

# Credit Suisse Securities (Europe) Limited Annual Report 2015





# Credit Suisse Securities (Europe) Limited

Annual Report 2015

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## **Board of Directors as at 24 March 2016**

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Noreen Doyle (Chair and Independent Non-Executive)

Alison Halsey (Independent Non-Executive)

Richard Thornburgh (Independent Non-Executive)

David Mathers (CEO)

Paul Ingram

Stephen Dainton

Jason Forrester

Christopher Horne

## **Company Secretary**

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Paul E Hare

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# Strategic Report for the year ended 31 December 2015

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2015.

## BUSINESS REVIEW

### Profile

The Credit Suisse Securities (Europe) Limited Group (the 'CSS(E)L Group') consists of the Company, its consolidated subsidiaries and structured entities. The Financial Statements are presented in United States Dollars ('USD'), which is the functional currency of the Company.

Credit Suisse Securities (Europe) Limited (the 'Company') is a wholly owned subsidiary of Credit Suisse Investment Holdings (UK) (the 'Parent') and indirectly wholly owned subsidiary of Credit Suisse Group AG ('CSG'). It is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. Its principal activities are the arranging of finance for clients in the international capital markets, the provision of financial advisory services and acting as dealer in securities, derivatives and foreign exchange on a principal and agency basis.

The Company has branch operations in Frankfurt, Paris, Amsterdam, Milan, Seoul, Warsaw and Stockholm. The Frankfurt, Paris, Warsaw and Stockholm branches provide equity broking and investment banking services. During the year, the investment banking services of the Amsterdam and Milan branches were sold to Credit Suisse International ('CSi') another CS group entity. In addition to providing these activities, the Seoul branch has approval from South Korea's Financial Supervisory Commission to engage in over-the-counter ('OTC') derivatives business and is a member of the Korean Securities Dealers Association. The Company also maintains representative offices in Switzerland.

CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at [www.credit-suisse.com](http://www.credit-suisse.com).

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to corporate, institutional and government clients and high-net-worth individuals worldwide, as well as to retail clients in Switzerland. CS group serves its diverse clients through three regionally focused divisions: Swiss Universal Bank, International Wealth Management and Asia Pacific. These regional businesses are supported by two divisions specialising in investment banking capabilities: Global Markets and Investment Banking & Capital Markets. These business divisions co-operate closely to provide holistic financial solutions, including innovative products and specially tailored advice. Founded in 1856, CS group has a truly global reach today, with operations in over 50 countries and a team of more than 48,200 employees from approximately 150 different nations.

### Management and Governance

The Board is responsible for governance arrangements that ensure effective and prudent management of CSS(E)L, including the segregation of duties and the prevention of conflicts of interest. The Board approves and oversees the implementation of strategic objectives, risk strategy and internal governance; ensures the integrity of the accounting and financial reporting systems; oversees disclosure and communications processes; provides effective oversight of senior management; and assesses the effectiveness of governance arrangements.

A number of management and governance changes have been effected. Alison Halsey has been appointed as an Independent Non Executive member of the Board and Chair of the Audit Committee. David Mathers has been appointed as Director and CEO of CSS(E)L. In addition Christopher Horne and Stephen Dainton have been appointed as Executive Directors and Gael de Boissard, Stephen Kingsley, Christopher Williams and David Livingstone have resigned.

CSS(E)L has implemented the requirements of the PRA Senior Managers Regime ('SMR') with effect from 7th March 2016. The SMR is aimed at supporting a change in culture at all levels of the organisation through a clear identification and allocation of responsibilities for individuals carrying out Senior Management Functions ('SMFs'), by establishing a set of Conduct Rules that set out a basic standard for behavior and a specific UK programme. This is an important element of management and governance and builds on the significant progress that has been made over the past three years in managing CSS(E)L as part of the wider CS group.

### Principal Product areas

In October 2015, Credit Suisse announced the restructuring of the CS group, with the creation of new regionally focused divisions, and the realignment of existing businesses/divisions. As a result of the restructure, the CSS(E)L group has four principal business lines:

- **Global Markets** brings together equity sales and trading and fixed income sales and trading businesses into one division to create a fully integrated franchise for clients. Global Markets provides a broad range of financial products and services of client driven businesses and also supports the CS group's private banking businesses and clients. The suite of equity and fixed income products and services includes global securities sales, trading and execution, prime brokerage, life finance and comprehensive investment research. Clients include financial institutions, corporations, governments and institutional investors, such as pension funds and hedge funds. During the year, CSS(E)L sold its Listed Derivatives business to CSi, a fellow CS group entity.
- Within the **Asia Pacific** division a range of financial products and services is offered, focusing on corporates, and institutional clients. CSS(E)L delivers integrated client coverage to provide connectivity and access to broader financial markets,

differentiated product offerings, and tailored financing solutions. The investment banking business supports corporate clients by advising on all aspects of M&A, corporate sales and restructurings, divestitures and takeover defence strategies and provides equity and debt underwriting capabilities for entrepreneur, corporate and institutional clients. In addition, the investment banking business includes equities and fixed income sales and trading services, and provides access to a range of debt and equity securities, derivative products, and financing opportunities across the capital spectrum for corporate, sovereign and institutional clients.

- The **Investment Banking & Capital Markets** division offers a broad range of investment banking products and services which includes advisory services related to M&A, divestitures, takeover defence, restructurings and spin-offs, as well as debt and equity underwriting of public offerings and private placements. Derivative transactions related to these activities are also offered. Clients include leading corporations, and financial institutions. Investment banking capabilities are delivered through regional and local teams based in both major developed and emerging market centres. An integrated business model enables the delivery of high value, customised solutions that leverage the expertise offered across CSS(E)L and that help clients unlock capital and value in order to achieve their strategic goals. As part of the UK IB strategy, the Investment Banking & Capital Markets ('IBCM') business in London, Amsterdam and Milan was sold to CSi during the year.
- The **Strategic Resolution Unit** was created to facilitate the immediate right-sizing of business divisions from a capital perspective and includes remaining portfolios from the former non-strategic units plus transfers of additional exposures from the business divisions. The Strategic Resolution Unit consists primarily of the legacy life finance business. The portfolio includes a tail of long-dated trades. The primary focus of the Strategic Resolution Unit is to facilitate the rapid wind-down of capital usage and costs in order to reduce the negative impact on the overall CSS(E)L Group performance.

### Economic environment

In 2015 economic conditions improved in the US but growth remained challenging in the Eurozone and emerging economies. China in particular showed signs of a slow-down. In the UK, the annual rate of Consumer Price Index ('CPI') inflation decreased to 0.2% at the end of December 2015, compared to 0.5% at the end of 2014. The Bank of England ('BOE') maintained interest rates at 0.5% throughout the year and the stock of asset purchases financed by the issuance of central bank reserves remained at GBP 375 billion. The unemployment rate dropped marginally to 5.1% at the end of December 2015 from 5.8% at the end of 2014. UK Gross Domestic Product ('GDP') grew by 2.2% in 2015, GDP was 1.9% higher in Q4 2015 compared with the same quarter a year ago.

Economic growth in the Eurozone was volatile throughout 2015, impacted by continuing political issues in the region. The European Central Bank ('ECB') expanded its asset purchase programme including sovereign bonds which in turn impacted corporate bond spreads and interest rates. The Greek bailout resolution allayed fears of Greece exiting from the Euro but in turn shortened Euro government bond spreads, and resulted in further volatility in euro currency valuation. At the beginning of the year the Swiss National Bank ('SNB') removed the ceiling between the Swiss Franc and the Euro which contributed to the Swiss Franc improving against the Euro and other major currencies. The US dollar improved against most currencies throughout the year mainly due to diverging monetary policy. In December 2015, the US Federal reserve ('FED') raised its target range for the federal funds rate by 25 basis points, its first increase since 2006.

Falling commodities prices impacted currencies in commodity producing economies, with oil falling to USD 43 a barrel – the lowest since 2009 – due to a global decrease in demand, and OPEC's decisions not to reduce supply. This also affected corporate bonds in the energy sector. Equities markets were volatile throughout the year and global growth concerns from emerging markets, particularly China and Brazil, created a slowing in the US, EMEA and the UK markets.

Government bond yields remained at low levels throughout 2015, corporate bonds also had a challenging year, with credit spreads widening throughout the year. The Credit Suisse commodities benchmark decreased 29% for the year, mainly due to energy prices. Global equity underwriting volumes decreased 12%, driven by a 22% decrease in Europe, while global debt underwriting volumes decreased 8% year on year.

### Key performance indicators ('KPIs')

The Company uses profitability and Return on Capital as the primary KPIs to manage the financial position of the Company. In a changing regulatory environment and with the increasing cost of capital these KPIs are critical to the successful management of the business to achieve the Company's objectives. Profitability and Risk Weighted Assets ('RWA') are reviewed at the business line level to promote the drive towards the development and maintenance of a profitable and capital efficient business; capital intensive businesses are closely monitored and reviewed.

Earnings	2015	2014
Net Loss after tax (USD millions)	(558)	(553)
Capital & Consolidated Statement of Financial Position		
Tier 1 capital (USD Millions)	7,127	7,391
Return on Tier 1 capital	(7.8)%	(7.5)%
Total Assets (USD Millions)	143,542	193,438
Total Asset reduction	(25.8)%	(10.4)%
Return on Total Assets	(0.4)%	(0.3)%

## Performance

### Consolidated Statement of Income

For the year ended 31 December 2015, the CSS(E)L Group reported a net loss attributable to shareholders of USD 558 million (2014: USD 553 million loss). Net revenues amounted to USD 1,114 million (2014: USD 1,163 million). After operating expenses the CSS(E)L Group reported a loss before tax from continuing operation of USD 533 million (2014: USD 497 million loss). As a result of the sale of a number of businesses during the year, together with a commitment to transfer part of the Prime Services business to another CS group entity next year, CSS(E)L Group reported a loss before tax from discontinued operations of USD 64 million (2014: USD 95 million gain).

The 2015 financial performance of the CSS(E)L Group was driven by global market uncertainty and continued weak risk appetites. The Global Markets division remained relatively flat year on year, although there were improved revenues in the Emerging Markets and Securitised Products businesses. Revenues significantly increased in the Systematic Market Making Group and the swap flow business within Prime Services performed well due to increased market volatility. The swaps business was however impacted by tougher conditions within emerging markets and the Cash Equities business was also impacted by decreased trading volumes in emerging markets. The Listed Derivatives business was sold to CSi during the year, and this also impacted revenues of the CSS(E)L Group.

The Investment Banking & Capital Markets Division reported a marked decrease in revenues compared to 2014, following the sale of its investment banking business in London, Amsterdam and Milan to CSi.

The effective tax rate for the period to December 2015 was 6.4%. The effective tax rate is lower than the UK statutory tax rate primarily as a result of permanent differences, taxes recorded in the foreign branches and the effect of deferred tax not recognised. The effective tax rate for the similar period in 2014 was (37.6%). In that period the effective tax rate was higher than the UK statutory tax rate due to the impairment of the Deferred Tax Asset ('DTA') by USD 204 million.

### Discontinued operations and Assets held for sale

CSS(E)L sold a number of assets in 2015. The IBCM division transferred its staff, and transferred or novated the majority of its clients to CSi in September 2015. CSS(E)L branches located in Amsterdam and Milan transferred their respective businesses to CSi in December, whereby all clients, staff and related assets and liabilities were transferred as part of the sale. The Listed Derivatives agency business and OTC Derivatives (centrally cleared) business was sold to CSi, with staff, clients and their account balances transferring to CSi from July through to December. Although the sale was substantially complete in September for accounting purposes, final clients and balances will only be transferred in 2016.

The Prime Brokerage, Prime Securities Lending and Prime Financing Flow (together the 'Prime Services platform'), will be transferred on a phased basis to Credit Suisse AG, Dublin Branch in 2016. The sale will include certain clients and products on the Prime Services platform, and is expected to commence in April and to be completed within 18 months.

The above transactions collectively qualify for discontinued operations treatment under IFRS, and post-tax profit or loss of these individual businesses has been classified as discontinued operations in CSS(E)L Group's Consolidated Statement of Income – and are disclosed in greater detail below. CSS(E)L Group's prior period results have been restated to conform with the current presentation. The completed sales in 2015 are all with CSi, a CS group related entity and no profit or loss has been recognised on these transactions as a result. The proceeds of sales completed have been recognised through Equity – Capital Contribution. Assets and liabilities relating to the transfers that have not yet completed have been classified as Assets/Liabilities held for sale in the Consolidated Statement of Financial Position. No impairment losses were required to be recognised as a result of having to measure the Assets/Liabilities held for sale at fair value less cost to sell (required as a result of the discontinued operations transactions or Assets/Liabilities held for sale classifications). There are no adjustments to Other Comprehensive Income (OCI) in respect of the discontinued operations or the disposal group held for sale. Please see Note 26 in the accounts for further details.

### Consolidated Statement of Financial Position

CSS(E)L Group's total assets decreased by 25.8%. There is continued focus within the CSS(E)L Group to reduce its assets primarily to mitigate the impact on regulatory capital requirements and costs and fees associated with holding a large Consolidated Statement of Financial Position. The reduction can be seen in the line items Trading financial assets at fair value through profit or loss, Financial assets designated at fair value through profit and loss and Other assets.

Financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy, where the significant inputs for the Level 3 assets and liabilities are unobservable.

Total Level 3 assets for CSS(E)L Group were USD 3.3 billion (2014: USD 3.4 billion), which was equivalent to 2.33% (2014: 1.77%) of total assets.

Total Level 3 liabilities for CSS(E)L Group were USD 0.8 billion (2014: USD 0.7 billion) which was equivalent to 0.56% (2014: 0.37%) of total liabilities.

Off-balance sheet arrangements are highlighted in Note 34 – Guarantees and Commitments and Note 35 – Interest in Other Entities.

Corporation taxes paid in the United Kingdom ('UK') are nil for CSS(E)L as neither the Company nor the CSS(E)L Group has made a profit during the year. However, as disclosed in Note 42 – Country-by-Country Reporting, CSS(E)L Group has paid USD 26 million in taxes in branches located outside of the UK. The Company has incurred substantial other taxes in the UK during 2015, including Bank Levy of USD 51 million (2014: USD 33 million), employers social security of USD 118 million (2014: USD 147 million) and irrecoverable UK value added tax ('VAT') of USD 94 million (2014: USD 77 million).

### Principal Risks and Uncertainties

The Company faces a variety of risks that are substantial and inherent in its businesses including Market risk, Liquidity risk, Currency risk, Credit risk, Country risk, Legal and Regulatory risk,

Operational risk, Conduct risk, and Reputational risk. These are detailed in Note 39 – Financial Instruments Risk Position.

There have been significant changes in the way large financial service institutions are regulated over recent years. There are increased prudential requirements as well as stricter regulations on the financial institutions in general and many of the reforms being discussed in wider forums will change the way in which financial services is structured affecting the CSS(E)L Group business model.

Liquidity coverage ratio ('LCR') reporting implementation was completed prior to 2015, and is currently on a ratio compliance glide path up to 2018, and the net stable funding ratio ('NSFR') reporting implementation was also completed prior to 2015, with ratio compliance effective 2018.

European states are experiencing heightened political tension, reflecting concerns over migration, fears of terrorism and the possibility that the UK may vote to exit the EU following a referendum. An exit could have a significant impact on UK, European and global macroeconomic conditions, as well as substantial political ramifications.

The effect of a UK exit from the EU on CSS(E)L would depend on the manner in which the exit occurs. A disorderly exit could force changes to CSS(E)L's operating model, affect CSS(E)L's ability to access ECB and high value euro payments, and affect transaction volumes due to possible disruption to global trade flows.

Credit Suisse has had a Brexit Planning Working Group in place for the past year to assess the potential operational and client service implications on Credit Suisse's businesses in the UK and European Economic Area ('EEA') of a vote to exit the European Union ('EU') in the forthcoming UK EU membership referendum on 23 June 2016. The Company is in the process of preparing detailed plans to ensure that the Company maintains commercial, operational and supply arrangements with EU based clients, counterparties and suppliers if Britain was to exit the EU.

### Capital Resources

The Company closely monitors its capital and liquidity position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regime and any forthcoming changes to the capital framework. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

The Company is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Company has put in place processes and controls to monitor and manage the Company's capital adequacy. No breaches were reported to the PRA during the period.

Pillar 3 disclosures required under Capital Requirement Regulation ('CRR') can be found separately at [www.credit-suisse.com](http://www.credit-suisse.com).

During the year CSS(E)L refinanced USD 750 million of subordinated debt, as part of a debt to equity swap executed by CSS(E)L's UK holding company, Credit Suisse Investments (UK) ('CSIUK'). CSIUK is also subject to PRA regulation on a consolidated basis. The debt to equity swap restructured the capital of the CSIUK Group for the purposes of ongoing compliance with these regulatory capital requirements. The impact of the

restructuring on CSS(E)L was a change of lender in relation to subordinated debt. USD 500 million and USD 250 million of subordinated debt was repaid to CSFB Finance BV and CS PSL GmbH respectively and was replaced by subordinated debt of USD 750 million advanced by CSIUK directly, and funded by an equity injection from existing shareholder CS AG to CSIUK. Further changes in senior and subordinated debt are set out in Note 25 – Long Term Debt. Changes in capital are set out in Note 28 – Share Capital and Share Premium.

### Outlook

The financial position of the CSS(E)L Group will change in 2016 with the sale of some of the Prime Service businesses to Credit Suisse AG Dublin Branch and, together with the completion of the disposal of the Listed Derivatives agency businesses (substantially completed in 2015), total assets are estimated to reduce by approximately 45%. CSS(E)L Group remains committed in the short term to offering its clients a range of equities and fixed income products and services. CSS(E)L Group is focused on businesses in which the Company has a competitive advantage and is able to operate profitably with an attractive return on capital in the new regulatory environment, and therefore will continue to refocus resources on opportunities in high-returning businesses such as Cash Equities, residual Prime Service business, and Global Credit Products, and to reduce the impact of the Strategic Resolution Unit.

As a part of the changing business footprint the newly formed Strategic Resolution Unit will effectively wind down businesses and positions that do not fit the Company's strategic direction, by consolidating portfolios from former non-strategic units plus additional activities and businesses from the former Investment Banking division that are no longer considered strategic. The Strategic Resolution Unit portfolio primarily comprises the legacy life finance business for which the run off is projected to be gradual due to long-dated nature of the portfolio.

The Company is progressing towards achieving specific goals to reduce its cost base and strengthen its capital position, and has operated under the Basel III capital framework, as implemented in the EU, since January 2014. The Company will continue to optimise resource allocation and focus on high returning, scalable opportunities. CS group has announced a global cost reduction strategy and as a result, expects the London campus headcount to reduce, having a direct impact on the cost base of the Company. CSS(E)L Group will additionally continue to focus on optimising its risk weighted assets as well as focusing on costs with a view to returning to profit, and therefore capital accretion, in the future. In the longer term, this may include optimisation of businesses and costs across the Credit Suisse UK legal entities.

### Corporate Governance

#### Internal Control

The directors are ultimately responsible for the effectiveness of internal control in the CSS(E)L Group. Procedures have been designed for safeguarding assets for maintaining proper accounting records; and for assuring the reliability of financial information used within the business, and for that provided to external users. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide

reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that have been established are designed to provide effective internal control within the CSS(E)L Group. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the CSS(E)L Group have been in place throughout the year and up to 24 March 2016, the date of approval of the Credit Suisse Securities (Europe) Limited Annual Report 2015.

Key risks are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as credit, market, operational and other authorisation limits, and segregation of duties.

The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

There are well-established budgeting procedures in place and reports are presented regularly to the Board detailing the performance of each principal business unit, variances against budget and prior year, and other performance data.

### Committees

The Board delegates certain functions and responsibilities to the following committees:

#### Credit Suisse Securities (Europe) Limited Audit Committee

The purpose of the Committee is:

- monitoring and assessing the overall integrity of the financial statements and disclosures of the financial condition, results of operations and cash flows of CSS(E)L;
- reporting to the CSS(E)L Board on the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the AC was in that process;
- monitoring the adequacy and integrity of the financial accounting and reporting processes and the effectiveness of internal quality controls and risk management systems regarding CSS(E)L's financial reporting;
- monitoring processes designed to ensure compliance by CSS(E)L in all significant respects with legal and regulatory requirements, including disclosure controls and procedures, and the impact (or potential impact) of developments related thereto;
- monitoring the adequacy of the management of operational risks, jointly with the Risk Committee including assessing the effectiveness of internal controls that go beyond the area of financial reporting;
- monitoring the adequacy of the management of reputational risks, jointly with the Risk Committee;
- reviewing and assessing the integrity, independence and effectiveness of CSS(E)L's policies and procedures on whistleblowing, including those policies and procedures intended to protect whistle-blowers from being victimised because they have disclosed reportable concerns;
- being responsible for the procedure for the selection of the External Auditors and recommending the External Auditors to be appointed;
- monitoring the qualifications, independence and performance of the External Auditors including the suitability of the External Auditors' provision (if any) of non-audit services to the Company;
- monitoring the statutory audit of CSS(E)L annual and consolidated financial statements, in particular its performance, taking into account and findings and conclusions by the competent authority; and
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of CSS(E)L Internal Audit Department, in particular its implementation and maintenance of an audit plan to examine and evaluate the adequacy and effectiveness of CSS(E)L's systems, internal control mechanisms and arrangements.

The Audit Committee members are Alison Halsey (Chair), Noreen Doyle and Richard Thornburgh.

In reviewing the Credit Suisse Securities (Europe) Limited Annual Report 2015, the Audit Committee considered critical accounting estimates and judgements including the valuation of Level 3 assets and liabilities, and the recoverability of the deferred tax asset. The Audit Committee additionally considered the projected capital requirements in the next 12 months and, in this context, the continued access to appropriate funding to maintain adequate capital and liquidity positions.

#### Credit Suisse Securities (Europe) Limited Risk Committee

The Risk Committee's ('RC') primary function is to assist the Board of Directors ('BoD') in fulfilling its risk management responsibilities as defined by applicable law and regulations as well as CSS(E)L articles of association and internal regulations, by periodically:

- providing advice to the BoD on CSS(E)L overall current and future risk appetite and assisting the BoD in overseeing the implementation of that strategy by management;
- reviewing and approving the strategies and policies for taking on, managing, monitoring and mitigating the risks the firm is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of the risk management function of CSS(E)L in particular as it relates to market, credit, and liquidity and funding risks and non-financial risks such as legal, strategic and business risks; and group risk;
- reviewing the adequacy of CSS(E)L capital (economic, regulatory, and rating agency) and its allocation to CSS(E)L businesses;
- reviewing certain risk limits and regular risk reports including Risk Appetite and make recommendations to the BoD;
- reviewing the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment



- Process ('ILAAP') and providing input into the range of scenarios and analyses that management should consider;
- reviewing and assessing the adequacy of the management of reputational risks, jointly with the Audit Committee;
  - reviewing and assessing the adequacy of the management of operational risks including the adequacy of the internal control system, jointly with the Audit Committee;
  - reviewing and assessing the independence, integrity and adequacy of resourcing, and overseeing the performance, of the compliance function of CSS(E)L in particular as it relates to the detection and monitoring of any risk that CSS(E)L may fail to comply with applicable regulatory requirements and/or the risk that CSS(E)L may be used to further financial crime;
  - reviewing the CSS(E)L policy in respect of corporate responsibility and sustainable development.

The Risk Committee members are Richard Thornburgh (Chair), Noreen Doyle and Alison Halsey.

#### Credit Suisse Securities (Europe) Limited Nomination Committee

Credit Suisse Securities (Europe) Limited is defined as a CRR firm (i.e. a firm subject to EU regulation on prudential requirements for credit institution and investment firms) supervised by the PRA which is required to:

- establish a Nomination Committee ('NC') composed of members of the BoD who do not perform any executive function in the Company;
- ensure that the NC is able to use any forms of resources the NC deems appropriate, including external advice; and
- ensure that the NC receives appropriate funding.

The duties of the Nomination committee are to:

- engage a broad set of qualities and competences when recruiting members to the BoD and put in place a policy promoting diversity on the BoD;
- identify and recommend for approval, by the Company shareholder (Credit Suisse Group AG / Credit Suisse AG) candidates to fill BoD vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the BoD;
- make recommendations to the BoD concerning the role of Chair and membership of the BoD committees, in consultation with the Chairs of those committees;
- prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment required;
- periodically, and at least annually, assess the structure, size, composition and performance of the BoD and make recommendations to the BoD with regard to any changes;
- periodically, and at least annually, assess the knowledge, skills and experience of individual members of the BoD and of the BoD collectively, and report this to the BoD;
- periodically review the policy of the BoD for selection and appointment of senior management and make recommendations to the BoD;
- recommend to the Board the appointment and removal of Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO');

- in performing its duties and to the extent possible on an on-going basis, take account of the need to ensure that the BoD's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Company as a whole.

The CSS(E)L Nomination Committee members are Noreen Doyle (Chair), Alison Halsey and Richard Thornburgh.

#### Board Diversity Policy

CSS(E)L recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse board. The Nomination Committee proposed, and the Board approved, a Board Diversity Policy on 5 November 2015. The Policy sets out the approach to the diversity on the Board of Directors. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Committee will consider these differences in determining the optimum composition of the Board and when possible will be balanced appropriately. At the date of adoption of this Policy, the Board set a target to ensure that at least 25 per cent female representation on the Board to be achieved by the end of 2016. These targets will be monitored through periodic reviews of structure, size, composition and performance of the Board.

#### Credit Suisse Securities (Europe) Limited Advisory Remuneration Committee

The purpose of the Committee is to advise the Credit Suisse Group AG ('Group') Compensation Committee ('CC') in respect of matters relating to remuneration for the employees of CSS(E)L, in particular members of the CSS(E)L Executive Committee, PRA/FCA Code Staff and other individuals, whose role, individually or as part of a group, has been identified as having a potential impact on market, reputational or operational risk.

The CSS(E)L Advisory Board Remuneration Committee members are Noreen Doyle (Chair), Alison Halsey and Richard Thornburgh.

Consistent with the requirements of the PRA Remuneration Code the Company has broadened the 'Malus clause' which is applicable to Code Staff, UK Managing Directors and certain other identified employees.

#### Risk management

##### Overview

The Company's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Company's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect the Company's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. The Company has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring all relevant risks including credit, market, liquidity, operational and reputational risks, and managing concentrations of risks.

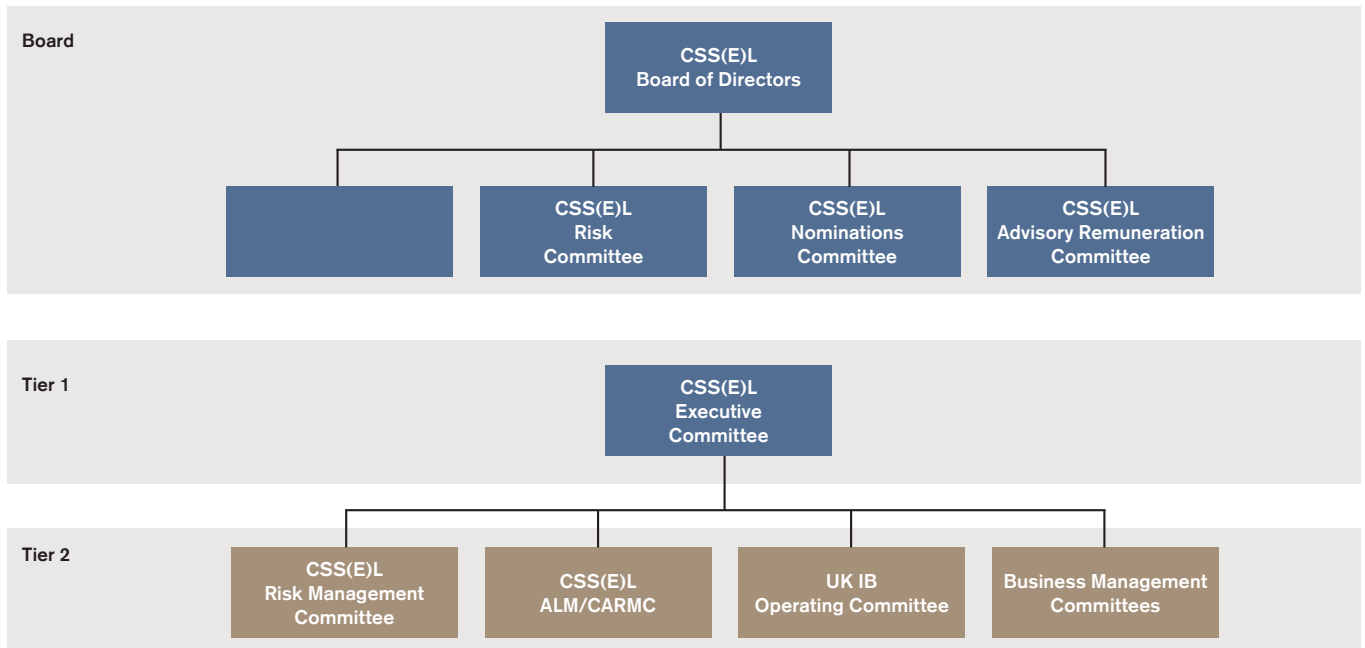
### Risk governance

The prudent taking of risk in line with the Company's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the

Company seeks to continuously strengthen the risk function, which is independent of but closely interacts with the businesses, to ensure the appropriate flow of information.

Committees are implemented at a senior management level to support risk management.

## Summary of Key Governance Committees



Tier 3 committees are not illustrated in this diagram

The key committees which support the Board of Directors are:

Tier 1 comprises a single management committee for CSS(E)L, the CSS(E)L Executive Committee. It is chaired by the Chief Executive Officer ('CEO'), CSS(E)L and members include the CEO, CSS(E)L; Deputy CEO, CSS(E)L; Chief Finance Officer ('CFO'), UK IB; Chief Risk Officer ('CRO'), UK IB; Head of Internal Audit, UK IB; Chief Compliance Officer ('CCO'), UK IB; Business Heads and other Senior Managers. The Deputy CEO, CSS(E)L deputises as Chair when necessary.

The purpose of the CSS(E)L Executive Committee is to support the CEO, CSS(E)L in the day-to-day management of CSS(E)L and, in particular, in the delivery of the strategy agreed by the CSS(E)L Board. The CSS(E)L Executive Committee facilitates the decision-making process which impacts all aspects of CSS(E)L including: culture, strategy, revenue, reporting, policy, regulatory compliance, risk and control, costs and people. The CSS(E)L Executive Committee is also responsible for identifying and escalating issues to the CSS(E)L Board or relevant Board committees for review, recommendation and/or approval as necessary.

Tier 2 committees were established by the CSS(E)L Executive Committee. Given the breadth of business activities and multiple areas of focus, the CSS(E)L Executive Committee has established a support structure comprising executive committees with a more focused mandate. These Tier 2 committees are chaired by members of the CSS(E)L Executive Committee and are all accountable

to the CSS(E)L Executive Committee. The CSS(E)L Executive Committee has delegated particular aspects of its mandate to these Tier 2 committees.

- CSS(E)L Risk Management Committee (CSS(E)L RMC): chaired by the CRO, UK IB, the CSS(E)L RMC is delegated authority from the CSS(E)L Executive Committee to establish more granular limits within the bounds of CSS(E)L's overall risk limits and risk appetite. Its purpose is to:
  - i ensure that proper standards for risk oversight and management are in place;
  - ii make recommendations to the CSS(E)L Board on risk appetite;
  - iii review the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment Process ('ILAAP') and make recommendations to the CSS(E)L Board;
  - iv define and establish risk limits for both individual businesses and at the portfolio level within authorities delegated by the CSS(E)L Board;
  - v review and implement appropriate controls over remote booking risk relating to CSS(E)L.
- CSS(E)L Asset and Liability Management ('ALM') Capital Allocation and Risk Management Committee ('CARMC'): chaired by the CFO, UK IB, the CSS(E)L ALM CARMC is responsible for assisting the CSS(E)L Board in providing a

robust governance and oversight function with respect to capital, liquidity and balance sheet management in relation to CSS(E)L. Its purpose is to:

- i monitor and challenge the capital and liquidity positions of CSS(E)L against internal and external regulatory limits;
  - ii monitor and challenge the systems and controls related to the ALM management framework for CSS(E)L; and
  - iii manage leverage ratio.
- UK IB Operating Committee ('UK IB OpCo'): The UK IB OpCo is chaired by the Deputy CEO, CSS(E)L and has a remit in relation to CSS(E)L, CSi and CS AG London Branch. In relation to the activities of CSS(E)L, it provides a forum for the effective management of front-to-back issues and the efficient communication of priorities to all departments of CSS(E)L. It manages both on-going business activities and also change management activities:
- For on-going business activities its purpose is to:
    - i communicate strategy / business plans to support functions;
    - ii ensure outsourcing activities are managed in line with applicable policies; and
    - iii ensure good communication between CSS(E)L management and central function heads and relevant business COO for CSS(E)L activities.
  - For change management activities its purpose is to:
    - i ensure that project needs of CSS(E)L are anticipated at an early stage, are prioritised appropriately against other division/function priorities, and are reported on accurately; and
    - ii provide an escalation route for change teams, individual businesses or central function heads to use to resolve prioritisation, resource and budget issues (often through onwards escalation to CSS(E)L Executive Committee for matters relating to CSS(E)L).

CSS(E)L Business Management Committee ('CSS(E)L BMC'):

- Divisional CEOs have established management committee structures to undertake the management of divisional operations. Certain of these committees have a key role to play in UK governance, with reporting requirements into the CSS(E)L Executive Committee in relation to the activities of CSS(E)L. The CSS(E)L Executive Committee establishes governance requirements appropriate to its UK specific remit and agrees with the relevant committee procedures for the on-going management of, and reporting against, these requirements. The following divisional committees are responsible for identifying issues relevant to those requirements, for escalation to the CSS(E)L Executive Committee:
  - i Europe, Middle East and Africa (EMEA) Global Markets Management Committee;
  - ii EMEA Investment Banking & Capital Markets Operating Committee ('EMEA IBCM OpCo');
  - iii Strategic Risk Oversight Board;
  - iv APAC

Tier 3 Risk Management Committees are:

- The UK IB Credit Risk Committee, chaired by the UK IB Chief Credit Officer, defines and implements the UK IB Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the UK IB credit portfolio including counterparty, sector and concentration.
- The UK IB Market Risk Committee, chaired by the UK IB Head of Market Risk, defines and implements the UKIB Market Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact on the UK IB market risk profile.
- The UK IB Operational Risk Committee, chaired by the UK IB Head of Operational Risk, ensures that the proper standards for operational risk management are established for the UK IB. The committee is responsible for defining and implementing Operational Risk management strategies for the UK entities.
- The UK IB Stress Test Committee, chaired by the UK IB Head of Enterprise Risk, is responsible for identifying, developing and maintaining appropriate stress scenarios which are relevant for UK entities based on material risk factors.
- The EMEA Reputational Risk Committee, co-chaired by the UK IB CRO, is responsible for reviewing and approving transactions that pose a material risk to the company's reputation and are escalated as having potential to have a negative impact on the CSS(E)L's reputation.

#### Risk organisation

Risks arise in all of the Company's business activities and they are monitored and managed through its internal control environment. The Company's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are taken within limits set in a transparent and timely manner.

The Company's independent risk management function is headed by the Company's CRO, who reports jointly to the Company's CEO and the CRO of CS group. The Company CRO is responsible for overseeing the Company's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The Company has strengthened the risk management function to provide a more dedicated focus on the risks at the Company level, in addition to the global risk management processes applied by CS group.

The Risk Management department, as of January 2015, comprises:

- Market (Traded and Non Traded) and Liquidity Risk Management;
- Credit Risk Management;
- Operational Risk Management; and
- Enterprise Risk Management.

The Company's CRO is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions:

- The Market Risk Management ('MRM') department is responsible for assessing and monitoring the market and liquidity risk profiles of the Company and recommends corrective action where necessary;

- Credit Risk Management ('CRM') is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances;
- Operational Risk Management ('ORM') is responsible for the identification, assessment and monitoring of operational risks; and
- Enterprise Risk Management ('ERM') is responsible for covering cross-divisional and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels.

These areas form part of a matrix management structure with reporting lines into both the Company CRO and the relevant Global Risk Head. Furthermore, these departments are supported by a global infrastructure and data process which is maintained by the central, Risk and Finance Data and Reporting ('RFDAR') group.

#### Risk limits

A sound system of risk limits is fundamental to effective risk management. The limits define CSS(E)L Group's maximum risk appetite given management capabilities, the market environment, business strategy and financial resources available to absorb potential losses. The overall risk limits for the Company are set by the Board of Directors and are binding.

Within the bounds of the overall risk appetite of the Company, as defined by the limits set by the Board, the UK IB CRO is the nominated executive who is responsible for implementing a limit framework with the aim of ensuring that the risk profile remains within the Board's risk appetite. The Company has a range of more granular limits for individual businesses, concentrations and specific risks, including, limits on transactions booked from remote locations.

Market risk limit measures are typically based on Value at Risk ('VaR') and scenario analysis, although they also include exposure, risk sensitivities and other metrics. Credit risk limits include overall limits on portfolio credit quality and a system of individual counterparty, country, industry, product and scenario limits, which are used to mitigate concentration risks. These risk limits are binding and generally set to ensure that any meaningful increase in risk exposures is promptly escalated to more senior levels of

management. In addition, the Company has allocated operational risk capital to the businesses and has established thresholds for operational risk losses that trigger additional management action. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (Company-wide statements linked to risk and control indicators) terms.

The majority of these limits are monitored on a daily basis, though those for which the inherent calculation time is longer (such as some credit portfolio limits) are monitored on a weekly or monthly basis.

The Company's financial risk management objectives and policies and the exposure of the CSS(E)L Group to market risk, credit risk, liquidity risk and currency risk are outlined in Note 39 – Financial Instruments Risk Position.

#### Selected credit risk exposure views by country and industry

CSS(E)L Group's credit portfolio benefits from geographical and industrial diversification, by virtue of a balanced risk appetite framework which dynamically adjusts to market conditions. As part of proactive risk management, limits are adjusted to avoid the build-up of concentrations to risky or volatile industries and countries. The risk management framework includes country and industry limits, and the execution of scenario analyses which translate aggregate exposures into potential losses under forward looking narratives.

The table below shows exposure to a selection of Southern European Countries, alongside Russia, China, Brazil and the Sub-Saharan region.

Gross credit risk exposures, presented on a risk based view, include loans and loan commitments, investments (such as cash securities and other investments) and all exposures of derivatives (not limited to credit protection purchased and sold), after consideration of legally enforceable netting agreements. Net exposures include the impact of risk mitigation such as Credit Default Swaps ('CDS') and other hedges, guarantees, insurance and collateral (primarily cash and securities). Collateral values applied for the calculation of the net exposure are determined in accordance with risk management policies and reflect applicable margining considerations.

31 December 2015 (USD millions)	Sovereign		Financial Institutions		Corporate	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
Greece	–	–	4	4	3	3
Ireland	–	–	16	16	4	4
Italy	–	–	396	127	39	39
Portugal	–	–	14	14	7	7
Spain	–	–	35	35	25	25
Russia	31	31	28	28	46	46
China	–	–	–	–	8	8
Brazil	–	–	28	25	–	–
Sub-Saharan Africa	11	11	44	42	8	8
<b>Total</b>	<b>42</b>	<b>42</b>	<b>565</b>	<b>291</b>	<b>140</b>	<b>140</b>

The table below shows exposure to the Oil & Gas and Metals & Mining industries across all geographies. Some key players in the Oil & Gas industry were recently internally downgraded, to reflect a relative deterioration in credit fundamentals in relation to lower energy prices. Exposure in CSS(E)L Group's remains relatively immaterial. Exposure is presented using the same measure of the country-risk table above.

31 December 2015 (USD millions)	Gross Exposure	Net Exposure
Oil & Gas	71	71
Metals & Mining	72	72
<b>Total</b>	<b>143</b>	<b>143</b>

### Corporate employee policy

The CSS(E)L Group adopts the CS group's policies which are committed to providing equal opportunities for all employees, irrespective of factors such as ethnicity or nationality, gender, sexual orientation, religion, age, marital or family status, or disability.

The CSS(E)L Group's internal experts work closely with the CSS(E)L Group's businesses across all regions to ensure that the CSS(E)L Group's diversity and inclusion strategy is firmly embedded in the CSS(E)L Group's corporate culture. They advise managers on the planning and implementation of necessary internal structures and measures to ensure the CSS(E)L Group can offer an inclusive working environment that is free from discrimination and can take the specific needs of clients into account in the CSS(E)L Group's product and service offering. A council headed by the CSS(E)L Group's regional CEOs is responsible for ensuring that the CSS(E)L Group systematically strives to achieve the targets the CSS(E)L Group has defined and that the CSS(E)L Group implement appropriate measures.

The CSS(E)L Group is committed to ensuring it has an appropriate corporate culture, reflecting a focus on risk, ethics and values. The CSS(E)L Group believes having the right culture will deliver a number of other benefits including the opportunity to create competitive advantage. Leveraging the Credit Suisse group's corporate values, the UK Culture Program was set up to articulate the culture aspired to for CS in the UK and also to create the right environment for those who work here, encouraging individuals to behave consistently in line with these aspirations. Chaired by the CSS(E)L Group's CEO, a Culture Program Steering Committee oversees how the culture statements are embedded into day-to-day business activities. Comprised of senior leaders from the major divisions and corporate functions with a presence in the UK, the Steering Committee meets monthly and provides leadership and direction to the overall program.

A Disciplinary Review Committee ('DRC') provides a framework to ensure that the Company's articulated standards of professional conduct are adhered to and consistently enforced on a continuous basis.

The Committee is designed to supplement existing policies and procedures (which require line managers and or other internal parties to be involved in disciplinary decisions), by providing an independent review of those decisions. The Committee is chaired by the Company's CEO and comprises senior regional representatives from the businesses and Shared Services.

The Role of the Committee is:

- To consider whether issues or incidents arising in the course of the Company's business warrant the initiation of a disciplinary process;
- To review and provide input into the adequacy of proposed disciplinary action in cases of misconduct or failure to comply with applicable policies, standards, rules or requirements. Any decision will be that of the disciplinary hearing manager;
- Disciplinary issues relating to breaches of the Company's equal opportunity and dignity at work policies will, owing to their sensitivity, be reviewed by the CEO in conjunction with a subsection only of the full Committee; and
- To ensure that risk/control issues/concerns are properly reflected in the annual performance evaluation (competency of 'Principled Conduct'), promotion, and compensation processes, the Committee will:
  - i Ensure that formal disciplinary action, and any inappropriate conduct falling short of disciplinary action or any negative feedback arising from structured risk and control assessments of personnel is appropriately reflected in annual performance evaluations;
  - ii Review and determine whether any promotion candidate should be deferred by reason of any of the matters described above; and
  - iii Define appropriate impact on discretionary variable incentive award for different levels of disciplinary action (e.g. oral/written warnings, etc. where applicable).

The CS group currently supports more than 40 internal employee networks worldwide that serve as a platform for the exchange of knowledge and experience, fostering mutual understanding and helping to strengthen corporate culture. The networks within the Company, which are run by employees on a voluntary basis, are dedicated to addressing the concerns of women, families, Lesbian, Gay, Bisexual and Transgender ('LGBT') individuals, the older and younger generations, and employees from various ethnic backgrounds. The networks within the Company also support veterans, employees with physical disabilities, mental health issues and employees who have responsibilities of care.

By Order of the Board



Paul E Hare  
Company Secretary

One Cabot Square  
London E14 4QJ  
24 March 2016

# Directors' Report for the year ended 31 December 2015

## International Financial Reporting Standards

The CSS(E)L group and Company 2015 Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU').

The Financial Statements were authorised for issue by the directors on 24 March 2016.

## Dividends

No dividends were paid or are proposed for the year ended 31 December 2015 (2014: USD Nil).

## Directors

The names of the directors as at the date of this report are set out on page 1. Changes in the directorate since 31 December 2014 and up to the date of this report are as follows:

### Appointment

Paul Ingram	20 March 2015
Christopher Horne	14 May 2015
Alison Halsey (Non Exec)	05 November 2015
David Livingstone	01 October 2015
David Mathers (CEO)	24 March 2016
Stephen Dainton	29 January 2016

### Resignation

Christopher Williams	04 March 2015
David Livingstone	04 March 2016
Stephen Kingsley (Non Exec)	31 March 2015
Gael de Boissard	31 December 2015

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

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare CSS(E)L Group and Company Financial Statements for each financial year. Under that law they have elected to prepare both the CSS(E)L Group and Company Financial Statements in accordance with 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 CSS(E)L Group and Company and of their profit or loss for that period. In preparing each of the CSS(E)L Group and Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the CSS(E)L Group and the Company will continue in business.

The Directors confirm to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of CSS(E)L and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of CSS(E)L and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the CSS(E)L Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the CSS(E)L Group and Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CSS(E)L Group 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 CS Group's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## Risk and Capital

The way in which these risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 39 – Financial Instruments Risk Position.

Changes made to the capital structure are set out in Note 28 – Share Capital and Share Premium.

## 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 CSS(E)L Group's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that CSS(E)L Group's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Subsequent Events**

On 17 March 2016, CSS(E)L signed a business transfer agreement to sell parts of its Prime Services platform to Credit Suisse AG (acting through its Dublin branch). CSS(E)L has agreed to transfer the underlying business to Credit Suisse AG in a phased approach, which is expected to be completed within 18 months from the signing of the agreement. CSS(E)L expects to receive initial consideration of USD 300 million, when the majority of the associated client relationships have been transferred to Credit Suisse AG (acting through its Dublin branch) during this 18 month period. The agreement contains a purchase price adjustment clause for the case that fewer client relationships transfer than anticipated. CSS(E)L presents the income and expenses generated by the Prime Services platform in its financial statements as discontinued operations and the associated assets and liabilities as held-for-sale. Refer Note 26 – Discontinued Operations and Assets Held for Sale.

In the UK budget announcement of 16 March 2016, the UK government announced its intention to further reduce the UK corporation tax rate to 17% with effect from 1 April 2020. This tax rate reduction is expected to be substantively enacted in 2016.

