ to A-	5,809	4,536
Total	**5,809**	**4,536**

Liquidity risk

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

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

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

2017 (US$M)	Carrying amount	Gross nominal outflow	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Short term borrowings	1,097	1,098	-	1,098	-	-	-	**1,098**
Other liabilities	22	22	-	22	-	-	-	**22**
Long-term debt	4,750	5,771	-	22	128	3,932	1,689	**5,771**
Total financial liabilities	**5,869**	**6,891**	**-**	**1,142**	**128**	**3,932**	**1,689**	**6,891**
2016 (US$M)								
Short term borrowings	1,046	1,349	-	1,122	227	-	-	**1,349**
Other liabilities	17	17	-	17	-	-	-	**17**
Long-term debt	3,500	2,587	-	38	114	605	1,830	**2,587**
Total financial liabilities	**4,563**	**3,953**	**-**	**1,177**	**341**	**605**	**1,830**	**3,953**

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.

18. Subsequent events

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