On March 23, 2016, the CS group announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower its cost base, accelerate the risk-weighted assets and leverage reduction

initiatives in the reshaping of the Global Markets business and further strengthen its capital position. The additional measures and new financial objectives that impact the Company will need to consider include:

- increasing the gross savings targets;
- reducing the risk-weighted assets target in the Global Markets;
- exiting the European Securitised Products trading businesses in Global Markets; and
- the assets from businesses the Company is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016.

By Order of the Board



Christopher Horne  
Director

One Cabot Square  
London E14 4QJ  
24 March 2016

# Independent Auditor's Report to the Members of Credit Suisse Securities (Europe) Limited

We have audited the Financial Statements of Credit Suisse Securities (Europe) Limited for the year ended 31 December 2015 set out on pages 15 to 129. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU and, as regards the parent company ('the Company') financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the Financial Statements

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

## Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the CSS(E)L Group's and of the Company's affairs as at 31 December 2015 and of the CSS(E)L Group's and Company's loss for the year then ended;
- the CSS(E)L Group and Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Dean Rogers  
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
24 March 2016



# Financial Statements for the year ended 31 December 2015

## Consolidated Statement of Income for the Year ended 31 December 2015

	Reference to note	2015	in restated 2014 <sup>1</sup>
<b>Statement of Income (USD million)</b>			
<b>Continuing Operations</b>			
Interest income	4	228	477
Interest expense	4	(461)	(710)
Net interest expense		(233)	(233)
Commission and fee income	5	595	687
Commission and fee expense	5	(57)	(60)
Net commission and fee income		538	627
Net gains from financial assets/liabilities at fair value through profit or loss	6	868	894
Other revenues	7	(59)	(125)
<b>Net revenues</b>		<b>1,114</b>	<b>1,163</b>
Compensation and benefits	8	(987)	(1,154)
General, administrative and trading expenses	9	(606)	(506)
Restructuring expenses	10	(54)	-
<b>Total operating expenses</b>		<b>(1,647)</b>	<b>(1,660)</b>
Loss before taxes from continuing operations		(533)	(497)
Income tax benefit/(expense) from continuing operations	11	42	(151)
Loss after taxes from continuing operations		(491)	(648)
<b>Discontinued Operations</b>			
(Loss)/Profit before tax from discontinued operations	26	(64)	95
Income tax expense from discontinued operations	11	(3)	-
(Loss)/Profit after taxes from discontinued operations		(67)	95
<b>Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders</b>		<b>(558)</b>	<b>(553)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

## Company Statement of Income for the Year ended 31 December 2015

	Reference to note	2015	in restated 2014 <sup>1</sup>
<b>Statement of Income (USD million)</b>			
<b>Continuing Operations</b>			
Interest income	4	221	445
Interest expense	4	(454)	(678)
Net interest expense		(233)	(233)
Commission and fee income	5	595	687
Commission and fee expense	5	(57)	(60)
Net commission and fee income		538	627
Net gains from financial assets/liabilities at fair value through profit or loss	6	868	894
Other revenues	7	(59)	(125)
<b>Net revenues</b>		<b>1,114</b>	<b>1,163</b>
Compensation and benefits	8	(987)	(1,154)
General, administrative and trading expenses	9	(606)	(506)
Restructuring expenses	10	(54)	-
<b>Total operating expenses</b>		<b>(1,647)</b>	<b>(1,660)</b>
Loss before taxes from continuing operations		(533)	(497)
Income tax benefit/(expense) from continuing operations	11	42	(151)
Loss after taxes from continuing operations		(491)	(648)
<b>Discontinued Operations</b>			
(Loss)/Profit before tax from discontinued operations	26	(64)	95
Income tax expense from discontinued operations	11	(3)	-
(Loss)/Profit after taxes from discontinued operations		(67)	95
<b>Net loss attributable to Credit Suisse Securities (Europe) Limited shareholders</b>		<b>(558)</b>	<b>(553)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

## Statement of Comprehensive Income for the Year ended 31 December 2015

CSS(E)L Group and Company	2015	2014
<b>Statement of Comprehensive Income (USD million)</b>		
<b>Net loss</b>	<b>(558)</b>	<b>(553)</b>
Re-measurement of defined benefit liability/(asset)	(7)	193
<b>Total items that will not be reclassified to net income</b>	<b>(7)</b>	<b>193</b>
Foreign currency translation differences	(40)	(43)
Net investment hedge – net gain	22	11
Cash flow hedges – effective portion of changes in fair value	(13)	(43)
Cash flow hedges – reclassified to profit or loss	46	4
Available-for-sale financial assets – net change in fair value	-	(1)
<b>Total items that may be reclassified to net income</b>	<b>15</b>	<b>(72)</b>
<b>Other comprehensive income, net of tax</b>	<b>8</b>	<b>121</b>
<b>Total comprehensive loss</b>	<b>(550)</b>	<b>(432)</b>
Attributable to shareholders	(550)	(432)

Refer Note 27 Accumulated Other Comprehensive Income for details.

## Consolidated Statement of Financial Position as at 31 December 2015

	Reference to note	2015	end of 2014
<b>Assets (USD million)</b>			
Cash and due from banks		8,874	21,728
Interest bearing deposits with banks		9,700	2,179
Securities purchased under resale agreements and securities borrowing transactions	13	5,143	49,366
Trading financial assets at fair value through profit or loss	14	20,682	59,507
of which positive market values from derivative instruments	14	4,482	9,550
Financial assets designated at fair value through profit or loss	15	28,587	41,039
Financial assets available-for-sale	16	33	33
Current tax assets	11	99	113
Deferred tax assets	12	18	18
Other assets	17	6,525	19,433
Property and equipment	19	4	14
Intangible Assets	20	1	2
Goodwill	21	-	6
Assets held for sale	26	63,876	-
<b>Total assets</b>		<b>143,542</b>	<b>193,438</b>
<b>Liabilities (USD million)</b>			
Deposits	22	160	1,709
Securities sold under repurchase agreements and securities lending transactions	13	62	36,817
Trading financial liabilities at fair value through profit or loss	14	9,789	28,141
of which negative market values from derivative instruments	14	4,876	11,029
Financial liabilities designated at fair value through profit or loss	15	25,732	44,041
Short term borrowings	23	2,761	6,001
Deferred tax liabilities	12	-	2
Other liabilities	17	16,141	36,833
Provisions	24	2	2
Long term debt	25	26,419	31,640
Liabilities held for sale	26	54,502	-
<b>Total liabilities</b>		<b>135,568</b>	<b>185,186</b>
<b>Shareholders' equity</b>			
Share capital	28	3,859	3,859
Share premium	28	5,661	5,661
Capital contribution		5,662	5,390
Retained earnings		(6,997)	(6,439)
Accumulated other comprehensive income	27	(211)	(219)
<b>Total shareholders' equity</b>		<b>7,974</b>	<b>8,252</b>
<b>Total liabilities and shareholders' equity</b>		<b>143,542</b>	<b>193,438</b>

Approved by the Board of Directors on 24 March 2016 and signed  
on its behalf by:



Christopher Horne  
Director

## Company Statement of Financial Position as at 31 December 2015

	Reference to note	2015	end of 2014
<b>Assets (USD million)</b>			
Cash and due from banks		8,870	21,725
Interest bearing deposits with banks		9,700	2,179
Securities purchased under resale agreements and securities borrowing transactions	13	5,143	49,366
Trading financial assets at fair value through profit or loss	14	21,249	60,075
of which positive market values from derivative instruments	14	5,049	10,116
Financial assets designated at fair value through profit or loss	15	27,962	40,063
Financial assets available-for-sale	16	33	33
Current tax assets	11	99	113
Deferred tax assets	12	18	18
Other assets	17	6,506	19,430
Property and equipment	19	4	14
Intangible Assets	20	1	2
Goodwill	21	–	6
Assets held for sale	26	63,876	–
<b>Total assets</b>		<b>143,461</b>	<b>193,024</b>
<b>Liabilities (USD million)</b>			
Deposits	22	160	1,709
Securities sold under repurchase agreements and securities lending transactions	13	62	36,817
Trading financial liabilities at fair value through profit or loss	14	9,755	28,106
of which negative market values from derivative instruments	14	4,842	10,994
Financial liabilities designated at fair value through profit or loss	15	25,720	43,701
Short term borrowings	23	2,761	6,001
Deferred tax liabilities	12	–	2
Other liabilities	17	16,110	36,798
Provisions	24	2	2
Long term debt	25	26,419	31,640
Liabilities held for sale	26	54,502	–
<b>Total liabilities</b>		<b>135,491</b>	<b>184,776</b>
<b>Shareholders' equity</b>			
Share capital	28	3,859	3,859
Share premium	28	5,661	5,661
Capital contribution		5,662	5,390
Retained earnings		(7,001)	(6,443)
Accumulated other comprehensive income	27	(211)	(219)
<b>Total shareholders' equity</b>		<b>7,970</b>	<b>8,248</b>
<b>Total liabilities and shareholders' equity</b>		<b>143,461</b>	<b>193,024</b>

Approved by the Board of Directors on 24 March 2016 and signed  
on its behalf by:



Christopher Horne  
Director

## Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI <sup>1</sup>	Total share- holders' equity
<b>2015 Consolidated statement of changes in equity (USD million)</b>							
<b>Balance at 1 January 2015</b>		<b>3,859</b>	<b>5,661</b>	<b>5,390</b>	<b>(6,439)</b>	<b>(219)</b>	<b>8,252</b>
Foreign exchange translation differences		-	-	-	-	(40)	(40)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	22	22
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	(13)	(13)
Cash flow hedges – reclassified to profit or loss		-	-	-	-	46	46
Re-measurement of defined benefit liability/(asset)		-	-	-	-	(7) <sup>2</sup>	(7)
<b>Net loss recognised directly in retained earnings and AOCI</b>		-	-	-	-	<b>8</b>	<b>8</b>
Net loss for the year		-	-	-	(558)	-	(558)
<b>Total comprehensive loss recognised for the year</b>		-	-	-	<b>(558)</b>	<b>8</b>	<b>(550)</b>
Increase in Capital Contribution from sale of business to a common control entity	28	-	-	272	-	-	272
<b>Balance at 31 December 2015</b>		<b>3,859</b>	<b>5,661</b>	<b>5,662</b>	<b>(6,997)</b>	<b>(211)</b>	<b>7,974</b>
<b>2014 Consolidated statement of changes in equity (USD million)</b>							
<b>Balance at 1 January 2014</b>		<b>2,859</b>	<b>5,661</b>	<b>5,390</b>	<b>(5,886)</b>	<b>(340)</b>	<b>7,684</b>
Foreign exchange translation differences		-	-	-	-	(43)	(43)
Net gain on hedges of net investments in foreign entities taken to equity		-	-	-	-	11	11
Net loss on financial assets available-for-sale		-	-	-	-	(1)	(1)
Cash flow hedges – effective portion of changes in fair value		-	-	-	-	(43)	(43)
Cash flow hedges – reclassified to profit or loss		-	-	-	-	4	4
Re-measurement of defined benefit liability/(asset)		-	-	-	-	193 <sup>2</sup>	193
<b>Net loss recognised directly in AOCI</b>		-	-	-	-	<b>121</b>	<b>121</b>
Net loss for the year		-	-	-	(553)	-	(553)
<b>Total comprehensive loss recognised for the year</b>		-	-	-	<b>(553)</b>	<b>121</b>	<b>(432)</b>
<b>Issuance of common shares</b>	28	<b>1,000</b>	-	-	-	-	1,000
<b>Balance at 31 December 2014</b>		<b>3,859</b>	<b>5,661</b>	<b>5,390</b>	<b>(6,439)</b>	<b>(219)</b>	<b>8,252</b>

<sup>1</sup> AOCI refers to Accumulated Other Comprehensive Income.<sup>2</sup> Disclosed net of tax.

## Company Statement of Changes in Equity for the year ended 31 December 2015

	Reference to notes	Share Capital	Share Premium	Capital contribution	Retained earnings	AOCI <sup>1</sup>	Total share- holders' equity
<b>2015 Company statement of changes in equity (USD million)</b>							
<b>Balance at 1 January 2015</b>		<b>3,859</b>	<b>5,661</b>	<b>5,390</b>	<b>(6,443)</b>	<b>(219)</b>	<b>8,248</b>
Foreign exchange translation differences		–	–	–	–	(40)	(40)
Net gain on hedges of net investments in foreign entities taken to equity		–	–	–	–	22	22
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	(13)	(13)
Cash flow hedges – reclassified to profit or loss		–	–	–	–	46	46
Re-measurement of defined benefit liability/(asset)		–	–	–	–	(7) <sup>2</sup>	(7)
<b>Net loss recognised directly in retained earnings and AOCI</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>8</b>
Net loss for the year		–	–	–	(558)	–	(558)
<b>Total comprehensive loss recognised for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(558)</b>	<b>8</b>	<b>(550)</b>
Increase in Capital Contribution from sale of business to a common control entity	28	–	–	272	–	–	272
<b>Balance at 31 December 2015</b>		<b>3,859</b>	<b>5,661</b>	<b>5,662</b>	<b>(7,001)</b>	<b>(211)</b>	<b>7,970</b>
<b>2014 Company statement of changes in equity (USD million)</b>							
<b>Balance at 1 January 2014</b>		<b>2,859</b>	<b>5,661</b>	<b>5,390</b>	<b>(5,890)</b>	<b>(340)</b>	<b>7,680</b>
Foreign exchange translation differences		–	–	–	–	(43)	(43)
Net gain on hedges of net investments in foreign entities taken to equity		–	–	–	–	11	11
Net loss on financial assets available-for-sale		–	–	–	–	(1)	(1)
Cash flow hedges – effective portion of changes in fair value		–	–	–	–	(43)	(43)
Cash flow hedges – reclassified to profit or loss		–	–	–	–	4	4
Re-measurement of defined benefit liability/(asset)		–	–	–	–	193 <sup>2</sup>	193
<b>Net loss recognised directly in AOCI</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>121</b>	<b>121</b>
Net loss for the year		–	–	–	(553)	–	(553)
<b>Total comprehensive loss recognised for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(553)</b>	<b>121</b>	<b>(432)</b>
Issuance of common shares	28	1,000	–	–	–	–	1,000
<b>Balance at 31 December 2015</b>		<b>3,859</b>	<b>5,661</b>	<b>5,390</b>	<b>(6,443)</b>	<b>(219)</b>	<b>8,248</b>

<sup>1</sup> AOCI refers to Accumulated Other Comprehensive Income.

<sup>2</sup> Disclosed net of tax.

## Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Reference to notes	2015 <sup>1</sup>	2014
<b>Cash flows from operating activities (USD million)</b>			
Loss before tax for the period		(597)	(402)
<b>Adjustments to reconcile net profit to net cash used in operating activities</b>			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
Impairment, depreciation and amortisation	19,20,21	16	6
Pension plan charge	29	(33)	(50)
Foreign exchange losses / (gains)		40	39
Accrued interest on long term debt		442	583
Share-based payment expense		(219)	(272)
<b>Cash generated before changes in operating assets and liabilities</b>		<b>(351)</b>	<b>(96)</b>
<b>Net (increase) /decrease in operating assets:</b>			
Interest bearing deposits with banks		(7,521)	(631)
Securities purchased under resale agreements and securities borrowing transactions	13	8,283	(6,304)
Trading financial assets at fair value through profit or loss	14,26	18,695	5,622
Financial assets designated at fair value through profit or loss	15	12,452	12,952
Other assets and other loans and receivables	17	5,113	13,812
<b>Net decrease in operating assets</b>		<b>37,022</b>	<b>25,451</b>
<b>Net increase /(decrease) in operating liabilities:</b>			
Securities sold under repurchase agreements and securities lending transactions	13	(14,000)	3,889
Deposits	22	(1,549)	(190)
Short term borrowings	23	(3,240)	(23,841)
Trading financial liabilities at fair value through profit or loss	14,26	(2,834)	(9,939)
Financial liabilities designated at fair value through profit or loss	15	(17,830)	(4,035)
Accrued expenses and other liabilities	17	(5,132)	(7,906)
Provisions	24	-	(3)
<b>Net decrease in operating liabilities</b>		<b>(44,585)</b>	<b>(42,025)</b>
Income taxes paid		(26)	(70)
Income tax refunded		45	83
Group relief received		-	25
Pension plan contribution	29	(10)	(10)
<b>Net cash from/(used in) operating activities</b>		<b>(7,905)</b>	<b>(16,642)</b>
<b>Cash flows from investing activities (USD million)</b>			
Proceeds from sale of premises, equipment and intangible assets	19,20,21	162	140
Capital expenditure for property, equipment and intangible assets	19,20,21	(162)	(140)
<b>Net cash from/(used in) from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities (USD million)</b>			
Issuance of long term debt (including long term debt at fair value through profit or loss)	25	8,318	23,332
Repayment of long term debt	25	(13,539)	(4,988)
Issue of shares	28	-	1,000
Increase In Capital Contribution due to sale of business to common control entity	28	272	-
<b>Net cash generated/(provided) by financing activities</b>		<b>(4,949)</b>	<b>19,344</b>
<b>Net increase in cash and due from banks</b>		<b>(12,854)</b>	<b>2,702</b>
Cash and due from banks at beginning of period		21,728	19,026
<b>Cash and due from banks at end of period</b>		<b>8,874</b>	<b>21,728</b>
Cash and due from banks		1,624	1,645
Demand deposits		7,250	20,083
<b>Cash and due from banks at end of period</b>		<b>8,874</b>	<b>21,728</b>

<sup>1</sup> The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 26

## Company Statement of Cash Flows for the year ended 31 December 2015

	Reference to notes	2015 <sup>1</sup>	2014
<b>Cash flows from operating activities (USD million)</b>			
Loss before tax for the period		(597)	(402)
<b>Adjustments to reconcile net profit to net cash used in operating activities</b>			
Non-cash items included in net profit/(loss) before tax and other adjustments:			
Impairment, depreciation and amortisation	19,20,21	16	6
Pension plan charge	29	(33)	(56)
Foreign exchange losses / (gains)		40	45
Accrued interest on long term debt		442	583
Share-based payment expense		(219)	(272)
<b>Cash generated before changes in operating assets and liabilities</b>		<b>(351)</b>	<b>(96)</b>
<b>Net (increase) /decrease in operating assets:</b>			
Interest bearing deposits with banks		(7,521)	(631)
Securities purchased under resale agreements and securities borrowing transactions	13	8,283	(6,304)
Trading financial assets at fair value through profit or loss	14,26	18,696	5,591
Financial assets designated at fair value through profit or loss	15	12,101	13,509
Other assets and other loans and receivables	17	5,130	13,829
<b>Net decrease in operating assets</b>		<b>36,689</b>	<b>25,994</b>
<b>Net increase /(decrease) in operating liabilities:</b>			
Securities sold under repurchase agreements and securities lending transactions	13	(14,000)	3,889
Deposits	22	(1,549)	(190)
Short term borrowings	23	(3,240)	(23,841)
Trading financial liabilities at fair value through profit or loss	14,26	(2,833)	(9,940)
Financial liabilities designated at fair value through profit or loss	15	(17,502)	(4,362)
Accrued expenses and other liabilities	17	(5,128)	(8,121)
Provisions	24	-	(3)
<b>Net decrease in operating liabilities</b>		<b>(44,252)</b>	<b>(42,568)</b>
Income taxes paid		(26)	(70)
Income tax refunded		45	83
Group relief received		-	25
Pension plan contribution	29	(10)	(10)
<b>Net cash from/(used in) operating activities</b>		<b>(7,905)</b>	<b>(16,642)</b>
<b>Cash flows from investing activities (USD million)</b>			
Proceeds from sale of premises, equipment and intangible assets	19,20,21	162	140
Capital expenditure for property, equipment and intangible assets	19,20,21	(162)	(140)
<b>Net cash from/(used in) investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities (USD million)</b>			
Issuances of long term debt (including long term debt at fair value through profit or loss)	25	8,318	23,332
Repayment of long term debt	25	(13,539)	(4,988)
Issue of shares	28	-	1,000
Increase In Capital Contribution due to sale of business to common control entity	28	272	-
<b>Net cash generated/(provided) by financing activities</b>		<b>(4,949)</b>	<b>19,344</b>
<b>Net increase in cash and due from banks</b>		<b>(12,854)</b>	<b>2,702</b>
Cash and due from banks at beginning of period		21,725	19,023
<b>Cash and due from banks at end of period</b>		<b>8,871</b>	<b>21,725</b>
Cash and due from banks		1,621	1,642
Demand deposits		7,250	20,083
<b>Cash and due from banks at end of period</b>		<b>8,871</b>	<b>21,725</b>

<sup>1</sup> The Company has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 26



## Notes to the consolidated financial statements

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# Notes to the Financial Statements for the year ended 31 December 2015

## 1 General

Credit Suisse Securities (Europe) Limited is domiciled in the United Kingdom. The address of the CSS(E)L Group's registered office is One Cabot Square, London, E14 4QJ. The Consolidated Financial Statements for the year ended 31 December 2015 comprise

Credit Suisse Securities (Europe) Limited and its subsidiaries (including structured entities). The Consolidated Financial Statements were authorised for issue by the Directors on 24 March 2016.

## 2 Significant Accounting Policies

### a) Statement of compliance

Both the Company Financial Statements and the CSS(E)L Group Financial Statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs').

### b) Basis of preparation

The Consolidated Financial Statements are presented in United States Dollars ('USD') rounded to the nearest million. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial assets available-for-sale and financial instruments designated by the CSS(E)L Group at fair value through profit or loss.

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

The CSS(E)L Group and the Company have unrestricted and direct access to funding sources by CSG. After making enquiries of the CSG, the Directors of the Company have received confirmation that CSG will ensure that the Company maintains a sound financial position and is able to meet its debt obligations for the foreseeable future. Accordingly the Directors have prepared these accounts on a going concern basis.

### Standards and Interpretations effective in the current period

The CSS(E)L Group has adopted the following amendments in the current year:

- Annual Improvements to IFRSs 2011-2013 Cycle: In December 2013, the IASB issued 'Annual Improvements to IFRSs Cycle 2011-2013' (Improvements to IFRSs 2011-2013), which contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. The adoption of the Improvements to IFRSs 2011-2013 on 1 January 2015 did not have an impact on the CSS(E)L Group's financial position, results of operation or cash flows.
- Annual Improvements to IFRSs 2010-2012 Cycle: In December 2013, the IASB issued 'Annual Improvements to IFRSs Cycle 2010-2012' (Improvements to IFRSs 2010-2012). The adoption of the Improvements to IFRSs 2010-2012 on 1 January 2015 did not have an impact on the CSS(E)L Group's financial position, results of operation or cash flows.
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits): In December 2013, the IASB issued Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 Employee Benefits). The IASB amended the requirements in IAS 19 for the contributions from employees or third parties that are linked to service. The Amendments are intended to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. The adoption of the Amendments to IAS 19 on 1 January 2015 did not have an impact on the CSS(E)L Group's financial position, results of operation or cash flows.

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

The CSS(E)L Group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective.

- Annual Improvements to IFRSs 2012-2014 Cycle: In September 2014, the IASB issued 'Annual Improvements to IFRSs 2012-2014 cycle' (Improvements to IFRSs 2012-2014). The adoption of the Improvements to IFRSs 2012-2014 on 1 January 2016, did not have a material impact to the CSS(E)L Group's financial position, results of operation or cash flows.

- Amendments to IAS 27: Equity Method in Separate Financial Statements: In August 2014 the IASB issued 'Equity Method in Separate Financial Statements' (Amendments to IAS 27). The Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The adoption of the Amendments to IAS 27 on 1 January 2016, did not have a material impact to the CSS(E)L Group's financial position, results of operation or cash flows.
- Disclosure Initiative (Amendments to IAS 1): In December 2014, the IASB issued Amendments to IAS 1 as part of their Disclosure Initiative. The Amendments clarify guidance regarding materiality, notes to the financial statements and the presentation of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive income. The Amendments will allow entities to use more judgement when preparing and presenting financial statements. As the Amendments to IAS 1 impact disclosures only, the adoption on 1 January 2016, did not have a material impact to the CSS(E)L Group's financial position, results of operation or cash flows.

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

The CSS(E)L Group is not yet required to adopt the following standards and interpretations which are issued by the IASB but not yet effective and have not yet been endorsed by the EU.

- IFRS 9 Financial Instruments: In November 2009 the IASB issued IFRS 9 'Financial Instruments' (IFRS 9) covering the classification and measurement of financial assets which introduces new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, which incorporated new requirements on the accounting for financial liabilities. In July 2014, the IASB issued IFRS 9 as a complete standard. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Under IFRS 9, the new impairment requirements will primarily apply to financial assets measured at amortised cost and fair value through other comprehensive income as well as certain loan commitments and financial guarantee contracts. The impairment requirements will change from an incurred loss model to an expected loss model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. If the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement will change from 12-month expected credit losses to lifetime expected credit losses. Therefore impairment will be recognised earlier than is the case under IAS 39 because IFRS 9 requires the recognition of expected credit losses before a loss event occurs and the financial asset is deemed to be credit-impaired.

Under IFRS 9, financial assets will be classified on the basis of two criteria 1) the business model of how the financial assets are managed and 2) the contractual cash flow characteristics of the financial asset. These factors will determine whether the financial assets are measured at amortised cost, Fair value through Other Comprehensive Income or Fair value through

Profit & Loss. The accounting for financial liabilities remains largely unchanged except for those financial liabilities which are Fair Value through Profit and Loss, where the gains and losses arising from changes in credit risk will be presented in Other Comprehensive Income rather than profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However certain sections of IFRS 9 relating to fair value option elected financial liabilities can be early adopted in isolation. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 9 however, it is not practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

- IFRS 15 Revenue from Contracts with Customers: In May 2014, the IASB issued 'Revenue from Contracts with Customers' (IFRS 15). IFRS 15 establishes a single, comprehensive framework for revenue recognition. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 15.
- IFRS 16 Leases: In January 2016 the IASB issued IFRS 16 'Leases' (IFRS 16) which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. IFRS 16 requires lessees to recognise most leases on their balance sheets; lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The CSS(E)L Group is currently evaluating the impact of adopting IFRS 16.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: In September 2014, the IASB issues 'Sale or Contribution between an Investor and its Associate or Joint Venture' (Amendments to IFRS 10 and IAS 28). The Amendments clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The Amendments are currently effective for annual periods beginning on or after 1 January 2016, however an exposure draft has been issued to amend the effective date. The Amendments to IFRS 10 and IAS 28 will not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.
- Investment entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28); In December 2014, the IASB issued 'Investment Entities: Applying the Consolidation Exception' (Amendments to IFRS 10, IFRS 12 and IAS 28). The Amendments address issues that have arisen in relation to the exemption from consolidation for investment entities. The Amendments are effective for annual periods beginning on or after 1 January 2016. When endorsed the

adoption of Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) will not have a material impact on the CSS(E)L Group's financial position, results of operation or cash flows.

- Amendments to IAS 12: Income Taxes: In January 2016, the IASB issued 'Recognition of Deferred Tax Assets for Unrealised Losses' (Amendments to IAS 12). The Amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The Amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2017, with retrospective application required. The CSS(E)L Group is currently evaluating the impact of adopting the Amendments to IAS 12.
- Disclosure Initiative (Amendments to IAS 7): In January 2016, the IASB issued amendments to IAS 7 as part of their Disclosure Initiative. The Amendments require enhanced disclosures regarding changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The Amendments are effective for annual periods beginning on or after 1 January 2017. The CSS(E)L Group is currently evaluating the impact of adopting the Amendments to IAS 7.

The accounting policies have been applied consistently by CSS(E)L Group entities.

### c) Basis of consolidation

The consolidated financial statements include the results and positions of the CSS(E)L Group and its subsidiaries (which includes consolidated structured entities). Subsidiaries are entities controlled by the CSS(E)L Group. The CSS(E)L Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the CSS(E)L Group has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The CSS(E)L Group also determines whether another entity with decision-making rights is acting as an agent for the CSS(E)L Group. 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 CSS(E)L Group makes significant judgements and assumptions when determining if it has control of another entity. The CSS(E)L Group may control an entity even though it holds less than half of the voting rights of that entity, for example if the CSS(E)L Group 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 CSS(E)L Group may not control an entity even though it holds more than half of the voting rights of that entity, for example where the CSS(E)L Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control commences until the date on which control ceases. The CSS(E)L Group reassesses consolidation status on a quarterly basis.

The effects of intra-group transactions and balances, and any unrealised income and expenses arising from such transactions have been eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the CSS(E)L Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

CSS(E)L Group accounts for a combination of entities or businesses under common control at book value. If the consideration transferred in such a transaction is higher than the carrying amount of the net assets received and CSS(E)L Group is the acquirer in the transaction, the difference is recorded as a reduction in retained earnings. If CSS(E)L Group is the seller in the transaction, the difference is recorded as an increase in Capital Contribution. If the consideration transferred in such a transaction is lower than the carrying amount of the net assets received and CSS(E)L Group is the acquirer in the transaction, the difference is recorded as an increase in Capital Contribution. If CSS(E)L Group is the seller in the transaction, the difference is recorded as a reduction in retained earnings. No goodwill or gain or loss is recorded in such a transaction.

### d) Equity method investments

The CSS(E)L Group's interest(s) in an associate(s) is/are accounted for using the equity method. Associates are entities in which the CSS(E)L Group has significant influence, but not control (or joint control), over the operating and financial management policy decisions. This is generally demonstrated by the CSS(E)L Group holding in excess of 20%, but no more than 50%, of the voting rights. The CSS(E)L Group makes significant judgements and assumptions when determining if it has significant influence over another entity. The CSS(E)L Group may have significant influence with regards to an entity even though it holds less than 20% of the voting rights of that entity, for example, if the CSS(E)L Group has the power to participate in the financial and operating decisions by sitting on the Board. Conversely, the CSS(E)L Group may not have significant influence when it holds more than 20% of the voting rights of that entity as it does not have the power to participate in the financial and operating decisions of an entity.

Equity method investments are initially recorded at cost and increased (or decreased) each year by the CSS(E)L Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the equity method investment, until the date on which significant influence (or joint control) ceases.

**e) Foreign currency**

The Company's functional currency is United States Dollars ('USD'). 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 USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the Consolidated 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.

Assets and liabilities of CSS(E)L Group companies with functional currencies other than USD are translated to USD at foreign exchange rates ruling at the Statement of Financial Position date. The revenue and expenses of these CSS(E)L Group companies are translated to USD at the average foreign exchange rates for the year. The resulting translation differences are recognised directly in a separate component of equity. On disposal, these translation differences are reclassified to the Consolidated Statement of Income as part of gain or loss on disposal.

**f) Cash and due from Banks**

For the purpose of preparation and presentation of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the components of cash and due from banks that are short term, highly liquid instruments with original maturities of three months or less which are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management.

Where cash is received or deposited as collateral, the obligation to repay or the right to receive that collateral is recorded in 'Other assets' or 'Other liabilities'.

The CSS(E)L Group collects and remits cash between its clients and various Central Counterparty Clearing Houses ('CCPs'), Brokers and Deposit Banks. Where the CSS(E)L Group obtains benefits from or controls the cash from its clients, the cash is an asset of the CSS(E)L Group and is included within cash and due from banks on the Consolidated Statement of Financial Position and the corresponding liability is included in 'Other liabilities'. Where the CSS(E)L Group has contractually agreed with the client that:

- The CSS(E)L Group will pass through to the client all interest paid by the CCP, Broker or Deposit Bank on cash deposits;
- The CSS(E)L Group is not permitted to transform cash balances into other assets; and
- The CSS(E)L Group does not guarantee and is not liable to the client for the performance of the CCP, Broker or Deposit Bank, then cash collected from clients and remitted to the CCP, Broker or Deposit Bank is not reflected on the CSS(E)L Group's Consolidated Statement of Financial Position. Examples include initial margin where the CSS(E)L Group acts as Broker in an agency capacity and cash designated as client money under the Client Assets ('CASS') client money rules of the UK's Financial Conduct Authority ('FCA').

**g) Securities purchased or sold under resale agreements or repurchase agreements**

Securities purchased under resale agreements ('reverse repurchase agreements') and securities sold under repurchase agreements ('repurchase agreements') do not constitute economic sales and are therefore treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest is recognised on the Consolidated Statement of Financial Position as an asset. In repurchase agreements, the cash received, including accrued interest is recognised on the Consolidated Statement of Financial Position as a liability.

Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The CSS(E)L Group monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognised on an effective yield basis and recorded as interest income or interest expense.

**h) Securities borrowing and lending transactions**

Securities borrowing and securities lending transactions are generally entered into on a collateralised basis. The transfer of the securities themselves is not reflected on the Consolidated Statement of Financial Position unless the risks and rewards of ownership are also transferred. If cash collateral is advanced or received, securities borrowing and lending activities are recorded at the amount of cash collateral advanced (cash collateral on securities borrowed) or received (cash collateral on securities lent). The sale of securities received in a security borrowing transaction results in the recognition of a trading liability (short sale).

The CSS(E)L Group monitors the market value of the securities borrowed and lent on a daily basis and provides or requests additional collateral in accordance with the underlying agreements. Fees are recognised on an accrual basis and interest received or paid is recognised on an effective yield basis and recorded as interest income or interest expense.

**i) Derivative financial instruments and hedging**

All freestanding derivative contracts are carried at fair value in the Consolidated Statement of Financial Position regardless of whether these instruments are held for trading or risk management purposes. Derivatives classified as trading assets and liabilities include those held for trading purposes and those used for risk management purposes that do not qualify for hedge accounting. Derivatives held for trading purposes arise from proprietary trading activity and from customer-based activity, with changes in fair value included in 'Net gains/(losses)' from financial assets/liabilities at fair value through profit or loss'.

Derivative contracts, which are both designated and qualify for hedge accounting, are reported in the Consolidated Statement of Financial Position as 'Other assets' or 'Other liabilities'.

### Embedded derivatives

When derivative features embedded in certain contracts that meet the definition of a derivative are not considered closely related to the host instrument, either the embedded feature will be accounted for separately at fair value, with changes in fair value recorded in the Consolidated Statement of Income, or the instrument, including the embedded feature, is accounted for at fair value either under the fair value option or due to classification as held for trading. In the latter case the entire instrument is recorded at fair value with changes in fair value recorded in the Consolidated Statement of Income. If separated for measurement purposes, the derivative is recorded in the same line in the Consolidated Statement of Financial Position as the host instrument.

### Hedge accounting

Where hedge accounting is applied, the CSS(E)L Group formally documents all relationships between hedging instruments and hedged items, including the risk management objectives and strategy for undertaking hedge transactions. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items attributable to the hedged risk on both a retrospective and prospective basis. The CSS(E)L Group discontinues hedge accounting prospectively in circumstances where:

- it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item (including forecasted transactions);
- the derivative expires or is sold, terminated, or exercised;
- the derivative is no longer designated as a hedging instrument because it is unlikely that the forecasted transaction will occur; or
- the CSS(E)L Group otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

### Net investment hedges

For hedges of a net investment in a foreign operation, the change in the fair value of the hedging instrument is recorded in AOCI to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. The CSS(E)L Group uses the forward method of determining effectiveness for net investment hedges, which results in the time value portion of a foreign currency forward being reported in AOCI to the extent the hedge is effective.

### Cash flow hedge accounting

For hedges of the variability of cash flows from forecasted transactions and floating rate assets or liabilities, the effective portion of the change in the fair value of a designated derivative is recorded in AOCI as part of shareholders' equity. These amounts are reclassified into the Consolidated Statement of Income when the variable cash flow from the hedged item impacts earnings (e.g. when periodic settlements on a variable rate asset or liability are recorded in the Consolidated Statement of Income or when the hedged item is disposed of). Hedge ineffectiveness is recorded in 'Net gains/

(losses) from financial assets/liabilities at fair value through profit or loss'.

When hedge accounting is discontinued on a cash flow hedge, the net gain or loss will remain in AOCI and be reclassified into the Consolidated Statement of Income in the same period or periods during which the formerly hedged transaction is reported in the Consolidated Statement of Income.

When the CSS(E)L Group discontinues hedge accounting because a forecasted transaction is no longer expected to occur, the derivative will continue to be carried on the Consolidated Statement of Financial Position at its fair value, and gains and losses that were previously recorded in equity will be recognised immediately in the Consolidated Statement of Income. When the CSS(E)L Group discontinues hedge accounting but the forecasted transaction is still expected to occur, the derivative will continue to be recorded at its fair value with all subsequent changes in value recorded directly in the Consolidated Statement of Income. Any gains or losses recorded in equity prior to the date hedge accounting is no longer applied will be reclassified to net income when the forecasted transaction takes place.

### j) Financial assets and liabilities at fair value through profit or loss

The CSS(E)L Group classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and liabilities with either classification are carried at fair value. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of an instrument, the CSS(E)L Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Where the fair value is not determined using a quoted price in an active market for an identical asset or liability or a valuation technique that uses data from observable inputs, then reserves are established for unrealised gains or losses evident at the inception of the contracts so that no gain or loss is recorded at inception. Such reserves are amortised to income over the life of the instrument or released into income when observable inputs becomes available. Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

### Trading financial assets and financial liabilities at fair value through profit or loss

Trading financial assets and financial liabilities include mainly debt and equity securities, derivative instruments, loans and precious metals. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

### Financial instruments designated as held at fair value through profit or loss

Financial assets and liabilities are only designated as held at fair value through profit or loss if the instruments contain an embedded derivative, or when doing so results in more relevant information, because either:

- (i) it eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This election is used for instruments that would otherwise be accounted for under an accrual method of accounting where their economic risks are hedged with derivative instruments that require fair value accounting. This election eliminates or significantly reduces the measurement mismatch between accrual accounting and fair value accounting; or
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the CSS(E)L Group is provided internally on that basis to the entity's key management personnel. This election is used for instruments purchased or issued by business units that manage their performance on a fair value basis. For all instruments elected under this criterion, the business maintains a documented strategy that states that these instruments are risk managed on a fair value basis. Additionally, management relies upon the fair value of these instruments in evaluating the performance of the business.

The Fair Value Option has been applied to certain debt instruments, equity securities and loans and the related financial assets and financial liabilities are presented as 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss'. Movements in 'Financial assets designated at fair value through profit or loss' or 'Financial liabilities designated at fair value through profit or loss' are recognised in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'. Once designated this election is irrevocable.

#### Financial assets available for sale

Financial assets that are not classified at fair value through profit or loss, as loans and receivables or as held-to-maturity investments are classified as available-for-sale. Certain marketable equity securities are classified as available-for-sale.

#### Equity securities available for sale

Equity securities classified as available for sale are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the securities. Securities available-for-sale are carried at fair value with the changes in fair value reported in AOCI until such investments are sold or impaired. For equity securities available-for-sale, the gain or loss is recognised in AOCI including any related foreign exchange component. Gains and losses recorded in AOCI are transferred to the Consolidated Statement of Income on disposal of assets available-for-sale and presented as other revenues. Generally, the weighted average cost method is used to determine the gain or loss on disposals. Dividend income on available-for-sale financial assets is presented in net interest income.

The CSS(E)L Group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that an asset or group of assets available-for-sale is impaired. In the case of equity securities available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost that is if the fair value has been below cost for more than six months or by more than 20%. Where there is evidence of impairment, the cumulative unrealised loss previously recognised in AOCI within equity is transferred to the Consolidated Statement of Income for the period and reported in other revenues. This amount is determined as the difference between the acquisition cost (net of any principal repayments and amortisation) and current fair value of the asset less any impairment loss on that investment previously recognised in the Consolidated Statement of Income. Impairment losses on equity securities available-for-sale are not reversed; increases in their fair value after impairment are recognised in AOCI.

#### k) Recognition and derecognition

##### Recognition

The CSS(E)L Group recognises financial instruments on its Consolidated Statement of Financial Position when the CSS(E)L Group becomes a party to the contractual provisions of the instrument.

##### Regular-way securities transactions

A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The CSS(E)L Group recognises regular-way purchases or sales of trading financial assets at the settlement date unless the instrument is a derivative.

##### Derecognition

The CSS(E)L Group enters into transactions where it transfers assets including securitisation assets, recognised on its Consolidated Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Consolidated Statement of Financial Position. Transactions where substantially all risk and rewards are retained include securities purchased or sold under repurchase agreements, securities borrowing and lending transactions, and sales of financial assets with concurrent return swaps on the transferred assets.

In transactions where the CSS(E)L Group neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the CSS(E)L Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The CSS(E)L Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the CSS(E)L Group has a financial liability and a financial

instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Consolidated Statement of Income. Where a modification and not an extinguishment is deemed to have occurred, the difference is adjusted to the carrying value of the new instrument and reclassified into income using the effective interest method.

### Securitisation

The CSS(E)L Group securitises assets, which generally results in the sale of these assets to structured entities, which in turn issue securities to investors. The transferred assets may qualify for derecognition in full or in part, under the above mentioned policy on derecognition of financial assets.

Interests in securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as 'retained interests'). Provided the CSS(E)L Group's retained interests do not result in consolidation of the structured entity, nor in continued recognition of the transferred assets, these retained tranches are typically recorded in 'Trading financial assets at fair value through profit or loss'. Gains or losses on securitisation are recognised in Consolidated Statement of Income. The line item in the Consolidated Statement of Income, in which the gain or loss is presented, will depend on the nature of the asset securitised.

### I) Other loans and receivables

Other loans and receivables are initially recorded at fair value, plus any directly attributable transaction costs and subsequently are amortised on an effective interest method, less impairment losses. In the event of an impairment loss the effective interest will be re-estimated.

When calculating the effective interest, the CSS(E)L Group estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not future credit losses.

#### Impairment on other loans and receivables

The CSS(E)L Group assesses at each Consolidated Statement of Financial Position date whether there is objective evidence that a significant loan position or a portfolio of loans is impaired. A significant individual loan position or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Consolidated Statement of Financial Position date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

All individually significant loans are assessed for specific impairment. Individually significant loans found not to be impaired are then collectively assessed for impairment that has been incurred, but not yet been identified. Loans that are not individually

significant are assessed collectively for impairment. Loans subject to collective impairment testing are grouped to loan portfolios on the basis of similar risk, industry or country rating. Objective evidence that an individual loan is impaired can include significant financial difficulty of the borrower, default or delinquency by the borrower and indications that a borrower will enter bankruptcy. Objective evidence that a loan portfolio is impaired can include changes of the payment status of borrowers in the group or economic conditions that correlate with defaults in the group.

Many factors can affect the CSS(E)L Group's estimate of the impairment losses on loans, including volatility of default probabilities, rating migrations and loss severity. The estimate of the component of the allowance for specifically identified credit losses on impaired loans is based on a regular and detailed analysis of each loan in the portfolio considering collateral and counterparty risk. For certain non-collateral dependent impaired loans, impairment charges are measured using the present value of estimated future cash flows discounted at the asset's original effective interest rate. For collateral dependent impaired loans, impairment charges are measured using the value of the collateral.

The estimation of impairment for a loan portfolio involves applying historical loss experience, adjusted to reflect current market conditions, to homogeneous loans based on risk rating and product type. The amount of the loss is recognised in the Consolidated Statement of Income in 'Provision for credit losses'. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. An allowance for impairment is reversed only if the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

#### Write-off of loans

When it is considered certain that there is no realistic prospect of recovery and all collateral has been realised or transferred to the CSS(E)L Group, the loan and any associated allowance is written off. Any repossessed collateral is initially measured at fair value. The subsequent measurement will depend on the nature of the collateral.

#### Renegotiated Loans

Where possible, the CSS(E)L Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of modified loan conditions. Once the terms have been renegotiated any impairment is measured using the effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

#### Loan commitments

Certain loan commitments are classified as financial assets/liabilities at fair value through profit or loss in accordance with the policy discussed in note j. All other loan commitments remain off-balance sheet. If such commitments are considered onerous, a provision is



raised in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37) based upon management's best estimate of the expenditure required to settle the obligation.

#### m) Netting

The CSS(E)L Group only offsets financial assets and liabilities and presents the net amount on the Consolidated Statement of Financial Position where it:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously.

In many instances the CSS(E)L Group's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements. Such agreements normally ensure that the net position is settled in the event of default of either counterparty and effectively limits credit risk on gross exposures. However, because such contracts are not currently enforceable in the normal course of business and the transactions themselves are not intended to be settled net, nor will they settle simultaneously, it is not permissible under IAS 32 Financial Instruments: Presentation (IAS 32) to offset transactions falling under Master Netting Agreements. For securities purchased or sold under resale agreements or repurchase agreements, such legally enforceable agreements qualify for offsetting under IAS 32, if the gross settlement mechanism for these transactions has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle and will therefore meet the net settlement criterion as an equivalent.

#### n) Income tax

Income tax recognised in the Consolidated Statement of Income and the Statement of Other Comprehensive Income for the year comprises current and deferred taxes. Income tax is recognised in the Consolidated Statement of Income unless it relates to items recognised in the Statement of Other Comprehensive Income or directly in equity, in which case the income tax is recognised in the Statement of Other Comprehensive Income or directly in equity respectively. For items initially recognised in equity and subsequently recognised in the Consolidated Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Consolidated Statement of Income.

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

For UK corporation tax purposes CSS(E)L Group may surrender or claim certain losses from another UK group company. The surrendering company will be compensated in full for the value of the tax losses surrendered to the claimant company. The surrendering entity will show a benefit received for the losses surrendered which will be recorded as a reduction to current tax expense and taxes payable whereas the claimant entity will have an increase in current tax expense and taxes payable respectively.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The 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 Consolidated 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 Consolidated 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 right to offset exists, and they are intended to be settled net or realised simultaneously.

Additional income taxes that may arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in the Consolidated Statement of Income for the periods presented is included in Note 11 – Income Tax.

#### Tax contingencies

Significant judgement is required in determining the effective tax rate and in evaluating certain tax positions. The CSS(E)L Group may accrue for tax contingencies on a best estimate basis. 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.

#### o) Goodwill

Goodwill arises on the acquisition of subsidiaries and equity method investments. It is measured as the excess of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquired subsidiary, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Acquisition related costs are expensed as incurred.

For the purpose of calculating goodwill, fair values of assets acquired and liabilities assumed are calculated using quoted

market prices, if available, or by applying appropriate valuation techniques.

Goodwill on the acquisition of subsidiaries is capitalised and reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for purpose of impairment testing considering the level at which goodwill is monitored for internal management purposes. An impairment loss is recognised if the carrying amount of a cash-generating unit exceeds its recoverable amount. The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less cost to sell.

Goodwill on the acquisition of equity method investments is included in the amount of the investments and is reviewed annually for impairment, or more frequently if there is an indication that impairment may have occurred.

If goodwill has been allocated to a cash-generating unit or a group of cash-generating units and an operation within that unit is disposed of, the attributable goodwill is included within the carrying amount of the operation when determining the gain or loss on disposal.

#### p) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the CSS(E)L Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the Consolidated Statement of Income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their maximum useful lives, as follows:

Leasehold improvements	10 years
Computer equipment	2-7 years
Office equipment	5 years

The carrying amounts of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment charge is recorded in the Consolidated Statement of Income to the extent the recoverable amount, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset. After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. The carrying amount of an asset for which an impairment loss has been recognised in prior years shall be increased to its recoverable amount only in the event of a change in estimate in the asset's recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the

'General, Administrative and Trading expenses' in the Consolidated Statement of Income.

#### q) Intangible Assets

Intangible assets consist primarily of internally developed software. Internally developed software are stated at cost less accumulated depreciation and impairment losses, and are depreciated over an estimated useful life of three years using the straight-line method upon completion or utilisation. Expenditure on internally developed software is recognised as an asset when the CSS(E)L Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software.

Right to use leisure facility has an indefinite life. The amortisation of the intangible assets is included in the 'General, Administrative and Trading expenses' in the Consolidated Statement of Income. The carrying amounts of the CSS(E)L Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in Consolidated Statement of Income.

#### r) Retirement benefit costs

The CSS(E)L Group has both defined contribution and defined benefit pension plans. The defined benefit plans are CSG schemes, in which the Company is the sponsoring entity. CSS(E)L Group's Defined Benefit Obligations ('DBO') are calculated using the projected unit credit method. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Income as incurred. Remeasurements of the net defined benefit liability are recognised immediately in Other Comprehensive Income ('OCI'). The CSS(E)L Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Consolidated Statement of Income. The CSS(E)L Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The Company has no

contractual agreement or stated policy for charging the net defined benefit cost to participating entities.

#### s) Share-based compensation benefits

The Company grants shares in its ultimate parent, Credit Suisse Group (CSG) to certain employees. The Company pays for CSG shares at market value at the time of settlement to employees.

The share-based awards are classified as a cash-settled share based payment plan. A liability equal to the portion of the services received is recognised at the current market value determined at each balance sheet date.

The expense for share-based payments is determined by treating each tranche as a separate grant of share awards and is accrued over the vesting period for each tranche, unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

Share awards are made to employees in one of the following ways:

- (a) Phantom Share Awards
- (b) Special Awards, which are typically awarded upon hiring of certain senior employees or in relation to business acquisitions. The terms (including amount, vesting, settlement, etc) of special awards vary significantly from award to award
- (c) Performance Share Awards
- (d) Adjustable Performance Plan Share Awards

Phantom shares and Performance share awards are accrued over the 3 or 4 year vesting period. Certain awards vest at grant date and are therefore accrued fully at grant date. Special awards are accrued over the vesting period as per award terms.

Changes in foreign exchange and market value of the above share plan obligations between grant date and settlement date are expensed within operating expenses. Total value of awards accrued and outstanding at end of the accounting period is classified as a liability.

Share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents during the vesting period, while share awards granted after January 1, 2016 include the right to receive dividend equivalents.

#### t) Deposits

Deposits are overdrawn bank accounts. Deposits are initially recognised at fair value and subsequently recognised at amortised cost, which represents the nominal values of the deposits less any unearned discounts or nominal value plus any unamortised premiums.

#### u) Long term debt

Debt issued by the CSS(E)L Group is initially measured at fair value, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortised cost, using the effective interest method to amortise cost at inception to the redemption value over the life of the debt. CSS(E)L Group's long-term debt also includes instruments with embedded derivative features which are substantially all accounted for at fair value.

#### v) Contingent liabilities

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

#### w) Provisions

Provisions are recognised for present obligations as a result of past events which can be reliably measured, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the Consolidated Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in 'General, Administrative and Trading expenses' on the Consolidated Statement of Income.

#### x) Share-based payments

The CSS(E)L Group accounts for share based transactions with its employees as cash-settled share based payment transactions, as the CSS(E)L Group has the legal obligation to settle the arrangement by delivering an asset that is not an equity instrument of the CSS(E)L Group. This entails the recognition of a liability, incurred and related to share-based payments, over the required service period and in proportion to the service delivered to date at fair value. If the employee is eligible for normal or early retirement, the award is expensed over that shorter required service period and if an award consists of individual tranches that vest in instalments (i.e. graded vesting), each tranche of the award is expensed separately over its individual service period. The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the Consolidated Statement of Income.

#### y) Other compensation plans

The CSS(E)L Group has other deferred compensation plans which can be in the form of fixed or variable deferred cash compensation. The expense for these awards is recognised over the service period, which is the period the employee is obligated to work in order to become entitled to the cash compensation. Fixed deferred cash compensation is generally awarded in the form of sign-on bonuses and employee forgivable loans. Variable deferred cash compensations are awards where the final cash payout is determined by the performance of certain assets, a division or the CS group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final payout.

#### z) Interest income and expense

Interest income and expense includes interest income and expense on the CSS(E)L Group's financial instruments owned and financial

instruments sold not yet purchased, short-term and long-term borrowings, reverse repurchase and repurchase agreements and securities borrowed and securities lending transactions. Interest income and expense does not include interest flows on the CSS(E)L Group's trading derivatives (except for hedging relationships) and certain financial instruments classified as at fair value through profit or loss. Interest income and expense is accrued, and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability.

#### aa) Commissions and fees

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- i) The amount of revenue can be measured reliably;
- ii) It is probable that the economic benefits associated with the transaction will flow to the entity;
- iii) The stage of completion of the transaction at the reporting date can be measured reliably; and
- iv) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fee revenue is recognised from a diverse range of services provided to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (these include brokerage activities as well as fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as revenues from underwriting and fees from mergers and acquisitions and other corporate finance advisory services);
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio management, granting of loan commitments where it is not probable that the CSS(E)L Group will enter into a specific lending arrangement, customer trading and custody services);
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees where it is probable that the CSS(E)L Group will enter into a specific lending agreement) and recorded in 'Interest income'; and
- Performance-linked fees or fee components are recognised when the recognition criteria are fulfilled.

Incremental costs that are directly attributable to securing investment management contracts may be deferred to match the revenue recognised in relation to that transaction. These costs are recognised as the CSS(E)L Group recognises the related revenue.

#### ab) Operating leases

The leases entered into by the CSS(E)L Group are exclusively operating leases. The total payments made under operating leases

are charged to the Consolidated Statement of Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any early termination payment required to be made to the lessor is recognised as an expense in the period in which termination takes place. If leased premises are vacated before the minimum lease term ends, a provision for the remaining minimum lease payments, net of any expected sublease income, is recognised in the period in which the CSS(E)L group makes the decision to leave the property. For lease incentives provided by the lessor, the CSS(E)L Group, as lessee, recognises the aggregate benefit as a reduction of rental expense over the lease term on a straight-line basis.

If the CSS(E)L Group is the lessor in an operating lease it continues to present the asset subject to the lease in its Financial Statements and recognises lease income on a straight line basis over the period of the lease.

#### ac) Subleases

The subleases entered into by the CSS(E)L Group are exclusively operating leases. Sublease payments received are recognised through 'General, Administrative and Trading expenses' in the Consolidated Statement of Income on a straight-line basis over the period of the lease.

#### ad) Dividends

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

#### ae) Financial guarantee contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantee contracts are given to banks, financial institutions and other parties on behalf of customers to secure loans, overdrafts and other payables.

Financial guarantee contracts are initially recognised in the Consolidated Financial Statements at fair value on the date the guarantee was given, which is generally the fee received or receivable. Subsequent to initial recognition, the CSS(E)L Group's liabilities under such guarantees are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate for the expenditure required to settle any financial obligation arising as of the Statement of Financial Position date when it is probable that the financial obligation will occur. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate. Any increase in the liability related to financial guarantee contracts is recorded in the Consolidated Statement of Income under 'Provision for credit losses'.

#### af) Disposal Groups and Discontinued Operations

A disposal group comprising assets and liabilities is classified as held for sale if it is highly probable that it will be recovered primarily through sale rather than through continuing use.

A disposal group is generally measured at the lower of its carrying amount and fair value less costs to sell. However, certain

assets, such as deferred tax assets, assets arising from employee benefits, financial assets and the related liabilities are exempt from this measurement requirement. Rather, those assets and liabilities are measured in accordance with other applicable IFRSs. The disposal groups presented in CSS(E)L Group's Statement of Financial Position consist exclusively of assets and liabilities that are measured in accordance with other applicable IFRSs.

A discontinued operation is a component of CSS(E)L Group that either has been disposed of or is classified as held for sale and:

- (a) represents a separate major line of business or geographical area of operations,

- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Income is re-presented as if the operation had been discontinued from the start of the comparative year.

### 3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In order to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'), management is required to make certain accounting estimates to ascertain the value of assets and liabilities. These estimates are based upon judgement and the information available at the time, and actual results may differ materially from these estimates. Management believes that the estimates and assumptions used in the preparation of the Consolidated Financial Statements are reasonable and consistently applied.

For further information on significant accounting policies, refer to Note 2 – Significant Accounting Policies, specifically the following:

- (i) Derivative financial instruments and hedging
- (j) Financial assets and liabilities at fair value through profit or loss
- (k) Recognition and derecognition
- (l) Other loans and receivables
- (n) Income tax
- (r) Retirement benefit costs
- (u) Contingent liabilities
- (v) Provisions
- (w) Share-based payments

Management believes that the critical accounting estimates discussed below involve the most significant judgements and assessments. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences, may be material to the Consolidated Financial Statements.

#### Fair Value

A significant portion of the CSS(E)L Group's financial instruments (trading financial assets and liabilities, derivative instruments and financial assets and liabilities designated at fair value) are carried at fair value in the Consolidated Statement of Financial Position. Related changes in the fair value are recognised in the Consolidated Statement of Income. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSS(E)L Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain commercial paper ('CP'), most investment grade corporate debt, certain high grade debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSS(E)L Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment 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. These instruments include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and Collateralised Debt Obligation ('CDO'), private equity investments, certain loans and credit products (including leverage finance, certain syndicated loans and certain high yield bonds).

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and 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 CSS(E)L Group's own credit spreads (known as debit valuation adjustments or 'DVA') is considered when measuring the fair value of its liabilities.

For OTC derivatives, the impact of changes in both the CSS(E)L Group's and the counterparty's credit standing is considered when measuring their fair value, based on current Credit Default Swaps (CDS) prices. The adjustments also take into account contractual factors designed to reduce the CSS(E)L Group's credit exposure

to a counterparty, such as collateral held and master netting agreements.

For hybrid debt instruments with embedded derivative features, the impact of changes in the CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

As of the end of 2015, 48.37% and 38.0% of the total assets and total liabilities, respectively, were measured at fair value (2014: 51.98% and 38.98%, respectively). The CSS(E)L Group Level 3 assets were USD 3.3 billion (2014: USD 3.4 billion), which was equivalent to 2.33% (2014: 1.77%) of total assets and 4.82% of total assets measured at fair value (2014: 3.41%).

For further information on the fair value hierarchy and a description of the valuation techniques, refer to Note 36 – Financial Instruments.

The CSS(E)L Group does not recognise a dealer profit or unrealised gains or losses at the inception of a derivative or non-derivative transaction unless the valuation underlying the unrealised gains or losses 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 AG 76. The financial instrument is recognised at fair value with any profit or loss implied from the valuation technique at trade date is deferred and amortised over the life of the contract or over the period up to when the fair value is expected to become observable.

Control processes are applied to ensure that the fair value of the financial instruments reported in the CSS(E)L Group and Company Financial Statements, including those derived from pricing models, are appropriate and determined on a reasonable basis. For further information related to the CSS(E)L Group's control and governance processes on the fair value of financial instruments please refer Note 36 – Financial Instruments.

### Structured Entities

As part of normal business, the CSS(E)L Group engages in various transactions that include entities which are considered structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Transactions with structured entities are generally executed to facilitate securitisation activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the CSS(E)L Group may hold interests in the structured entities. If the CSS(E)L Group controls the structured entity then that entity is included in the CSS(E)L Group's consolidated financial statements. The CSS(E)L Group discloses information about significant judgements and assumptions made in determining whether the CSS(E)L Group has (joint) control of, or significant influence over, another entity including structured entities. The CSS(E)L Group also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity. Please see Note 35 – Interests in Other Entities for more information.

### Contingencies and loss provisions

According to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a provision shall be recognised when;

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

A contingency is an existing condition that involves a degree of uncertainty that will ultimately be resolved upon the occurrence of future events. Please see Note 24 – Provisions for more information.

### Litigation contingencies

The CSS(E)L Group is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or which involve questionable legal claims. In presenting the Consolidated Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. Charges, are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the CSS(E)L Group's defences and its experience in similar cases or proceedings, as well as the CSS(E)L Group's assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. Please see Note 24 – Provisions for more information.

### Allowances and impairment losses on other loans and receivables

As a normal part of its business, the CSS(E)L Group is exposed to credit risks through its lending relationships and letters of credit and as a result of counterparty risk on derivatives, foreign exchange and other transactions. Credit risk is the risk that a borrower or counterparty is unable to meet its financial obligations. In the event of a default, the CSS(E)L Group generally incurs a loss equal to the amount owed by the counterparty, less a recovery amount resulting from foreclosure, liquidation of collateral or restructuring of the counterparty's obligation. The CSS(E)L Group maintains allowances for loan losses which are considered adequate to absorb credit losses existing at the reporting date. These allowances are for incurred credit losses inherent in existing exposures and credit exposures specifically identified as impaired. The inherent loss allowance is for all credit exposures not specifically identified as impaired which, on a portfolio basis, are considered to contain incurred inherent losses. Loans are segregated by risk,

industry or country rating in order to collectively estimate inherent losses. The loan valuation allowance for inherent loss is established by analysing historical and current default probabilities, historical recovery assumptions and internal risk ratings. The methodology for calculating specific allowances involves judgements at many levels, such as early identification of deteriorating credits. Extensive judgement is required in order to properly evaluate the various indicators of financial condition of a counterparty and likelihood of repayment.

The CSS(E)L Group performs an in-depth review and analysis of impaired loans, considering factors such as recovery and exit options as well as considering collateral and counterparty risk. In general, all impaired loans are individually assessed. Corporate and Institutional loans are reviewed at least annually based on the borrower's Financial Statements and any indications of difficulties they may experience. Loans that are not impaired, but which are of special concern due to changes in covenants, downgrades, negative financial news and other adverse developments, are included on a watch list. All loans on the watch list are reviewed at least quarterly to determine whether they should be moved to CSS(E)L Group recovery management at which point they are reviewed quarterly for impairment. If an individual loan specifically identified for evaluation is considered impaired, the allowance is determined as a reasonable estimate of credit losses existing as of the end of the reporting period. Thereafter, the allowance is revalued by CSS(E)L Group credit risk management at least annually or more frequently depending on the risk profile of the borrower or credit relevant events.

### Goodwill impairment

Recorded goodwill is not amortised, rather it is reviewed for possible impairment on an annual basis as of 31 December and at any other time that events or circumstances indicate that the carrying value of goodwill may not be recoverable. Circumstances that could trigger an impairment test include, but are not limited to:

- (i) macroeconomic conditions such as a deterioration in general economic conditions or other developments in equity and credit markets;
- (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), and regulatory or political developments;
- (iii) other relevant entity-specific events such as changes in management, key personnel or strategy;
- (iv) a more-likely-than-not expectation of selling or disposing all, or a portion, of a cash-generating unit;
- (v) results of testing for recoverability of a significant asset group within a reporting unit;
- (vi) recognition of a goodwill impairment in the financial statements of a subsidiary that is a component of a cash-generating unit; and
- (vii) a sustained decrease in share price (considered in both absolute terms and relative to peers).

For the purpose of testing goodwill for impairment, each cash-generating unit is assessed individually. A cash-generating unit is an

operating segment or one level below an operating segment, also referred to as a component. A component of an operating segment is deemed to be a cash-generating unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. If the fair value of a cash-generating unit exceeds its carrying value, there is no goodwill impairment. Factors considered in determining the fair value of reporting units include, among other things: an evaluation of recent acquisitions of similar entities in the market place; current share values in the market place for similar publicly traded entities, including price multiples; recent trends in the share price and those of competitors; estimates of the future earnings potential and the level of interest rates.

Estimates of the future earnings potential, and that of the reporting units, involve considerable judgement, including management's view on future changes in market cycles, the anticipated result of the implementation of business strategies, competitive factors and assumptions concerning the retention of key employees. Adverse changes in the estimates and assumptions used to determine the fair value of the CSS(E)L Group's reporting units may result in a goodwill impairment charge in the future. Please see Note 21 – Goodwill for more information.

### Retirement Benefit Costs

The following relates to the assumptions the Company, as sponsor of the defined benefit plans, has made in arriving at the valuations of the various components of the defined benefit plans.

The calculation of the expense and liability associated with the defined benefit pension plans requires the use of assumptions, which include the discount rate and rate of future compensation increases as determined by the Company. Management determines these assumptions based upon currently available market and industry data and the historical performance of the plans and their assets.

Management also consults with an independent actuarial firm to assist in selecting appropriate assumptions and valuing its related liabilities. The actuarial assumptions used by the Company may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

The discount rate used in determining the benefit obligation is based on high-quality corporate bonds. In estimating the discount rate the Company takes into consideration the relationship between the corporate bonds and the timing and amount of the future cash outflows of its benefit payments. Please see Note 29 – Retirement Benefit Obligations for more information.

### 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 Consolidated 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 is a corresponding deferred tax asset established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence, including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Company. The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in CSS(E)L Group's estimate of future taxable profits and potential restructurings, could lead to changes in the amount of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA. Please see Note 12 – Deferred Taxes for more information.

#### **Share-based payments**

The CSS(E)L Group uses the liability method to account for its share-based payment plans, which requires the CSS(E)L Group's obligation under these plans to be recorded at its current estimated fair value. Share awards and share unit awards that contain market conditions are marked-to-market based on the latest share price information reflecting the terms of the award. Share unit

awards that contain earnings performance conditions are marked-to-market based on CSG's actual earnings performance to date and CSG's internal earnings projections over the remaining vesting period of the award. In determining the final liability, CSG also estimates the number of forfeitures over the life of the plan based on management's expectations for future periods, which also considers past experience. Please see Note 30 – Employee Share-based Compensation and Other Compensation Benefits for more information.

#### **Transfer Pricing**

Transfer pricing charges are determined based on arm's length pricing principles. These net charges are adjusted as required due to evolving facts and changes in tax laws, progress of tax authority audits as well tax authority negotiated arrangements for current and prior periods. Management continuously assess these factors and make adjustments as required. Please see Note 31 – Related Parties for more information.

#### **Disposal Group and Discontinued Operations**

The classification of assets and liabilities as a disposal group held for sale and the related presentation of discontinued operations requires a judgement by management, as to whether it is highly probable that the assets and liabilities will be recovered primarily through a sale, rather than through continuing use. For management to consider a sale to be highly probable, it must be committed to a plan to sell the disposal group and an active programme to locate a buyer and complete the plan must have been initiated. Further, the disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Events or circumstances may extend the period to complete the sale beyond one year. Please see Note 26 – Discontinued Operations and Assets Held for Sale for more information.



## 4 Net Interest Expense

CSS(E)L Group	2015	2014 <sup>1</sup>
<b>Net interest expense (USD million)</b>		
Securities purchased under resale agreements and securities borrowing transactions	73	101
Financial assets designated at fair value through profit or loss	83	192
Other loans and receivables	–	32
Other	72	152
<b>Interest income</b>	<b>228</b>	<b>477</b>
Deposits	(7)	(4)
Securities sold under repurchase agreements and securities lending transactions	(145)	(151)
Financial liabilities designated at fair value through profit or loss	107	(17)
Short term borrowings	(100)	(87)
Long term debt	(288)	(432)
Other	(28)	(19)
<b>Interest expense</b>	<b>(461)</b>	<b>(710)</b>
<b>Net interest expense</b>	<b>(233)</b>	<b>(233)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

Company	2015	2014 <sup>1</sup>
<b>Net interest expense (USD million)</b>		
Securities purchased under resale agreements and securities borrowing transactions	73	101
Financial assets designated at fair value through profit or loss	76	160
Other loans and receivables	–	32
Other	72	152
<b>Interest income</b>	<b>221</b>	<b>445</b>
Deposits	(7)	(4)
Securities sold under repurchase agreements and securities lending transactions	(145)	(151)
Financial liabilities designated at fair value through profit or loss	114	15
Short term borrowings	(100)	(87)
Long term debt	(288)	(432)
Other	(28)	(19)
<b>Interest expense</b>	<b>(454)</b>	<b>(678)</b>
<b>Net interest expense</b>	<b>(233)</b>	<b>(233)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

Interest income accrued on impaired financial assets during the year was USD Nil (2014: USD Nil)

## 5 Net Commissions and Fee Income

CSS(E)L Group and Company	2015	2014 <sup>1</sup>
<b>Commission and fee income/(expense) (USD million)</b>		
Underwriting	219	236
Brokerage	356	406
<b>Underwriting and brokerage</b>	<b>575</b>	<b>642</b>
Other customer services	20	45
<b>Total commission and fee income</b>	<b>595</b>	<b>687</b>
<b>Total commission and fee expense</b>	<b>(57)</b>	<b>(60)</b>
<b>Net commission and fee income</b>	<b>538</b>	<b>627</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

Fee expense represents fees paid to affiliates and exchanges on exchange traded products under agency agreements.

## 6 Net Gains from Financial Assets/Liabilities at Fair Value through Profit or Loss

CSS(E)L Group	2015	2014 <sup>1</sup>
<b>Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)</b>		
Interest rate	21	(541)
Foreign exchange	(744)	(1,239)
Equity	678	1,088
Net income on trading financial assets and trading financial liabilities	1,136	1,548
Other	(223)	38
<b>Total net gains from financial assets/liabilities at fair value through profit or loss</b>	<b>868</b>	<b>894</b>
Of which:		
<b>Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD million)</b>		
Securities purchased under resale agreements and securities borrowing transactions	23	15
Other financial assets designated at fair value through profit or loss	(52)	316
of which related to credit risk	-	3
Securities sold under repurchase agreements and securities lending transactions	(5)	1
Long-term debt	(38)	(10)
<b>Total net gains from financial assets/liabilities at fair value through profit or loss</b>	<b>(72)</b>	<b>322</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

Company	2015	2014 <sup>1</sup>
<b>Net gains/(losses) from financial assets/liabilities at fair value through profit or loss (USD million)</b>		
Fixed income/Interest rate	21	(578)
Foreign exchange	(744)	(1,238)
Equity	678	1,088
Net income on trading financial assets and trading financial liabilities	1,136	1,548
Other	(223)	74
<b>Total net gains from financial assets/liabilities at fair value through profit or loss</b>	<b>868</b>	<b>894</b>
Of which:		
<b>Net gains/(losses) from financial assets/liabilities designated at fair value through profit or loss (USD million)</b>		
Securities purchased under resale agreements and securities borrowing transactions	23	15
Other financial assets designated at fair value through profit or loss	(52)	(311)
Securities sold under repurchase agreements and securities lending transactions	(5)	1
Long-term debt	(25)	(10)
<b>Total net losses from financial assets/liabilities at fair value through profit or loss</b>	<b>(59)</b>	<b>(305)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

## 7 Other Revenues

CSS(E)L Group and Company	2015	2014 <sup>1</sup>
<b>Other expenses (USD million)</b>		
Revenue sharing agreements	(51)	(129)
Other	(8)	4
<b>Total other expenses</b>	<b>(59)</b>	<b>(125)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

## 8 Compensation and Benefits

CSS(E)L Group and Company	2015	2014 <sup>1</sup>
<b>Compensation and benefits (USD million)</b>		
Salaries and variable compensation	(782)	(940)
Social security	(118)	(147)
Pensions	(29)	(40)
Other	(58)	(27)
<b>Total compensation and benefits</b>	<b>(987)</b>	<b>(1,154)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

Included in the above table are amounts relating to Directors' remuneration. Further details are disclosed in Note 31 – Related Parties. Staff costs and staff numbers do not differ between CSS(E)L Group and Company.

Included in Salaries and variable compensation is USD 15.7 million (2014: USD 22 million) relating to severance cost. Decrease in staff cost is primarily driven by movement of staff from CSS(E)L to Credit Suisse International due to business migrations during

2015. The number of employees within business functions reduced by 431 from 1,662 in 2014 to 1,231 as at the end of 2015.

The CSS(E)L Group incurs compensation and benefits costs which are recharged to the relevant CS group companies through 'Expenses receivable from other Credit Suisse group companies' in Note 9 – General, Administrative and Trading Expenses.

## 9 General, Administrative and Trading Expenses

CSS(E)L Group and Company	Reference to note	2015	2014 <sup>1</sup>
<b>General, administrative and trading expenses (USD million)</b>			
Brokerage charges and clearing house fees		(156)	(198)
<b>Trading expenses</b>		<b>(156)</b>	<b>(198)</b>
Occupancy expenses		(94)	(129)
IT and machinery		(211)	(271)
Depreciation expense	19	(8)	(5)
Provisions	24	(2)	(2)
Travel and entertainment		(27)	(32)
Auditors' remuneration		(2)	(2)
Professional services		(606)	(453)
UK Bank levy		(51)	(33)
Non income taxes		(146)	(54)
Marketing data, publicity and subscription		(35)	(40)
Communication expenses		(36)	(40)
Other		(11)	(4)
<b>General and administrative expenses</b>		<b>(1,229)</b>	<b>(1,065)</b>
Expenses receivable from other Credit Suisse group companies		779	757
<b>General, administrative and trading expenses</b>		<b>(606)</b>	<b>(506)</b>

<sup>1</sup> 2014 numbers have been restated to disclose the impact of discontinued operations. Refer to Note 26 for details.

The CSS(E)L Group incurs expenses on behalf of other CS group companies under common control. These are subsequently recharged to the relevant companies through 'Expenses receivable from other CS group companies'. The recharges comprise of compensation and benefit expenses and general administrative expenses. See Note – 31 Related Parties.

### Auditor's remuneration

Auditor's remuneration in relation to the statutory audit amounted to USD 1.2 million (2014: USD 1.4 million).

The following fees were payable by the CSS(E)L Group to the auditor, KPMG LLP.

CSS(E)L Auditor's Remuneration (USD '000)	2015	2014
Fees payable to CSS(E)L Group's auditor for the audit of the CSS(E)L Group's annual accounts	(1,245)	(1,397)
Fees payable to CSS(E)L Group's auditor and its associates for other services:	(371)	
Audit-related assurance services	(266)	(154)
<b>Total Fees</b>	<b>(1,882)</b>	<b>(1,551)</b>

## 10 Restructuring Expenses

In connection with the strategic review of the Group, restructuring expenses of USD 54 million were recognised during 2015. Restructuring expenses primarily include termination costs, expenses in connection with the acceleration of certain deferred compensation awards.

CSS(E)L Group and Company	2015	2014
<b>Restructuring expenses by type (USD million)</b>		
Compensation and benefits-related expenses		–
of which severance	42	–
of which accelerated deferred compensation	12	–
<b>Total Restructuring expenses by type</b>	<b>54</b>	<b>–</b>

	2015			2014		
	Severance expenses	General and administrative expenses	Total	Severance expenses	General and administrative expenses	Total
<b>Restructuring provision (USD million)</b>						
Balance at beginning of period	–	–	–	–	–	–
Net additional charges	42	–	42 <sup>1</sup>	–	–	–
Utilisation	–	–	–	–	–	–
<b>Balance at end of period</b>	<b>42</b>	<b>–</b>	<b>42</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> The restructuring liability as shown in the table above have been included in Note 17 – Other Assets and Other Liabilities.

Liabilities arising due to acceleration of expense accretion relating to unsettled share based compensation of USD 10.69 million and unsettled cash based deferred compensation of USD 1.10 million

have been included in 'Share-based compensation liability' and 'Others', respectively in Note 17. The settlement date for the unsettled share based compensation remains unchanged.

## 11 Income Tax

CSS(E)L Group and Company	2015	2014
<b>Current and deferred taxes (USD million)</b>		
Current tax expense for the period	(5)	(9)
Adjustments in respect of previous periods	16	11
<b>Current income tax benefit</b>	<b>11</b>	<b>2</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	10	(22)
Current year tax losses	–	73
Reversal/(Impairment) of deferred tax asset	18	(204)
<b>Deferred income tax benefit/(expense)</b>	<b>28</b>	<b>(153)</b>
<b>Income tax benefit/(expense)</b>	<b>39</b>	<b>(151)</b>

Current tax of USD Nil (2014: USD Nil) and deferred tax of USD 18 million (2014: USD 48 million) were debited directly to equity.

Further information about deferred income tax is presented in Note 12 – Deferred Taxes.

### Reconciliation of taxes computed at the UK statutory rate

CSS(E)L Group and Company	2015	2014
<b>Reconciliation of taxes computed at the UK statutory rate (USD million)</b>		
Loss before tax	(597)	(402)
Loss before tax multiplied by the UK statutory rate of corporation tax @ 20.25% (2014: 21.49%)	121	86
Other permanent differences	(20)	(23)
Unrelievable foreign tax	(19)	(16)
Effect of different tax rates of operations/subsidiaries in other jurisdictions	9	(5)
Adjustments to current tax in respect of previous periods	16	11
Deferred tax not recognised	(86)	–
Reversal/(Impairment) of deferred tax asset	18	(204)
<b>Income tax expense/(benefit)</b>	<b>39</b>	<b>(151)</b>

## 12 Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 26% for temporary differences and 18% for carry forward losses (2014: 20%).

The Finance Act 2013, which passed into law on 17 July 2013, reduced the UK corporation tax rate from 23% to 21% with effect from 1 April 2014 and 21% to 20% with effect from 1 April 2015.

The Finance (No.2) Act 2015, which passed into law on 18 November 2015, included further rate reductions in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and 19% to 18% with effect from 1 April 2020. The Finance (No.2) Act 2015 also introduced legislation to levy a surcharge of 8% on the profits of banking companies. The Company will be subject to this surcharge from 1 January 2016.

CSS(E)L Group and Company	2015	2014
<b>Deferred tax (USD million)</b>		
Deferred tax assets	18	18
Deferred tax liabilities	–	(2)
<b>Net position</b>	<b>18</b>	<b>16</b>
<b>Balance at 1 January, net position</b>	<b>16</b>	<b>218</b>
Credit/(Debit) to income for the year	28	(153)
Tax booked to other comprehensive income	(18)	(47)
Other movements	(5)	–
Exchange differences	(3)	(2)
<b>Balance at 31 December, net position</b>	<b>18</b>	<b>16</b>

Deferred tax assets and liabilities are attributable to the following items:

### Components of net deferred tax assets

CSS(E)L Group and Company	2015	2014
<b>Components of net deferred tax assets (USD million)</b>		
Share-based compensation	154	112
Decelerated tax depreciation	32	24
Other short term temporary differences	34	36
Pensions and other post-retirement benefits	(202)	(154)
<b>Balance at 31 December</b>	<b>18</b>	<b>18</b>

### Components of Deferred tax liabilities

CSS(E)L Group and Company	2015	2014
<b>Components of deferred tax liabilities (USD million)</b>		
Other short term temporary differences	-	(2)
<b>Balance at 31 December</b>	<b>-</b>	<b>(2)</b>

### Details of the tax effect of temporary differences

The deferred tax expense in the Statement of Income comprises the following temporary differences:

CSS(E)L Group and Company	2015	2014
<b>Tax effect of temporary differences (USD million)</b>		
Share-based compensation	42	(16)
Decelerated tax depreciation	8	1
Other short term temporary differences	7	(4)
Unpaid interest	-	(133)
Pensions and other post-retirement benefits	(30)	(1)
<b>Total deferred tax benefit/(expense) in the Statement of Income</b>	<b>27</b>	<b>(153)</b>

The deferred tax expense in Other Comprehensive Income related to:

CSS(E)L Group and Company	2015	2014
<b>Tax expense in Other Comprehensive Income (USD million)</b>		
Defined benefit (Asset)/Liability	(18)	(47)
<b>Total deferred tax expense in the Statement of Income</b>	<b>(18)</b>	<b>(47)</b>

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 balance sheet 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 is a corresponding deferred tax asset established without impairment.

In evaluating whether deferred tax assets can be realised, management considers both positive and negative evidence,

including projected future taxable income, the scheduled reversal of deferred tax liabilities and tax planning strategies. This evaluation requires significant management judgement, primarily with respect to projected taxable income, also taking into account the history of losses of the Company. The future taxable income can never be predicted with certainty, but management also evaluated the factors contributing to the losses and considered whether or not they are temporary or indicate an expected permanent decline in earnings. The evaluation is derived from budgets and strategic business plans but is dependent on numerous factors, some of which are beyond management's control, such as the fiscal and regulatory environment and external economic growth conditions. Substantial variance of actual results from estimated future taxable profits, or changes in our estimate of future taxable profits and potential restructurings, could lead to changes in the amount

of deferred tax assets that are realisable, or considered realisable, and would require a corresponding adjustment to the level of recognised DTA.

As a consequence of this evaluation, deferred tax assets of USD 868 million (2014: USD 894 million) have not been

recognised. If strategies and business plans will significantly deviate in the future from current management assumptions, the current level of deferred tax assets may need to be adjusted, if full recovery of the deferred tax asset balance is no longer probable.

### 13 Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements

The following table summarises the securities purchased under agreements to resell and securities borrowing transactions, at their respective carrying values:

CSS(E)L Group and Company	2015	2014
<b>Securities borrowed or purchased and subject to resale agreements (USD million)</b>		
Securities purchased under resale agreements	5,143	13,153
Deposits paid for securities borrowed	–	36,213
<b>Total securities borrowed or purchased and subject to repurchase agreements</b>	<b>5,143</b>	<b>49,366</b>

The following table summarise the securities lent under agreements to repurchase and securities lending transactions, at their respective carrying values:

CSS(E)L Group and Company	2015	2014
<b>Securities lent or sold and subject to repurchase agreements (USD million)</b>		
Securities sold under repurchase agreements	62	15,894
Deposits received for securities lent	–	20,923
<b>Total securities lent or sold and subject to repurchase agreements</b>	<b>62</b>	<b>36,817</b>

See Note 15 – Financial Assets and Liabilities Designated at Fair Value through Profit or Loss for Securities Borrowed, Lent and Subject to Repurchase Agreements that have been held at fair value. Decrease in Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements is primarily driven by discontinued operations in 2015. Refer Note 26 for details.

Securities borrowed, lent and subject to resale/repurchase agreements are mainly due within one year.

Resale and repurchase agreements represent collateralised financing transactions used to earn net interest income, increase liquidity or facilitate trading activity. These instruments are collateralised principally by government securities and money market instruments and generally have terms ranging from overnight to a longer or unspecified period of maturity. The CSS(E)L Group monitors the fair value of securities received or delivered. For securities purchased under resale agreements, the CSS(E)L Group requests additional securities, or the return of a portion of the cash disbursed when appropriate, in response to a decline in the market

value of the securities received. Similarly, the return of excess securities or additional cash is requested, when appropriate, in response to an increase in the market value of securities sold under repurchase agreements.

Deposits paid for securities borrowed and deposits received for securities lent are recorded at the amount of cash paid or received. These transactions are typically collateralised by cash or marketable securities. For securities lending transactions, the CSS(E)L Group receives cash or securities as collateral in an amount generally in excess of the market value of securities lent. The CSS(E)L Group monitors the market value of securities borrowed, lent and securities on a daily basis and additional collateral is obtained as necessary. In the event of counterparty default, the repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held. In the CSS(E)L Group's normal course of business substantially all of the collateral received that may be sold or repledged has been sold or repledged as of 31 December 2015.

## 14 Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss

	CSS(E)L Group		Company	
	2015	2014	2015	2014
<b>Trading financial assets at fair value through profit or loss (USD million)</b>				
Debt securities	5,801	18,148	5,801	18,150
Equity securities	10,399	31,809	10,399	31,809
Derivative instruments	4,482	9,550	5,049	10,116
<b>Total trading financial assets at fair value through profit or loss</b>	<b>20,682</b>	<b>59,507</b>	<b>21,249</b>	<b>60,075</b>
<b>Trading financial liabilities at fair value through profit or loss (USD million)</b>				
Debt securities	1,826	6,491	1,826	6,491
Equity securities	3,087	10,621	3,087	10,621
Derivative instruments	4,876	11,029	4,842	10,994
<b>Total trading financial liabilities at fair value through profit or loss</b>	<b>9,789</b>	<b>28,141</b>	<b>9,755</b>	<b>28,106</b>

Debt securities primarily consist of corporate bonds and government securities. Decrease in Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss is primarily driven by discontinued operations in 2015. Refer Note 26 for details.

Trading financial assets include USD 22,958 million (2014: USD 30,136 million) which are encumbered. These are from both

continued and discontinued operations. The transactions in relation to the encumbered assets are conducted under terms that are usual and customary for securities lent, resale agreements or other collateralised borrowings.

## 15 Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

	CSS(E)L Group		Company	
	2015 <sup>1</sup>	2014	2015	2014
<b>Financial assets designated at fair value through profit or loss (USD million)</b>				
Securities purchased under resale agreements and securities borrowing transactions	26,450	37,981	26,450	37,981
Other financial assets designated at fair value through profit or loss	2,137	3,058	1,512	2,082
<b>Total financial assets designated at fair value through profit or loss</b>	<b>28,587</b>	<b>41,039</b>	<b>27,962</b>	<b>40,063</b>

Of the financial assets designated at fair value through profit or loss, securities purchased under resale agreements and securities borrowing transactions were elected to alleviate an accounting mismatch while other financial assets designated at fair value through profit or loss were elected because they are managed on a fair value basis.

For the change in fair value of reverse repurchase agreements, the CSS(E)L Group's credit exposure to the counterparties of these trades is mitigated by posted collateral and through subsequent margin calls. Accordingly, the CSS(E)L Group does not enter into hedges to mitigate credit exposure to the counterparties. Also, given that the credit exposure is eliminated to a large extent, the mark-to-market changes attributable to credit risk are insignificant.

Other financial assets designated at fair value through profit or loss are exposed to credit risk and the maximum fair value maximum exposure to credit risk as at 31 December 2015 and 31 December 2014 for the CSS(E)L Group as well as the Company equals their fair value.

The movement in fair values that is attributable to changes in the credit risk of the financial assets designated at fair value through profit or loss during the period ended 31 December 2015 was USD Nil for CSS(E)L Group and Company in the Statement of Income (2014: gain of USD 3 million for CSS(E)L Group and USD Nil for Company). The remaining changes in fair value are mainly due to movements in market risk.

Central to the calculation of fair value for life settlement contracts, included in 'Other financial assets designated at fair value through profit or loss', is the estimate of mortality rates. Individual mortality rates are typically obtained by multiplying a base mortality curve for the general insured population provided by a professional actuarial organisation together with an individual-specific multiplier. Individual-specific multipliers are determined based on data obtained from third-party life expectancy data providers, which examine insured individual's medical conditions, family history and other factors to arrive at a life expectancy estimate.



	CSS(E)L Group		Company	
	2015 <sup>1</sup>	2014	2015	2014
<b>Financial liabilities designated at fair value through profit or loss (USD million)</b>				
Securities sold under repurchase agreements and securities lending transactions	25,197	41,771	25,197	41,771
Long term debt	103	1,186	91	846
Other financial liabilities designated at fair value through profit or loss	432	1,084	432	1,084
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>25,732</b>	<b>44,041</b>	<b>25,720</b>	<b>43,701</b>

Of the financial liabilities designated at fair value through profit or loss, securities sold under repurchase agreements and securities lending transactions were elected to alleviate an accounting mismatch while long term debt and other financial liabilities designated at fair value through profit or loss were elected because they are managed on a fair value basis.

The fair value of a financial liability incorporates the credit risk of that financial liability. If the instrument is quoted in an active market, the movement in fair value due to credit risk is calculated as the amount of change in fair value that is not attributable to changes in market conditions that give rise to market risk. If the

instrument is not quoted in an active market, the fair value is calculated using a valuation technique that incorporates credit risk by discounting the contractual cash flows on the debt using a credit-adjusted yield curve which reflects the level at which the CSS(E)L Group would issue similar instruments as of the reporting date.

The carrying amount of long term debt is USD 2 million higher than the principal amount that the CSS(E)L Group and Company would be contractually required to pay to the holder of these financial liabilities at maturity (2014: USD 73 million higher (CSS(E)L Group and Company)).

## 16 Financial Assets Available-For-Sale

CSS(E)L Group and Company	2015	2014
<b>Financial assets available-for-sale (USD million)</b>		
Equity securities available-for-sale	25	25
<b>Total securities available-for-sale</b>	<b>25</b>	<b>25</b>
Other	8	8
<b>Total financial assets available-for-sale</b>	<b>33</b>	<b>33</b>

Equity securities includes investments in non-marketable exchanges and financial clearing houses whereby the CSS(E)L Group and Company are not required to hold shares as part of its membership, for which the CSS(E)L Group and Company have neither significant influence nor control over the investee. These securities are held at fair value with any unrealised gains or losses taken through equity.

Other includes investments in non-marketable exchanges and financial clearing houses whereby the CSS(E)L Group and Company are required to hold shares as part of its membership, for which the CSS(E)L Group has neither significant influence nor control over the investee.

CSS(E)L Group and Company	Amortised cost	Gross unrealised gains	Fair Value
<b>Equity securities available-for-sale (USD million)</b>			
31 December 2015	-	25	25
31 December 2014	-	25	25

## 17 Other Assets and Other Liabilities

	CSS(E)L Group		Company	
	2015	2014	2015	2014
<b>Other assets (USD million)</b>				
Derivative instruments used for hedging (refer to Note 33)	–	4	–	4
Brokerage receivables (refer to Note 18)	2,744	14,436	2,744	14,436
Interest and fees receivable	1,265	1,667	1,265	1,667
<b>Cash collateral on derivative and non-derivative instruments</b>	<b>1,540</b>	<b>2,274</b>	<b>1,540</b>	<b>2,274</b>
Banks	807	1,108	807	1,108
Customers	733	1,166	733	1,166
Prepaid expenses	41	61	41	61
Other	935	991	916	988
<b>Total other assets</b>	<b>6,525</b>	<b>19,433</b>	<b>6,506</b>	<b>19,430</b>

Other assets are mainly due within one year.

	CSS(E)L Group		Company	
	2015	2014	2015	2014
<b>Other liabilities (USD million)</b>				
Derivative instruments used for hedging (refer to Note 33)	4	36	4	36
Brokerage payables (refer to Note 18)	1,402	15,702	1,402	15,702
Interest and fees payable	369	881	369	881
<b>Cash collateral on derivative instruments</b>	<b>1,496</b>	<b>6,387</b>	<b>1,496</b>	<b>6,387</b>
Banks	242	398	242	398
Customers	1,254	5,989	1,254	5,989
<b>Cash collateral on non-derivative instruments</b>	<b>8,444</b>	<b>9,411</b>	<b>8,444</b>	<b>9,411</b>
Banks	8,248	9,187	8,248	9,187
Customers	196	224	196	224
Share-based compensation liability	217	343	217	343
Other	4,209	4,073	4,178	4,038
<b>Total other liabilities</b>	<b>16,141</b>	<b>36,833</b>	<b>16,110</b>	<b>36,798</b>

Cash collateral on non-derivatives for 2015 includes financial guarantees which have been cash collateralised of USD 8,200 million (2014: USD 9,149 million) provided by Credit Suisse AG London branch to reduce regulatory capital charges on related party

exposures. Included in above are Other Loans and Receivables, none of which are past due. Other liabilities include liability towards restructuring cost of USD 42 million (2014 : Nil) – Refer Note 10.

## 18 Brokerage Receivables and Brokerage Payables

The CSS(E)L Group recognises receivables and payables from transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers. The CSS(E)L Group is exposed to a risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments sold or purchased, in which case the CSS(E)L Group would have to sell or purchase,

respectively, these financial instruments at prevailing market prices. To the extent that an exchange or clearing organisation acts as a counterparty to a transaction, credit risk is considered to be reduced. The CSS(E)L Group requires customers to maintain margin collateral in compliance with applicable regulatory and internal guidelines.

CSS(E)L Group and Company	2015	2014
<b>Brokerage receivables (USD million)</b>		
Due from customers	773	9,235
Due from banks, brokers and dealers	1,971	5,201
<b>Total brokerage receivables</b>	<b>2,744</b>	<b>14,436</b>
<b>Brokerage payables (USD million)</b>		
Due to customers	578	13,042
Due to banks, brokers and dealers	824	2,660
<b>Total brokerage payables</b>	<b>1,402</b>	<b>15,702</b>

Brokerage receivables and payables include transactions in financial instruments purchased from and sold to customers, banks, brokers and dealers which have not settled as at the reporting date (excluding debt and equity securities which have not reached their settlement date as these are recognised on settlement date of the transaction), receivables and payables from the Prime Brokerage business and cash collateral from futures trading. Decrease in Brokerage Receivables and Brokerage Payables is primarily driven by discontinued operations in 2015.

Included within payables are liabilities identified in respect of either initial margin or client money received from clients, but only

where it has been determined that the cash received represents an asset of the CSS(E)L Group. The CSS(E)L Group and Company held USD 2,375 million of client money as at 31 December 2015 (2014: USD 8,151 million), USD 1,437 million as of 31 December 2015 (2014: USD 5,832 million) of which was not recorded in the Consolidated Statement of Financial Position as those balances did not represent assets of the CSS(E)L Group and Company. This cash, when recognised on the balance sheet, is recorded under 'Cash and due from banks' and 'Other assets'.

## 19 Property and Equipment

CSS(E)L Group and Company	Leasehold Improvements	Computer Equipment	Office Equipment	Total <sup>1</sup>
<b>2015</b>				
<b>Cost (USD million)</b>				
<b>Cost as at 1 January 2015</b>	<b>45</b>	<b>14</b>	<b>20</b>	<b>79</b>
Additions	–	1	–	1
Disposals	(29)	(2)	(7)	(38)
Other movements	(3)	(2)	(4)	(9)
<b>Cost as at 31 December 2015</b>	<b>13</b>	<b>11</b>	<b>9</b>	<b>33</b>
<b>Accumulated depreciation:</b>				
<b>Accumulated depreciation as at 1 January 2015</b>	<b>35</b>	<b>12</b>	<b>18</b>	<b>65</b>
Charge for the year	7	1	1	9
Disposals	(29)	(2)	(6)	(37)
Other movements	(2)	(2)	(4)	(8)
<b>Accumulated depreciation as at 31 December 2015</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>29</b>
<b>Net book value as at 1 January 2015</b>	<b>10</b>	<b>2</b>	<b>2</b>	<b>14</b>
<b>Net book value as at 31 December 2015</b>	<b>2</b>	<b>2</b>	<b>–</b>	<b>4</b>
<b>2014</b>				
<b>Cost (USD million)</b>				
<b>Cost as at 1 January 2014</b>	<b>55</b>	<b>16</b>	<b>19</b>	<b>90</b>
Additions	–	–	1	1
Disposals	–	–	–	–
Other movements	(10)	(2)	–	(12)
<b>Cost as at 31 December 2014</b>	<b>45</b>	<b>14</b>	<b>20</b>	<b>79</b>
<b>Accumulated depreciation:</b>				
<b>Accumulated depreciation as at 1 January 2014</b>	<b>38</b>	<b>13</b>	<b>18</b>	<b>69</b>
Charge for the year	5	1	1	7
Disposals	–	–	–	–
Other movements	(8)	(2)	(1)	(11)
<b>Accumulated depreciation as at 31 December 2014</b>	<b>35</b>	<b>12</b>	<b>18</b>	<b>65</b>
<b>Net book value as at 1 January 2014</b>	<b>17</b>	<b>3</b>	<b>1</b>	<b>21</b>
<b>Net book value as at 31 December 2014</b>	<b>10</b>	<b>2</b>	<b>2</b>	<b>14</b>

<sup>1</sup> Above table includes both continued and discontinued operations.

Leasehold improvements relate to improvements to land and buildings that have been occupied on commercial lease terms by the CSS(E)L Group and other CS group companies.

In December 2015, the CSS(E)L Group completed the sales of CSS(E)L, Amsterdam branch, ('Amsterdam branch') and CSS(E)L, Milan branch ('Milan branch') to Credit Suisse International resulting

in disposals of Property Plant and Equipment. See note 26 – Discontinued Operations and Assets Held for Sale.

No interest has been capitalised in the current year within property and equipment (2014: USD Nil).

No impairment charges were recorded in 2015 and 2014 for property and equipment.

## 20 Intangible Assets

CSS(E)L Group and Company	Right to Use Leisure Facility	Internally Developed Software	Total
<b>2015</b>			
<b>Cost (USD million)</b>			
<b>Cost as at 1 January 2015</b>	<b>4</b>	<b>-</b>	<b>4</b>
Additions	-	161	161
Disposals	-	(161)	(161)
<b>Cost as at 31 December 2015</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Accumulated amortisation:</b>			
<b>Accumulated amortisation as at 1 January 2015</b>	<b>2</b>	<b>-</b>	<b>2</b>
Amortisation for the year	-	-	-
Impairment	1	-	1
Disposals	-	-	-
<b>Accumulated amortisation as at 31 December 2015</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Net book value as at 1 January 2015</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Net book value as at 31 December 2015</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>2014</b>			
<b>Cost (USD million)</b>			
<b>Cost as at 1 January 2014</b>	<b>4</b>	<b>1</b>	<b>5</b>
Additions	-	139	139
Disposals	-	(140)	(140)
<b>Cost as at 31 December 2014</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Accumulated amortisation:</b>			
<b>Accumulated amortisation as at 1 January 2014</b>	<b>1</b>	<b>-</b>	<b>1</b>
Amortisation for the year	-	-	-
Impairment	1	-	1
Disposals	-	-	-
<b>Accumulated amortisation as at 31 December 2014</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Net book value as at 1 January 2014</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Net book value as at 31 December 2014</b>	<b>2</b>	<b>-</b>	<b>2</b>

No interest has been capitalised within intangible assets (2014: USD Nil).

Impairment charges of USD 1 million (2014: USD 1 million) was recorded on right to use leisure facility. No impairment charges were recorded for internally developed software in 2015 and 2014. The impairment of the right to use leisure facility reduces the asset

down to current market rate. This asset is held in Seoul Branch. The assets' fair value was calculated based on an average from external price quotes and is level 2 of the fair value hierarchy. The fair value of the asset is also equal to its recoverable amount.

The internally developed software that was capitalised was transferred to Credit Suisse International in 2015.

## 21 Goodwill

CSS(E)L Group and Company	2015	2014
<b>Goodwill (USD million)</b>		
<b>Cost:</b>		
<b>Balance as at 1 January</b>	<b>6</b>	<b>7</b>
Foreign currency translation impact	-	(1)
<b>Balance as at 31 December</b>	<b>6</b>	<b>6</b>
<b>Accumulated impairment losses</b>		
<b>Balance as at 1 January</b>	<b>-</b>	<b>-</b>
Goodwill impairment	(6)	-
<b>Balance as at 31 December</b>	<b>(6)</b>	<b>-</b>
<b>Net book value</b>	<b>-</b>	<b>6</b>

## 22 Deposits

CSS(E)L Group and Company	2015 <sup>1</sup>	2014
<b>Deposits from banks (USD million)</b>		
Non-interest bearing demand deposits	–	29
Interest-bearing demand deposits	157	275
Time Deposits	3	1,405
<b>Total deposits</b>	<b>160</b>	<b>1,709</b>

<sup>1</sup> Above table includes both continued and discontinued operations.

Deposits placed with CS Nassau Branch has decreased to USD 3 million (2014: USD 1,405 million).

## 23 Short Term Borrowings

CSS(E)L Group and Company	2015 <sup>1</sup>	2014
<b>Short-term borrowings (USD million)</b>		
<b>Short term borrowings:</b>		
from banks	2,499	5,679
from customers	262	322
<b>Total short term borrowings</b>	<b>2,761</b>	<b>6,001</b>

<sup>1</sup> Above table includes both continued and discontinued operations.

## 24 Provisions

CSS(E)L Group and Company	Property	Litigation	Total <sup>1</sup>
<b>Provisions (USD million)</b>			
Balance at 1 January 2015	1	1	2
Charges during the year	–	7	7
Utilised during the year	–	(7)	(7)
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>1</b>	<b>2</b>

<sup>1</sup> Above table includes both continued and discontinued operations.

CSS(E)L Group and Company	Property	Litigation	Total
<b>Provisions (USD million)</b>			
Balance at 1 January 2014	1	4	5
Charges during the year	–	8	8
Utilised during the year	–	(11)	(11)
<b>Balance at 31 December 2014</b>	<b>1</b>	<b>1</b>	<b>2</b>

### Property provision

The property provision mainly relates to property reinstatement obligations that will be incurred when the leases expire.

### Litigation provision

The CSS(E)L Group accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are more likely than not and can be reasonably estimated. General Counsel in consultation with the business reviews CS group's judicial, regulatory and arbitration proceedings each quarter

to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel. The anticipated utilisation of these litigation provisions typically ranges from six to eighteen month period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant. The litigation provision relates to legal cases that the Company is defending. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2015.

## 25 Long Term Debt

CSS(E)L Group and Company	2015	2014
<b>Long-term debt (USD million)</b>		
Senior debt	22,918	28,109
Subordinated debt	3,501	3,531
<b>Total long term debt</b>	<b>26,419</b>	<b>31,640</b>

### Senior Debt

During 2010, in response to the UK liquidity requirements required by the PRA as set out in its policy statement (PS) 09/16, new

term profiles were put in place from Credit Suisse AG (London Branch).

Senior Debt as at December 2015 comprises:

### CSS(E)L Group and Company

Outstanding as at December 2015	Counterparty Name	Date of Issuances	
USD 1,000 million	Credit Suisse Investments (UK)	18 December 2013	Interest payable at 3 months USD LIBOR plus 87.5 basis points per annum, maturing on 19 December 2016
EUR 6,050 million	Credit Suisse AG (London Branch)	14 March 2014	420 days call loans evergreen
GBP 4,000 million	Credit Suisse AG (London Branch)	14 March 2014	420 days call loans evergreen
USD 2,875 million	Credit Suisse AG (London Branch)	29 May 2015	420 days call loans evergreen
USD 6,500 million	Credit Suisse AG (London Branch)	18 Dec 2015	420 days call loans evergreen

Senior Debt as at December 2014 comprises:

### CSS(E)L Group and Company

Outstanding as at December 2014	Counterparty Name	Date of Issuances	
USD 1,000 million	Credit Suisse Investments (UK)	18 December 2013	Interest payable at 3 months USD LIBOR plus 87.5 basis points per annum, maturing on 19 December 2016
USD 1,485 million	Credit Suisse AG (Guernsey Branch)	12 August 2010	Interest payable at 3 months LIBOR plus 253 basis points per annum having a 30 year maturity period
USD 2,950 million	Credit Suisse AG (London Branch)	21 September 2010	Interest payable at 3 months LIBOR plus 250/275 basis points per annum maturing on 21 September 2015
EUR 400 million	Credit Suisse AG (London Branch)	28 June 2010	Interest payable at 3 months EURIBOR plus 200/216 basis points per annum maturing on 29 June 2015
USD 481 million	Credit Suisse AG (London Branch)	15 September 2010	Interest payable at 3 months LIBOR plus 225/250 basis points per annum maturing on 15 September 2015
EUR 12,000 million	Credit Suisse AG (London Branch)	14 March 2014	420 days evergreen call loans
GBP 4,000 million	Credit Suisse AG (London Branch)	14 March 2014	420 days evergreen call loans
USD 532 million	Credit Suisse First Boston Finance BV	15 April 2014	Reclassification from Subordinated Debt to Senior Debt
USD 367 million	Credit Suisse PSL GMBH	15 April 2014	Reclassification from Subordinated Debt to Senior Debt

During 2015 USD 1,485 million was repaid to Credit Suisse AG (Guernsey Branch).

During 2015 there were maturities of USD 2,950 million issued on 21 September 2010, EUR 400 million issued on 28 June 2010 and USD 481 million issued on 15 September 2010 by Credit Suisse AG (London Branch).

In March 2014 the Company changed the term profile of funding from Credit-Suisse AG (London Branch) of USD 24,870 million to long term from short term. As at December 2014, the funding from Credit Suisse AG (London Branch) is USD 20,809 million of which USD 7,974 million (EUR 5,950 million) was prepaid during the year 2015. In addition to this during the year 2015 call loan of USD 2,875 million and USD 6,500 million was taken from Credit Suisse AG (London Branch).

In April 2014 as a part of restructuring of Subordinated Debt deferred interest of USD 532 million with Credit Suisse First Boston Finance BV and USD 367 million with Credit Suisse PSL GMBH was included in Senior Debt. This was repaid during the year 2015.

### Subordinated Debt

At 31 December 2015 subordinated debt comprises an amount of USD 3,501 million (2014: USD 3,531 million). This comprised of USD 1,251 million (2014 : USD 1,501 million) advanced by Credit Suisse PSL GmbH and USD 2,250 (2014: 1,500 million) advanced by Credit Suisse Investments (UK) (of which USD 750 million advanced in Dec 2015).

On 15 April 2014 as part of restructuring of subordinated debt Company borrowed USD 1,500 million from Credit Suisse

Investments (UK). Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 342 basis points per annum. Under the terms of the loan, the Company may repay, in whole or in part, any amounts outstanding upon giving prior written notice to the lender and PRA. The earliest date at which the Company may make a repayment is 15 April 2019. The maturity of the loan is 15 April 2026. In addition to this Company borrowed additional USD 750 million under the subordinated loan facility dated 14th April 2014. The maturity of additional loan is 29 December 2025.

On 12 May 2010, the Company borrowed a further USD 500 million from Credit Suisse First Boston Finance BV, with interest on subordinated debt payable at a rate of 3 months LIBOR plus 365 basis points per annum. Interest capitalisation on above

borrowings is USD 16 million. The maturity of the loan is 31 December 2033 which was early repaid in 2015.

On 29 October 2010, USD 1,000 million was advanced by CS PSL GmbH, under a subordinated loan facility agreement for USD 1,500 million dated 29 October 2010. Interest on subordinated debt is payable at a rate of 3 months LIBOR plus 545 basis points per annum. The Company borrowed a further USD 500 million under this facility on 15 December 2010. Interest on subordinated debt of USD 500 million is payable at a rate of 3 months LIBOR plus 695 basis points per annum. During the year 2015, USD 250 million was early repaid.

In April 2014 as part of restructuring of Subordinated Debt deferred interest of USD 899 million was included in Senior Debt. This was repaid during the year 2015.

## 26 Discontinued Operations and Assets Held for Sale

In September 2015, CSS(E)L Group completed the sale of its investment banking business (including client relationships) to CSI, and adjusted Capital Contribution by USD 207 million being the cash proceeds of the sale. No assets or liabilities were transferred as part of the transaction, and these will be unwound in the CSS(E)L Group. Details of the profit and loss in relation to the business are provided in the table below. Cash inflows relating to investment and outflows for operational activities were USD 207 million and USD 190 million respectively. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

In December 2015, the CSS(E)L Group completed the sales of CSS(E)L, Amsterdam branch ('Amsterdam branch') and CSS(E)L, Milan branch ('Milan branch') to CSI and adjusted Capital Contribution for the proceeds of the sale (USD 4.9 million and USD 8.4 million respectively). The proceeds from the sale were in the form of shares received from CSI, and these were sold immediately. Amsterdam branch transferred assets of USD 4.7 million (USD 2.6 million of which was cash) and liabilities of USD 4.7 million and Milan branch transferred assets of USD 22.1 million (USD 10.7 million of which was cash) and liabilities of USD 22.1 million to CSI. Details of the profit and loss in relation to the business are provided in the table below. Net cash inflows relating to

investment activity were USD 13.3 million and operational cash inflows during the year were USD 4 million. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

During the year the majority of CSS(E)L Group's Listed Derivative trading client relationships were transferred to CSI in a number of separate transactions, as trading relationships met the criteria for transfer, and Capital Contribution was adjusted by USD 52 million for the net proceeds of the sale. Assets of USD 259 million and liabilities of USD 4,860 million were transferred, Other assets of USD 541 million and Other liabilities of USD 316 million were disclosed as held for sale. The transaction will continue and complete in 2016. Details of the profit and loss in relation to the business are provided in the table below. Cash inflow relating to investment activity and outflow for operational activities were USD 52 million and USD 243 million respectively. None of the net profit or loss in relation to this business is attributable to non-controlling interests.

The CSS(E)L Group has committed to sell the Prime Services platform to Credit Suisse AG (acting through its Dublin branch). The transaction is expected to transfer the business on a phased basis and be completed within 18 months from commencement.

CSS(E)L Group and Company	Prime Services	Prime Listed derivatives	Total
<b>2015 (USD million)</b>			
Securities purchased under resale agreements and securities borrowing transactions	35,940	–	<b>35,940</b>
Trading financial assets at fair value through profit or loss	20,130	–	<b>20,130</b>
of which positive market values from derivative instruments	2,820	–	<b>2,820</b>
Other Assets	7,265	541	<b>7,806</b>
<b>Total assets held for sale</b>	<b>63,335</b>	<b>541</b>	<b>63,876</b>
Securities sold under repurchase agreements and securities lending transactions	22,755	–	<b>22,755</b>
Trading financial liabilities at fair value through profit or loss	15,519	–	<b>15,519</b>
of which negative market values from derivative instruments	3,548	–	<b>3,548</b>
Financial liabilities designated at fair value through profit or loss	481	–	<b>481</b>
Other Liabilities	15,431	316	<b>15,747</b>
<b>Total liabilities held for sale</b>	<b>54,186</b>	<b>316</b>	<b>54,502</b>



The results of operations of the businesses sold have been reflected in (Loss)/Profit after taxes from discontinued operations in the consolidated statements for the relevant periods presented. The assets and liabilities of discontinued operations for which the sale has not yet been completed are presented as assets held for sale and liabilities held for sale, respectively, and prior periods are not reclassified. There are no cumulative income or expenses included in OCI relating to the disposal group.

The presentation of assets and liabilities held for sale required the separation of certain assets and liabilities that were previously treated as a single unit of account into disaggregated asset and liability positions. This resulted in an increase of USD 3.2 billion in Total assets and Total liabilities in the Consolidated Statement of Financial Position (Total assets increased from USD 140,375 million to USD 143,542 million and Total liabilities increased from USD 132,400 million to USD 135,568 million).

CSS(E)L Group and Company	Prime Services	IBD London	IBD Amsterdam Branch	IBD Milan Branch	Prime Listed Derivatives	Total
<b>2015 (USD million)</b>						
Interest Income	871	–	–	–	32	<b>903</b>
Interest Expense	(953)	(2)	–	–	(15)	<b>(970)</b>
<b>Net interest Income/(Expense)</b>	<b>(82)</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>17</b>	<b>(67)</b>
Commission and fee income	136	203	–	3	27	<b>369</b>
Commission and fee expense	(111)	(5)	–	–	–	<b>(116)</b>
<b>Net commission and fee income</b>	<b>25</b>	<b>198</b>	<b>–</b>	<b>3</b>	<b>27</b>	<b>253</b>
Net gains/(losses) from financial assets/liabilities at FV through profit or loss	455	(1)	–	(1)	(1)	<b>452</b>
Other revenues/(expenses)	24	(34)	7	14	–	<b>11</b>
<b>Net revenues</b>	<b>422</b>	<b>161</b>	<b>7</b>	<b>16</b>	<b>43</b>	<b>649</b>
Compensation and benefits	(58)	(182)	(5)	(12)	(13)	<b>(270)</b>
General and administrative expenses	(205)	(172)	(1)	(3)	(62)	<b>(443)</b>
<b>Total Operating expense</b>	<b>(263)</b>	<b>(354)</b>	<b>(6)</b>	<b>(15)</b>	<b>(75)</b>	<b>(713)</b>
<b>Profit/(Loss) before tax</b>	<b>159</b>	<b>(193)</b>	<b>1</b>	<b>1</b>	<b>(32)</b>	<b>(64)</b>
Income Tax	–	–	(2)	(1)	–	<b>(3)</b>
<b>Net Income/(Loss)</b>	<b>159</b>	<b>(193)</b>	<b>(1)</b>	<b>–</b>	<b>(32)</b>	<b>(67)</b>
<b>2014 (USD million)</b>						
Interest Income	701	–	–	–	35	<b>736</b>
Interest Expense	(737)	(2)	–	–	(14)	<b>(753)</b>
<b>Net interest Income/(Expense)</b>	<b>(36)</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>(17)</b>
Commission and fee income	102	442	–	–	39	<b>583</b>
Commission and fee expense	(91)	(12)	–	(1)	–	<b>(104)</b>
<b>Net commission and fee income</b>	<b>11</b>	<b>430</b>	<b>–</b>	<b>(1)</b>	<b>39</b>	<b>479</b>
Net gains/(losses) from financial assets/liabilities at FV through profit or loss	426	–	–	(1)	(18)	<b>407</b>
Other revenues/(expenses)	(32)	(53)	11	21	–	<b>(53)</b>
<b>Net revenues</b>	<b>369</b>	<b>375</b>	<b>11</b>	<b>19</b>	<b>42</b>	<b>816</b>
Compensation and benefits	(57)	(249)	(8)	(15)	(13)	<b>(342)</b>
General and administrative expenses	(182)	(152)	(2)	(5)	(38)	<b>(379)</b>
<b>Total Operating income/(expense)</b>	<b>(239)</b>	<b>(401)</b>	<b>(10)</b>	<b>(20)</b>	<b>(51)</b>	<b>(721)</b>
<b>Profit/(Loss) before tax</b>	<b>130</b>	<b>(26)</b>	<b>1</b>	<b>(1)</b>	<b>(9)</b>	<b>95</b>
Income Tax	–	–	–	–	–	<b>–</b>
<b>Net Income/(Loss)</b>	<b>130</b>	<b>(26)</b>	<b>1</b>	<b>(1)</b>	<b>(9)</b>	<b>95</b>

The above table does not present a gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation. This is because the disposal group does not contain assets or liabilities that are measured at the lower of the carrying amount

or fair value less cost to sell. The proceeds of the sales of the businesses are recorded as an adjustment to Capital Contribution, rather than in profit or loss due to the two parties being under common control.

## 27 Accumulated Other Comprehensive Income

CSS(E)L Group and Company	Gains/ (losses) on cash flow hedges	Unrealised gain/(loss) on Pension Fund	Cumulative translation adjustment	Unrealised gains/ (losses) on financial assets avail- able for sale	Accum- ulated other comprehen- sive income
<b>2015</b>					
<b>Accumulated other comprehensive income (USD million)</b>					
<b>Balance at 1 January 2015</b>	<b>(39)</b>	<b>120</b>	<b>(325)</b>	<b>25</b>	<b>(219)</b>
Increase/(decrease):					
Foreign exchange translation differences	-	-	(40)	-	(40)
Cash flow hedges – effective portion of changes in fair value	(13)	-	-	-	(13)
Cash flow hedges – reclassified to income statement	46	-	-	-	46
Net gain on hedges of net investments in foreign entities taken to equity	-	-	22	-	22
Net loss on financial assets available-for-sale	-	-	-	-	-
Re-measurement of defined benefit liability/(asset)	-	(7)	-	-	(7)
<b>Balance at 31 December 2015</b>	<b>(6)</b>	<b>113</b>	<b>(343)</b>	<b>25</b>	<b>(211)</b>
<b>2014</b>					
<b>Accumulated other comprehensive income (USD million)</b>					
<b>Balance at 1 January 2014</b>	<b>-</b>	<b>(73)</b>	<b>(293)</b>	<b>26</b>	<b>(340)</b>
Increase/(decrease):					
Foreign exchange translation differences	-	-	(43)	-	(43)
Cash flow hedges – effective portion of changes in fair value	(43)	-	-	-	(43)
Cash flow hedges – reclassified to income statement	4	-	-	-	4
Net loss on hedges of net investments in foreign entities taken to equity	-	-	11	-	11
Net gain on financial assets available-for-sale	-	-	-	(1)	(1)
Re-measurement of defined benefit (asset)/liability	-	193 <sup>1</sup>	-	-	193
<b>Balance at 31 December 2014</b>	<b>(39)</b>	<b>120</b>	<b>(325)</b>	<b>25</b>	<b>(219)</b>

<sup>1</sup> Disclosed net of tax

## 28 Share Capital and Share Premium

CSS(E)L Group and Company	2015	2014
<b>Share Capital (USD million)</b>		
<b>Opening balance</b>	<b>3,859</b>	<b>2,859</b>
<b>38,593,205,057 ordinary voting shares of USD 0.10 each</b>	<b>3,859</b>	
<b>22,013,921,050 ordinary voting shares of USD 0.10 each</b>		<b>2,201</b>
<b>6,579,284,010 participating non voting shares of USD 0.10 each</b>		<b>658</b>
<b>9 September 2014:</b>		
Cancellation of participating non voting shares (6,579,284,010 of USD 0.10 each)		(658)
Issuance of ordinary voting shares (6,579,284,010 of USD 0.10 each)		658
<b>24 September 2014:</b>		
Issuance of ordinary voting shares (2,500,000,000 of USD 0.10 each)		250
<b>29 September 2014:</b>		
Issuance of ordinary voting shares (7,500,000,000 of USD 0.10 each)		750
<b>Total called-up share capital</b>	<b>3,859</b>	<b>3,859</b>
<b>Share Premium (USD million)</b>		
<b>Share Premium</b>	<b>5,661</b>	<b>5,661</b>
<b>9 September 2014:</b>		
Cancellation of participating non voting shares credited to share premium (6,579,284,010 of USD 0.10 each)		658
Share premium utilised for issuance of ordinary voting shares (6,579,284,010 of USD 0.10 each)		(658)
<b>Total called-up share capital</b>	<b>5,661</b>	<b>5,661</b>

Refer Note 26 – Discontinued Operations and Assets Held for Sale, regarding increase in Capital Contribution from sale of business to a common control entity. During the year CSS(E)L sold its investment banking business in London, Amsterdam and Milan, together with its Listed Derivatives agency business to CSi. As the transaction was under common control, the profit of USD 272 million on the transaction has been adjusted through Capital Contribution.

As part of a restructuring of the Company's capital structure and to further strengthen Tier 1 capital base, the following transactions occurred during 2014:

On 9 September 2014, the Company passed a special resolution to undergo a capital restructuring in accordance with the

Companies Act 2006. The purpose of the capital restructuring was to be compliant with regulatory capital requirements. 6,579,284,010 non-voting shares of USD 0.10 each were cancelled and the resulting reserve of USD 658 million was credited to share premium. Immediately thereafter share premium was capitalised by issuing 6,579,284,010 ordinary voting shares at nominal value of USD 0.10 each.

On 24 September 2014, the Company issued 2,500,000,000 ordinary voting shares at nominal value of USD 0.10 per share, with USD 250 million recorded in share capital.

On 29 September 2014, the Company issued another 7,500,000,000 ordinary voting shares at nominal value of USD 0.10 per share, with USD 750 million recorded in share capital.

## 29 Retirement Benefit Obligations

The Company has several pension schemes covering substantially all employees, including defined benefit pension plans and defined contribution pension plans, mainly located in the UK but also in other European and Asian locations. The most material pension arrangement is operated in the UK, where a funded, final salary defined benefit plan is operated. The assets of this plan are held independently of the Company's assets in separate trustee administered funds. Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the board of trustees. The UK plan is closed to future defined benefit accrual however past service benefits for active members are still linked to pensionable salary. Smaller defined benefit plans are operated elsewhere, consisting of unfunded plans in Germany and France and a funded plan in Korea. A full actuarial valuation is completed by independent actuaries, for these schemes once a year using the projected unit credit method and updated for each Consolidated Statement of Financial Position date. The Company does not contribute to any other post-retirement defined benefit plans.

### Profile of the pension plans

Approximately 11% of the UK plan's final salary liabilities are attributable to current employees, 72% to former employees yet to retire and 17% to current pensioners and dependants. The liabilities of the other plans in aggregate are broadly split 36% to current employees, 60% to former employees yet to retire and 4% to current pensioners and dependants. The UK plan duration is an indicator of the weighted-average time until benefits payments are made.

For the UK plan as a whole the duration is around 24 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 27 years), deferred members (duration of 25 years) and current pensioners (duration of 15 years).

The following disclosures contain the balance for the entire defined benefit plans, including the plan sponsored by the Company in the UK, of which the Company is one of many participants, who are all related parties under common control. The Company accounts for the entire plan using defined benefit accounting.

All expenses arising from retirement benefit obligations are recorded in the Consolidated Statement of Income under 'Compensation and benefits'.

### Defined benefit pension and other post-retirement defined benefit plans

CSS(E)L Group and Company	UK		International	
	2015	2014	2015	2014
<b>Defined benefit pension and other post-retirement defined benefit plans (USD million)</b>				
<b>Operating Cost</b>				
Current service costs on benefit obligation	5	5	3	2
Administrative expense	2	2	–	–
Past service costs (including curtailments)	–	–	–	–
<b>Financing Cost</b>				
Net Interest (credits)/costs	(30)	(27)	1	2
<b>Total periodic pension (credits)/costs</b>	<b>(23)</b>	<b>(20)</b>	<b>4</b>	<b>4</b>

The following table shows the changes in the defined benefit obligation and the fair value of plan assets during 2015 and 2014, and the amounts included in the Consolidated Statement of Financial Position for the Company's defined benefit pension and other post-retirement defined benefit plans as at 31 December 2015 and 2014 respectively:

CSS(E)L Group and Company	UK		International	
	2015	2014	2015	2014
<b>Defined benefit pension and other post-retirement defined benefit plans (USD million)</b>				
Defined benefit obligation – 1 January	1,876	1,684	67	59
Current service cost	5	5	3	2
Interest cost	68	77	1	2
Actuarial (gains)/losses on assumptions	(60)	272	(2)	13
arising out of changes in demographic assumptions	6	–	–	–
arising out of changes in financial assumptions	(66)	272	(2)	13
Actuarial (gains)/losses – experience	(1)	(25)	–	(1)
Benefit payments	(55)	(37)	–	(3)
Past service costs (including curtailments)	–	–	–	–
Plans deconsolidated during the year	–	–	–	–
Special termination benefits	–	–	2	1
Effect of business combinations and disposals	–	–	–	–
Exchange rate (gains)/losses	(88)	(100)	(6)	(6)
<b>Defined benefit obligation – 31 December</b>	<b>1,745</b>	<b>1,876</b>	<b>65</b>	<b>67</b>
Fair value of plan assets – 1 January	2,704	2,265	9	11
Interest on plan assets	98	104	–	–
Actuarial gains/(losses) on plan assets	(49)	501	–	–
<b>Actual return on plan assets</b>	<b>49</b>	<b>605</b>	<b>–</b>	<b>–</b>
Employer contributions	9	9	1	1
Administrative expense	(2)	(2)	–	–
Benefit payments	(55)	(37)	–	(3)
Exchange rate (losses)/gains	(127)	(136)	–	–
Effect of business combinations and disposals	–	–	–	–
<b>Fair value of plan assets – 31 December</b>	<b>2,578</b>	<b>2,704</b>	<b>10</b>	<b>9</b>
<b>Total funded status – 31 December</b>				
Plan assets	2,578	2,704	10	9
Defined benefit obligation related to funded plans	(1,745)	(1,876)	(11)	(10)
<b>Funded status for funded plans</b>	<b>833</b>	<b>828</b>	<b>(1)</b>	<b>(1)</b>
Defined benefit obligation related to non-funded plans	–	–	(54)	(57)
<b>Funded status recognised – 31 December</b>	<b>833</b>	<b>828</b>	<b>(55)</b>	<b>(58)</b>

### Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the UK plan was carried out by a qualified actuary as at 31 December 2011 and showed a deficit of GBP 61.2 million. The Company and Trustee agreed that no future shortfall contributions would be paid because the shortfall contributions paid soon after the valuation date and the allowance for post-valuation experience were sufficient to recover the shortfall. The next/current funding valuation is measured at 31 December 2014 and is currently being agreed between the Trustee and the Company.

For additional Pension Fund security, the Company has pledged securities of GBP 241 million as at 31 December 2014. These securities are included in the balances in Note 37 – Assets Pledged or Assigned. At 31 December 2015 and 2014 the pension fund plan assets hold no material amounts of CSS(E)L Group debt and equity securities.

**Movement in the Pension Asset/Liability recognised in the Consolidated Statement of Financial Position:**

CSS(E)L Group and Company (USD million)	UK		International	
	2015	2014	2015	2014
At 1 January	828	581	(58)	(48)
Total amount recognised in profit and loss and OCI (charge)/credit	35	274	(2)	(16)
Other economic events	–	–	(2)	(1)
Contributions paid	9	9	1	1
Gains/(Losses) due to changes in exchange rates	(39)	(36)	6	6
<b>At 31 December</b>	<b>833</b>	<b>828</b>	<b>(55)</b>	<b>(58)</b>

**Assumptions**

The assumptions used in the measurement of the benefit obligation and net periodic pension cost for the main defined benefit pension plan as at 31 December were as follows:

CSS(E)L Group and Company (31 December in %)	UK		International	
	2015	2014	2015	2014
<b>Benefit obligation</b>				
Discount rate	3.90%	3.70%	2.50%	2.50%
Retail Price Inflation	3.10%	3.00%	–	–
Consumer Price Inflation	2.00%	2.00%	1.80%	2.10%
Pension increases <sup>1</sup>	3.04%	2.91%	1.50%	1.70%
Salary increases	3.25%	4.25%	3.60%	3.80%
<b>Net periodic pension cost</b>				
Discount rate	3.70%	4.60%	2.50%	3.70%
Salary increases	4.25%	4.60%	3.80%	4.70%

<sup>1</sup> Pension earned pre 6 April 1997 are subject to pension increases on a discretionary basis, which are considered to be nil.

**Mortality Assumptions**

The life expectancy assumptions for 2015 are similar to those used for 2014.

The assumptions for life expectancy for the 2015 UK benefit obligation pursuant to IAS 19 are based on the 'SAPS 2 light'

base table with improvements in mortality in line with the core CMI 2015 projections and a scaling factor of 95%. Underpins to future mortality improvement have also been incorporated, the annual long term rate of improvement being 1.50% p.a.

On this basis the post-retirement mortality assumptions are as follows:

	2015	2014
<b>Life expectancy at age 60 for current pensioners aged 60 (years)</b>		
Males	28.9	28.8
Females	30.1	30.1
<b>Life expectancy at age 60 for future pensioners currently aged 40 (years)</b>		
Males	31.2	30.8
Females	32.5	32.1

## Sensitivity Analysis

Changes in the principal assumptions used to measure the benefit obligation and total periodic pension cost would have had the following effects:

	UK				International			
	DBO (USD million)	Increase %	DBO (USD million)	Decrease %	DBO (USD million)	Increase %	DBO (USD million)	Decrease %
<b>Benefit obligation</b>								
<b>One-percentage point change</b>								
-1% / +1% Discount rate	2,209	27%	1,393	20%	78	21%	54	17%
+1% / -1% Inflation rate	2,056	18%	1,482	15%	70	8%	60	8%
+1% / -1% Salary increases rate	1,755	1%	1,735	1%	67	3%	63	3%
+1 / -1 year to life expectancy at 60	1,782	2%	1,707	2%	66	2%	64	2%

The sensitivity analysis above has been derived using a number of additional full valuation runs that have been carried out using the same data as that used for calculating the 2015 defined benefit obligation. The sensitivity analysis focuses on changes to the obligation. For the sensitivities to discount rate and inflation rates the impact on the UK funded status will most likely be lower to the impact on the benefit obligation, as a result of the assets being (partially) matched to the obligations.

The methodology used to calculate the sensitivities is consistent with previous years.

### Plan assets and investment strategy

Responsibility for governance and running of the UK Plan, including investment decisions (after consultation with the Company) and contribution schedules (which requires the agreement of the Company) lies with the Board of Trustees. The Company's defined benefit pension plan looks to minimise risk subject to adopting an investment strategy that has a reasonable expectation of achieving a certain level of return by investing in a range of asset classes of appropriate liquidity and security which will generate income and capital growth to meet, together with agreed contributions from the Company, the cost of benefits. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition.

The Fund has a hedging target of around 80% of interest rate and inflation risk arising from the Economic Value of the liabilities. Guidelines have been put in place for the hedging portfolio to limit the risk between it and the basis on which the Economic Value of the liabilities is calculated. In particular limits have been placed on the level of exposure that may be obtained from bonds and gilt total return swaps, both in terms of interest rate and inflation sensitivity.

Equity investments are diversified across UK and non-UK stocks as well as between growth, value and small and large capitalisation stocks. Other assets such as hedge funds are used to enhance long term returns while improving portfolio diversification.

Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. To limit investment risk, the Company's pension plans follow defined strategic asset allocation guidelines. Depending on the market conditions, these guidelines are even more limited on a short-term basis.

### Risks Associated with UK Plan

The UK plan exposes the Company to a number of risks, the most significant of which are:

#### Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will reduce the surplus. The UK plan holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the UK plan's long term objectives.

#### Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the UK plan's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the plan's bond holdings. The plan does hedge interest rate risk, so whilst it might be expected that the hedge increases in value if bond yields decrease, the plan is exposed to the extent that the hedge is not designed to cover 100% of the accounting defined benefit obligation and also the fact that the hedge does not mitigate decreases in credit spreads.

#### Inflation Risk

A significant proportion of the UK plan's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit to the extent that the inflation swap does not match the increase.

#### Life expectancy

The majority of the UK plan's obligations are to provide benefits for the life of the member, therefore increases in life expectancy will result in an increase in the liabilities.

Balances and amounts for the current and previous periods for which the CSS(E)L Group prepared IFRS accounts are as follows:

CSS(E)L Group and Company (USD Million)	2015	2014
Defined benefit obligation	1,810	1,943
Fair value of plan assets	2,588	2,713
Funded status, surplus/(deficit)	778	770
Experience gains/(losses) on plan liabilities <sup>1</sup>	1	26
Experience gains/(losses) on plan assets	(49)	531

<sup>1</sup> This item consists of gains/(losses) in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

### Estimated future benefit payments

	Defined Benefit Pension Plan	
	UK Plans	International Plans
<b>Estimated future benefit payments (USD million)</b>		
2016	16	1
2017	18	1
2018	20	1
2019	24	1
2020	28	1
For five years thereafter	214	8

### Expected Contributions

Expected contributions to benefit plans for the year ending 31 December 2016 are USD 9 million for UK Plans and USD 1 million for International plans.

(USD Million)	2015				2014			
	Quoted	Unquoted	Total	% of total fair value of scheme assets	Quoted	Unquoted	Total	% of total fair value of scheme assets
Cash and cash equivalents	–	180	180	7.0%	–	256	256	9.5%
Debt Securities	1,320	234	1,554	60.3%	1,208	477	1,685	62.3%
of which governments	692	–	692	26.8%	565	5	570	21.1%
of which corporates	628	234	862	33.4%	643	472	1,115	41.2%
Equity Securities	211	246	457	17.7%	259	98	357	13.2%
Derivatives	–	233	233	9.0%	–	276	276	10.2%
Alternative investments	–	154	154	6.0%	–	130	130	4.8%
of which hedge funds	–	103	103	4.0%	–	130	130	4.8%
of which other	–	51	51	2.0%	–	–	–	–
<b>Total plan assets UK Plans</b>	<b>1,531</b>	<b>1,047</b>	<b>2,578</b>	<b>100.0%</b>	<b>1,467</b>	<b>1,237</b>	<b>2,704</b>	<b>100.0%</b>
Debt Securities	10	–	10	100.0%	9	–	9	100.0%
<b>Total plan assets International Plans</b>	<b>10</b>	<b>–</b>	<b>10</b>	<b>100.0%</b>	<b>9</b>	<b>–</b>	<b>9</b>	<b>100.0%</b>

### Plan Assets Allocations

CSS(E)L Group and Company (USD Million)	2015	2014
Fair Value of entity's own transferable financial instruments held as plan assets (transferable refers to the entities and related parties equity securities)	–	–
Fair value of plan assets that are occupied by or used by the entity	–	–

The Company also contributes to various defined contribution pensions primarily in the United Kingdom.

The contributions in these plans during 2015 and 2014 were USD 58 million and USD 68 million respectively.

### 30 Employee Share-based Compensation and Other Compensation Benefits

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

Compensation expense for share-based and other awards that were granted as deferred compensation is recognised in accordance with the specific terms and conditions of each respective award and is primarily recognised over the future requisite service and vesting period, which is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to non-compete and non-solicit provisions. Compensation expense for share based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2015 and 2014 was USD 138 million and USD 181 million respectively. The total stock award liability recorded as at 31 December 2015 was USD 217 million (2014: USD 343 million). The fair value used to calculate the stock award liability was the closing Credit Suisse Group share price as at 31 December 2015 CHF 21.69 (2014: CHF 25.08). The average weighted fair value of awards granted in 2015 was CHF 16.64 (2014: CHF 27.40). The intrinsic value of vested share based awards outstanding as at year end was USD 27 million (2014: USD 41 million).

Movements in the number of PSA outstanding were as follows:

CSS(E)L Group and Company	2015	2014
<b>Number of units (millions)</b>		
As at 1 January	6.13	5.39
Granted	3.37	3.25
Shares transferred in/out	(1.35)	(0.22)
Delivered	(3.10)	(2.15)
Forfeited	(0.26)	(0.14)
<b>As at 31 December</b>	<b>4.79</b>	<b>6.13</b>

#### Phantom Share Awards

Share awards granted in January 2016 are similar to those granted in January 2015 and are awarded to certain employees in the Company. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ('CSG') share and does not contain a leverage component or a multiplier effect and is subject to service conditions as it vests over three years, such that the share awards vest equally on each of the three anniversaries of the

The recognition of compensation expense for the deferred compensation awards granted in January 2016 began in 2016 and thus had no impact on the 2015 financial statements.

#### Performance Share Awards

Certain employees received a portion of their deferred variable compensation in the form of performance share awards, which are subject to explicit performance-related claw-back provisions. Each performance share award granted entitles the holder of award to receive one CSG share. Performance share awards also vest over three years, such that the performance share awards vest equally on each of the three anniversaries of the grant date. Unlike the Phantom share awards, outstanding performance share awards are subject to a negative adjustment in the event of a divisional loss unless there is a negative CSG ROE that would call for a negative adjustment greater than the divisional adjustment for the year, in which case the negative adjustment is based on the CSG's negative ROE. For employees in Corporate Functions, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions.

Outstanding performance share awards granted in previous years were based on former strategic ROE, adjusted for the goodwill impairment charge related to the re-organisation of the former Investment Banking division.

The number of performance share awards was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the twelve business days ended 18th January 2016. The fair value of each performance share award was CHF 18.62, the CSG share price on the grant date. Performance share awards granted between January 1, 2014 and December 31, 2015 do not include the rights to receive dividend equivalents during the vesting period, while performance share awards granted after January 1, 2016 include the rights to received dividend equivalents.

grant date. Share awards granted in January 2011 vest over a four-year period. The value of these share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares, and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, subject to continued employment with the Company, contain



restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards was determined by dividing the deferred component of variable compensation being granted as shares by the average price of CSG share over the twelve business days ended 18th January 2016. The fair value of each share

award was CHF 18.62, the CSG share price on the grant date. While share awards granted between January 1, 2014 and December 31, 2015 do not include the right to receive dividend equivalents during the vesting period, share awards granted after January 1, 2016 include the right to receive dividends equivalents.

CSS(E)L Group and Company	2015	2014
<b>Number of units (millions)</b>		
As at 1 January	11.41	9.35
Granted	6.01	7.17
Shares transferred in/out	(3.12)	(0.52)
Delivered	(6.69)	(4.24)
Forfeited	(0.37)	(0.35)
<b>As at 31 December</b>	<b>7.24</b>	<b>11.41</b>

### Contingent Capital Awards

Contingent Capital Awards (CCA) were granted in January 2016, 2015 and 2014 as part of 2015, 2014 and 2013 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents at a rate of 4.23%, 4.85% and 4.75% per annum over the six-month Swiss franc London Interbank Offered Rate (LIBOR) or 5.41%, 5.75% and 5.33% per annum over the six-month US dollar LIBOR, for Swiss franc and US-denominated awards, for 2016, 2015 and 2014, respectively, until settled.

CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over three years from the grant date. However, because CCA qualify as additional tier 1 capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. CSG will determine that fair value at its discretion. CSG intends to grant CCA as one of its annual deferred variable compensation awards in future years.

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

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

Total compensation expense recognised for January 2015 and January 2014 CCA during the year ended December 31, 2015 was USD 40 million (2014: USD 27 million).

### Plus Bond awards

Certain employees received a portion of their 2012 deferred variable compensation in the form of Plus Bond awards. The Plus Bond award is essentially a fixed income instrument, denominated

in US dollars, which provides a coupon payment that is commensurate with market-based pricing. Plus Bond award holders are entitled to receive semi-annual cash payments on their adjusted award amounts at the rate of LIBOR plus 7.875% per annum until settlement. The Plus Bond will settle in the summer of 2016 based on the amount of the initial award less portfolio losses, if any, in excess of a first loss portion retained by CSG of USD 600 million. The value of the Plus Bond awards is based on the performance of a portfolio of unrated and sub-investment-grade asset-backed securities that are held in inventory by various trading desks. While the Plus Bond award is a cash-based instrument, CSG reserves the right to settle the award in CSG shares based on the share price at the time of final distribution. In addition, subject to oversight procedures, CSG retains the right to prepay all or a portion of the Plus Bond award in cash at any time and, in the event of certain regulatory developments or changes in capital treatment, exchange the award into CSG shares. The Plus Bond award plan contributes to a reduction of CSG's risk-weighted assets and constitutes a risk transfer from CSG to the Plus Bond award holders.

Certain employees were given the opportunity in early 2013 to voluntarily reallocate a portion of the share award component of their deferred awards into the Plus Bond award. The Plus Bond awards resulting from the voluntary reallocation vested on the third anniversary of the grant date on January 17, 2016 and were expensed over the vesting period.

Total compensation expense recognised during the year ended December 31, 2015 was USD 3 million (2014: USD 4 million).

### Restricted Cash Awards

Certain employees received the cash component of their 2012 variable compensation in the form of Restricted Cash Awards. These awards are cash payments made on the grant date, but are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The Restricted Cash Award is reported as part of the deferred compensation award for the Company even though the award is fully settled at grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

On January 17, 2013, the Company granted Restricted Cash Awards.

Total compensation (income)/expense recognised during the year ended December 31, 2015 was USD (0.4) million (2014: USD 10 million).

### 2011 Partner Asset Facility

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

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

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

- Capital Opportunity Facility: participants elect for their award to be referenced to a Capital Opportunity Facility (COF). The COF is a seven-year facility that is linked to the performance of a portfolio of risk-transfer and capital mitigation transactions, to be entered into with CSG, chosen by a COF management team. The value of the COF awards will be reduced if there are losses from the COF portfolio, up to the full amount of the award. Participants who elect the COF will receive semi-annual US dollar cash distributions of 6.5% per annum until settlement in cash in 2021, and such semi-annual distributions will reduce the cash settlement amount payable in 2021; and
- Contingent Capital Awards: participants elect to receive CCA, with similar terms to the instruments granted as part of the 2013 compensation awards. The principal differences between the two forms of CCA are that these CCA are expected to settle approximately one year earlier and provide semi-annual cash payments of interest equivalents at slightly lower rates.

Settlement is expected to occur in the first half of 2016, subject to regulatory approvals

Total compensation expense recognised for the PAF2 award during the year ended December 31, 2015 was USD Nil million (2014: USD 1 million).

Total compensation expense recognised for the PAF2 CCA during the year ended December 31, 2015 was USD 8 million (2014: USD 6 million).

Total compensation expense recognised for the COF during the year ended December 31, 2015 was USD 2 million (2014: USD 2 million).

### Adjustable Performance Plan Awards

The Adjustable Performance Plan (APP) is a deferred compensation plan for certain employees. CSG granted APP cash awards as part of deferred compensation for 2009 (2009 APP) and 2010 (2010 APP).

The 2009 APP cash awards were fully vested and expensed as of December 31, 2012 and were delivered in the first half of 2013.

The 2010 APP cash awards vested over a four-year period, with the final payout value subject to an upward or downward adjustment, depending on the financial performance of the specific business areas and the CSG ROE. The adjustments were determined on an annual basis, increasing or decreasing the outstanding balances by a percentage equal to the reported CSG ROE, unless the division that granted the awards incurred a pre-tax loss. In this case, outstanding awards in that division were subject to a negative adjustment of 15% for every CHF 1 billion of loss, unless a negative CSG ROE applied for that year and was greater than the divisional adjustment. For employees in Corporate Functions and other support functions, all outstanding 2010 APP cash awards were linked to CSG's adjusted profit or loss and the CSG ROE, but were not dependent upon the adjusted profit or loss of the business areas that they supported.

Total compensation income recognised for APP cash awards during the year ended December 31, 2015 was USD (1) million (2014: USD (1) million).

In July 2012, CSG executed a voluntary exchange offer, under which employees had the right to voluntarily convert all or a portion of their respective unvested Adjustable Performance Plan cash awards into Adjustable Performance Plan share awards at a conversion price of CHF 16.29. Each Adjustable Performance Plan share award has a grant-date fair value of CHF 16.79 and contains the same contractual term, vesting period, performance criteria and other terms and conditions as the original Adjustable Performance Plan cash award.

Movements in the number of APP shares outstanding were as follows:

CSS(E)L Group and Company	2015	2014
<b>Number of units (millions)</b>		
As at 1 January	0.84	1.72
Granted	–	–
Shares transferred in/out	–	–
Delivered	(0.84)	(0.86)
Forfeited	–	(0.02)
<b>As at 31 December</b>	<b>–</b>	<b>0.84</b>

### 2008 Partner Asset Facility

As part of the 2008 annual compensation process, CSG granted certain employees the majority of the deferred compensation in the form of 2008 Partner Asset Facility (PAF) awards, denominated in US dollars. The PAF awards are indexed to, and represent a first-loss interest in, a specified pool of illiquid assets (Asset Pool) that originated in the former Investment Banking division.

The notional value of the Asset Pool was based on the fair market value of the assets within the Asset Pool on December 31, 2008, and those assets will remain static throughout the contractual term of the award or until liquidated. The PAF holders will participate in the potential gains on the Asset Pool if the assets within the pool are liquidated at prices above the initial fair market value. If the assets within the Asset Pool are liquidated at prices below the initial fair market value, the PAF holders will bear the first loss on the Asset Pool. As a result, a significant portion of risk positions associated with the Asset Pool has been transferred to the employees and removed from CSG's risk-weighted assets, resulting in a reduction in capital usage.

The PAF awards, which have a contractual term of eight years, are fully vested. Each PAF holder will receive a semi-annual cash interest payment of LIBOR plus 250 basis points applied to the notional value of the PAF award granted throughout the contractual term of the award. Beginning in the fifth year after the grant date, the PAF holders will receive an annual cash payment equal to 20% of the notional value of the PAF awards if the fair market value of the Asset Pool in that year has not declined below the

initial fair market value of the Asset Pool. In the final year of the contractual term, the PAF holders will receive a final settlement in cash equal to the notional value, less all previous cash payments made to the PAF holder, plus any related gains or less any related losses on the liquidation of the Asset Pool.

Total compensation expense recognised during the year ended December 31, 2015 was USD 6 million (2014: USD 20 million).

### Stock Options

Under the Credit Suisse Group Master Share Plan, for employees in Asia-Pacific region, the last grant of options over CSG registered shares was in September 2003 under the Option Reduction Program. The new options were granted in exchange for previously granted options under the CSG Share Plan. All option awards related to service provided in prior years were fully expensed during the year of service. The exercise price of options granted is generally the market value of CSG registered shares on the date of grant or higher as in the case of the options granted under the Option Reduction Program. All options currently held by employees are fully vested and exercisable. The options generally have a contractual option term of ten years except for the options granted under the Option Reduction Program which has a term of seven years. The liability for these awards is held in the books of CSG and therefore, any fair value changes are reflected in the books of CSG. CSG has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options and their related weighted average exercise prices:

CSS(E)L Group and Company	2015		2014	
	in Units	Weighted average exercise price (CHF)	in Units	Weighted average exercise price (CHF)
Number of SISUs (millions)				
As at 1 January	76,712	53.39	92,443	52.43
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	60,345	48.05	15,731	47.75
<b>As at 31 December</b>	<b>16,367</b>	<b>53.39</b>	<b>76,712</b>	<b>53.39</b>

The number of options exercisable as at year end was 16,367 (2014: 76,712). The average weighted exercise price of options exercisable at year end was CHF 73.06 (2014: CHF 53.39).

Weighted average remaining contractual life of options is Nil years (2014: Nil years). The intrinsic value of vested options outstanding as at year end was USD Nil (2014: USD Nil).

Share options outstanding at the end of the year were as follows:

	Exercise Price (CHF)	31 December 2015	31 December 2014
Jan 2004 Options	CHF 47.75	–	–
Jan 2005 Options	CHF 48.05	–	60,345
Jan 2006 Options	CHF 73.06	16,367	16,367
		<b>16,367</b>	<b>76,712</b>

### 31 Related Parties

The Company is controlled by CSG, its ultimate parent, which is incorporated in Switzerland. The Company's parent company, CS Investment Holdings (UK), which holds all of the voting rights in the undertaking, is incorporated in the UK.

The Company acts primarily in the investment banking sector as a financial intermediary for fellow CS group companies in providing investment banking and securities products and services for the Americas, European and Asian regions. The Company acts as one of the main booking entities in the European region for transacting in securities, derivatives and foreign exchange. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties. The Company has extensive transfer pricing policies (revenue sharing and cost plus agreements) to govern its intercompany relationships.

The Company employs the majority of the London based employees and is the sponsoring company for the UK defined benefit pension plan. The Company also holds leases and service contracts in the UK. The costs associated with these are allocated to fellow CS group companies (see 'Expenses receivable from other CS group companies' in Note 9 – General, Administrative and Trading Expenses based on detailed cost allocation statistics. The Company generally enters into these transactions in the ordinary course of business and these transactions are on market terms that could be obtained from unrelated parties.

Transactions with CS Investment Holdings (UK) have been reported as 'Parent' and with other CS group companies are under 'Fellow group companies'.

#### a) Related party assets and liabilities

CSS(E)L Group	31 December 2015			31 December 2014		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
<b>Assets (USD million)</b>						
Cash and due from banks	–	7,352	7,352	–	19,804	19,804
Interest bearing deposits with banks	–	9,700	9,700	–	2,179	2,179
Securities purchased under resale agreements and securities borrowing transactions	–	5,020	5,020	–	45,472	45,472
Trading financials assets designated at fair value through profit or loss	–	3,356	3,356	–	5,823	5,823
Financial assets designated at fair value through profit or loss	–	9,734	9,734	–	10,740	10,740
Other assets	–	806	806	–	3,501	3,501
Assets Held for sale	–	35,171	35,171	–	–	–
<b>Total assets</b>	<b>–</b>	<b>71,139</b>	<b>71,139</b>	<b>–</b>	<b>87,519</b>	<b>87,519</b>
<b>Liabilities and Equity (USD million)</b>						
Deposits	–	20	20	–	1,443	1,443
Securities sold under repurchase agreements and securities lending transactions	–	43	43	–	33,896	33,896
Trading financial liabilities designated at fair value through profit or loss	–	3,170	3,170	–	5,973	5,973
Financial liabilities designated at fair value through profit or loss	–	16,551	16,551	–	26,739	26,739
Short term borrowings	–	2,761	2,761	–	6,001	6,001
Other liabilities	–	11,181	11,181	–	13,294	13,294
Long term debt	–	26,419	26,419	–	31,640	31,640
Liabilities Held for sale	–	23,459	23,459	–	–	–
Share capital	3,859	–	3,859	3,859	–	3,859
Share premium	5,661	–	5,661	5,661	–	5,661
Capital contribution	5,662	–	5,662	5,390	–	5,390
<b>Total liabilities and equity</b>	<b>15,182</b>	<b>83,604</b>	<b>98,786</b>	<b>14,910</b>	<b>118,986</b>	<b>133,896</b>

Notes to the Financial Statements for the year ended 31 December 2015

CSS(E)L Company	31 December 2015				31 December 2014			
	Parent	Fellow group companies	Subsidiaries and SPEs	Total	Parent	Fellow group companies	Subsidiaries and SPEs	Total
<b>Assets (USD million)</b>								
Cash and due from banks	–	7,352	–	7,352	–	19,804	–	19,804
Interest bearing deposits with banks	–	9,700	–	9,700	–	2,179	–	2,179
Securities purchased under resale agreements and securities borrowing transactions	–	5,020	–	5,020	–	45,472	–	45,472
Trading financials assets designated at fair value through profit or loss	–	3,356	16	3,372	–	5,823	23	5,846
Financial assets designated at fair value through profit or loss	–	9,734	–	9,734	–	10,740	–	10,740
Other assets	–	806	–	806	–	3,501	–	3,501
Assets Held for sale	–	35,171	–	35,171	–	–	–	–
<b>Total assets</b>	<b>–</b>	<b>71,139</b>	<b>16</b>	<b>71,155</b>	<b>–</b>	<b>87,519</b>	<b>23</b>	<b>87,542</b>
<b>Liabilities and Equity (USD million)</b>								
Deposits	–	20	–	20	–	1,443	–	1,443
Securities sold under repurchase agreements and securities lending transactions	–	43	–	43	–	33,896	–	33,896
Trading financial liabilities designated at fair value through profit or loss	–	3,132	5	3,137	–	5,933	4	5,937
Financial liabilities designated at fair value through profit or loss	–	16,539	–	16,539	–	26,727	–	26,727
Short term borrowings	–	2,749	–	2,749	–	5,989	–	5,989
Other liabilities	–	11,181	–	11,181	–	13,294	–	13,294
Long term debt	–	26,419	–	26,419	–	31,640	–	31,640
Liabilities Held for sale	–	23,459	–	23,459	–	–	–	–
Share capital	3,859	–	–	3,859	3,859	–	–	3,859
Share premium	5,661	–	–	5,661	5,661	–	–	5,661
Capital contribution	5,662	–	–	5,662	5,390	–	–	5,390
<b>Total liabilities and equity</b>	<b>15,182</b>	<b>83,542</b>	<b>5</b>	<b>98,729</b>	<b>14,910</b>	<b>118,922</b>	<b>4</b>	<b>133,836</b>

## Related party off-balance sheet transactions

CSS(E)L Group and Company (USD million)	31 December 2015 <sup>1</sup>			31 December 2014		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Credit Guarantees	–	241	241	–	262	262
Forward reverse repurchase agreements with maturity <1 year	–	–	–	–	31	31
Commitments to purchase cash securities <1 year	–	3,127	3,127	–	2,781	2,781
<b>Total</b>	<b>–</b>	<b>3,368</b>	<b>3,368</b>	<b>–</b>	<b>3,074</b>	<b>3,074</b>

<sup>1</sup> Above table shows off-balance sheet transactions of continued and discontinued operations.

## b) Related party revenues and expenses

CSS(E)L Group (USD million)	31 December 2015 <sup>1</sup>			31 December 2014		
	Parent	Fellow group companies	Total	Parent	Fellow group companies	Total
Interest income	–	337	337	–	423	423
Interest expense	–	(814)	(814)	–	(917)	(917)
<b>Net interest expense</b>	<b>–</b>	<b>(477)</b>	<b>(477)</b>	<b>–</b>	<b>(494)</b>	<b>(494)</b>
Commissions and fee income/(expense)	–	(170)	(170)	–	(150)	(150)
Revenue sharing agreements' expense	–	(48)	(48)	–	(182)	(182)
<b>Total non interest revenues</b>	<b>–</b>	<b>(218)</b>	<b>(218)</b>	<b>–</b>	<b>(332)</b>	<b>(332)</b>
<b>Net operating expense</b>	<b>–</b>	<b>(695)</b>	<b>(695)</b>	<b>–</b>	<b>(826)</b>	<b>(826)</b>
<b>Total operating expenses</b>	<b>–</b>	<b>571</b>	<b>571</b>	<b>–</b>	<b>618</b>	<b>618</b>

<sup>1</sup> Above table shows revenues and expenses of continued and discontinued operations.

### c) Remuneration

Disclosure required by the Companies Act 2006

#### Remuneration of Directors

(USD '000)	2015	2014
Emoluments	1,669	1,709
Long term incentive schemes:		
Amounts Paid under Deferred Cash Awards	987	532
Amounts Delivered under Share Based Awards	1,767	1,688
<b>Total</b>	<b>4,423</b>	<b>3,929</b>
Bank's contributions to defined contribution plan	28	18
<b>Total</b>	<b>4,451</b>	<b>3,947</b>

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long term incentive schemes consist of deferred cash awards and share based awards. Deferred cash awards are included in the period when the amounts vest and are paid, and share based awards are included in the period when the amounts vest and are delivered.

Where directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that director.

The aggregate of emoluments and deferred cash awards paid to or receivable by the highest paid director was USD 2,207,000

(2014: USD 1,273,000). The director was also a member of a defined contribution pension plan and the contribution paid during the year into the plan was USD 3,000 (2014: USD 3,000). There were no contributions made for defined benefit lump sum (2014: USD nil). During the year the highest paid director also received an entitlement to shares under a long term incentive scheme.

The amounts included in the Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Company's accounts for directors in accordance with IFRS requirements for 2014 was USD 3,585,000 (2014: USD 3,673,000).

Number of Directors and Benefits	2015	2014
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	6	4
No Scheme	4	3
Both defined contribution and defined benefit	–	1
Both defined contribution and defined benefit lump sum	–	1
<b>Directors in respect of whom services were received or receivable under long term incentive schemes</b>	<b>10</b>	<b>9</b>

### Remuneration of Key Management Personnel

(USD' 000)	2015	2014
<b>Remuneration of Key Management Personnel</b>		
Emoluments	6,119	5,256
Long term incentive schemes	6,533	6,469
<b>Total</b>	<b>12,652</b>	<b>11,725</b>
Compensation for loss of office	–	–
Bank's contributions to defined contribution plan	101	110
<b>Total</b>	<b>12,753</b>	<b>11,835</b>

The numbers disclosed in the 'Remuneration of Key Management Personnel' are based on amounts accrued in the financial statements for all emoluments and long term incentive schemes.

Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration

payable to each key management person has been apportioned to the respective entities based on a time spent per company allocation for that key management person.

### CSG Shares awarded to Key Management Personnel

	2015	2014
Number of shares	286,834	340,345

The shares included in the table are the shares accrued in the period under the requirements of IFRS 2. These numbers differ from the share awards included in the Company's Act disclosures above, which are disclosed in the period in which they vest and are delivered.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the CSS(E)L Group, directly or indirectly, including any director of the CSS(E)L Group.

Key management personnel include Directors and the members the UK Investment Bank Executive Committee.

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

Loans outstanding to or due from Directors or Key management personnel of the CSS(E)L Group at 31 December 2015 were USD 3,000 (2014: USD 2,000), of which loans to Directors were USD 1,000 (2014: USD Nil).

### 32 Employees

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

CSS(E)L Group and Company (Number)	2015	2014
Business Functions	1,231	1,662
Corporate Functions	3,724	3,551
<b>Total</b>	<b>4,955</b>	<b>5,213</b>

The CSS(E)L Group receives a range of services from related CS group. The headcount related to these services received cannot be accurately ascertained and is not therefore included in the above numbers. Additionally CSS(E)L is the main CS employing

company in the UK and provides a number of services to other related CS group companies. The headcount related to these services cannot be accurately segregated and is therefore included in the above numbers.

### 33 Derivatives and Hedging Activities

Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The CSS(E)L Group's most frequently used freestanding derivative products, entered into for trading and risk management purposes, include interest rate, equity, cross currency and credit default swaps, interest rate and foreign currency options, foreign exchange forward contracts, and foreign currency and interest rate futures.

Furthermore, the CSS(E)L Group enters into contracts that are not considered derivatives in their entirety but include embedded derivatives features. Such transactions primarily include issued and purchased structured debt instruments where the return may be calculated by reference to an equity security, index, or

third-party credit risk or that have non-standard or foreign currency terms.

On the date the derivative contract is entered into, the CSS(E)L Group designates the derivative as belonging to one of the following categories:

- trading activities;
- a risk management transaction that does not qualify as a hedge under accounting standards (referred to as an economic hedge); or
- a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability or a forecasted transaction; or
- a hedge of a net investment in a foreign operation.

The following table sets forth details of trading and hedging derivatives instruments:

	31 December 2015				31 December 2014			
	Trading		Hedging <sup>1</sup>		Trading		Hedging	
CSS(E)L Group	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
<b>Trading and hedging derivatives instruments (USD million)</b>								
Forwards and forward rate agreements	7	9	–	–	8	7	–	–
Swaps	1,619	2,383	–	–	1,953	4,257	–	–
Options bought and sold (OTC)	15	5	–	–	41	6	–	–
Options bought and sold (traded)	–	–	–	–	17	41	–	–
<b>Interest rate products</b>	<b>1,641</b>	<b>2,397</b>	<b>–</b>	<b>–</b>	<b>2,019</b>	<b>4,311</b>	<b>–</b>	<b>–</b>
Forwards and forward rate agreements	342	343	–	4	751	748	4	36
Swaps	749	762	–	–	686	689	–	–
Options bought and sold (OTC)	119	119	–	–	157	156	–	–
<b>Foreign exchange products</b>	<b>1,210</b>	<b>1,224</b>	<b>–</b>	<b>4</b>	<b>1,594</b>	<b>1,593</b>	<b>4</b>	<b>36</b>
Forwards and forward rate agreements	2	6	–	–	9	15	–	–
Swaps	3,573	4,074	–	–	4,759	4,254	–	–
Options bought and sold (OTC)	–	–	–	–	–	–	–	–
Options bought and sold (traded)	75	57	–	–	320	385	–	–
<b>Equity/indexed-related products</b>	<b>3,650</b>	<b>4,137</b>	<b>–</b>	<b>–</b>	<b>5,088</b>	<b>4,654</b>	<b>–</b>	<b>–</b>
<b>Credit Swaps</b>	<b>20</b>	<b>68</b>	<b>–</b>	<b>–</b>	<b>64</b>	<b>135</b>	<b>–</b>	<b>–</b>
Life finance related mortality swaps and others	838	655	–	–	1,090	641	–	–
<b>Other products</b>	<b>838</b>	<b>655</b>	<b>–</b>	<b>–</b>	<b>1,090</b>	<b>641</b>	<b>–</b>	<b>–</b>
<b>Total derivative instruments</b>	<b>7,359</b>	<b>8,481</b>	<b>–</b>	<b>4</b>	<b>9,855</b>	<b>11,334</b>	<b>4</b>	<b>36</b>

<sup>1</sup> Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,820 million and USD 3,548 million respectively

	2015		2014	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
<b>Replacement values (USD million)</b>				
Replacement values (trading and hedging) before netting	7,359	8,485	9,859	11,370
Replacement values (trading and hedging) after netting	7,302	8,428	9,554	11,065



Company	31 December 2015						31 December 2014	
	Trading		Hedging <sup>1</sup>		Trading		Hedging	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
<b>Trading and hedging derivatives instruments (USD million)</b>								
Forwards and forward rate agreements	7	9	–	–	8	7	–	–
Swaps	1,620	2,384	–	–	1,953	4,257	–	–
Options bought and sold (OTC)	15	5	–	–	41	6	–	–
Options bought and sold (traded)	–	–	–	–	17	41	–	–
<b>Interest rate products</b>	<b>1,642</b>	<b>2,398</b>	<b>–</b>	<b>–</b>	<b>2,019</b>	<b>4,311</b>	<b>–</b>	<b>–</b>
Forwards and forward rate agreements	342	343	–	4	751	748	4	36
Swaps	749	762	–	–	686	689	–	–
Options bought and sold (OTC)	119	119	–	–	157	156	–	–
<b>Foreign exchange products</b>	<b>1,210</b>	<b>1,224</b>	<b>–</b>	<b>4</b>	<b>1,594</b>	<b>1,593</b>	<b>4</b>	<b>36</b>
Forwards and forward rate agreements	2	6	–	–	9	15	–	–
Swaps	3,573	4,072	–	–	4,759	4,255	–	–
Options bought and sold (OTC)	–	–	–	–	–	–	–	–
Options bought and sold (traded)	75	57	–	–	320	385	–	–
<b>Equity/indexed-related products</b>	<b>3,650</b>	<b>4,135</b>	<b>–</b>	<b>–</b>	<b>5,088</b>	<b>4,655</b>	<b>–</b>	<b>–</b>
<b>Credit Swaps</b>	<b>20</b>	<b>68</b>	<b>–</b>	<b>–</b>	<b>64</b>	<b>135</b>	<b>–</b>	<b>–</b>
Life finance related mortality swaps and others	1,404	622	–	–	1,656	605	–	–
<b>Other products</b>	<b>1,404</b>	<b>622</b>	<b>–</b>	<b>–</b>	<b>1,656</b>	<b>605</b>	<b>–</b>	<b>–</b>
<b>Total derivative instruments</b>	<b>7,926</b>	<b>8,447</b>	<b>–</b>	<b>4</b>	<b>10,421</b>	<b>11,299</b>	<b>4</b>	<b>36</b>

<sup>1</sup> Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,820 million and USD 3,548 million respectively

	2015		2014	
	Positive replacement value	Negative replacement value	Positive replacement value	Negative replacement value
<b>Replacement values (USD million)</b>				
Replacement values (trading and hedging) before netting	7,926	8,451	10,425	11,335
Replacement values (trading and hedging) after netting	7,869	8,394	10,120	11,030

### Trading Activities

The CSS(E)L Group is active in most of the principal trading markets and transacts in many popular trading and hedging products. As noted above, this includes the use of swaps, futures, options and structured products (custom transactions using combinations of derivatives) in connection with its sales and trading activities. Trading activities include market-making, positioning and arbitrage activities. The majority of the CSS(E)L Group's derivatives held as at 31 December 2015 were used for trading activities.

### Economic Hedges

Economic hedges arise when the CSS(E)L Group enters into derivative contracts for its own risk management purposes, but the contracts entered into do not qualify for hedge accounting under IFRS. These economic hedges include the following types:

- interest rate derivatives to manage net interest rate risk on certain banking business assets and liabilities;

- foreign exchange derivatives to manage foreign exchange risk on certain banking business revenue and expense items, as well as on banking business assets and liabilities; and
- credit derivatives to manage credit risk on certain loan portfolios.

### Net Investment Hedges

The CSS(E)L Group typically uses forward foreign exchange contracts to hedge selected net investments in foreign operations. The objective of these hedging transactions is to protect against adverse movements in foreign exchange rates.

The fair value of open derivative transactions used as net investment hedges for the CSS(E)L Group and Company as at 31 December 2015 was a liability of USD 3 million (2014: asset of USD 4 million). There are no ineffective net investment hedges as of 31 December 2015.

### Cash Flow Hedges

The CSS(E)L Group uses derivatives, such as Foreign Exchange Forwards, to hedge its cash flows associated with forecasted transactions.

CSS(E)L Group and Company	2015	2014
<b>Fair value of derivative instruments designated as cash flow hedges</b>		
Liabilities	1	36
<b>Total</b>	<b>1</b>	<b>36</b>

The following table indicates the periods when hedged cash flows are expected to occur and when they are expected to affect the consolidated statement of income.

CSS(E)L Group and Company	Within 3 months	3 Months to 1 year	1 Year to 5 years	Over 5 years
<b>2015 (USD Million)</b>				
Cash outflows from liabilities/expenses	(6)	–	–	–
<b>Net cash flows</b>	<b>(6)</b>	<b>–</b>	<b>–</b>	<b>–</b>

Refer to Note 27 – Accumulated Other Comprehensive Income for further information on balances recognised in AOCI related to cash flow hedges and on gains/losses recognised in AOCI in respect of effective cash flow hedges.

There are no ineffective cash flow hedges as of 31 December 2015.

### Hedge effectiveness assessment

The CSS(E)L Group assesses the effectiveness of hedging relationships both prospectively and retrospectively. The prospective assessment is made both at the inception of a hedging relationship and on an ongoing basis and requires the CSS(E)L Group to justify its expectation that the relationship will be highly effective over future periods. The retrospective assessment is also performed on an ongoing basis and requires the CSS(E)L Group to determine whether or not the hedging relationship has actually been effective. If the CSS(E)L Group concludes, through a retrospective evaluation, that hedge accounting is appropriate for the current period, then it measures the amount of hedge ineffectiveness to be recognised in earnings.

### Disclosures relating to contingent credit risk

Certain of the Company's derivative instruments contain provisions that require it to maintain a specified credit rating from each of the major credit rating agencies. If the ratings fall below the level specified in the contract, the counterparties to the agreements could request payment of additional collateral on those derivative instruments that are in a net liability position. Certain of the derivative contracts also provide for termination of the contract, generally upon a downgrade of either Credit Suisse AG or the counterparty, at the existing mark to market replacement value of the derivative contract.

On a daily basis, the level of incremental collateral that would be required by derivative counterparties in the event of a Credit Suisse AG ratings downgrade is monitored. Collateral triggers are maintained by the Collateral Management department and vary by counterparty.

The impact of downgrades in the Credit Suisse AG's long-term debt ratings are considered in the stress assumptions used to determine the liquidity and funding profile of the Company. The Company holds a liquidity pool made up of 'high quality liquid assets' ('HQLA') to meet any additional collateral calls as a result of a downgrade. The assessment takes into consideration a two-notch downgrade in credit rating of Credit Suisse AG.

### 34 Guarantees and Commitments

The following tables set forth details of contingent liabilities associated with guarantees and other commitments:

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
<b>31 December 2015</b>							
<b>Guarantees (USD million)</b>							
Credit guarantees and similar instruments	–	–	–	241	241	–	241
<b>Total guarantees</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>241</b>	<b>241</b>	<b>–</b>	<b>241</b>

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
<b>31 December 2015</b>							
<b>Other commitments (USD million)</b>							
Forward reverse repurchase agreements with maturity <1 year	42	–	–	–	42	–	42
Commitments to purchase cash securities <1 year	4,578	–	–	–	4,578	–	4,578
Commitments in underwriting securities <1 year	–	–	–	–	–	–	–
<b>Total other commitments</b>	<b>4,620</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,620</b>	<b>–</b>	<b>4,620</b>

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
<b>31 December 2014</b>							
<b>Guarantees (USD million)</b>							
Credit guarantees and similar instruments	–	–	–	262	262	–	262
<b>Total guarantees</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>262</b>	<b>262</b>	<b>–</b>	<b>262</b>

CSS(E)L Group and Company	Maturity				Total gross amount	Collateral received	Net of collateral
	<year	1-3 years	3-5 years	>5 years			
<b>31 December 2014</b>							
<b>Other commitments (USD million)</b>							
Forward reverse repurchase agreements with maturity <1 year	3,159	–	–	–	3,159	–	3,159
Commitments to purchase cash securities <1 year	4,964	–	–	–	4,964	–	4,964
Commitments in underwriting securities <1 year	213	–	–	–	213	–	213
<b>Total other commitments</b>	<b>8,336</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,336</b>	<b>–</b>	<b>8,336</b>

Forward reverse repo agreements represent transactions in which the initial cash exchange of the reverse repurchase transactions takes place on specified future dates.

Credit guarantees are contracts that require the CSS(E)L Group to make payments, should a third party fail to do so under a specified existing credit obligation. For example, in connection with its corporate lending business and other corporate activities, the CSS(E)L Group provides guarantees to counterparties in the form of standby letters of credit, which represent obligations to make payments to third parties if the counterparty fails to fulfil its

obligation under a borrowing arrangement or other contractual obligation.

Commitment to purchase cash securities represents the value of debt and equity cash security contracts which requires CSS(E)L Group to make payments to customers, banks, brokers and dealers which have not settled as at the reporting date.

Commitment in underwriting securities represents CSS(E)L Group future obligations in the capacity of underwriter of equity and debt securities.

## Lease Commitments

The following table sets forth details of future minimum operating lease commitments under non-cancellable operating leases:

CSS(E)L Group and Company	2015		2014	
	Total	of which rental	Total	of which rental
<b>Operating lease commitments (USD million)</b>				
Up to 1 year	33	28	40	35
From 1 year and no later than 5 years	103	90	118	93
From 5 years and over	341	283	368	343
<b>Future operating lease commitments</b>	<b>477</b>	<b>401</b>	<b>526</b>	<b>471</b>

The following table sets forth details of rental expenses for all operating leases:

CSS(E)L Group and Company	2015		2014	
	Total	of which rental	Total	of which rental
<b>Net rental expense (USD million)</b>				
Minimum rentals	36	32	46	42
<b>Total net rental expenses</b>	<b>36</b>	<b>32</b>	<b>46</b>	<b>42</b>

During the year, there was no sublease rental.

## Contingent Liabilities and Other Commitments

The Company is party to various legal proceedings as part of its normal course of business. The Directors of the Company believe that the aggregate liabilities, if any, resulting from these proceedings will not significantly prejudice the financial position of the Company and have been provided for where deemed necessary in accordance with accounting policy.

The Fondazione Monte dei Paschi di Siena (the 'Foundation') has issued legal proceedings before the Italian Courts seeking EUR 3.034bn in damages jointly from CSS(E)L and Banca Leonardo. The claim relates to a fairness opinion issued by CSS(E)L and Banca Leonardo in respect of the EUR 9bn paid by Monte dei Paschi di Siena to acquire Banca Antonveneta in 2008. The acquisition was funded by a EUR 5bn share capital increase of which the Foundation invested EUR 2.5bn. The Foundation

alleges that Banca Antonveneta was significantly over-valued. The Court has appointed two technical experts, who are expected to report on their findings in early 2017. CSS(E)L believes the claim lacks merit and is not supported by the available evidence.

CSS(E)L is defending claw back claims of USD 16 million and EUR 22 million before the Icelandic Courts. The claims are brought by the Winding Up Committees ('WUCs') of Kaupthing and Landsbanki and concern the buy-back of certain bonds in the months prior to the Icelandic banks becoming insolvent. The WUCs are also claiming significant 'penalty interest' under Icelandic legislation. A primary defense is that the relevant transactions are governed by either English or New York law, neither of which provides a legal basis for such claw back actions. In October 2014 a non-binding decision was issued by the Court of the European Free Trade Association States which supports the position that the governing law of the transactions is relevant. These matters are currently expected to come to trial in H2 2016.

### 35 Interests in Other Entities

#### Subsidiaries

##### Composition of the Group

Subsidiaries are entities (including structured entities) controlled by the CSS(E)L Group. The CSS(E)L Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns

through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The following table sets forth all the subsidiaries the CSS(E)L Group owns, directly or indirectly.

##### Composition of the Group

Company Name	Domicile	Currency	Percentage of ownership held 2015	Percentage of ownership held 2014
Credit Suisse First Boston Trustees Limited	United Kingdom	USD	100%	100%
Credit Suisse Client Nominees (UK) Limited	United Kingdom	USD	100%	100%
Credit Suisse AF Trust	United States of America	USD	100%	100%
CSSEL Bare Trust	United States of America	USD	100%	100%
Redwood Trust I	United States of America	USD	100%	100%
Redwood Trust II	United States of America	USD	100%	100%
Redwood Master Trust I	United States of America	USD	100%	100%
Redwood Master Trust II	United States of America	USD	100%	100%
Redwood Funding Trust I	United States of America	USD	100%	100%
Redwood Funding Trust II	United States of America	USD	100%	100%
Sail Trust I	United States of America	USD	100%	100%
Sail Trust II	United States of America	USD	100%	100%
Sail Master Trust I	United States of America	USD	100%	100%
Sail Master Trust II	United States of America	USD	100%	100%
Sail Funding Trust I	United States of America	USD	100%	100%
Sail Funding Trust II	United States of America	USD	100%	100%
ALBA 2006 – 2 PLC	United Kingdom	GBP	-	100%
Positive – Master Client LLC	United States of America	USD	100%	100%
Redwood – Master Client Trust	United States of America	USD	100%	100%
Saxon S.a.r.l.	Luxembourg	EUR	100%	100%
CQS DFI Spain Fund (SPE)	United Kingdom	EUR	-	100%
Lux Multi Flex Hubel	Luxembourg	EUR	-	100%
Lutetia Finance Limited	Ireland	USD	100%	-

There are no material differences between the date of the end of the reporting period of the financial statements of the CSS(E)L Group and those of any of its subsidiaries (including any consolidated structured entities).

There were no significant changes in ownership during the year ended 31 December 2015 in relation to the CSS(E)L Group's subsidiaries that resulted in a loss of control.

There were no significant changes in ownership during the year ended 31 December 2015 that resulted in a change in the consolidation conclusion.

The CSS(E)L Group has not provided financial or other support to consolidated structured entities that it was not contractually required to provide.

The CSS(E)L Group does not have the intention to provide financial or other support to consolidated structured entities that it is not contractually required to provide.

#### Restrictions

The CSS(E)L Group and its subsidiaries have certain restrictions which may restrict the ability of the CSS(E)L Group to access or use the assets and settle the liabilities of the CSS(E)L Group. These restrictions may be statutory, contractual or regulatory in nature.

The Company must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements set out in the EU Capital Requirements Regulation ('CRR') and additionally as laid down by the PRA. The Company has put into place processes and controls to monitor and manage its capital adequacy. For more information regarding the Company's capital adequacy and how the capital resources are managed and monitored please refer to Note 41 – Capital Adequacy.

CSS(E)L is required to maintain minimum levels of capital in the form of equity shares and reserves to meet PRA requirements.

Restricted assets also include those assets protected under client segregation rules. Please refer to Note 18 – Brokerage Receivables and Brokerage Payables for further information.

CSS(E)L Group pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning the counterparty has the right to resell or repledge the pledged asset. Please refer to Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for more information on encumbered assets.

Other restrictions include those that prevent some subsidiaries from making any distributions to the parent such as restrictions on redemption or the payments of dividends.

### Unconsolidated structured entities

The CSS(E)L Group has interests in structured entities which are not consolidated. An interest is either a contractual or non-contractual involvement that exposes the CSS(E)L Group to variability in returns from the performance of another entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. The CSS(E)L Group does not have an interest in another entity solely because of a Typical Customer Supplier Relationship such as, fees other than management and performance fees that are passively earned and are typically one-off in nature.

### Type of structured entity

#### Securitisations

Securitisations are primarily Commercial Mortgage Backed Securities ('CMBS'), Residential Mortgage Backed Securities ('RMBS') and Asset Backed Securities ('ABS') vehicles. The CSS(E)L Group acts as an underwriter, market maker, liquidity provider, derivative counterparty and/or provider of credit enhancements to structured entities related to certain securitisation transactions.

The maximum exposure to loss is the carrying value of the loan securities and derivative positions that are variable returns if any, plus the exposure arising from any credit enhancements the CSS(E)L Group provided. The CSS(E)L Group's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the structured entities.

### Loans

Loans are single-financing vehicles where the CSS(E)L Group provides financing for specified assets or business ventures and the respective owner of the assets or manager of the businesses provides the equity in the vehicle. These tailored lending arrangements are established to purchase, lease or otherwise finance and manage clients' assets.

The maximum exposure to loss is the carrying value of the CSS(E)L Group's loan exposure, which is subject to the same credit risk management procedures as loans issued directly to clients. The clients' creditworthiness is carefully reviewed, loan-to-value ratios are strictly set and, in addition, clients provide equity, additional collateral or guarantees, all of which significantly reduce the CSS(E)L Group's exposure. The CSS(E)L Group considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the CSS(E)L Group's risk mitigation efforts which includes over-collateralisation and effective monitoring to ensure that a sufficient loan-to-value ratio is maintained.

### Collateralised Debt Obligations ('CDO')

The CSS(E)L Group engages in CDO transactions to meet client and investor needs, earn fees and sell financial assets. The CSS(E)L Group may act as underwriter, placement agent or asset manager and may warehouse assets prior to the closing of a transaction. As part of its structured finance business, the CSS(E)L Group purchases loans and other debt obligations from and on behalf of clients for the purpose of securitisation. The loans and other debt obligations are sold to structured entities, which in turn issue CDOs to fund the purchase of assets such as investment grade and high yield corporate debt instruments.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the CSS(E)L Group.

The following table provides the carrying amounts and classifications of the assets and liabilities of interests recorded in the CSS(E)L Group's Consolidated Statement of Financial Position, the maximum exposure to loss and the total assets of the unconsolidated structured entities.

### Interests in unconsolidated structured entities

2015	Structured entity type
Balance sheet line item (USD millions)	Securiti- sations
<b>Trading financial assets at fair value through profit or loss</b>	–
Debt securities	–
<b>Total</b>	–
Other liabilities	9
<b>Total</b>	<b>9</b>
<b>Maximum exposure to loss</b>	–
<b>Unconsolidated structured entity assets</b>	<b>5,140</b>

2014	Structured entity type
Balance sheet line item (USD millions)	Securitisations
<b>Trading financial assets at fair value through profit or loss</b>	<b>325</b>
Debt securities	325
<b>Total</b>	<b>325</b>
Other liabilities	116
<b>Total</b>	<b>116</b>
<b>Maximum exposure to loss</b>	<b>325</b>
<b>Unconsolidated structured entity assets</b>	<b>1,921</b>

The unconsolidated structured entity assets relate to where the CSS(E)L Group has an interest in the unconsolidated structured entity. These amounts represent the assets of the entities

themselves and are typically unrelated to the exposures the CSS(E)L Group has with the entity and thus are not amounts that are considered for risk management purposes.

### Income from interests in unconsolidated structured entities

2015	Income earned			
Structured entity type (USD millions)	Fair value gain/(loss)	Interest income	Commission and fees	Total
Securitisations	4	3	32	39
<b>Total</b>	<b>4</b>	<b>3</b>	<b>32</b>	<b>39</b>

2014	Income earned			
Structured entity type (USD millions)	Fair value gain/(loss)	Interest income	Commission and fees	Total
Securitisations	27	-	-	27
<b>Total</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>27</b>

The table above shows the income earned from unconsolidated structured entities during the reporting period. Income from unconsolidated structured entities comprises changes in the fair value, interest income, commission and fees income of interests held with the unconsolidated structured entities.

The CSS(E)L Group considers itself the sponsor of a structured entity when either its name appears in the name of the structured entity or in products issued by it or there is a general

expectation from the market that the CSS(E)L Group is associated with the structured entity or the CSS(E)L Group was involved in the design or set up of the structured entity and has a form of involvement with the structured entity.

The table below shows information about unconsolidated structured entities sponsored by the CSS(E)L Group where no interest is held by the CSS(E)L Group.

### Sponsored unconsolidated structured entities

2015	Income/(losses)			
Structured entity type (USD millions)	Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	Total
CDO	-	1	-	1
Loans	-	(5)	-	(5)
Securitisations	1	-	-	1
<b>Total</b>	<b>1</b>	<b>(4)</b>	<b>-</b>	<b>(3)</b>

2014	Income/(losses)			
Structured entity type (USD millions)	Commissions and Fees	Derivative gain/(loss)	Other fair value gain/(loss)	Total
CDO	-	1	-	1
Loans	-	53	-	53
Other Financial Intermediation	-	-	(1)	(1)
<b>Total</b>	<b>-</b>	<b>54</b>	<b>(1)</b>	<b>53</b>

The table above shows the income earned from the unconsolidated structured entities during the reporting period. Income from unconsolidated structured entities includes, but is not limited to recurring and non-recurring fees, interest and dividends income, gains or losses from the transfer of assets and liabilities and changes in the fair value of derivative instruments and other instruments held at fair value.

The CSS(E)L Group has not provided financial or other support to unconsolidated structured entities that it was not contractually required to provide.

The CSS(E)L Group does not have the intention to provide financial or other support to unconsolidated structured entities that it is not contractually required to provide.

## 36 Financial Instruments

The disclosure of the CSS(E)L Group's financial instruments below includes the following sections:

- Analysis of financial instruments by categories;
- Fair value measurement (including fair value hierarchy; transfers between levels; level 3 reconciliation; qualitative and quantitative disclosures of valuation techniques; sensitivity analysis of unobservable input parameters; and recognition of trade date profit).

- Fair value of financial instruments not carried at fair value.

### Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets out the carrying amounts and fair values of the CSS(E)L Group's financial instruments.

### Financial assets and liabilities by categories

31 December 2015	Carrying amount						Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
<b>Financial Assets</b>							
Cash and due from banks	8,874	–	–	–	–	8,874	8,874
Interest-bearing deposits with banks	9,700	–	–	–	–	9,700	9,700
Securities purchased under resale agreements and securities borrowing transactions	5,143	–	–	–	–	5,143	5,136
Trading financial assets at fair value through profit or loss	20,682	20,682	–	–	–	–	20,682
Financial assets designated at fair value through profit or loss	28,587	–	28,587	–	–	–	28,587
Financial assets available-for-sale	33	–	–	–	33	–	33
Other assets	5,679	–	–	1	–	5,678	5,679
Assets held for sale	63,876	20,130	–	–	–	43,746	63,876
<b>Total financial assets</b>	<b>142,574</b>	<b>40,812</b>	<b>28,587</b>	<b>1</b>	<b>33</b>	<b>73,141</b>	<b>142,567</b>

31 December 2015	Carrying Amount				Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost	
<b>Financial Liabilities</b>					
Deposits	160	–	–	160	160
Securities sold under repurchase agreements and securities lending transactions	62	–	–	62	62
Trading financial liabilities at fair value through profit or loss	9,789	9,789	–	–	9,789
Financial liabilities designated at fair value through profit or loss	25,732	–	25,732	–	25,732
Short term borrowings	2,761	–	–	2,761	2,761
Other liabilities	15,237	–	–	15,237	15,237
Long term debt	26,419	–	–	26,419	26,459
Liabilities held for sale	54,502	15,519	481	38,502	54,502
<b>Total financial liabilities</b>	<b>134,662</b>	<b>25,308</b>	<b>26,213</b>	<b>83,141</b>	<b>134,702</b>



### Financial assets and liabilities by categories

31 December 2014	Carrying amount						Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
<b>Financial Assets</b>							
Cash and due from banks	21,728	–	–	–	–	21,728	21,728
Interest-bearing deposits with banks	2,179	–	–	–	–	2,179	2,179
Securities purchased under resale agreements and securities borrowing transactions	49,366	–	–	–	–	49,366	49,366
Trading financial assets at fair value through profit or loss	59,507	59,507	–	–	–	–	59,507
Financial assets designated at fair value through profit or loss	41,039	–	41,039	–	–	–	41,039
Financial assets available-for-sale	33	–	–	–	33	–	33
Other assets	19,433	–	–	1	–	19,432	19,433
<b>Total financial assets</b>	<b>193,285</b>	<b>59,507</b>	<b>41,039</b>	<b>1</b>	<b>33</b>	<b>92,705</b>	<b>193,285</b>

31 December 2014	Carrying Amount						Total fair value
CSS(E)L Group (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
<b>Financial Liabilities</b>							
Deposits	1,709	–	–	–	–	1,709	1,709
Securities sold under repurchase agreements and securities lending transactions	36,817	–	–	–	–	36,817	36,817
Trading financial liabilities at fair value through profit or loss	28,141	28,141	–	–	–	–	28,141
Financial liabilities designated at fair value through profit or loss	44,041	–	44,041	–	–	–	44,041
Short term borrowings	6,001	–	–	–	–	6,001	6,001
Other liabilities	36,833	–	–	–	–	36,833	36,833
Long term debt	31,640	–	–	–	–	31,640	31,660
<b>Total financial liabilities</b>	<b>185,182</b>	<b>28,141</b>	<b>44,041</b>	<b>–</b>	<b>–</b>	<b>113,000</b>	<b>185,202</b>

### Financial assets and liabilities by categories

31 December 2015	Carrying amount						Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost	
<b>Financial Assets</b>							
Cash and due from banks	8,870	–	–	–	–	8,870	8,870
Interest-bearing deposits with banks	9,700	–	–	–	–	9,700	9,700
Securities purchased under resale agreements and securities borrowing transactions	5,143	–	–	–	–	5,143	5,136
Trading financial assets at fair value through profit or loss	21,249	21,249	–	–	–	–	21,249
Financial assets designated at fair value through profit or loss	27,962	–	27,962	–	–	–	27,962
Financial assets available-for-sale	33	–	–	–	33	–	33
Other assets	5,679	–	–	1	–	5,678	5,679
Assets held for sale	63,876	20,130	–	–	–	43,746	63,876
<b>Total financial assets</b>	<b>142,512</b>	<b>41,379</b>	<b>27,962</b>	<b>1</b>	<b>33</b>	<b>73,137</b>	<b>142,505</b>

31 December 2015					Carrying Amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost		
<b>Financial Liabilities</b>						
Deposits	160	–	–	160		160
Securities sold under repurchase agreements and securities lending transactions	62	–	–	62		62
Trading financial liabilities at fair value through profit or loss	9,755	9,755	–	–		9,755
Financial liabilities designated at fair value through profit or loss	25,720	–	25,720	–		25,720
Short term borrowings	2,761	–	–	2,761		2,761
Other liabilities	15,237	–	–	15,237		15,237
Long term debt	26,419	–	–	26,419		26,459
Liabilities held for sale	54,502	15,519	481	38,502		54,502
<b>Total financial liabilities</b>	<b>134,616</b>	<b>25,274</b>	<b>26,201</b>	<b>83,141</b>		<b>134,656</b>

### Financial assets and liabilities by categories

31 December 2014							Carrying amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Loans and receivables	Available- for-sale	Other amortised cost		
<b>Financial Assets</b>								
Cash and due from banks	21,725	–	–	–	–	21,725		21,725
Interest-bearing deposits with banks	2,179	–	–	–	–	2,179		2,179
Securities purchased under resale agreements and securities borrowing transactions	49,366	–	–	–	–	49,366		49,366
Trading financial assets at fair value through profit or loss	60,075	60,075	–	–	–	–		60,075
Financial assets designated at fair value through profit or loss	40,063	–	40,063	–	–	–		40,063
Financial assets available-for-sale	33	–	–	–	33	–		33
Other assets	19,430	–	–	1	–	19,429		19,430
<b>Total financial assets</b>	<b>192,871</b>	<b>60,075</b>	<b>40,063</b>	<b>1</b>	<b>33</b>	<b>92,699</b>		<b>192,871</b>

31 December 2014					Carrying Amount	Total fair value
Company (USD million)	Total carrying value	Held for trading	Designated at fair value	Other amortised cost		
<b>Financial Liabilities</b>						
Deposits	1,709	–	–	1,709		1,709
Securities sold under repurchase agreements and securities lending transactions	36,817	–	–	36,817		36,817
Trading financial liabilities at fair value through profit or loss	28,106	28,106	–	–		28,106
Financial liabilities designated at fair value through profit or loss	43,701	–	43,701	–		43,701
Short term borrowings	6,001	–	–	6,001		6,001
Other liabilities	36,798	–	–	36,798		36,798
Long term debt	31,640	–	–	31,640		31,660
<b>Total financial liabilities</b>	<b>184,772</b>	<b>28,106</b>	<b>43,701</b>	<b>112,965</b>		<b>184,792</b>

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. A significant portion of the CSS(E)L Group's financial instruments are carried at fair value. Deterioration of financial markets could significantly impact the fair value of these financial instruments and the results of operations.

The fair value of the majority of the CSS(E)L Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, certain CP, most investment grade corporate debt, certain high grade debt securities, exchange-traded and certain OTC derivative instruments and most listed equity securities.

In addition, the CSS(E)L Group holds financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, 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. These instruments include certain OTC derivatives including equity and credit derivatives, certain corporate equity-linked securities, mortgage-related and CDO securities, private equity investments, certain loans and credit products including leveraged finance and certain high yield bonds, and life finance instruments.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty, and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spreads (known as credit valuation adjustments) is considered when measuring the fair value of assets and the impact of changes in the CSS(E)L Group's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the CSS(E)L Group's and the counterparty's credit standing is considered when measuring their fair value, based on current CDS prices. The adjustments also take into account contractual factors designed to reduce the CSS(E)L Group's credit exposure to a counterparty, such as collateral held and master netting agreements. For hybrid debt instruments with embedded derivative features, the impact of changes in the CSS(E)L Group's credit standing is considered when measuring their fair value, based on current funded debt spreads.

IFRS 13 permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is consistent with industry practice. As such, the CSS(E)L Group applies bid and offer adjustments to net portfolios of cash securities and/or derivative instruments to adjust the value of the net position from a mid-market price to the appropriate bid or offer level that would be realised under normal market conditions for the net long or net short position for a specific market risk. In addition, the CSS(E)L Group reflects the net maximum exposure to credit risk for its derivative instruments where the CSS(E)L Group has legally enforceable agreements with its counterparties that mitigate credit risk exposure in the event of default. Valuation adjustments are recorded in a reasonable and consistent manner that results in an allocation to the relevant disclosures in the notes to the financial statements as if the valuation adjustment had been allocated to the individual unit of account.

### Fair value hierarchy

The financial instruments carried at fair value were categorised under the three levels of the fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the CSS(E)L Group has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) input other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). These inputs reflect the CSS(E)L Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the CSS(E)L Group's own data. The CSS(E)L Group's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

#### Fair value of assets and liabilities measured at fair value on a recurring basis

31 December 2015 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Assets (USD million)</b>					
<b>Debt securities</b>	<b>3,921</b>	<b>1,753</b>	<b>127</b>	<b>-</b>	<b>5,801</b>
Of which foreign governments	3,921	221	-	-	4,142
Of which corporates	-	1,518	113	-	1,631
Of which residential mortgage backed securities	-	14	14	-	28
Of which commercial mortgage backed securities	-	-	-	-	-
Of which collateralised debt obligations	-	-	-	-	-
<b>Equity securities</b>	<b>10,024</b>	<b>274</b>	<b>101</b>	<b>-</b>	<b>10,399</b>
<b>Derivatives</b>	<b>41</b>	<b>3,690</b>	<b>808</b>	<b>(57)</b>	<b>4,482</b>
Of which interest rate products	-	1,632	-	-	1,632
Of which foreign exchange products	1	1,209	-	-	1,210
Of which equity/index-related products	18	833	-	(57) <sup>1</sup>	794
Of which credit derivatives	-	11	8	-	19
Of which other derivatives	22	5	800	-	827
<b>Trading financial assets at fair value through profit or loss</b>	<b>13,986</b>	<b>5,717</b>	<b>1,036</b>	<b>(57)</b>	<b>20,682</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>-</b>	<b>38,758</b>	<b>160</b>	<b>(12,468)<sup>2</sup></b>	<b>26,450</b>
<b>Loans</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>45</b>
Of which loans to financial institutions	-	-	45	-	45
<b>Other financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>49</b>	<b>2,043</b>	<b>-</b>	<b>2,092</b>
Of which life finance instruments	-	-	2,043	-	2,043
Of which failed purchases	-	49	-	-	49
<b>Financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>38,807</b>	<b>2,248</b>	<b>(12,468)</b>	<b>28,587</b>
<b>Financial assets available-for-sale</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>33</b>
<b>Assets held for sale</b>	<b>17,108</b>	<b>2,992</b>	<b>30</b>	<b>-</b>	<b>20,130</b>
<b>Debt</b>	<b>9</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>92</b>
Of which foreign governments	9	-	-	-	9
Of which corporates	-	83	-	-	83
<b>Equity securities</b>	<b>17,080</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>17,218</b>
<b>Derivatives</b>	<b>19</b>	<b>2,771</b>	<b>30</b>	<b>-</b>	<b>2,820</b>
Of which interest rate products	-	2	-	-	2
Of which equity/index-related products	-	2,769	30	-	2,799
Of which other derivatives	19	-	-	-	19
<b>Total assets at fair value</b>	<b>31,094</b>	<b>47,516</b>	<b>3,347</b>	<b>(12,525)</b>	<b>69,432</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

**Fair value of assets and liabilities measured at fair value on a recurring basis**

31 December 2015 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Liabilities (USD million)</b>					
<b>Debt securities</b>	<b>761</b>	<b>1,062</b>	<b>3</b>	<b>–</b>	<b>1,826</b>
Of which foreign governments	761	210	–	–	971
Of which corporates	–	852	3	–	855
Of which collateral debt obligation	–	–	–	–	–
<b>Equity securities</b>	<b>3,027</b>	<b>56</b>	<b>4</b>	<b>–</b>	<b>3,087</b>
<b>Derivatives</b>	<b>51</b>	<b>4,278</b>	<b>604</b>	<b>(57)</b>	<b>4,876</b>
Of which interest rate products	–	2,394	2	–	2,396
Of which foreign exchange products	1	1,223	–	–	1,224
Of which equity/index-related products	4	593	5	(57) <sup>1</sup>	545
Of which credit derivatives	–	67	1	–	68
Of which other derivatives	46	1	596	–	643
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>3,839</b>	<b>5,396</b>	<b>611</b>	<b>(57)</b>	<b>9,789</b>
<b>Securities sold under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>37,665</b>	<b>–</b>	<b>(12,468)<sup>2</sup></b>	<b>25,197</b>
<b>Long Term Debt</b>	<b>–</b>	<b>–</b>	<b>103</b>	<b>–</b>	<b>103</b>
Of which structured notes over two years	–	–	–	–	–
Of which non recourse liabilities	–	–	–	–	–
Of which other	–	–	103	–	103
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>431</b>	<b>1</b>	<b>–</b>	<b>432</b>
Of which failed sales	–	431	–	–	431
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>38,096</b>	<b>104</b>	<b>(12,468)</b>	<b>25,732</b>
<b>Liabilities held for sale</b>	<b>11,732</b>	<b>4,219</b>	<b>49</b>	<b>–</b>	<b>16,000</b>
<b>Debt</b>	<b>6</b>	<b>183</b>	<b>–</b>	<b>–</b>	<b>189</b>
Of which foreign governments	6	7	–	–	13
Of which corporates	–	176	–	–	176
<b>Equity securities</b>	<b>11,714</b>	<b>67</b>	<b>–</b>	<b>–</b>	<b>11,781</b>
<b>Derivatives</b>	<b>12</b>	<b>3,488</b>	<b>49</b>	<b>–</b>	<b>3,548</b>
Of which interest rate products	–	3	–	–	3
Of which foreign exchange products	–	1	–	–	1
Of which equity/index-related products	–	3,484	49	–	3,533
Of which other derivatives	12	–	–	–	12
<b>Long-term debt</b>	<b>–</b>	<b>481</b>	<b>–</b>	<b>–</b>	<b>481</b>
Of which debt instruments	–	481	–	–	481
<b>Total liabilities at fair value</b>	<b>15,571</b>	<b>47,711</b>	<b>764</b>	<b>(12,525)</b>	<b>51,521</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

31 December 2015 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Assets (USD million)</b>					
<b>Debt securities</b>	<b>3,921</b>	<b>1,753</b>	<b>127</b>	<b>-</b>	<b>5,801</b>
Of which foreign governments	3,921	221	-	-	4,142
Of which corporates	-	1,518	113	-	1,631
Of which residential mortgage backed securities	-	14	14	-	28
Of which commercial mortgage backed securities	-	-	-	-	-
Of which collateralised debt obligations	-	-	-	-	-
<b>Equity securities</b>	<b>10,024</b>	<b>274</b>	<b>101</b>	<b>-</b>	<b>10,399</b>
<b>Derivatives</b>	<b>41</b>	<b>3,689</b>	<b>1,376</b>	<b>(57)</b>	<b>5,049</b>
Of which interest rate products	-	1,632	-	-	1,632
Of which foreign exchange products	1	1,209	-	-	1,210
Of which equity/index-related products	18	832	-	(57) <sup>1</sup>	793
Of which credit derivatives	-	11	8	-	19
Of which other derivatives	22	5	1,368	-	1,395
<b>Trading financial assets at fair value through profit or loss</b>	<b>13,986</b>	<b>5,716</b>	<b>1,604</b>	<b>(57)</b>	<b>21,249</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>-</b>	<b>38,758</b>	<b>160</b>	<b>(12,468)</b> <sup>2</sup>	<b>26,450</b>
<b>Loans</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>45</b>
Of which loans to financial institutions	-	-	45	-	45
<b>Other financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>49</b>	<b>1,418</b>	<b>-</b>	<b>1,467</b>
Of which life finance instruments	-	-	1,418	-	1,418
Of which failed purchases	-	49	-	-	49
<b>Financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>38,807</b>	<b>1,623</b>	<b>(12,468)</b>	<b>27,962</b>
<b>Financial assets available-for-sale</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>33</b>
<b>Assets held for sale</b>	<b>17,108</b>	<b>2,992</b>	<b>30</b>	<b>-</b>	<b>20,130</b>
<b>Debt</b>	<b>9</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>92</b>
Of which foreign governments	9	-	-	-	9
Of which corporates	-	83	-	-	83
Of which residential mortgage backed securities	-	-	-	-	-
Of which commercial mortgage backed securities	-	-	-	-	-
Of which collateralised debt obligations	-	-	-	-	-
<b>Equity securities</b>	<b>17,080</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>17,218</b>
<b>Derivatives</b>	<b>19</b>	<b>2,771</b>	<b>30</b>	<b>-</b>	<b>2,820</b>
Of which interest rate products	-	2	-	-	2
Of which foreign exchange products	-	-	-	-	-
Of which Precious metal contracts	-	-	-	-	-
Of which equity/index-related products	-	2,769	30	-	2,799
Of which credit derivatives	-	-	-	-	-
Of which other derivatives	19	-	-	-	19
<b>Total assets at fair value</b>	<b>31,094</b>	<b>47,515</b>	<b>3,290</b>	<b>(12,525)</b>	<b>69,374</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

**Fair value of assets and liabilities measured at fair value on a recurring basis**

31 December 2015 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Liabilities (USD million)</b>					
<b>Debt securities</b>	<b>761</b>	<b>1,062</b>	<b>3</b>	<b>–</b>	<b>1,826</b>
Of which foreign governments	761	210	–	–	971
Of which corporates	–	852	3	–	855
Of which collateralised debt obligations	–	–	–	–	–
<b>Equity securities</b>	<b>3,027</b>	<b>56</b>	<b>4</b>	<b>–</b>	<b>3,087</b>
<b>Derivatives</b>	<b>51</b>	<b>4,277</b>	<b>571</b>	<b>(57)</b>	<b>4,842</b>
Of which interest rate products	–	2,393	2	–	2,395
Of which foreign exchange products	1	1,223	–	–	1,224
Of which equity/index-related products	4	593	5	(57) <sup>1</sup>	545
Of which credit derivatives	–	67	1	–	68
Of which other derivatives	46	1	563	–	610
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>3,839</b>	<b>5,395</b>	<b>578</b>	<b>(57)</b>	<b>9,755</b>
<b>Securities sold under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>37,665</b>	<b>–</b>	<b>(12,468)<sup>2</sup></b>	<b>25,197</b>
<b>Long Term Debt</b>	<b>–</b>	<b>–</b>	<b>92</b>	<b>–</b>	<b>92</b>
Of which structured notes over two years	–	–	–	–	–
Of which other debt instruments	–	–	92	–	92
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>431</b>	<b>–</b>	<b>–</b>	<b>431</b>
Of which failed sales	–	431	–	–	431
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>38,096</b>	<b>92</b>	<b>(12,468)</b>	<b>25,720</b>
<b>Liabilities held for sale</b>	<b>11,732</b>	<b>4,219</b>	<b>49</b>	<b>–</b>	<b>16,000</b>
<b>Debt</b>	<b>6</b>	<b>183</b>	<b>–</b>	<b>–</b>	<b>189</b>
of which foreign governments	6	7	–	–	13
of which corporates	–	176	–	–	176
<b>Equity securities</b>	<b>11,714</b>	<b>67</b>	<b>–</b>	<b>–</b>	<b>11,781</b>
<b>Derivatives</b>	<b>12</b>	<b>3,488</b>	<b>49</b>	<b>–</b>	<b>3,548</b>
Of which interest rate products	–	3	–	–	3
Of which foreign exchange products	–	1	–	–	1
Of which equity/index-related products	–	3,484	49	–	3,533
Of which other derivatives	12	–	–	–	12
<b>Long-term debt</b>	<b>–</b>	<b>481</b>	<b>–</b>	<b>–</b>	<b>481</b>
of which debt instruments	–	481	–	–	481
<b>Total liabilities at fair value</b>	<b>15,571</b>	<b>47,710</b>	<b>719</b>	<b>(12,525)</b>	<b>51,475</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

31 December 2014 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Assets (USD million)</b>					
<b>Debt securities</b>	<b>15,039</b>	<b>3,000</b>	<b>109</b>	<b>–</b>	<b>18,148</b>
Of which foreign governments	15,039	210	–	–	15,249
Of which corporates	–	2,725	102	–	2,827
Of which residential mortgage backed securities	–	29	5	–	34
Of which commercial mortgage backed securities	–	–	2	–	2
Of which collateralised debt obligations	–	36	–	–	36
<b>Equity securities</b>	<b>31,071</b>	<b>608</b>	<b>130</b>	<b>–</b>	<b>31,809</b>
<b>Derivatives</b>	<b>78</b>	<b>8,876</b>	<b>901</b>	<b>(305)</b>	<b>9,550</b>
Of which interest rate products	–	2,019	–	–	2,019
Of which foreign exchange products	12	1,582	–	–	1,594
Of which equity/index-related products	10	5,041	38	(305) <sup>1</sup>	4,784
Of which credit derivatives	–	41	22	–	63
Of which other derivatives	56	193	841	–	1,090
<b>Trading financial assets at fair value through profit or loss</b>	<b>46,188</b>	<b>12,484</b>	<b>1,140</b>	<b>(305)</b>	<b>59,507</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>55,651</b>	<b>78</b>	<b>(17,748)<sup>2</sup></b>	<b>37,981</b>
<b>Loans</b>	<b>–</b>	<b>332</b>	<b>106</b>	<b>–</b>	<b>438</b>
Of which loans to financial institutions	–	332	106	–	438
<b>Other financial assets designated at fair value through profit or loss</b>	<b>–</b>	<b>547</b>	<b>2,073</b>	<b>–</b>	<b>2,620</b>
Of which life finance instruments	–	–	2,073	–	2,073
Of which failed purchases	–	547	–	–	547
<b>Financial assets designated at fair value through profit or loss</b>	<b>–</b>	<b>56,530</b>	<b>2,257</b>	<b>(17,748)</b>	<b>41,039</b>
Financial assets available-for-sale	–	–	33	–	33
<b>Total assets at fair value</b>	<b>46,188</b>	<b>69,014</b>	<b>3,430</b>	<b>(18,053)</b>	<b>100,579</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.



**Fair value of assets and liabilities measured at fair value on a recurring basis**

31 December 2014 CSS(E)L Group	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Liabilities (USD million)</b>					
<b>Debt securities</b>	<b>5,214</b>	<b>1,277</b>	<b>–</b>	<b>–</b>	<b>6,491</b>
Of which foreign governments	5,214	138	–	–	5,352
Of which corporates	–	1,131	–	–	1,131
Of which collateralised debt obligation	–	8	–	–	8
<b>Equity securities</b>	<b>10,570</b>	<b>50</b>	<b>1</b>	<b>–</b>	<b>10,621</b>
<b>Derivatives</b>	<b>98</b>	<b>10,629</b>	<b>607</b>	<b>(305)</b>	<b>11,029</b>
Of which interest rate products	–	4,311	–	–	4,311
Of which foreign exchange products	12	1,581	–	–	1,593
Of which equity/index-related products	17	4,600	37	(305) <sup>1</sup>	4,349
Of which credit derivatives	–	121	14	–	135
Of which other derivatives	69	16	556	–	641
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>15,882</b>	<b>11,956</b>	<b>608</b>	<b>(305)</b>	<b>28,141</b>
<b>Securities sold under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>59,519</b>	<b>–</b>	<b>(17,748)<sup>2</sup></b>	<b>41,771<sup>3</sup></b>
<b>Long Term Debt</b>	<b>–</b>	<b>1,111</b>	<b>75</b>	<b>–</b>	<b>1,186</b>
Of which structured notes over two years	–	324	4	–	328
Of which other debt instruments	–	787	71	–	858
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>–</b>	<b>1,083</b>	<b>1</b>	<b>–</b>	<b>1,084</b>
Of which failed sales	–	1,083	–	–	1,083
<b>Financial assets designated at fair value through profit or loss</b>	<b>–</b>	<b>61,713</b>	<b>76</b>	<b>(17,748)</b>	<b>44,041</b>
<b>Total liabilities at fair value</b>	<b>15,882</b>	<b>73,669</b>	<b>684</b>	<b>(18,053)</b>	<b>72,182</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.  
The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.  
The impact of netting represents an adjustment related to counterparty netting.

## Fair value of assets and liabilities measured at fair value on a recurring basis

31 December 2014 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Assets (USD million)</b>					
<b>Debt securities</b>	<b>15,039</b>	<b>3,000</b>	<b>111</b>	<b>–</b>	<b>18,150</b>
Of which foreign governments	15,039	210	–	–	15,249
Of which corporates	–	2,725	102	–	2,827
Of which residential mortgage backed securities	–	29	7	–	34
Of which commercial mortgage backed securities	–	–	2	–	2
Of which collateralised debt obligations	–	36	–	–	36
<b>Equity securities</b>	<b>31,071</b>	<b>608</b>	<b>130</b>	<b>–</b>	<b>31,809</b>
<b>Derivatives</b>	<b>78</b>	<b>8,890</b>	<b>1,453</b>	<b>(305)</b>	<b>10,116</b>
Of which interest rate products	–	2,018	–	–	2,018
Of which foreign exchange products	12	1,582	–	–	1,594
Of which equity/index-related products	10	5,040	38	(305) <sup>1</sup>	4,783
Of which credit derivatives	–	41	22	–	63
Of which other derivatives	56	209	1,393	–	1,658
<b>Trading financial assets at fair value through profit or loss</b>	<b>46,188</b>	<b>12,498</b>	<b>1,694</b>	<b>(305)</b>	<b>60,075</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>–</b>	<b>55,651</b>	<b>78</b>	<b>(17,748)<sup>2</sup></b>	<b>37,981</b>
<b>Loans</b>	<b>–</b>	<b>2</b>	<b>106</b>	<b>–</b>	<b>108</b>
Of which loans to financial institutions	–	2	106	–	108
<b>Other financial assets designated at fair value through profit or loss</b>	<b>–</b>	<b>547</b>	<b>1,427</b>	<b>–</b>	<b>1,974</b>
Of which life finance instruments	–	–	1,427	–	1,427
Of which failed purchases	–	547	–	–	547
<b>Financial assets designated at fair value through profit or loss</b>	<b>–</b>	<b>56,200</b>	<b>1,611</b>	<b>(17,748)</b>	<b>40,063</b>
Financial assets available-for-sale	–	–	33	–	33
<b>Total assets at fair value</b>	<b>46,188</b>	<b>68,698</b>	<b>3,338</b>	<b>(18,053)</b>	<b>100,171</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level.

The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level.

The impact of netting represents an adjustment related to counterparty netting.

**Fair value of assets and liabilities measured at fair value on a recurring basis**

31 December 2014 Company	Level 1	Level 2	Level 3	Impact of netting	Total at fair value
<b>Liabilities (USD million)</b>					
<b>Debt securities</b>	<b>5,214</b>	<b>1,277</b>	<b>-</b>	<b>-</b>	<b>6,491</b>
Of which foreign governments	5,214	138	-	-	5,352
Of which corporates	-	1,131	-	-	1,131
Of which collateralised debt obligations	-	8	-	-	8
<b>Equity securities</b>	<b>10,570</b>	<b>50</b>	<b>1</b>	<b>-</b>	<b>10,621</b>
<b>Derivatives</b>	<b>98</b>	<b>10,627</b>	<b>574</b>	<b>(305)</b>	<b>10,994</b>
Of which interest rate products	-	4,310	-	-	4,310
Of which foreign exchange products	12	1,581	-	-	1,593
Of which equity/index-related products	17	4,599	37	(305) <sup>1</sup>	4,348
Of which credit derivatives	-	121	14	-	135
Of which other derivatives	69	16	523	-	608
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>15,882</b>	<b>11,954</b>	<b>575</b>	<b>(305)</b>	<b>28,106</b>
<b>Securities sold under resale agreements and securities borrowing transactions</b>	<b>-</b>	<b>59,519</b>	<b>-</b>	<b>(17,748)</b> <sup>2</sup>	<b>41,771</b>
<b>Long Term Debt</b>	<b>-</b>	<b>786</b>	<b>60</b>	<b>-</b>	<b>846</b>
Of which structured notes over two years	-	-	-	-	-
Of which other debt instruments	-	786	60	-	846
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>-</b>	<b>1,084</b>	<b>-</b>	<b>-</b>	<b>1,084</b>
Of which failed sales	-	1,084	-	-	1,083
<b>Financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>61,389</b>	<b>60</b>	<b>(17,748)</b>	<b>43,701</b>
<b>Total liabilities at fair value</b>	<b>15,882</b>	<b>73,343</b>	<b>635</b>	<b>(18,053)</b>	<b>71,807</b>

<sup>1</sup> Trading Financial assets at fair value through profit or loss are reported on a gross basis by level. The impact of netting represents an adjustment related to exchange traded derivatives with eligible exchanges.

<sup>2</sup> Securities purchased under resale agreements and securities borrowing transactions are reported on a gross basis by level. The impact of netting represents an adjustment related to counterparty netting.

**Transfers between level 1 and level 2**

Transfers out of level 1 to level 2 are primarily driven by debt and equity securities where there is lack of activity in market or low

trading volume. Transfers to level 1 out of level 2 are primarily driven by debt and equity securities where the inputs become observable or higher trading volume.

The following table shows the transfers from level 1 to level 2 and from level 2 to level 1 of the fair value hierarchy.

CSS(E)L Group and Company (USD million)	2015 <sup>1</sup>		2014 <sup>1</sup>	
	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2	Transfers out of level 1 to level 2	Transfers to level 1 out of level 2
<b>Assets</b>				
Trading financial assets at fair value through profit or loss	854	449	838	1,586
<b>Total transfers in assets at fair value</b>	<b>854</b>	<b>449</b>	<b>838</b>	<b>1,586</b>
<b>Liabilities</b>				
Trading financial liabilities at fair value through profit or loss	87	456	811	1,336
<b>Total transfers in liabilities at fair value</b>	<b>87</b>	<b>456</b>	<b>811</b>	<b>1,336</b>

<sup>1</sup> Amounts in the above table includes both continued and discontinued operations.

### Movements of level 3 instruments

The following table presents a reconciliation of financial instruments categorised in level 3 of the fair value hierarchy.

### Assets and liabilities measured at fair value on a recurring basis for Level 3

As at December 2015	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out <sup>1</sup>	Trading revenues	On all other	Gains/(Losses) included in OCI	Balance at end of period
<b>CSS(E)L Group Assets</b>												
<b>Assets at fair value (USD million)</b>												
<b>Debt Securities</b>	<b>109</b>	<b>52</b>	<b>(27)</b>	<b>125</b>	<b>(123)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>127</b>
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	102	49	(27)	97	(102)	-	-	(1)	(5)	-	-	113
Of which residential mortgage backed securities	5	3	-	28	(21)	-	-	-	(1)	-	-	14
Of which commercial mortgage backed securities	2	-	-	-	-	-	-	-	(2)	-	-	-
Of which collateralised debt obligations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity Securities</b>	<b>130</b>	<b>113</b>	<b>(100)</b>	<b>22</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>101</b>
<b>Derivatives</b>	<b>901</b>	<b>8</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>313</b>	<b>(486)</b>	<b>56</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>808</b>
Of which equity/index-related products	38	8	(4)	-	-	-	(67)	56	(31)	-	-	-
Of which credit derivatives	22	-	-	-	-	-	(1)	-	(13)	-	-	8
Of which other derivatives	841	-	-	-	-	313	(418)	-	64	-	-	800
<b>Trading financial assets at fair value through profit or loss</b>	<b>1,140</b>	<b>173</b>	<b>(131)</b>	<b>147</b>	<b>(185)</b>	<b>313</b>	<b>(486)</b>	<b>68</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>1,036</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>78</b>	<b>-</b>	<b>(41)</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>(147)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160</b>
<b>Loans</b>	<b>106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>(67)</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>-</b>	<b>45</b>
Of which loans to financial institutions	106	-	-	-	-	66	(67)	-	(60)	-	-	45
<b>Other financial assets designated at fair value through profit or loss</b>	<b>2,073</b>	<b>-</b>	<b>-</b>	<b>411</b>	<b>(449)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>2,043</b>
Of which life finance instruments	2,073	-	-	411	(449)	-	-	-	8	-	-	2,043
<b>Financial assets designated at fair value through profit or loss</b>	<b>2,257</b>	<b>-</b>	<b>(41)</b>	<b>411</b>	<b>(449)</b>	<b>336</b>	<b>(214)</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>	<b>2,248</b>
Financial assets available-for-sale	33	-	-	-	-	-	-	-	-	-	-	33
<b>Assets held for sale</b>	<b>-</b>	<b>6</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>(2)</b>	<b>3</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>30</b>
<b>Derivatives</b>	<b>-</b>	<b>6</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>(2)</b>	<b>3</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>30</b>
Of which equity/index-related products	-	6	(3)	-	-	41	(2)	3	(15)	-	-	30
<b>Total assets at fair value</b>	<b>3,430</b>	<b>179</b>	<b>(175)</b>	<b>558</b>	<b>(634)</b>	<b>690</b>	<b>(702)</b>	<b>71</b>	<b>(70)</b>	<b>-</b>	<b>-</b>	<b>3,347</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

**Assets and liabilities measured at fair value on a recurring basis for Level 3**

As at December 2015	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements		Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
								On transfers in/out <sup>1</sup>	On all other		
<b>CSS(E)L Group Liabilities</b>											
<b>Liabilities at fair value (USD million)</b>											
<b>Debt Securities</b>	-	-	-	5	(2)	-	-	-	-	-	<b>3</b>
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	-	-	5	(2)	-	-	-	-	-	3
<b>Equity securities</b>	<b>1</b>	<b>4</b>	-	<b>2</b>	<b>(1)</b>	-	-	-	<b>(2)</b>	-	<b>4</b>
<b>Derivatives</b>	<b>607</b>	<b>3</b>	<b>(10)</b>	-	-	<b>287</b>	<b>(269)</b>	<b>13</b>	<b>(27)</b>	-	<b>604</b>
Of which interest rate products	-	-	-	-	-	-	-	-	2	-	2
Of which equity/index-related products	37	1	(5)	-	-	-	(52)	17	7	-	5
Of which credit derivatives	14	2	(5)	-	-	8	(16)	(4)	2	-	1
Of which other derivatives	556	-	-	-	-	279	(201)	-	(38)	-	596
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>608</b>	<b>7</b>	<b>(10)</b>	<b>7</b>	<b>(3)</b>	<b>287</b>	<b>(269)</b>	<b>13</b>	<b>(29)</b>	-	<b>611</b>
<b>Long term debt</b>	<b>75</b>	-	-	-	-	<b>47</b>	<b>(23)</b>	-	<b>4</b>	-	<b>103</b>
Of which structured notes over two years	-	-	-	-	-	-	-	-	-	-	-
Of which non recourse liabilities	4	-	-	-	-	-	(4)	-	-	-	-
Of which other debt instruments	71	-	-	-	-	47	(19)	-	4	-	103
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>1</b>	-	-	-	-	-	-	-	-	-	<b>1</b>
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>76</b>	-	-	-	-	<b>47</b>	<b>(23)</b>	-	<b>4</b>	-	<b>104</b>
<b>Liabilities held for sale</b>	-	<b>51</b>	<b>(17)</b>	-	-	<b>38</b>	<b>(36)</b>	<b>35</b>	<b>(22)</b>	-	<b>49</b>
<b>Derivatives</b>	-	51	(17)	-	-	38	(36)	35	(22)	-	49
Of which equity/index-related products	-	51	(17)	-	-	38	(36)	35	(22)	-	49
<b>Total liabilities at fair value</b>	<b>684</b>	<b>58</b>	<b>(27)</b>	<b>7</b>	<b>(3)</b>	<b>372</b>	<b>(328)</b>	<b>48</b>	<b>(47)</b>	-	<b>764</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

**Assets and liabilities measured at fair value on a recurring basis for Level 3**

As at December 2015	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	On transfers in/out <sup>1</sup>	Trading revenues	On all other	Gains/(Losses) included in OCI	Balance at end of period
<b>Company Assets</b>												
<b>Assets at fair value (USD million)</b>												
<b>Debt Securities</b>	<b>111</b>	<b>52</b>	<b>(27)</b>	<b>125</b>	<b>(125)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>127</b>
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	102	49	(27)	97	(102)	-	-	(1)	(5)	-	-	113
Of which residential mortgage backed securities	7	3	-	28	(23)	-	-	-	(1)	-	-	14
Of which commercial mortgage backed securities	2	-	-	-	-	-	-	-	(2)	-	-	-
Of which collateralised debt obligations	-	-	-	-	-	-	-	-	-	-	-	-
<b>Equity Securities</b>	<b>130</b>	<b>113</b>	<b>(100)</b>	<b>22</b>	<b>(62)</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>101</b>
<b>Derivatives</b>	<b>1,453</b>	<b>8</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>355</b>	<b>(514)</b>	<b>56</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>1,376</b>
Of which equity/index-related products	38	8	(4)	-	-	-	(67)	56	(31)	-	-	-
Of which credit derivatives	22	-	-	-	-	-	(1)	-	(13)	-	-	8
Of which other derivatives	1,393	-	-	-	-	355	(446)	-	66	-	-	1,368
<b>Trading financial assets at fair value through profit or loss</b>	<b>1,694</b>	<b>173</b>	<b>(131)</b>	<b>147</b>	<b>(187)</b>	<b>355</b>	<b>(514)</b>	<b>68</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>1,604</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>78</b>	<b>-</b>	<b>(41)</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>(147)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160</b>
<b>Loans</b>	<b>106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>(67)</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>-</b>	<b>45</b>
Of which loans to financial institutions	106	-	-	-	-	66	(67)	-	(60)	-	-	45
<b>Other financial assets designated at fair value through profit or loss</b>	<b>1,427</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>(167)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>1,418</b>
Of which life finance instruments	1,427	-	-	150	(167)	-	-	-	8	-	-	1,418
<b>Financial assets designated at fair value through profit or loss</b>	<b>1,611</b>	<b>-</b>	<b>(41)</b>	<b>150</b>	<b>(167)</b>	<b>336</b>	<b>(214)</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>	<b>1,623</b>
<b>Financial assets available-for-sale</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33</b>
<b>Assets held for sale</b>	<b>-</b>	<b>6</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>(2)</b>	<b>3</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>30</b>
<b>Derivatives</b>	<b>-</b>	<b>6</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>(2)</b>	<b>3</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>30</b>
Of which equity/index-related products	-	6	(3)	-	-	41	(2)	3	(15)	-	-	30
<b>Total assets at fair value</b>	<b>3,338</b>	<b>179</b>	<b>(175)</b>	<b>297</b>	<b>(354)</b>	<b>732</b>	<b>(730)</b>	<b>71</b>	<b>(68)</b>	<b>-</b>	<b>-</b>	<b>3,290</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

**Assets and liabilities measured at fair value on a recurring basis for Level 3**

As at December 2015	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements		Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
								On transfers in/out <sup>1</sup>	On all other		
<b>Company Liabilities</b>											
<b>Liabilities at fair value (USD million)</b>											
<b>Debt Securities</b>	-	-	-	5	(2)	-	-	-	-	-	3
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	-	-	5	(2)	-	-	-	-	-	3
<b>Equity securities</b>	1	4	-	2	(1)	-	-	-	(2)	-	4
<b>Derivatives</b>	574	3	(10)	-	-	280	(275)	13	(14)	-	571
Of which interest rate products	-	-	-	-	-	-	-	-	2	-	2
Of which equity/index-related products	37	1	(5)	-	-	-	(52)	17	7	-	5
Of which credit derivatives	14	2	(5)	-	-	8	(16)	(4)	2	-	1
Of which other derivatives	523	-	-	-	-	272	(207)	-	(25)	-	563
<b>Trading financial liabilities at fair value through profit or loss</b>	575	7	(10)	7	(3)	280	(275)	13	(16)	-	578
<b>Long term debt</b>	60	-	-	-	-	47	(19)	-	4	-	92
Of which structured notes over two years	-	-	-	-	-	-	-	-	-	-	-
Of which other debt instruments	60	-	-	-	-	47	(19)	-	4	-	92
<b>Other financial liabilities designated at fair value through profit or loss</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities designated at fair value through profit or loss</b>	60	-	-	-	-	47	(19)	-	4	-	92
<b>Liabilities held for sale</b>	-	51	(17)	-	-	38	(36)	35	(22)	-	49
<b>Derivatives</b>	-	51	(17)	-	-	38	(36)	35	(22)	-	49
Of which equity/index-related products	-	51	(17)	-	-	38	(36)	35	(22)	-	49
<b>Total liabilities at fair value</b>	635	58	(27)	7	(3)	365	(330)	48	(34)	-	719

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

### Assets and liabilities measured at fair value on a recurring basis for Level 3

As at December 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues	Gains/(Losses) included in OCI	Balance at end of period	
								On transfers in/out <sup>1</sup>	On all other		
CSS(E)L Group Assets											
<b>Assets at fair value (USD million)</b>											
<b>Debt Securities</b>	<b>550</b>	<b>41</b>	<b>(415)</b>	<b>226</b>	<b>(187)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>(34)</b>	<b>-</b>	<b>109</b>
Of which foreign governments	1	-	-	-	-	-	-	-	(1)	-	-
Of which corporates	521	41	(412)	204	(161)	-	-	(72)	(19)	-	102
Of which residential mortgage backed securities	12	-	(1)	7	(9)	-	-	-	(4)	-	5
Of which commercial mortgage backed securities	16	-	-	-	(2)	-	-	-	(12)	-	2
Of which collateralised debt obligations	-	-	(2)	15	(15)	-	-	-	2	-	-
<b>Equity Securities</b>	<b>75</b>	<b>55</b>	<b>(76)</b>	<b>125</b>	<b>(58)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>16</b>	<b>-</b>	<b>130</b>
<b>Derivatives</b>	<b>592</b>	<b>38</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>(61)</b>	<b>-</b>	<b>313</b>	<b>-</b>	<b>901</b>
Of which equity/index-related products	27	-	(1)	-	-	18	(1)	-	(5)	-	38
Of which credit derivatives	-	38	-	-	-	-	-	-	(16)	-	22
Of which other derivatives	565	-	-	-	-	2	(60)	-	334	-	841
<b>Trading financial assets at fair value through profit or loss</b>	<b>1,217</b>	<b>134</b>	<b>(492)</b>	<b>351</b>	<b>(245)</b>	<b>20</b>	<b>(61)</b>	<b>(79)</b>	<b>295</b>	<b>-</b>	<b>1,140</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78</b>
<b>Loans</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(8)</b>	<b>67</b>	<b>(64)</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>106</b>
Of which loans to financial institutions	93	-	-	8	(8)	67	(64)	-	10	-	106
<b>Other financial assets designated at fair value through profit or loss</b>	<b>1,978</b>	<b>-</b>	<b>-</b>	<b>295</b>	<b>(506)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>306</b>	<b>-</b>	<b>2,073</b>
Of which life finance instruments	1,978	-	-	295	(506)	-	-	-	306	-	2,073
<b>Financial assets designated at fair value through profit or loss</b>	<b>2,149</b>	<b>-</b>	<b>-</b>	<b>303</b>	<b>(514)</b>	<b>67</b>	<b>(64)</b>	<b>-</b>	<b>316</b>	<b>-</b>	<b>2,257</b>
Financial assets available-for-sale	34	-	-	-	-	-	-	-	-	(1)	33
<b>Total assets at fair value</b>	<b>3,400</b>	<b>134</b>	<b>(492)</b>	<b>654</b>	<b>(759)</b>	<b>87</b>	<b>(125)</b>	<b>(79)</b>	<b>611</b>	<b>(1)</b>	<b>3,430</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.



**Assets and liabilities measured at fair value on a recurring basis for Level 3**

As at December 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements		Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
								On transfers in/out <sup>1</sup>	On all other		
CSS(E)L Group Liabilities											
<b>Liabilities at fair value (USD million)</b>											
<b>Debt Securities</b>	-	-	-	-	-	-	-	-	-	-	-
Of which foreign governments	-	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	-	-	-	-	-	-	-	-	-	-
<b>Equity securities</b>	<b>16</b>	<b>5</b>	<b>(1)</b>	<b>8</b>	<b>(7)</b>	-	-	-	<b>(20)</b>	-	<b>1</b>
<b>Derivatives</b>	<b>814</b>	<b>29</b>	<b>(243)</b>	-	-	<b>86</b>	<b>(212)</b>	<b>166</b>	<b>(33)</b>	-	<b>607</b>
Of which equity/index-related products	296	-	(242)	-	-	34	(196)	167	(22)	-	37
Of which credit derivatives	-	29	(1)	-	-	6	(16)	(1)	(3)	-	14
Of which other derivatives	518	-	-	-	-	46	-	-	(8)	-	556
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>830</b>	<b>34</b>	<b>(244)</b>	<b>8</b>	<b>(7)</b>	<b>86</b>	<b>(212)</b>	<b>166</b>	<b>(53)</b>	-	<b>608</b>
<b>Long term debt</b>	<b>88</b>	-	-	<b>60</b>	<b>(57)</b>	<b>28</b>	<b>(34)</b>	-	<b>(10)</b>	-	<b>75</b>
Of which structured notes over two years	62	-	-	-	(57)	-	-	-	(5)	-	-
Of which non recourse liabilities	-	-	-	3	-	-	-	-	1	-	4
Of which other debt instruments	26	-	-	57	-	28	(34)	-	(6)	-	71
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>1</b>	-	-	-	-	-	-	-	-	-	<b>1</b>
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>89</b>	-	-	<b>60</b>	<b>(57)</b>	<b>28</b>	<b>(34)</b>	-	<b>(10)</b>	-	<b>76</b>
<b>Total liabilities at fair value</b>	<b>919</b>	<b>34</b>	<b>(244)</b>	<b>68</b>	<b>(64)</b>	<b>114</b>	<b>(246)</b>	<b>166</b>	<b>(63)</b>	-	<b>684</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

### Assets and liabilities measured at fair value on a recurring basis for Level 3

As at December 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues	Gains/(Losses) included in OCI	Balance at end of period	
Company Assets											
<b>Assets at fair value (USD million)</b>											
<b>Debt Securities</b>	<b>550</b>	<b>41</b>	<b>(415)</b>	<b>228</b>	<b>(187)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>(34)</b>	<b>-</b>	<b>111</b>
Of which foreign governments	1	-	-	-	-	-	-	-	(1)	-	-
Of which corporates	521	41	(412)	204	(161)	-	-	(72)	(19)	-	102
Of which residential mortgage backed securities	12	-	(1)	9	(9)	-	-	-	(4)	-	7
Of which commercial mortgage backed securities	16	-	-	-	(2)	-	-	-	(12)	-	2
Of which collateralised debt obligations	-	-	(2)	15	(15)	-	-	-	2	-	-
<b>Equity Securities</b>	<b>75</b>	<b>55</b>	<b>(76)</b>	<b>125</b>	<b>(58)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>16</b>	<b>-</b>	<b>130</b>
<b>Derivatives</b>	<b>1,128</b>	<b>38</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>(61)</b>	<b>-</b>	<b>329</b>	<b>-</b>	<b>1,453</b>
Of which equity/index-related products	27	-	(1)	-	-	18	(1)	-	(5)	-	38
Of which credit derivatives	-	38	-	-	-	-	-	-	(16)	-	22
Of which other derivatives	1,101	-	-	-	-	2	(60)	-	350	-	1,393
<b>Trading financial assets at fair value through profit or loss</b>	<b>1,753</b>	<b>134</b>	<b>(492)</b>	<b>353</b>	<b>(245)</b>	<b>20</b>	<b>(61)</b>	<b>(79)</b>	<b>311</b>	<b>-</b>	<b>1,694</b>
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78</b>
<b>Loans</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(8)</b>	<b>67</b>	<b>(64)</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>106</b>
Of which loans to financial institutions	93	-	-	8	(8)	67	(64)	-	10	-	106
<b>Other financial assets designated at fair value through profit or loss</b>	<b>1,560</b>	<b>-</b>	<b>-</b>	<b>343</b>	<b>(155)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(321)</b>	<b>-</b>	<b>1,427</b>
Of which life finance instruments	1,560	-	-	343	(155)	-	-	-	(321)	-	1,427
<b>Financial assets designated at fair value through profit or loss</b>	<b>1,731</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>(163)</b>	<b>67</b>	<b>(64)</b>	<b>-</b>	<b>(311)</b>	<b>-</b>	<b>1,611</b>
Financial assets available-for-sale	34	-	-	-	-	-	-	-	-	(1)	33
<b>Total assets at fair value</b>	<b>3,518</b>	<b>134</b>	<b>(492)</b>	<b>704</b>	<b>(408)</b>	<b>87</b>	<b>(125)</b>	<b>(79)</b>	<b>-</b>	<b>(1)</b>	<b>3,338</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

### Assets and liabilities measured at fair value on a recurring basis for Level 3

As at December 2014	Balance at beginning of period	Transfers in	Transfers out	Purchases	Sales	Issuances	Settlements	Trading revenues	Gains/(Losses) included in OCI	Balance at end of period
								On transfers in/out <sup>1</sup>	On all other	
Company Liabilities										
<b>Liabilities at fair value (USD million)</b>										
<b>Debt Securities</b>	-	-	-	-	-	-	-	-	-	-
Of which foreign governments	-	-	-	-	-	-	-	-	-	-
Of which corporates	-	-	-	-	-	-	-	-	-	-
<b>Equity securities</b>	<b>16</b>	<b>5</b>	<b>(1)</b>	<b>8</b>	<b>(7)</b>	-	-	-	<b>(20)</b>	<b>1</b>
<b>Derivatives</b>	<b>778</b>	<b>29</b>	<b>(243)</b>	-	-	<b>74</b>	<b>(212)</b>	<b>166</b>	<b>(18)</b>	<b>574</b>
Of which equity/index-related products	296	-	(242)	-	-	34	(196)	167	(22)	37
Of which credit derivatives	-	29	(1)	-	-	6	(16)	(1)	(3)	14
Of which other derivatives	482	-	-	-	-	34	-	-	7	523
<b>Trading financial liabilities at fair value through profit or loss</b>	<b>794</b>	<b>34</b>	<b>(244)</b>	<b>8</b>	<b>(7)</b>	<b>74</b>	<b>(212)</b>	<b>166</b>	<b>(38)</b>	<b>575</b>
<b>Long term debt</b>	<b>76</b>	-	-	<b>57</b>	<b>(57)</b>	<b>28</b>	<b>(34)</b>	-	<b>(10)</b>	<b>60</b>
Of which structured notes over two years	62	-	-	-	(57)	-	-	-	(5)	-
Of which other debt instruments	14	-	-	57	-	28	(34)	-	(5)	60
<b>Other financial liabilities designated at fair value through profit or loss</b>	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>76</b>	-	-	<b>57</b>	<b>(57)</b>	<b>28</b>	<b>(34)</b>	-	<b>(10)</b>	<b>60</b>
<b>Total liabilities at fair value</b>	<b>870</b>	<b>34</b>	<b>(244)</b>	<b>65</b>	<b>(64)</b>	<b>102</b>	<b>(246)</b>	<b>166</b>	<b>(48)</b>	<b>635</b>

<sup>1</sup> For all the transfers to level 3 or out of level 3, the CSS(E)L Group determines and discloses as level 3 events only gains or losses through the last day of the reporting period.

### Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

	As at 31 December 2015		As at 31 December 2014	
	CSS(E)L Group	Company	CSS(E)L Group	Company
<b>Trading revenues (USD million)</b>				
<b>Net realised/unrealised gains/(losses) included in net revenues</b>	-	(11)	429	(197)
Whereof:				
<b>Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date</b>				
Trading financial assets at fair value through profit or loss	21	23	147	215
Financial assets designated at fair value through profit or loss	9	4	271	60
Trading financial liabilities at fair value through profit or loss	6	(2)	2	1
Financial liabilities at fair value through profit or loss	3	3	5	5
<b>Changes in unrealised gains/(losses) relating to assets and liabilities held for sale as of the reporting date</b>				
Financial assets held for sale	1	1	-	-
Financial liabilities held for sale	(3)	(3)	-	-
<b>Net realised/unrealised gains/(losses) included in OCI</b>	-	-	(1)	(1)
Whereof:				
<b>Changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date</b>				
Financial assets available for sale	-	-	(1)	(1)
Financial liabilities held for sale	-	-	-	-
<b>Total changes in unrealised gains/(losses) relating to assets and liabilities still held as of the reporting date</b>	<b>37</b>	<b>26</b>	<b>424</b>	<b>280</b>

Both observable and unobservable inputs may be used to determine the fair value of positions that have been classified within Level 3. As a result, the unrealised gains and losses from assets and liabilities within Level 3 presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

The CSS(E)L Group employs various economic hedging techniques in order to manage risks, including risks in Level 3 positions. Such techniques may include the purchase or sale of financial instruments that are classified in Levels 1 and/or 2. The realised and unrealised gains and losses for assets and liabilities in Level 3 presented in the table above do not reflect the related

realised or unrealised gains and losses arising on economic hedging instruments classified in Levels 1 and/or 2.

### Transfers in and out of level 3

#### Trading financial assets at fair value through profit or loss

Trading financial assets transferred into and out of level 3 in 2015 amounted to USD 173 million and USD 131 million, respectively for Group and Company. USD 49 million of transfers into level 3 was related to debt securities primarily in Leveraged Finance trading business and Investment Grade trading business due to limited observability of pricing data and reduced pricing information from external providers and USD 113 million of transfer into level 3 related to equity securities, primarily in Leveraged Finance trading business. USD 100 million of transfers out of level 3 largely comprises equity securities primarily in Leveraged Finance trading business due to improved observability of pricing data and increased availability of pricing information from external providers.

Trading financial assets transferred into and out of level 3 in 2014 amounted to USD 134 million and USD 492 million, respectively for Group and Company. USD 41 million of transfers into level 3 was related to debt securities primarily in Leveraged Finance trading business due to limited observability of pricing data and reduced pricing information from external providers and USD 55 million of transfer into level 3 related to equity securities, primarily in Leveraged Finance trading business. USD 412 million of transfers out of level 3 largely comprises debt securities primarily in Prime Structured Products business due to improved observability of pricing data and increased availability of pricing information from external providers.

#### Trading financial liabilities at fair value through profit or loss

Trading financial liabilities transferred into and out of level 3 in 2015 amounted to USD 7 million and USD 10 million, respectively for Group and Company.

Trading financial liabilities transferred into and out of level 3 in 2014 amounted to USD 34 million and USD 244 million, respectively for Group and Company. USD 34 million of transfers into level 3 was related to derivatives primarily in prime services derivative business due to limited observability of pricing data and reduced pricing information from external providers. USD 244 million transfers out of level 3 largely comprises of derivatives primarily in prime structured product business due to improved observability of pricing data and increased availability of pricing information from external providers.

Assets held for sale transferred into and out of level 3 in 2015 amounted to USD 6 million and USD 3 million, respectively for Group and Company. Liabilities held for sale transferred into and out of level 3 in 2015 amounted to USD 51 million and USD 17 million, respectively for Group and Company. USD 51 million of transfers into level 3 was related to derivatives primarily in prime flow derivative business due to limited observability of pricing data and reduced pricing information from external providers. USD 17 million transfers out of level 3 largely comprises of derivatives primarily in prime flow business due to improved observability of pricing data and increased availability of pricing information from external providers.

### Qualitative disclosures of valuation techniques

The CSS(E)L Group has implemented and maintains a valuation control framework, which is supported by policies and procedures that define the principles for controlling the valuation of the CSS(E)L Group's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures. The framework includes three main internal processes: (i) valuation governance; (ii) independent price verification and significant unobservable inputs review; and (iii) a cross-functional pricing model review. Through this framework, the CSS(E)L Group determines the reasonableness of the fair value of its financial instruments.

On a monthly basis, meetings are held for each business line with senior representatives of the Front Office and Product Control to discuss independent price verification results, valuation adjustments, and other significant valuation issues. On a quarterly basis, a review of significant changes in the fair value of financial instruments is undertaken by Product Control and conclusions are reached regarding the reasonableness of those changes. Additionally, on a quarterly basis, meetings are held for each business line with senior representatives of the Front Office, Product Control, Risk Management, and Financial Accounting to discuss independent price verification results, valuation issues, business and market updates, as well as a review of significant changes in fair value from the prior quarter, significant unobservable inputs and prices used in valuation techniques, and valuation adjustments.

The results of these meetings are aggregated for presentation to the Valuation and Risk Management Committee ('VARMC') and the Audit Committee. The VARMC, which is comprised of Credit Suisse Group AG's Executive Board members and the heads of the business and control functions, meets to review and ratify valuation review conclusions, and to resolve significant valuation issues for the CSS(E)L Group. Oversight of the valuation control framework is through specific and regular reporting on valuation directly to the Credit Suisse Group AG's Executive Board through the VARMC.

One of the key components of the governance process is the segregation of duties between the Front Office and Product Control. The Front Office is responsible for measuring inventory at fair value on a daily basis, while Product Control is responsible for independently reviewing and validating those valuations on a periodic basis. The Front Office values the inventory using, wherever possible, observable market data which may include executed transactions, dealer quotes, or broker quotes for the same or similar instruments. Product Control validates this inventory using independently sourced data that also includes executed transactions, dealer quotes, and broker quotes.

Product Control utilises independent pricing service data as part of their review process. Independent pricing service data is analysed to ensure that it is representative of fair value including confirming that the data corresponds to executed transactions or executable broker quotes, review and assessment of contributors to ensure they are active market participants, review of statistical data and utilisation of pricing challenges. The analysis also includes understanding the sources of the pricing service data and any models or assumptions used in determining the results. The purpose of the review is to judge the quality and reliability of the

data for fair value measurement purposes and its appropriate level of usage within the Product Control independent valuation review.

For certain financial instruments the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments.

For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

The CSS(E)L Group performs a sensitivity analysis of its significant level 3 financial instruments. This sensitivity analysis estimates a fair value range by changing the related significant unobservable inputs value. Where a model-based technique is used to determine the fair value of the level 3 financial instrument, an alternative input value is utilised to derive an estimated fair value range. Where a price-based technique is used to determine the fair value of the level 3 financial instrument, Front Office professional judgment is used to estimate a fair value range.

The following information on the valuation techniques and significant unobservable inputs of the various financial instruments, and the sensitivity of fair value measurements to changes in significant unobservable inputs, should be read in conjunction with the table 'Quantitative disclosure of valuation techniques'.

#### Central bank funds sold, securities purchased under resale agreements and securities borrowing transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, the significant majority of both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Structured resale and repurchase agreements include embedded derivatives, which are measured using the same techniques as described below for stand-alone derivative contracts held for trading purposes or used in hedge accounting relationships. If the value of the embedded derivative is determined using significant unobservable inputs, those structured resale and repurchase agreements are classified within level 3 of the fair value hierarchy. The significant unobservable inputs for those classified as level 3 are funding spread and general collateral rate.

Securities purchased under resale agreements are usually fully collateralised or over collateralised by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the CSS(E)L Group with the right to liquidate the collateral held.

#### Debt securities

##### Foreign governments and corporates

Government debt securities typically have quoted prices in active markets and are categorised as level 1 instruments. For debt securities for which market prices are not available, valuations are based on yields reflecting credit rating, historical performance, delinquencies, loss severity, the maturity of the security, recent transactions in the market or other modeling techniques, which may involve judgment. Those securities where the price or model inputs are observable in the market are categorised as level 2 instruments, while those securities where prices are not observable and significant model inputs are unobservable are categorised as level 3 of the fair value hierarchy.

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilising observable inputs, such as current interest rate curves and observable CDS spreads. The significant unobservable input is price. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

##### CMBS, RMBS and CDO securities

Fair values of RMBS, CMBS and CDOs may be available through quoted prices, which are often based on the prices at which similarly structured and collateralised securities trade between dealers and to and from customers. Fair values of RMBS, CMBS and CDOs for which there are significant unobservable inputs are valued using capitalisation rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs prepayment rates, default rates, loss severity and discount rates. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

For most structured debt securities, determination of fair value requires subjective assessment depending on liquidity, ownership concentration, and the current economic and competitive environment. Valuation is determined based on the Front Office's own assumptions about how market participants would price the asset. Collateralised bond and loan obligations are split into various structured tranches and each tranche is valued based upon its

individual rating and the underlying collateral supporting the structure. Valuation models are used to value both cash and synthetic CDOs.

### Equity securities

The majority of the CSS(E)L Group's positions in equity securities are traded on public stock exchanges for which quoted prices are readily and regularly available and are therefore categorised as level 1 instruments. Level 2 and level 3 equities include, convertible bonds or equity securities with restrictions that are not traded in active markets. The significant unobservable input is price.

### Derivatives

Derivatives held for trading purposes or used in hedge accounting relationships include both OTC and exchange-traded derivatives. The fair values of exchange-traded derivatives measured using observable exchange prices are included in level 1 of the fair value hierarchy. For exchange-traded derivatives where the market is not considered active, the observable exchange prices may not be considered executable at the reporting date. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. If the similar OTC derivative used for valuing the exchange-traded derivative is not observable, then the exchange-traded derivative is included in level 3 of the fair value hierarchy.

The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorised as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorised as level 3 of the fair value hierarchy.

The CSS(E)L Group's valuation of derivatives includes an adjustment for the cost of funding uncollateralised OTC derivatives.

### Interest rate derivatives

OTC vanilla interest rate products, such as interest rate swaps, swaptions, and caps and floors are valued by discounting the anticipated future cash flows. The future cash flows and discounting are derived from market standard yield curves and industry standard volatility inputs. Where applicable, exchange-traded prices are also used to value exchange-traded futures and options

and can be used in yield curve construction. For more complex products, inputs include, but are not limited to correlation, volatility, volatility skew, prepayment rate, credit spread, basis spread and mean reversion.

### Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modeling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to prepayment rate and correlation.

### Equity and index-related derivatives

Equity derivatives include vanilla options and swaps in addition to different types of exotic options. Inputs for equity derivatives can include price, correlation, volatility, skew, buyback probability and gap risk.

### Credit derivatives

Credit derivatives include index and single name CDS in addition to more complex structured credit products. Vanilla products are valued using industry standard models and inputs that are generally market observable including credit spread and recovery rate.

Complex structured credit derivatives are valued using proprietary models requiring unobservable inputs such as recovery rate, credit spread, correlation and price. These inputs are generally implied from available market observable data. Fair values determined by price may include discounted cash flow models using the inputs prepayment rate, default rate, loss severity and discount rate.

### Other derivatives

Other derivatives include longevity swaps where the CSS(E)L Group enters into longevity and mortality swap transactions with institutional investors to transfer mortality risk. Generally, in a longevity swap, counterparty 'A' pays life contingent premiums to counterparty 'B' and in return receive death benefit at maturity of the underlying life. Longevity swaps are also structured to exchange fixed vs life contingent cash flows without any referenced death benefits. The longevity swaps cash flows may also be credit linked to underlying insurance carriers. Longevity swaps are valued using the discounted cash flow model and the primary unobservable input is market implied life expectancy.

### Other financial assets designated at fair value through profit or loss

#### Life Finance Instruments

Life finance instruments include Single Premium Immediate Annuities ('SPIA'), life settlement and premium finance instruments. SPIAs are valued using discounted cash flow models and are purchased with an upfront payment to receive life contingent annuity income stream. Annuity streams are fixed and received until the individual matures. SPIAs annuity helps finance on-going premium obligation on the underlying policies and also acts as mortality hedge. Life settlement and premium finance instruments are valued using proprietary models with the primary input being market implied life expectancy. Life settlement policies are life insurance

policies issued by insurance companies and pay a lump sum death benefit upon insured's death to beneficiaries in return for premiums paid over the life of an individual. Premium finance is where the CSS(E)L Group finances policy premiums for the insured / borrower set up as an Irrevocable Life Insurance Trust in return for receiving the majority of the insured's death benefit at maturity. The primary unobservable input for SPIAs, life settlement and premium finance instruments is market implied life expectancy.

#### Loans

Loans include fully funded swaps, which are valued using discounted cash flow models. The primary unobservable input is market implied life expectancy.

#### Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the Statement of Financial Position, but a fair value has been disclosed in the table 'Analysis of financial instruments by categories' above on pages 78 to 80. These instruments include: cash and due from banks, cash collateral receivables and payables and other receivables and payables arising in the ordinary course of business. For these financial instruments, the carrying value approximates the fair value due to the relatively short period of

time between their origination and expected realisation, as well as the minimal credit risk inherent in these instruments.

#### Sensitivity of fair value measurements to changes in significant unobservable inputs

For level 3 assets instruments with a significant unobservable input of credit curve, price, funding spread and market implied life expectancy (for life finance instruments), in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets instruments with a significant unobservable input of general collateral rate and market implied life expectancy (for life finance instruments and premium finance instruments), in general, an increase in the significant unobservable input would decrease the fair value

For level 3 liabilities an increase in the related significant unobservable inputs would have the inverse impact on fair value.

#### Interrelationships between significant unobservable inputs

There are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

**Quantitative disclosures of valuation techniques**

The following tables provide the representative range of minimum and maximum values and the associated weighted average of

each significant unobservable input for level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

**Quantitative information about level 3 assets and liabilities at fair value**

As at 31 December 2015 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1,2</sup>
<b>Assets</b>						
<b>Trading financial Assets at fair value through profit or loss</b>						
<b>Debt Securities</b>	<b>127</b>					
<b>of which corporates</b>	<b>113</b>					
Of which	89	Market comparable	Price, in %	0	150	24
<b>Equity securities</b>	<b>101</b>					
Of which	27	Vendor price	Price in actuals	0	125	32
Of which	73	Market comparable	Price, in %	1	202	97
<b>Derivatives</b>	<b>808</b>					
Of which	790	Discounted cash flows	Market implied life expectancy, in years	1	19	4
<b>Financial assets designated at fair value through profit or loss</b>						
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>160</b>					
Of which	119	Discounted cash flows	Funding spread, in bps	350	475	361
Of which	41	Discounted cash flows	General collateral rate, in %	0	0	0
<b>Other financial assets designated at fair value through profit or loss</b>	<b>2,088</b>					
Of which life finance instruments	1,948	Discounted cash flows	Market implied life expectancy, in years	1	20	8
<b>Financial assets available-for-sale</b>	<b>33</b>					
Of which	11	Vendor price	Price, in actuals	1,118	1,118	1,118
<b>Liabilities</b>						
<b>Trading financial liabilities at fair value through profit or loss</b>						
<b>Derivatives</b>	<b>604</b>					
Of which	561	Discounted cash flows	Market implied life expectancy, in years	2	22	8
<b>Long-term debt</b>	<b>103</b>					
Of which	103	Discounted cash flows	Market implied life expectancy, in years	1	19	7

<sup>1</sup> Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.

<sup>2</sup> Above quantitative information about Level 3 assets and liabilities at fair value pertains to continued operations. Level 3 assets and liabilities at fair value pertaining to discontinued operations are USD 30 million of Derivatives assets (equity/index-related products) and USD 49 million of Derivatives liabilities (equity/index-related products).



As at 31 December 2014 CSS(E)L Group (USD million, except as indicated)	Fair Value	Valuation technique	Unobservable input	Minimum value	Maximum value	Weighted average <sup>1</sup>
<b>Assets</b>						
<b>Trading financial Assets at fair value through profit or loss</b>						
<b>Debt Securities</b>	<b>109</b>					
<b>of which corporates</b>	<b>102</b>					
Of which	94	Market comparable	Price, in %	0	116	38
<b>Equity securities</b>	<b>130</b>					
Of which	10	Vendor price	Price in actuals	0	125	4
Of which	114	Market comparable	Price, in %	1	152	51
<b>Derivatives</b>	<b>901</b>					
Of which equity/index-related products	32	Vendor price	Price in actuals	0	3	1
Of which credit derivatives	13	Option model	Credit spread, in bps	0	6	3
Of which other	836	Discounted cash flows	Market implied life expectancy, in years	1	19	5
<b>Financial assets designated at fair value through profit or loss</b>						
<b>Securities purchased under resale agreements and securities borrowing transactions</b>	<b>78</b>					
Of which	78	Discounted cash flows	Funding spread, in bps	350	350	350
<b>Loans</b>	<b>106</b>					
Of which loans to financial institutions	60	Discounted cash flows	Market implied life expectancy, in years	3	16	7
<b>Other financial assets designated at fair value through profit or loss</b>	<b>2,073</b>					
Of which life finance instruments	1,997	Discounted cash flows	Market implied life expectancy, in years	1	21	8
<b>Financial assets available-for-sale</b>	<b>33</b>					
Of which	33	Vendor price	Price, in actuals	11	1,119	840
<b>Liabilities</b>						
<b>Trading financial liabilities at fair value through profit or loss</b>						
<b>Equity securities</b>	<b>1</b>					
Of which	1	Vendor price	Price in actuals	0	20	1
<b>Derivatives</b>	<b>607</b>					
Of which equity	33	Vendor price	Price in actuals	0	3	1
Of which credit derivatives	13	Option model	Credit spread, in bps	0	6	3
Of which other	556	Discounted cash flows	Market implied life expectancy, in years	2	23	8
<b>Long-term debt</b>	<b>75</b>					
Of which	35	Discounted cash flows	Market implied life expectancy, in years	3	20	10
<b>Other financial liabilities designated at fair value through profit or loss</b>	<b>1</b>	Discounted cash flows	Market implied life expectancy, in years	7	7	7

<sup>1</sup> Cash instruments are generally presented on a weighted average basis while certain derivative instruments either contain a combination of weighted averages and arithmetic means of the related inputs or are presented on the arithmetic mean basis.

### Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the tables above. The level of aggregation and diversity within the financial instruments disclosed in the tables above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

#### Market implied life expectancy

The CSS(E)L Group's market implied life expectancy determines an individual's mortality curve and is the primary unobservable input used on various longevity instruments including life

settlements, premium finance, SPIAs and longevity swaps. Market life expectancy is determined based on individual's gender, age, and health status. It is calibrated to the market data when transaction data is available.

#### Price

Bond equivalent price is a primary significant unobservable input for bonds and equities. Where market prices are not available for an instrument, benchmarking may be utilised to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

### Funding spread

Funding spread is the primary significant unobservable input for Structured Entities funding facilities. Synthetic funding curves which represent the assets pledged as collateral are used to value structured financing transactions. The curves provide an estimate of where secured funding can be sourced and are expressed as a basis point spread in relation to the referenced benchmark rate.

### General collateral rate

General collateral rate is the primary significant unobservable input for repurchase/resale transactions involving emerging markets bonds.

### Credit spread

Credit spread is the primary significant input for CDS trades. The lower end of the credit spread range typically represents

shorter-dated instruments and/or those with better perceived credit risk. The higher end of the range typically comprises longer-dated financial instruments or those referencing non-performing, distressed or impaired reference credits. Similarly, the spread between the reference credit and an index can vary significantly based on the risk of the instrument.

### Sensitivity of fair values to reasonably possible alternative assumptions

The fair value of certain financial instruments recognised in the consolidated financial statements is dependent in part or fully upon unobservable parameters which may include market inputs, prices or other data.

The following table summarises the sensitivity of these financial instruments to reasonable changes in the assumptions underlying these parameters:

CSS(E)L Group and Company	As at 31 December 2015		As at 31 December 2014	
	Favourable changes	Un-favourable changes	Favourable changes	Un-favourable changes
<b>Impact on net income/(loss)(USD million)</b>				
Life insurance products	187	(201)	175	(175)
Asset backed securities	1	(1)	1	(1)
Debt and equity securities	56	(45)	23	(19)
Other liabilities	4	(3)	2	(2)
<b>Total</b>	<b>248</b>	<b>(250)</b>	<b>201</b>	<b>(197)</b>

When the fair value of an instrument has multiple unobservable inputs, there is assumed to be no correlation between those inputs, as such the total sensitivity reflected in the table may be larger than if correlation had been included in the analysis. The analysis also ignores any correlation between the different categories of financial instruments listed in the table.

Life insurance products, both physical and synthetic, are sensitive to mortality assumption. Sensitivity analysis is carried out by stressing market life expectancy of each underlying product in months between 2 to 9 months. Asset backed securities include RMBS and CDO positions. RMBS positions were subjected to sensitivities on price which were generally subjected to an 8% movement up and down of the price of the security.

Debt and equity securities include corporate bonds. The parameter subjected to sensitivity for corporate debt is price. Corporate debt positions are generally subjected to movements up

and down of 3% to 4% of the price of the security. Other liabilities include the CSS(E)L Group's PAF obligations. The sensitivity of the PAF obligations was based upon an estimate of the related PAF Asset Pool.

The sensitivities applied to the unobservable parameters are in all cases dependent upon management judgement and derived from multiple sources including historical and statistical information as well as analysing the range of bids and offers on observable market information as a proxy for the unobservable portion of the market.

### Recognition of trade date profit/loss

If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognised at the transaction price and any profit implied from the valuation technique at trade date is deferred over the life of the contract or until the fair value is expected to become observable.

The following table sets out the aggregate difference yet to be recognised in Statement of Income at the beginning of the year and end of the year with a reconciliation of the changes of the balance during the year.

CSS(E)L Group and Company	2015	2014
<b>Deferred trade date profit and loss (USD million)</b>		
Balance at 1 January	127	160
Reduction due to passage of time	(17)	(33)
<b>Balance at 31 December</b>	<b>110</b>	<b>127</b>

**Fair value of financial instruments not carried at fair value**

IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the consolidated Statements of Financial Position. IFRS also requires the disclosure of the fair values of these financial instruments within the fair value hierarchy.

As at 31 December 2015 CSS(E)L Group and Company (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Total at fair value
<b>Assets</b>					
Cash and due from banks	8,874	–	–	–	8,874
Interest-bearing deposits with banks	–	9,700	–	–	9,700
Securities purchased under resale agreements and securities borrowing transactions	–	5,570	–	(434)	5,136
Other financial assets	–	5,679	–	–	5,679
Assets held for sale	–	43,746	–	–	43,746
<b>Total fair value of financial assets</b>	<b>8,874</b>	<b>64,695</b>	<b>–</b>	<b>(434)</b>	<b>73,135</b>
<b>Liabilities</b>					
Deposits	160	–	–	–	160
Securities sold under repurchase agreements and securities lending transactions	–	496	–	(434)	62
Short term borrowings	–	2,761	–	–	2,761
Long term debt	–	26,459	–	–	26,459
Other financial liabilities	–	15,237	–	–	15,237
Liabilities held for sale	–	38,502	–	–	38,502
<b>Total fair value of financial liabilities</b>	<b>160</b>	<b>83,455</b>	<b>–</b>	<b>(434)</b>	<b>83,181</b>

As at 31 December 2014 CSS(E)L Group and Company (USD million)	Level 1	Level 2	Level 3	Impact of Netting	Total at fair value
<b>Assets</b>					
Cash and due from banks	21,728	–	–	–	21,728
Interest-bearing deposits with banks	–	2,179	–	–	2,179
Securities purchased under resale agreements and securities borrowing transactions	–	50,128	–	(762)	49,366
Other financial assets	–	18,579	–	–	18,579
<b>Total fair value of financial assets</b>	<b>21,728</b>	<b>70,886</b>	<b>–</b>	<b>(762)</b>	<b>91,852</b>
<b>Liabilities</b>					
Deposits	1,709	–	–	–	1,709
Securities sold under repurchase agreements and securities lending transactions	–	37,579	–	(762)	36,817
Short term borrowings	–	6,001	–	–	6,001
Long term debt	–	31,660	–	–	31,660
Other financial liabilities	–	35,714	–	–	35,714
<b>Total fair value of financial liabilities</b>	<b>1,709</b>	<b>110,954</b>	<b>–</b>	<b>(762)</b>	<b>111,901</b>

### 37 Assets Pledged or Assigned

The following table sets forth details of assets pledged or assigned:

	2015	2014
<b>Assets pledged or assigned (USD million)</b>		
Trading financial assets at fair value through profit or loss	22,958	30,136
<b>Collateral received (USD million)</b>		
Fair value of collateral received with the right to resell or repledge	191,952	226,222
Of which sold or repledged	159,307	162,320

Assets pledged or assigned represents the Statements of Financial Position of trading assets at fair value through profit or loss which have been pledged as collateral under securities sold under repurchase agreements, securities lending transactions and derivative instruments. Refer to Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss for the amount of securities transferred which are encumbered.

As at 31 December 2015 and 2014, collateral was received in connection with resale agreements, securities borrowings and loans, derivative transactions and margined broker loans. As at these dates, a substantial portion of the collateral received by the CSS(E)L Group had been sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities lent, pledges to clearing organisations, segregation

requirements under securities laws and regulations, derivative transactions, and bank loans.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and the other transactions described. The CSS(E)L Group, as the secured party, has the right to sell or repledge such collateral, subject to the CSS(E)L Group returning equivalent securities upon completion of the transaction.

The CSS(E)L Group enters into agreements with counterparties where collateral or security interests in positions which the CSS(E)L Group holds, has been provided. This includes situations where the CSS(E)L Group has registered charges to certain counterparties over the CSS(E)L Group's assets in connection with its normal operating activities.

### 38 Derecognition of Financial Assets

In the normal course of business, the CSS(E)L Group enters into transactions where it transfers previously recognised financial assets, such as debt securities, equity securities and other financial instruments. The CSS(E)L Group's accounting policy regarding derecognition of such assets under IAS 39 is described in Note 2 – Significant Accounting Policies.

#### Transferred Financial Assets that are derecognised with continuing involvement

Where the transfer of a financial asset meets the derecognition criteria under IAS 39, the CSS(E)L Group may have continuing involvement in a financial asset that has been derecognised. The continuing involvement can take several forms, including but not limited to derivative instruments and debt instruments issued by Structured Entities to which the asset has been transferred. In addition, the CSS(E)L Group does not have a continuing involvement in a transferred financial asset if, as part of the transfer, the CSS(E)L Group neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires

any new contractual rights or obligations relating to the transferred financial asset. The CSS(E)L Group does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The CSS(E)L Group's exposure resulting from continuing involvement in a transferred asset is generally limited to where the CSS(E)L Group retains any form of rights or obligations relating to the transferred asset.

The table below provides information for the transfer of financial assets that qualify for sale accounting and subsequent derecognition, in which the CSS(E)L Group still has continuing involvement as at 31 December 2015, irrespective of the date when the transfer occurred. The maximum exposure to loss from continuing involvement represents the maximum exposure before taking into account the amount of any collateral held against the continuing involvement.

## Information on transferred assets by type of continuing involvement

2015 CSS(E)L Group (USD million)	Carrying amount of continuing involvement	Fair value of continuing involvement		Maximum exposure to loss	Gain/(loss) recognised at the date of transfer	Income/(expense) from continuing involvement	
		Trading assets at fair value through profit or loss				For the year ended 31 Dec- ember 2015	Cumulative to 31 Dec- ember 2015
		Assets	Liabilities				
<b>Type of continuing involvement</b>							
<b>Derivatives</b>							
Swaps	-	-	-	-	-	-	-
<b>Type of continuing involvement</b>							
<b>Derivatives</b>							
Swaps	65	65	-	65	-	4	7

The majority of the CSS(E)L Group's continuing involvement in derecognised transferred financial assets is in the form of derivative transactions. To reduce its credit risk to derivatives, the CSS(E)L Group enters into legally enforceable netting agreements with its derivative counterparties. Collateral on these derivative contracts is usually posted on a net counterparty basis.

Instruments that are considered to be continuing involvement are included in Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss.

#### Transferred Financial Assets that are not derecognised in their entirety

Certain transactions may include provisions that prevent derecognition of the transferred financial asset and the transfers are accounted for as secured financing transactions. Repurchase

agreements, securities lending agreements and total return swaps, in which the CSS(E)L Group retains substantially all of the associated credit, market, interest rate and foreign exchange risks and rewards associated with the assets, represent the most common examples of such transactions. Where the transfer of an asset does not meet derecognition, it remains on the CSS(E)L Group's statement of financial position with a corresponding liability established to represent an obligation to the counterparty. As part of the CSS(E)L Group's repurchase agreements and securities lending transactions, there is an obligation to return equivalent securities at the end of the transaction.

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition, together with their associated liabilities.

#### Carrying amount of transferred assets not derecognised and associated liabilities

CSS(E)L Group (USD million)	2015		2014	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase agreements and Securities lending agreements	22,958	22,958	30,136	30,136
Total return swaps	402	409	996	1,033
Other	545	21	561	51

Company (USD million)	2015		2014	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets not derecognised due to the following transactions				
Repurchase agreements and Securities lending agreements	22,958	22,958	30,136	30,136
Total return swaps	402	409	996	1,033
Other	21	21	51	51

The CSS(E)L Group also participates in securities lending agreements where the counterparty provides security as collateral. The carrying amount of the assets not derecognised in such transactions is equal to USD 1,346 million (2014: USD 4,177 million).

Where the CSS(E)L Group sells the contractual rights to the cash flows of the securities included above, it does not have the ability to use the transferred assets during the term of the arrangement. The counterparties to the associated liabilities included above, have full recourse to the CSS(E)L Group.

Assets not derecognised are included in Note 14 – Trading Financial Assets and Liabilities at Fair Value Through Profit or Loss and corresponding liabilities in Note 13 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements and Note 15 – Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss.

Of the above, other financial assets not derecognised includes failed sale items including fair value elected items which are shown under 'Financial assets designated at fair value through profit or loss in the consolidated statement of financial position.

### 39 Financial Instruments Risk Position

#### Risks Detail

##### i) Market risk

###### Overview

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 parameters, such as market volatility. The Company defines its market risk as potential changes in the fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

The Company has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the Company level down to specific portfolios. The Company uses market risk measurement and management methods in line with industry standards. These include general tools capable of calculating comparable exposures across the Company's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are value-at-risk ('VaR') and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

###### Value-at-Risk

VaR measures the potential loss in terms of fair value of financial instruments due to adverse market movements over a defined time horizon at a specified confidence level. VaR as a concept is applicable for all financial risk types with valid regular price histories. Positions are aggregated by risk type rather than by product. For example, interest rate risk includes risk arising from money market

and swap transactions, bonds, and interest rate, foreign exchange, equity and commodity options. The use of VaR allows the comparison of risk in different businesses, such as fixed income and equity, and also provides a means of aggregating and netting a variety of positions within a portfolio to reflect actual correlations and offsets between different assets.

Historical financial market rates, prices and volatility serve as a basis for the statistical VaR model underlying the potential loss estimation. The Company uses a ten-day holding period and a confidence level of 99% to model the risk in its trading portfolios. These assumptions are compliant with the standards published by the Basel Committee on Banking Supervision ('BCBS') and other related international standards for market risk management. For some purposes, such as back-testing and benchmarking with competitors, the resulting VaR figures are scaled down or calculated to a one-day holding period level. A one-day holding period and a 99% confidence level mean that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

The Company uses a historical simulation model for the majority of risk types and businesses within its trading portfolios. Where insufficient data is available for such an approach, an 'extreme-move' methodology is used. The model is based on the profit or loss distribution resulting from historical changes in market rates, prices and volatility applied to evaluate the portfolio. This methodology also avoids any explicit assumptions on correlation between risk factors. The Company uses a three-year historical dataset to compute VaR. To ensure that VaR responds appropriately in times of market stress, the Company uses a scaling technique that automatically increases VaR where the short-term market volatility is higher than the long-term volatility in the three year dataset. This results in a more responsive VaR model, as the impact of changes

in overall market volatility is reflected almost immediately in the VaR model.

The Company has approval from the PRA to use its regulatory VaR model in the calculation of trading book market risk capital requirements.

The VaR model uses assumptions and estimates that the Company believes are reasonable, but changes to assumptions or estimates could result in a different VaR measure. The main assumptions and limitations of VaR as a risk measure are:

- VaR relies on historical data to estimate future changes in market conditions, which may not capture all potential future outcomes, particularly where there are significant changes in market conditions.
- Although VaR captures the interrelationships between risk factors, these interrelationships may break down during stressed market conditions.
- VaR provides an estimate of losses at a 99% confidence level, which means that it does not provide any information on the size of losses that could occur beyond that confidence threshold.
- VaR is based on a ten-day holding period. This assumes that risks can be either sold or hedged over that period, which may not be possible for all types of exposure, particularly during periods of market illiquidity or turbulence.
- VaR is calculated using positions held at the end of each business day and does not include intra-day exposures.

#### Scenario analysis

Stress testing complements other risk measures by capturing the Company's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile within particular businesses, and limits may be established if they are considered the most appropriate control. In addition, to identify areas of risk concentration and potential vulnerability to stress events at CSS(E)L Group level, a set of scenarios which are consistently applied across all businesses and assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of the Company's risk control framework, stress testing results are monitored against limits, used in risk appetite discussions and strategic business

planning, and support the Company's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and the business lines.

Scenarios can be defined with reference to historic events or based on forward looking, hypothetical events that could impact the Company's positions, capital, or profitability. The scenarios used within the Company are reviewed at the individual risk committee level as well as by a dedicated scenario design forum. It is expected that the scenarios used within the Company will be redefined as market conditions and business strategies evolve.

#### Trading portfolios

##### Risk measurement and management

Market risk arises in CSS(E)L's trading portfolios primarily through the trading activities within the bank.

For the purposes of this disclosure, VaR is used to quantify market risk in the trading portfolio, which includes those financial instruments treated as part of the trading book for the Company's regulatory capital purposes. This classification of assets as trading is done for the purpose of analysing the Company's market risk exposure, not for financial statement purposes.

The Company is active in most of the principal trading markets of the world, using the majority of common trading and hedging products, including derivatives such as swaps, futures, options and structured products (some of which are customised transactions using combinations of derivatives and executed to meet specific client or proprietary needs). As a result of The Company's broad participation in products and markets, trading strategies are correspondingly diverse and exposures are generally spread across a range of risk factors and locations.

##### Development of trading portfolio risks

The table below shows the trading-related market risk exposure for CSS(E)L Group, as measured by regulatory ten-day, 99% VaR. The VaR in the table has been calculated using a three-year historical dataset. VaR estimates are computed separately for each risk type and for the whole portfolio using the historical simulation methodology. The diversification benefit reflects the net difference between the sum of the 99th percentile loss for each individual risk type and for the total portfolio. There is no material difference in VaR between the Company and the CSS(E)L Group.

## Ten-day, 99% VaR – trading portfolios

in / end of period	Interest rate and credit spread	Foreign exchange	Commodity	Equity	Diversification benefit <sup>1</sup>	Total
<b>2015 (USD million)</b>						
<b>Average</b>	<b>17</b>	<b>3</b>	<b>1</b>	<b>23</b>	<b>(9)</b>	<b>35</b>
Minimum	9	1	1	16	- <sup>2</sup>	22
Maximum	30	9	3	34	- <sup>2</sup>	53
End of period	10	4	1	29	(8)	36
<b>2014 (USD million)</b>						
<b>Average</b>	<b>28</b>	<b>3</b>	<b>2</b>	<b>24</b>	<b>(22)</b>	<b>35</b>
Minimum	14	1	1	14	- <sup>2</sup>	24
Maximum	45	6	5	44	- <sup>2</sup>	61
End of period	19	1	2	19	(4)	37

<sup>1</sup> VaR estimates are calculated separately for each risk type and for the whole portfolio using the historical simulation methodology.

Diversification benefit reflects the net difference between the sum of the 99% percentile loss.

<sup>2</sup> As the minimum and maximum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit.

### VaR results

The CSS(E)L Group's ten-day, 99% regulatory VaR as of 31 December 2015 decreased by 3% to USD 36 million compared to 31 December 2014 (USD 37 million).

### Banking portfolios

#### Risk measurement and management

The market risks associated with the non-trading portfolios are measured, monitored and limited using several tools, including scenario analysis, sensitivity analysis and VaR. For the purpose of this disclosure, the aggregated market risks associated with the Company's non-trading portfolios are measured using sensitivity analysis. The sensitivity analysis for the non-trading activities measures the amount of potential change in economic value resulting from specified hypothetical shocks to market factors. It is not a measure of the potential impact on reported earnings in the current period, since the non-trading activities generally are not marked to market through earnings. Foreign exchange translation risk is not included in this analysis.

#### Development of non-trading portfolio risks

Interest rate risk on non-trading positions is shown using sensitivity analysis that estimates the potential change in value resulting from defined changes in interest rate yield curves. The impact of a one-basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading book positions would have amounted to USD 0.2 million as at 31 December 2015 in line with the impact as at 31 December 2014. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves.

As of 31 December 2015 the fair value impacts of a 200-basis-point move in yield curves (no flooring at zero) were:

A fair value gain of USD 4 million (2014 loss of USD 192 million) for a +200bps move.

A fair value loss of USD 92<sup>1</sup> million (2014 loss of USD 267<sup>2</sup> million) for a -200bps move.

<sup>1</sup> The fair value impact of a -200bps move across all currencies has a less negative impact than the fair value impact for a -200bps move for USD interest rates only. To be conservative, the figure shown reflects the impact of a -200bps move for USD interest rates.

<sup>2</sup> Despite the low interest rate environment, the full -200bps shock is applied resulting in more conservative outcomes compared to when the downside shocks are adjusted to floor rates at zero as was the case for last year's submission. The respective figure for 2014 has been restated.

### ii) 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.

#### CS group wide management of liquidity risk

Liquidity, as with funding, capital and foreign exchange exposures, is centrally managed by Treasury. Oversight of these activities is provided by the Capital Allocation and Risk Management Committee ('CARMC'), a committee that includes the Chief Executive Officers ('CEOs') of the CS group and the divisions, the Chief Financial Officer ('CFO'), the Chief Risk Officer ('CRO') and Treasurer.

The liquidity and funding strategy is approved by CARMC with ultimate responsibility residing with the CSG Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury for adherence to the funding policy and the efficient coordination of the secured funding desks. The liquidity and funding profile is regularly reported to CARMC and the Board of Directors, who define the Company's risk tolerance and set parameters for the balance sheet usage of businesses.

The liquidity and funding profile of Credit Suisse AG ('CS') reflects the risk appetite, business activities, strategy, the markets and overall operating environment. CS's liquidity and funding policy is designed to ensure that funding is available to meet all obligations in times of stress, whether caused by market events and/ or issues specific to CS. This approach enhances CS's ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet stress situations.



The funding sourced by CS is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short term liquidity needs a portfolio of highly liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measure used to monitor the structural liquidity position of the firm and as the basis for funds transfer pricing policy is the Net Stable Funding Ratio ('NSFR'). This is complemented by CS's internal liquidity barometer, which allows CS to manage the time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modeling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The contingency plan would be activated by the Funding Execution Committee ('FEC'), which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

On regulatory developments, the BCBS issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a liquidity coverage ratio ('LCR') and an NSFR. The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR, which will be phased in beginning 1 January 2015 through 1 January 2019, following an observation period which began in 2011, addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have a stock of unencumbered high-quality liquid-assets available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an initial minimum requirement of 60%, which will increase by 10% for four years, reaching 100% by 1 January 2019.

The NSFR, which is expected to be introduced on 1 January 2018 following an observation period which began in 2012, establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding and should always be at least 100%.

#### Legal entity management of liquidity risk

The liquidity risk of the Company is managed as an integral part of the overall CS global liquidity risk management framework. The Company aims to achieve a prudent approach in the management of liquidity to ensure it can meet its obligations as they fall due. The core liquidity adequacy analysis used for the Company is aligned to those used globally for the CS barometer.

The legal entity internal liquidity risk management framework incorporates local regulatory compliance requirements. Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance ('ILG') which results in CSS(E)L Group holding term funding and a local liquid asset buffer of qualifying securities.

Following global regulatory developments, the European Banking Authority ('EBA') has published its version of the LCR and NSFR as part of the implementation guidance for Basel III. Under CRDIV guidelines, the LCR is expected to be subject to an initial minimum requirement of 60% on October 1, 2015 with full compliance by January 1, 2018 (one year prior to BCBS guidelines). The NSFR is expected to be introduced on January 1, 2018.

In the context of liquidity management at the legal entity, the Company's Board is responsible for setting the liquidity risk appetite. Some of the key characteristics determining the Company's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk tolerance;
- Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- The liquidity value of assets, liabilities and the calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

The Company has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to measure, monitor and manage liquidity risk.

The UK IB approves the liquidity risk tolerance and assumptions underlying the relevant stress tests on at least an annual basis.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of CSS(E)L's liquidity risk management framework, are reviewed by Treasury and ultimately approved by the Company's Board of Directors on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required depending upon severity of the crisis. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity, daylight collateral requirements and communication strategies.

Incremental to the Company's unsecured funding sources from CS, the Company has the ability to access secured funding markets via repurchase and stock lending agreements. These funding streams provide diversification to the funding profile of the entity.

The following table sets out details of the remaining contractual maturity of all financial liabilities:

CSS(E)L Group	On Demand	Current			Noncurrent		Total	Total
		Due within 3 months	Between 3 and 12 months	Total	Between 1 and 5 years	Due after 5 years		
<b>2015 Contractual maturity of Financial Liabilities (USD million)</b>								
Deposits	157	–	3	160	–	–	–	160
Securities sold under repurchase agreements and securities lending transactions	24	38	–	62	–	–	–	62
Trading financial liabilities at fair value through profit or loss	9,789	–	–	9,789	–	–	–	9,789
Financial liabilities designated at fair value through profit or loss	7,746	17,703	70	25,519	147	66	213	25,732
Short term borrowings	–	43	2,718	2,761	–	–	–	2,761
Other liabilities	7,941	–	–	7,941	8,200	–	8,200	16,141
Long term debt	–	67	1,200	1,267	22,433	2,663	25,096	26,363
Perpetual debt	–	–	–	–	–	1,250	1,250	1,250
Liabilities held for sale	32,499	42	21,479	54,020	482	–	482	54,502
<b>Total financial liabilities</b>	<b>58,156</b>	<b>17,893</b>	<b>25,470</b>	<b>101,519</b>	<b>31,262</b>	<b>3,979</b>	<b>35,241</b>	<b>136,760</b>
<b>2014 Contractual maturity of Financial Liabilities (USD million)</b>								
Deposits	304	–	1,405	1,709	–	–	–	1,709
Securities sold under repurchase agreements and securities lending transactions	4,443	14,126	18,248	36,817	–	–	–	36,817
Trading financial liabilities at fair value through profit or loss	28,141	–	–	28,141	–	–	–	28,141
Financial liabilities designated at fair value through profit or loss	12,236	30,056	656	42,948	725	368	1,093	44,041
Short term borrowings	–	2,980	3,021	6,001	–	–	–	6,001
Other liabilities	27,733	–	9,100	36,833	–	–	–	36,833
Long term debt	–	78	4,150	4,228	22,955	4,817	27,772	32,000
Perpetual debt	–	–	–	–	–	1,881	1,881	1,881
<b>Total financial liabilities</b>	<b>72,857</b>	<b>47,240</b>	<b>36,580</b>	<b>156,677</b>	<b>23,680</b>	<b>7,066</b>	<b>30,746</b>	<b>187,423</b>

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions held across CS group and can be closed out at very short notice. They have been classified as being 'on demand' at their fair value.

For instruments with perpetual features (i.e. no maturity dates), the projected coupons have been excluded. Callable deposits, open ended positions and overnight funding will be recorded at their present value in an 'on demand' categorisation. This classification will be based on the underlying legal and contractual ability of the counterparty or the Company to put or call the positions at short notice.

### iii) Currency Risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company has approval to manage its own trading profit and loss related foreign exchange risk through a formal trading mandate and has defined risk limits using the VaR methodology. Its currency exposure within the non-trading portfolios is managed through the CS group levelling process as set out in the corporate foreign exchange Policy. Both these methodologies are discussed in more detail in section i) Market Risk, of this note.

### iv) Credit Risk

Credit risk in CSS(E)L Group is managed by the UK Credit Risk Management ('UK CRM') department, which is headed by the UK Chief Credit Officer ('UK CCO'), who in turn reports to the

Company Chief Risk Officer ('CRO'). UK Credit Risk Management ('CRM') is a part of the wider CRM department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CRM reports to the Chief Risk Officer of CS group. All credit limits in CSS(E)L Group are subject to approval by UK CRM.

### Definition of credit risk

Credit risk is the possibility of a loss being incurred 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. In the event of a customer default a company generally incurs a loss equal to the amount owed by the debtor, less any recoveries from foreclosure, liquidation of collateral or the restructuring of the debtor company. A change in the credit quality of the counterparty has an impact on the valuation of assets eligible for fair value measurement, with valuation changes recorded in the Consolidated Statement of Income.

### Credit risk management approach

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

#### Counterparty and transaction rating

The CSS(E)L Group employs a set of credit ratings for the purpose of internally rating counterparties to whom it is exposed to credit risk as the contractual party. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

The CSS(E)L Group's internal ratings may differ from counterparty's external ratings where present. Policy requires the review of internal ratings at least annually. For the calculation of internal risk estimates and Risk Weighted Assets ('RWAs'), a probability of default ('PD') is assigned to each facility, with the PD determined by the internal credit rating. Internal ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward looking approach, concentrating on economic trends and financial fundamentals. Analysts make use of peer analysis, industry comparisons, external ratings and research, other quantitative tools and the judgement of credit experts. The PD for each rating is calibrated based on historic default experience, using external data from Standard & Poor's, and back-tested to ensure consistency with internal experience.

The CSS(E)L Group assigns an estimate of expected loss in the event of a counterparty default based on the structure of each

transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty. CSS(E)L Group uses credit risk estimates consistently for the purposes of approval, establishment and monitoring of credit limits and credit portfolio management, credit policy, management reporting and allocation and certain financial accounting purposes. This approach also allows us to price transactions involving credit risk more accurately, based on risk/return estimates. CSS(E)L Group has been granted permission by the PRA to use internal credit rating models under the CRD4 A-Internal Rating Based ('IRB') approach for the majority of credit exposures in CSS(E)L Group. Exposures which are not covered by A-IRB treatment are subject to the standardised approach.

#### Credit Risk Overview

All transactions that are exposed to potential losses due to failure of a counterparty to meet an obligation are subject to credit risk exposure measurement and management.

#### Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the balance sheet the maximum exposure to credit risk equals their carrying amount as at 31 December 2015. For financial guarantees granted and other credit-related contingencies the maximum exposure to credit risk is the maximum amount that CSS(E)L Group would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of the committed facilities.

**Maximum exposure to credit risk:**

	Group			Company		
	Gross	Collateral	Net	Gross	Collateral	Net
<b>2015 Maximum exposure to credit risk (USD million)<sup>1</sup></b>						
Cash and due from banks	8,874	–	8,874	8,871	–	8,871
Interest-bearing deposits with banks	9,700	–	9,700	9,700	–	9,700
Securities purchased under resale agreements and securities borrowing transactions	41,083	39,226	1,857	41,083	39,171	1,912
<b>Trading financial assets at fair value through profit or loss</b>						
Debt securities	5,855	–	5,855	5,855	–	5,855
Derivative trading positions	7,303	6,766	537	7,870	6,965	905
<b>Financial assets designated at fair value through profit or loss</b>						
Securities purchased under resale agreements and securities borrowing transactions	26,450	26,241	209	26,449	26,241	208
Other	2,137	–	2,137	1,513	–	1,513
Financial assets available-for-sale	33	–	33	33	–	33
Other loans and receivables	1	–	1	1	–	1
Other assets	6,689	5,833	856	6,689	5,833	856
<b>Maximum exposure to credit risk – total assets</b>	<b>108,125</b>	<b>78,066</b>	<b>30,059</b>	<b>108,064</b>	<b>78,210</b>	<b>29,854</b>
<b>Off-balance sheet items</b>						
Loan commitments and other credit related commitments	4,860	–	4,860	4,860	–	4,860
<b>Maximum exposure to credit risk – total off-balance sheet</b>	<b>4,860</b>	<b>–</b>	<b>4,860</b>	<b>4,860</b>	<b>–</b>	<b>4,860</b>
<b>Maximum exposure to credit risk</b>	<b>112,985</b>	<b>78,066</b>	<b>34,919</b>	<b>112,924</b>	<b>78,210</b>	<b>34,714</b>
<b>2014 Maximum exposure to credit risk (USD million)</b>						
Cash and due from banks	21,728	–	21,728	21,725	–	21,725
Interest-bearing deposits with banks	2,179	–	2,179	2,179	–	2,179
Securities purchased under resale agreements and Securities borrowing transactions	49,366	48,789	577	49,366	48,789	577
<b>Trading financial assets at fair value through profit or loss</b>						
Debt securities	18,148	–	18,148	18,150	–	18,150
Derivative trading positions	9,550	8,645	905	10,116	8,816	1,300
<b>Financial assets designated at fair value through profit or loss</b>						
Securities purchased under resale agreements and securities borrowing transactions	37,981	37,832	149	37,981	37,832	149
Other	3,058	–	3,058	2,082	–	2,082
Financial assets available-for-sale	33	–	33	33	–	33
Other loans and receivables	1	–	1	1	–	1
Other assets	18,503	6,065	12,438	18,503	6,065	12,438
<b>Maximum exposure to credit risk – total assets</b>	<b>160,547</b>	<b>101,331</b>	<b>59,216</b>	<b>160,136</b>	<b>101,502</b>	<b>58,634</b>
<b>Off-balance sheet items</b>						
Loan commitments and other credit related commitments	8,598	–	8,598	8,598	–	8,598
<b>Maximum exposure to credit risk – total off-balance sheet</b>	<b>8,598</b>	<b>–</b>	<b>8,598</b>	<b>8,598</b>	<b>–</b>	<b>8,598</b>
<b>Maximum exposure to credit risk</b>	<b>169,145</b>	<b>101,331</b>	<b>67,814</b>	<b>168,734</b>	<b>101,502</b>	<b>67,232</b>

<sup>1</sup> Above table includes both continued and discontinued operations.

The CSS(E)L Group is exposed to credit risk as a result of either a counterparty, borrower or issuer being unable or unwilling to honour its contractual obligations. These exposures to credit risk exist within financing relationships, derivatives and other transactions.

The CSS(E)L Group typically enters into master netting arrangements ('MNA's') with over the counter ('OTC') derivative counterparties. The MNA's allow the CSS(E)L Group to offset derivative liabilities against the derivative assets with the same counterparty in the event the counterparty defaults. Collateral on these derivative contracts is usually posted on a net counterparty basis and comprises either cash or marketable securities or a combination thereof. Included in the table above as collateral and other credit enhancements are the derivative liability amounts which would be offset against the derivative asset position upon default of the counterparty as well as any cash or marketable

securities collateral held. Amounts disclosed as collateral and credit enhancements are where a counterparty has an offsetting derivative exposure with the CSS(E)L Group, a legally enforceable MNA exists, and the credit risk exposure is managed on a net basis or the position is specifically collateralised, typically in the form of cash.

Also included in the table within both loans and receivables and financial assets designated at fair value through profit and loss is collateral which the CSS(E)L Group holds against loans in the form of guarantees, cash and marketable securities. The CSS(E)L Group also mitigates its credit exposures on certain loans primarily with credit default swaps, which economically hedge the position and as such the notional on the relevant credit default swap has been included. For further information on the collateral and credit enhancements held against loans designated at fair value, refer to

Note 15 – Financial Assets and Liabilities Designated at Fair Value through Profit and Loss.

Reverse repurchase agreements and securities borrowings are typically fully collateralised instruments and in the event of default, the agreement provides the CSS(E)L Group the right to liquidate the collateral held. Reverse repos are included either within Securities purchased under resale agreements or financial assets designated at fair value through profit and loss, based on the accounting methodology. These instruments are collateralised principally by government securities, money market instruments, corporate bonds and cash. The CSS(E)L Group monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the table above. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing refer to Note 13 – Securities Borrowed, Lent and Subject to Resale or Repurchase Agreements.

Included within Other (Financial assets designated at fair value through profit or loss) are failed purchases that arise when a transaction to purchase an asset has not met the conditions for sale accounting. The CSS(E)L Group typically holds collateral in the form of insurance or securities against the failed purchases.

Collateral held against financial guarantees and loan commitments typically includes securities and letters of credit. For further

information about the collateral and credit enhancements held against financial guarantees and loan commitments refer to Note 34 – Guarantees and Commitments.

For further information on collateral held as security that the CSS(E)L Group is permitted to sell or repledge refer to Note 37 – Assets Pledged or Assigned.

If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

#### Risk Mitigation

The CSS(E)L Group actively manages its credit exposure utilising credit hedges and monetisable collateral (cash and marketable securities). Credit hedges represent the notional exposure that has been transferred to other market counterparties, generally through the use of credit default swaps. The CSS(E)L Group also actively enters into collateral arrangements for OTC derivatives and other traded products, which allows us to limit the counterparty exposure risk associated with these products. Collateral taken generally represents cash or government securities although other securities may be accepted. The value of collateral reflected as a risk mitigant is net of an appropriate haircut.

#### Counterparty Exposure before Collateral by Rating

Company	2015		2014	
	USD million	%	USD million	%
AAA	24	1	45	1
AA+ to AA-	4,926	45	5,567	43
A+ to A-	4,293	39	5,789	44
BBB+ to BBB-	1,080	10	705	5
BB+ to BB-	466	4	793	6
B+ and below	100	1	170	1
	<b>10,889</b>	<b>100</b>	<b>13,069</b>	<b>100</b>

#### Unsecured Exposure by Counterparty Rating

Company	2015		2014	
	USD million	%	USD million	%
AAA	24	0	45	0
AA+ to AA-	4,837	50	5,471	47
A+ to A-	3,954	41	5,248	46
BBB+ to BBB-	773	8	620	5
BB+ to BB-	109	1	74	1
B+ and below	55	0	59	1
	<b>9,752</b>	<b>100</b>	<b>11,517</b>	<b>100</b>

The above tables include all loans, commitments, derivatives, securities purchased and sold under resale and repurchase agreements, and short term cash trades on a net counterparty exposure basis for the Company as most of the trading portfolio mainly

resides in the Company. The first table represents mark to market exposures before offsetting any eligible collateral held; the second table represents mark to market exposures after offsetting collateral.

**Wrong-way risk**

*Wrong-way exposures*

Correlation risk arises when the Company enters into a financial transaction where market rates are correlated to the financial health of the counterparty. In a wrong-way trading situation, the Company’s exposure to the counterparty increases while the counterparty’s financial health and its ability to pay on the transaction diminishes. Capturing wrong-way risk requires the establishment of basic assumptions regarding correlations within a given trading product. The Company has multiple processes that allow us to capture and estimate wrong-way risk.

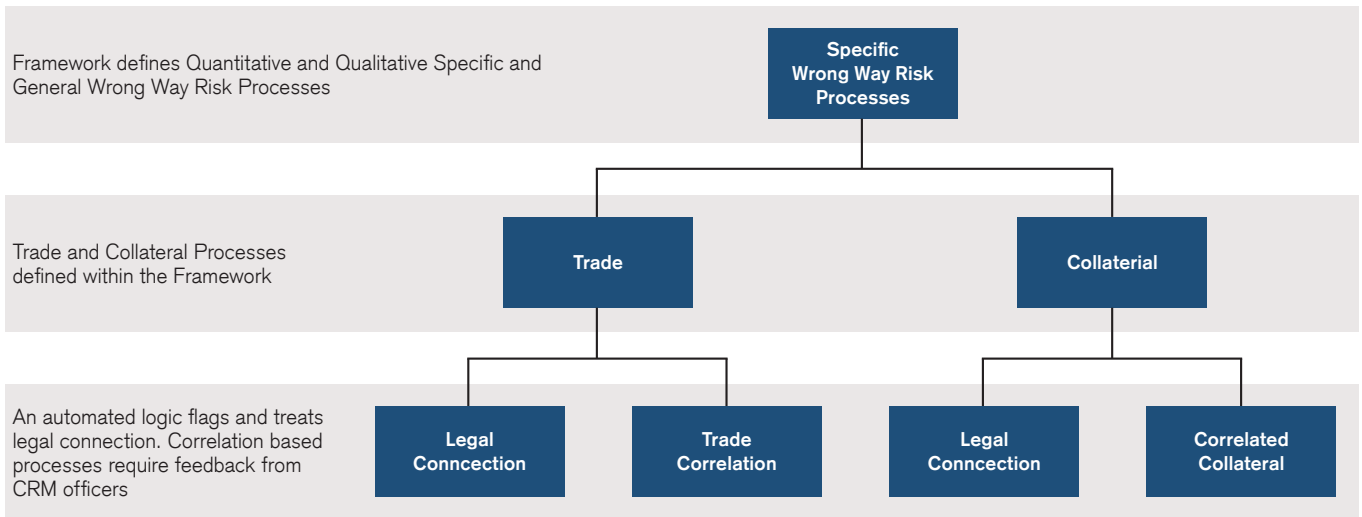
*Credit approval and reviews*

A primary responsibility of CRM is the approval of new counterparty trading relationships and the subsequent on-going review of the creditworthiness of the client. Part of the review and approval process involves consideration of the motivation of the client and to identify the directional nature of the trading in which the client is engaged. Credit limits are sized to the level of comfort the CRM officer has with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral).

*Exposure adjusted risk calculation*

Wrong way risk can arise from different business relationships.

An exposure methodology based on jump to default assumptions, ineligibility of collateral or scenario based add-ons is in place to identify and adjust exposures for all specific wrong way risk types as per the distinction in the table below.



With respect to general wrong-way risk, a scenario based exposure add-on is applied to those counterparties identified following the qualitative review from Credit Officers.

*Wrong-way risk monitoring*

Regular reporting of wrong-way risk at both the individual trade and portfolio level allows wrong-way risk to be monitored and corrective action taken by CRM in the case of heightened concern. Transactions containing wrong-way risk due to legal connection are automatically flagged and included in regular reporting. Transactions containing wrong-way risk due to correlation are flagged to CRM officers for confirmation and then included into regular reporting. The outcome of the WWR identification process is subject to monthly review from the UK CRM Management team via a regular forum.

**Settlement Risk**

Settlement risk arises whenever the settlement of a transaction results in timing differences between the disbursement of cash or securities and the receipt of counter-value from the counterparty. This risk arises whenever transactions settle on a 'free of

payment' basis and is especially relevant when operating across time zones.

In those instances where market convention and/or products preclude a value-for-value exchange, the CSS(E)L Group manages its risk through confirmation and affirmation of transaction details with counterparties. In order to reduce gross settlement risk, the CSS(E)L Group leverages Clearing Houses, Central Counterparties and Central Settlement services and will also net gross cash flows with a given counterpart where possible. It proactively seeks to manage the timing of settlement instructions to its agents and the reconciliation of incoming payments in order to reduce the window of exposure. In addition, CRM establishes and monitors limits to control the amount of settlement risk incurred to each counter party.

**v) Country Risk**

Country risk is the risk of a substantial, systemic loss of value in the financial assets of a country or group of countries, which may be caused by dislocations in the credit, equity and/or currency markets. UK CRM has incorporated country limits into its Credit Risk Appetite Framework in order to mitigate this risk in CSS(E)L Group.

For CSS(E)L Group, country limits are set for both developed and emerging markets, based on a potential future exposure view and on a scenario view respectively. Limits are calibrated to the capital base of CSS(E)L Group through a methodology which measures the capital consumption of stressed limit utilisation via the Economic Risk Capital internal model. Upon UK CRM recommendation, maximum appetite and operational limits are calibrated and approved by the UK IB Risk Management Committee (UK IB RMC) on an annual basis or more frequently if warranted by a fundamental change in strategy or market conditions. The measurement of exposures against country limits is reported weekly to UK CRM dedicated teams and senior management. Front Office representatives are responsible for ensuring limits are respected and any breach is promptly managed. CRM provides independent oversight to ensure that businesses operate within their limits. During the course of the year, reserves are available to UK CCO and the UK IB CRO in case a temporary or permanent limit increase is needed and justified from a risk/return perspective. More fundamental changes to the country risk profile of the firm necessitate discussions and approval at the UK IB RMC.

#### vi) Legal and Regulatory Risk

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

The CS group seeks to minimise legal risk through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behavior, employee training sessions, the use of appropriate legal documentation, and the involvement of the Legal and Compliance department and outside legal counsel. In addition, the CS group is an active participant in International Swaps and Derivatives Association ('ISDA') and other professional derivative market forums, with specific focus on improving levels of derivative market and product standardisation, legal definition and protocol.

As a participant in the financial services industry, the CS group is subject to extensive regulation by governmental agencies, supervisory authorities and self-regulatory organisations around the world. Such regulation is increasingly more extensive and complex and, in recent years, costs related to our compliance with these requirements and the penalties and fines sought and imposed on the financial services industry by regulatory authorities have all increased significantly and may increase further. These regulations often serve to limit activities, including through the application of increased capital, leverage and liquidity requirements, customer protection and market conduct regulations and direct or indirect restrictions on the businesses in which the CSS(E)L Group may operate. Such limitations can have a negative effect on the CSS(E)L Group's business and ability to implement

strategic initiatives. To the extent that disinvestment is required from certain businesses, losses could be incurred, as the CSS(E)L Group may be forced to sell such businesses at a discount, which in certain instances could be substantial, as a result of both the constrained timing of such sales and the possibility that other financial institutions are liquidating similar investments at the same time.

The financial services industry continues to be affected by the significant uncertainty over the scope and content of regulatory reform in 2015 and beyond. Changes in laws, rules or regulations, or in their interpretation or enforcement, or the implementation of new laws, rules or regulations, may adversely affect the results of operations.

#### vii) Operational Risk

##### Definition

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

##### Sources of operational risk

Operational risk is inherent in most aspects of CSS(E)L's business, including the systems and processes that support CSS(E)L's activities. It comprises a large number of disparate risks that can manifest in a variety of ways. Particularly relevant examples of operational risk include the risk of fraudulent transactions, trade processing errors, business disruptions, failures in regulatory compliance, defective transactions, and unauthorised trading events. Operational risk can arise from human error, inappropriate conduct, failures in systems, processes and controls, or natural and man-made disasters.

##### Evaluation and management of operational risk

###### Operational risk framework

The diverse nature and wide extent of operational risk makes it inherently difficult to measure. CSS(E)L believes that effective management of operational risk requires a common operational risk framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting. CSS(E)L started to introduce CSS(E)L's current operational risk framework in 2013, which improved the integration of previously separate operational risk processes, providing a more coherent approach to managing all aspects of the operational risk landscape. Over the past three years, CSS(E)L has redesigned the framework, introducing new components and upgrading existing components with a particular focus on ensuring that the components work well together.

The operational risk framework provides a structured approach to managing operational risk. It seeks to apply consistent standards and techniques for evaluating risks while providing individual businesses with sufficient flexibility to tailor specific components to reflect the risks that they run. The main components of the operational risk framework are described below:

- Governance and policies: The operational risk framework relies on an effective governance process that establishes clear roles and responsibilities for managing operational risk and defines

appropriate escalation processes for outcomes that are outside expected levels. CSS(E)L utilises a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities.

- Operational risk appetite: This determines CSS(E)L's approach to risk-taking and articulates the motivations for taking, accepting or avoiding certain types of risks or exposures. Senior UK IB management expresses their risk appetite in terms of quantitative tolerance levels that apply to operational risk incidents and qualitative statements covering outcomes that should be avoided. They define their risk appetite with the UK IB Board and relevant risk management committees in agreement with the operational risk management function.
- Operational risk register: The register comprises a catalog of inherent operational risks arising as a consequence of CSS(E)L's business activities. It provides a consistent approach for classifying operational risks which ensures that they are treated consistently by other operational risk framework components using the appropriate processes and tools.
- Internal control assessment: CSS(E)L utilises a comprehensive set of internal controls that are designed to ensure that CSS(E)L's activities follow agreed policies and that processes operate as intended. Certain key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other operational risk framework components, such as in the risk and control self-assessment (RCSA) process.
- Risk and control indicators: These are metrics that are used to monitor particular operational risks and controls over time. They are associated with thresholds that define acceptable performance and provide early warning signals about potential issues.
- Incident data: CSS(E)L systematically collect, analyse and report data on operational risk incidents to ensure that CSS(E)L understands the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CSS(E)L focuses on both incidents that result in economic losses and events that provide information on potential control gaps, even if no losses occurred. CSS(E)L also collects and utilises available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the Group.
- Risk and control self-assessments: RCSAs are comprehensive, bottom-up assessments of the key operational risks in each business and control function. They comprise a self-assessment that covers the inherent risks of each business and control function, an evaluation of the effectiveness of the controls in place to mitigate these risks and a decision to either accept or remediate any residual risks. The self-assessments are subject to quality assurance by the operational risk management function to ensure that they have been conducted appropriately. RCSAs utilise other components of the operational risk framework, such as risk and control indicators and incident data, and they generate outputs that are used to manage and monitor risks.
- Top operational risks and remediation plans: A set of top operational risks are used to highlight the most significant risks to

senior management, along with associated risk remediation efforts. Top operational risks are generated using both a top-down assessment by senior management and a bottom-up process that collates the main themes arising from the RCSA process.

- Reporting: CSS(E)L produces a wide range of regular management information reports covering the key inputs and outputs of the operational risk framework. These reports are used by senior management to monitor outcomes against agreed targets and tolerance levels.
- Responses framework: This provides a structured approach to responding to operational risk incidents and breaches of operational risk appetite. The incident management component includes a defined process for identifying, categorising, investigating, escalating and remediating incidents. CSS(E)L conducts detailed investigations for significant operational risk incidents. These investigations seek to assess the causes of control failings, establish appropriate remediation actions and ascertain whether events have implications for other businesses. They can result in recommendations to impose restrictions on businesses while risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative operational risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how best to remediate issues that fall outside agreed risk appetite levels.
- Scenarios and capital modelling: Scenarios are used to identify and measure exposure to a range of adverse events, such as unauthorised trading. These scenarios help businesses assess the suitability of controls in the light of potential losses, and they are also an input to the internal model used to calculate economic and regulatory capital. These capital charges are allocated to individual businesses for performance measurement purposes and to incentivise appropriate management actions.
- Conduct and behavior: Recognising that effective operational risk management relies on employees conducting themselves appropriately, several operational risk framework components include assessments of behavior. For example, investigations of incidents typically consider whether employees escalated issues at an appropriately early stage. Risks that have implications for conduct risk can be identified and assessed via the operational risk register and the RCSA process.

In addition to managing and mitigating operational risks under the operational risk framework through business- and risk-related processes and organisation, CSS(E)L also transfers the risk of potential loss from certain operational risks to third-party insurance companies, where appropriate.

#### Developments in 2015

CSS(E)L is continuously enhancing its operational risk management practices and have an ongoing program to roll out improvements to each of the components of the operational risk framework and to ensure that the links between individual components work effectively. Potential enhancements are typically tested in



one area to check that they deliver the intended benefits before being rolled out more broadly.

In 2015, CSS(E)L introduced a more structured approach to managing the operational risks associated with major change initiatives. It is designed to ensure that the operational risks of these initiatives are identified, assessed and managed throughout the life of each program using the relevant components of the operational risk framework. It also considers the fact that even initiatives that are expected to deliver operational risk benefits upon completion may result in increased risks during the implementation phase. CSS(E)L has also established a dedicated function to analyse the risks associated with intra-group outsourcing and the use of third party vendors and suppliers. This function provides a stronger independent review and challenge capability over these activities. CSS(E)L has also made significant enhancements to the risk and control indicators that CSS(E)L use to monitor operational risks and assess compliance with the Group's risk appetite. This provides more consistent and comprehensive risk reporting, and clearer triggers for management action.

Maintaining the effectiveness of the UK IB control environment is critical to ensuring that operational risks remain within acceptable levels. In 2015, CSS(E)L made improvements to approaches of cataloging, documenting and evaluating key controls, which will provide more robust and supportable control assessments for use in the RCSA process. This remains an important area of management focus, and plan to make further enhancements in 2016 by introducing a systematic control activities framework that applies consistent standards and approaches to relevant control activities. This will be a multi-year initiative that starts with the most significant controls and rolls out new processes using a phased approach.

CSS(E)L has continued to make progress in embedding assessments of employee behavior in the risk assessment framework. In 2015, the business conduct behaviors were incorporated into a number of HR processes, including recruitment, induction, performance assessment, promotion, and compensation. CSS(E)L has also introduced enhanced risk indicator reporting covering behavior and conduct-related matters.

#### Operational Risk Governance

Each individual business area takes responsibility for its operational risks and the provision of adequate resources and procedures for the management of those risks. Businesses are supported by designated operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies, tools and reporting within their areas as well as working with management on any operational risk issues that arise. Businesses and relevant control functions meet regularly to discuss operational risk issues and identify required actions to mitigate risks.

The operational risk management function is responsible for the overall design of the operational risk management framework, for operational risk capital modeling and for providing assistance and challenge to business line operational risk teams. It ensures the cohesiveness of policies, tools and practices for operational risk management, specifically with regard to the identification,

evaluation, mitigation, monitoring and reporting of relevant UK IB operational risks.

Operational risk exposures, metrics, issues and remediation efforts are discussed at the UK IB Board, Board Risk and standing monthly UK IB Risk Management committee and UK IB Operational Risk Management committee which have senior staff representatives from all the relevant functions.

#### viii) Conduct Risk

Conduct risk is the risk that poor conduct by the Group, employees or representatives could result in clients not receiving a fair transaction, damage to the integrity of the financial markets or the wider financial system, or ineffective competition in the markets in which CSS(E)L operate that disadvantages clients.

Conduct risk may arise from a variety of sources, including unauthorised trading, the potential unsuitability of products sold or advice provided to clients, inadequate disclosure, trade processing errors, inaccurate benchmark submissions, failure to safeguard client data or assets, and breaches of regulatory rules or laws by individual employees or market conduct.

Conduct risk is being further embedded into the RCSA process within the operational risk framework, which considers the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing past incidents and those from other firms in the financial services sector.

Conduct risk is primarily addressed through specific supervisory controls implemented across the UK IB and targeted training activities. CSS(E)L seek to promote good behavior and conduct through the Code of Conduct, which provides a clear statement of the ethical values and professional standards as a basis for maintaining and strengthening CSS(E)L's reputation for integrity, fair dealing and measured risk-taking, and the set of business conduct behaviors. The Code of Conduct and the set of business conduct behaviors are linked to CSS(E)L's employee performance assessment and compensation processes.

#### ix) Reputational Risk

The Credit Suisse ('CS') Code of Conduct states that 'Our most valuable asset is our reputation'. CS' reputation is driven by the perception of clients, shareholders, the media and the public. The CS Global Policy on Reputational Risk ('the Policy') states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.

Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

The Company Board has formally delegated reputational risk issues to CS group's global RRRP which includes an overview of the transaction or action being considered, the risks identified and any mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by

senior business management in the relevant division, and are then subsequently referred to one of CS group's Reputational Risk Approvers ('RRA'), each of whom is independent of the business divisions and has the authority to approve, reject, or impose conditions on CS group's participation. If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the EMEA Reputational Risk Committee ('the Committee') for further discussion, review and final decision. The

Committee is comprised of senior regional, divisional, shared services and the Company entity management.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the booking entity. Where a submission relates to a Remote Booking, a submission will be made through to EMEA RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the Committee.

## 40 Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the tables below include derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions, and other financial assets and financial liabilities that:

- are offset in the CSS(E)L Group's Consolidated Statement of Financial Position; or
- are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements), irrespective of whether they are offset in the CSS(E)L Group's Consolidated Statement of Financial Position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the tables below. They are not offset in the Consolidated Statement of Financial Position.

### Derivatives

The CSS(E)L Group transacts bilateral OTC derivatives mainly under International Swaps and Derivatives Association ('ISDA') Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The above ISDA Master Agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the CSS(E)L Group or the counterparties or following other predetermined events. In addition CSS(E)L Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other

counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

For exchange-traded derivatives, positive and negative replacement values and related cash collateral are offset if the terms of the rules and regulations governing these exchanges respectively central clearing counterparties permit such netting and offset because the CSS(E)L Group:

- 1 currently has a legally enforceable right to set off the recognised amounts; and
- 2 intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

To meet criterion (1), the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
  - i the normal course of business;
  - ii the event of default; and
  - iii the event of insolvency or bankruptcy of the entity and all of the counterparties.

Criterion (2) may only be met, if – depending on the settlement mechanism – certain criteria are met (e.g., derivatives with the same currency).

Where no such agreements exist, fair values are recorded on a gross basis.

Under IFRS, the CSS(E)L Group has elected to account for substantially all hybrid financial instruments with an embedded derivative that is not considered closely related to the host contract at fair value. Where these hybrid financial instruments are subject to an enforceable master netting agreement or similar agreement, they are included in the tables Offsetting of 'Funded Derivatives' on page 121.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

## Offsetting of derivative instruments

CSS(E)L Group (USD million)	2015			2014		
	Gross	Offsetting	Net <sup>2</sup>	Gross	Offsetting	Net
<b>Derivative Assets</b>						
Derivative instruments subject to enforceable master netting agreements	7,224	(57)	7,167	9,672	(305)	9,367
Derivative instruments not subject to enforceable master netting agreements <sup>1</sup>	135	–	135	187	–	187
<b>Total derivative instruments presented in the Consolidated Statement of Financial Position</b>	<b>7,359</b>	<b>(57)</b>	<b>7,302</b>	<b>9,859</b>	<b>(305)</b>	<b>9,554</b>
of which recorded in trading financial assets at fair value through profit or loss	7,359	(57)	7,302	9,855	(305)	9,550
of which recorded in other assets	–	–	–	4	–	4
<b>Derivative Liabilities</b>						
Derivative instruments subject to enforceable master netting agreements	8,196	(57)	8,139	11,025	(305)	10,720
Derivative instruments not subject to enforceable master netting agreements <sup>1</sup>	289	–	289	345	–	345
<b>Total derivative instruments presented in the Consolidated Statement of Financial Position</b>	<b>8,485</b>	<b>(57)</b>	<b>8,428</b>	<b>11,370</b>	<b>(305)</b>	<b>11,065</b>
of which recorded in trading financial liabilities at fair value through profit or loss	8,481	(57)	8,424	11,334	(305)	11,029
of which recorded in other liabilities	4	–	4	36	–	36

<sup>1</sup> Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

<sup>2</sup> Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,820 and USD 3,548 respectively

Company (USD million)	2015			2014		
	Gross	Offsetting	Net <sup>2</sup>	Gross	Offsetting	Net
<b>Derivative Assets</b>						
Derivative instruments subject to enforceable master netting agreements	7,776	(57)	7,719	10,214	(305)	9,909
Derivative instruments not subject to enforceable master netting agreements <sup>1</sup>	150	–	150	211	–	211
<b>Total derivative instruments presented in the Company Statement of Financial Position</b>	<b>7,926</b>	<b>(57)</b>	<b>7,869</b>	<b>10,425</b>	<b>(305)</b>	<b>10,120</b>
of which recorded in trading financial assets at fair value through profit or loss	7,926	(57)	7,869	10,421	(305)	10,116
of which recorded in other assets	–	–	–	4	–	4
<b>Derivative Liabilities</b>						
Derivative instruments subject to enforceable master netting agreements	8,157	(57)	8,100	10,985	(305)	10,680
Derivative instruments not subject to enforceable master netting agreements <sup>1</sup>	294	–	294	350	–	350
<b>Total derivative instruments presented in the Company Statement of Financial Position</b>	<b>8,451</b>	<b>(57)</b>	<b>8,394</b>	<b>11,335</b>	<b>(305)</b>	<b>11,030</b>
of which recorded in trading financial liabilities at fair value through profit or loss	8,447	(57)	8,390	11,299	(305)	10,994
of which recorded in other liabilities	4	–	4	36	–	36

<sup>1</sup> Represents derivative instruments where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

<sup>2</sup> Above table includes both continued and discontinued operations. Assets and liabilities pertaining to discontinued operations are USD 2,820 and USD 3,548 respectively

## Reverse repurchase and repurchase agreements and securities lending and borrowing transactions

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Reverse repurchase and repurchase agreements may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations.

Bilateral as well as centrally cleared reverse repurchase and repurchase transactions are netted in the Consolidated Statement of Financial Position if the global master repurchase agreements

respectively the terms of the rules and regulations governing the central clearing counterparties permit such netting and offset because the CSS(E)L Group:

- 1 currently has a legally enforceable right to set off the recognised amounts; and
- 2 intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The net settlement criterion in (2) will also be met, if the CSS(E)L Group can settle amounts in a manner such that the outcome is, in effect, equivalent to net settlement. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle.

The amounts offset are measured on the same basis as the underlying transaction (i.e. on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Securities lending and borrowing transactions may also be novated with central clearing counterparties and therefore covered by the central clearing counterparty's rules and regulations. Transactions under these similar agreements are not netted in the Consolidated Statement of Financial Position because most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the Consolidated Statement of Financial Position apart from the other conditions to be met for netting.

Reverse repurchase and repurchase agreements are collateralised principally by government securities, money market

instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement or securities lending agreement provides the CSS(E)L Group with the right to liquidate the collateral held. As is the case in the CSS(E)L Group's normal course of business, substantially all of the collateral received that may be sold or repledged was sold or repledged as of December 31, 2015 and December 31, 2014. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g. in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

#### Offsetting of securities purchased under resale agreements and securities borrowing transactions

CSS(E)L Group and Company (USD million)	2015			2014		
	Gross	Offsetting	Net <sup>3</sup>	Gross	Offsetting	Net
<b>Securities purchased under resale agreements and securities borrowing transactions</b>						
Securities purchased under resale agreements	41,991	(12,902)	29,089	64,953	(18,510)	46,443
Securities borrowing transactions	36,469	–	36,469	38,553	–	38,553
<b>Total subject to enforceable master netting agreements</b>	<b>78,460</b>	<b>(12,902)</b>	<b>65,558</b>	<b>103,506</b>	<b>(18,510)</b>	<b>84,996</b>
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>1,975</b>	<b>–</b>	<b>1,975</b>	<b>2,351</b>	<b>–</b>	<b>2,351</b>
<b>Total</b>	<b>80,435</b>	<b>(12,902)</b>	<b>67,533</b>	<b>105,857</b>	<b>(18,510)</b>	<b>87,347<sup>2</sup></b>

<sup>1</sup> Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

<sup>2</sup> USD 26,450 million (2014: USD 37,981 million) of the total net amount are reported at fair value.

<sup>3</sup> Above table includes both continued and discontinued operations.

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase

agreements and securities lending transactions not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

#### Offsetting of securities sold under repurchase agreements and securities lending transactions

CSS(E)L Group and Company (USD million)	2015			2014		
	Gross	Offsetting	Net <sup>3</sup>	Gross	Offsetting	Net
<b>Securities sold under repurchase agreements and securities lending transactions</b>						
Securities sold under repurchase agreements	37,148	(12,902)	24,246	74,188	(18,510)	55,678
Securities lending transactions	24,839	–	24,839	22,456	–	22,456
<b>Total subject to enforceable master netting agreements</b>	<b>61,987</b>	<b>(12,902)</b>	<b>49,085</b>	<b>96,644</b>	<b>(18,510)</b>	<b>78,134</b>
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>(1,071)</b>	<b>–</b>	<b>(1,071)</b>	<b>454</b>	<b>–</b>	<b>454</b>
<b>Total</b>	<b>60,916</b>	<b>(12,902)</b>	<b>48,014</b>	<b>97,098</b>	<b>(18,510)</b>	<b>78,588<sup>2</sup></b>

<sup>1</sup> Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

<sup>2</sup> USD 25,197 (2014: USD 41,771 million) of the total net amount are reported at fair value.

<sup>3</sup> Above table includes both continued and discontinued operations.

The following table presents the gross amount of Prime Brokerage Receivables and Funded Derivative Assets subject to enforceable master netting agreements, the amount of offsetting, the amount

of Funded Derivative Assets not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

### Offsetting of prime brokerage receivables and funded derivative assets

CSS(E)L Group (USD million)	2015			2014		
	Gross	Offsetting	Net	Gross	Offsetting	Net
<b>Prime brokerage receivables and funded derivative assets</b>						
Prime brokerage receivables subject to enforceable master netting agreements	5,833	–	5,833	6,065	–	6,065
Funded derivative assets subject to enforceable master netting agreements	–	–	–	65	–	65
<b>Total subject to enforceable master netting agreements</b>	<b>5,833</b>	<b>–</b>	<b>5,833</b>	<b>6,130</b>	<b>–</b>	<b>6,130</b>
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>398</b>	<b>–</b>	<b>398</b>	<b>398</b>	<b>–</b>	<b>398</b>
<b>Total</b>	<b>6,231</b>	<b>–</b>	<b>6,231</b>	<b>6,528</b>	<b>–</b>	<b>6,528</b>

<sup>1</sup> Represents funded derivative assets where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Company (USD million)	2015			2014		
	Gross	Offsetting	Net	Gross	Offsetting	Net
<b>Prime brokerage receivables and funded derivative assets</b>						
Prime brokerage receivables subject to enforceable master netting agreements	5,833	–	5,833	6,065	–	6,065
Funded derivative assets subject to enforceable master netting agreements	–	–	–	65	–	65
<b>Total subject to enforceable master netting agreements</b>	<b>5,833</b>	<b>–</b>	<b>5,833</b>	<b>6,130</b>	<b>–</b>	<b>6,130</b>
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>398</b>	<b>–</b>	<b>398</b>	<b>398</b>	<b>–</b>	<b>398</b>
<b>Total</b>	<b>6,231</b>	<b>–</b>	<b>6,231</b>	<b>6,528</b>	<b>–</b>	<b>6,528</b>

<sup>1</sup> Represents funded derivative assets where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Funded Derivative Assets are recorded in Financial Assets Designated at Fair Value Through Profit and Loss and Prime Brokerage Receivables are recorded in Other Assets in the Consolidated Statement of Financial Position.

The following table presents the gross amount of Prime Brokerage Payables and Funded Derivative Liabilities subject to

enforceable master netting agreements, the amount of offsetting, the amount of Funded Derivative Liabilities not subject to enforceable master netting agreements and the net amount presented in the Consolidated Statement of Financial Position.

### Offsetting of prime brokerage payables and funded derivative liabilities

CSS(E)L Group (USD million)	2015			2014		
	Gross	Offsetting	Net	Gross	Offsetting	Net
<b>Prime brokerage payables and funded derivative liabilities</b>						
Prime brokerage payables subject to enforceable master netting agreements	10,896	–	10,896	9,188	–	9,188
Funded derivative liabilities subject to enforceable master netting agreements	482	–	482	787	–	787
<b>Total subject to enforceable master netting agreements</b>	<b>11,378</b>	<b>–</b>	<b>11,378</b>	<b>9,975</b>	<b>–</b>	<b>9,975</b>
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>2,021</b>	<b>–</b>	<b>2,021</b>	<b>1,996</b>	<b>–</b>	<b>1,996</b>
<b>Total</b>	<b>13,399</b>	<b>–</b>	<b>13,399</b>	<b>11,971</b>	<b>–</b>	<b>11,971</b>

<sup>1</sup> Represents funded derivative liabilities where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Company (USD million)	2015			2014		
	Gross	Offsetting	Net	Gross	Offsetting	Net
<b>Prime brokerage payables and funded derivative liabilities</b>						
Prime brokerage payables subject to enforceable master netting agreements	10,896	–	10,896	9,188	–	9,188
Funded derivative liabilities subject to enforceable master netting agreements	482	–	482	787	–	787
<b>Total subject to enforceable master netting agreements</b>	<b>11,378</b>	<b>–</b>	<b>11,378</b>	<b>9,975</b>	<b>–</b>	<b>9,975</b>
<b>Total not subject to enforceable master netting agreements<sup>1</sup></b>	<b>2,009</b>	<b>–</b>	<b>2,009</b>	<b>1,985</b>	<b>–</b>	<b>1,985</b>
<b>Total</b>	<b>13,387</b>	<b>–</b>	<b>13,387</b>	<b>11,960</b>	<b>–</b>	<b>11,960</b>

<sup>1</sup> Represents funded derivative liabilities where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place.

Funded Derivative Liabilities are recorded in Financial Liabilities Designated at Fair Value Through Profit and Loss and Prime

Brokerage Payables are recorded in Other liabilities in the Consolidated Statement of Financial Position.

The following table presents the net amount presented in the Consolidated Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Consolidated Statement of Financial Position. The gross amount of financial instruments not offset in the Consolidated Statement of Financial Position includes amounts related to recognised financial instruments that do not meet some or all of

the offsetting criteria in IAS 32.42 as well as non-cash financial collateral. The table excludes derivative instruments, reverse repurchase and repurchase agreements, securities lending and borrowing transactions and funded derivatives not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

### Amounts not offset in the Consolidated Statement of Financial Position

CSS(E)L Group (USD million)	2015				2014			
	Net <sup>1</sup>	Financial instruments <sup>2</sup>	Cash collateral received/ pledged <sup>2</sup>	Net exposure	Net <sup>1</sup>	Financial instruments <sup>2</sup>	Cash collateral received/ pledged <sup>2</sup>	Net exposure
<b>Financial assets subject to enforceable master netting agreements</b>								
Derivative instruments	7,167	(5,176)	(1,406)	<b>585</b>	9,367	(7,037)	(1,462)	<b>868</b>
Securities purchased under resale agreements	29,088	(29,043)	(45)	–	46,443	(46,432)	(11)	–
Securities borrowing transactions	36,469	(35,011)	–	<b>1,458</b>	38,553	(38,188)	–	<b>365</b>
Prime brokerage receivables	5,833	–	(5,833)	–	6,065	–	(6,065)	–
Funded derivative instruments	–	–	–	–	65	(1)	–	<b>64</b>
<b>Total financial assets subject to enforceable master netting agreements</b>	<b>78,557</b>	<b>(69,230)</b>	<b>(7,284)</b>	<b>2,043</b>	<b>100,493</b>	<b>(91,658)</b>	<b>(7,538)</b>	<b>1,297</b>
<b>Financial liabilities subject to enforceable master netting agreements</b>								
Derivative instruments	8,139	(4,695)	(1,216)	<b>2,228</b>	10,720	(6,566)	(887)	<b>3,267</b>
Securities sold under repurchase agreements	24,246	(24,196)	(50)	–	55,678	(55,645)	(33)	–
Securities lending transactions	24,839	(22,237)	–	<b>2,602</b>	22,456	(20,431)	–	<b>2,025</b>
Prime brokerage payables	10,896	–	–	<b>10,896</b>	9,188	–	–	<b>9,188</b>
Funded derivative instruments	482	–	–	<b>482</b>	787	(1)	–	<b>786</b>
<b>Total financial liabilities subject to enforceable master netting agreements</b>	<b>68,602</b>	<b>(51,128)</b>	<b>(1,266)</b>	<b>16,208</b>	<b>98,829</b>	<b>(82,643)</b>	<b>(920)</b>	<b>15,266</b>

<sup>1</sup> Net amount presented in the Consolidated Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.

<sup>2</sup> The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Consolidated Statement of Financial Position.

### Amounts not offset in the Company Statement of Financial Position

Company (USD million)	2015				2014			
	Net <sup>1</sup>	Financial instruments <sup>2</sup>	Cash collateral received/ pledged <sup>2</sup>	Net exposure	Net <sup>1</sup>	Financial instruments <sup>2</sup>	Cash collateral received/ pledged <sup>2</sup>	Net exposure
<b>Financial assets subject to enforceable master netting agreements</b>								
Derivative instruments	7,719	(5,430)	(1,535)	<b>754</b>	9,909	(7,249)	(1,573)	<b>1,087</b>
Securities purchased under resale agreements	29,088	(29,043)	(45)	–	46,443	(46,432)	(11)	–
Securities borrowing transactions	36,469	(35,011)	–	<b>1,458</b>	38,553	(38,188)	–	<b>365</b>
Prime brokerage receivables	5,833	–	(5,833)	–	6,065	–	(6,065)	–
Funded derivative instruments	–	–	–	–	65	(1)	–	<b>64</b>
<b>Total financial assets subject to enforceable master netting agreements</b>	<b>79,109</b>	<b>(69,484)</b>	<b>(7,413)</b>	<b>2,212</b>	<b>101,035</b>	<b>(91,870)</b>	<b>(7,649)</b>	<b>1,516</b>
<b>Financial liabilities subject to enforceable master netting agreements</b>								
Derivative instruments	8,100	(4,750)	(1,216)	<b>2,134</b>	10,680	(6,606)	(887)	<b>3,187</b>
Securities sold under repurchase agreements	24,246	(24,196)	(50)	–	55,678	(55,645)	(33)	–
Securities lending transactions	24,839	(22,237)	–	<b>2,602</b>	22,456	(20,431)	–	<b>2,025</b>
Prime brokerage payables	10,896	–	–	<b>10,896</b>	9,188	–	–	<b>9,188</b>
Funded derivative instruments	482	–	–	<b>482</b>	787	(1)	–	<b>786</b>
<b>Total financial liabilities subject to enforceable master netting agreements</b>	<b>68,563</b>	<b>(51,183)</b>	<b>(1,266)</b>	<b>16,114</b>	<b>98,789</b>	<b>(82,683)</b>	<b>(920)</b>	<b>15,186</b>

<sup>1</sup> Net amount presented in the Company Statement of Financial Position and subject to enforceable master netting agreements, as per the preceding tables.

<sup>2</sup> The total amount reported in financial instruments and cash collateral is limited to the net amount for the related instruments presented in the Company Statement of Financial Position.

Net exposure is subject to further credit mitigation through the transfer of the exposure to other market counterparties by the general use

of CDSs. Therefore the net exposure presented in the table above is not representative for the CSS(E)L Group's counterparty exposure.

## 41 Capital Adequacy

The Company's capital adequacy is 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 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.

The CS group considers a strong and efficient capital position to be a priority. Consistent with this, the Company closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework or to the Company's business model. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future.

Multi-year business forecasts and capital plans are prepared by the Company, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios, as part of the ICAAP. Within these stress tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of

Directors. The ICAAP then forms the basis for any Supervisory Review and Evaluation Process ('SREP') review that the PRA conducts when assessing an institution's level of regulatory capital.

### Own Funds

Own Funds comprise a number of 'tiers'. Tier 1 capital principally comprises shareholders' equity (Common Equity Tier 1 (CET1)). This is supplemented by Tier 2 capital, which consists mainly of subordinated debt instruments. Total capital equals the sum of these with adjustments including regulatory deductions and prudential filters.

The Company's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its businesses. The capital management framework is designed to ensure that own funds are sufficient to support the underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

During 2015, USD 250 million of Tier 2 subordinated debt was repaid to Credit Suisse PSL GmbH and USD 500 million was repaid to Credit Suisse First Boston Finance BV. This was replaced with USD 750 million subordinated debt received from Credit Suisse Investments (UK). In 2014 the Company received a CET1 capital injection of USD 1 billion and converted all participating share capital into ordinary shares. In addition, USD 1.5 billion of Tier 2 capital was refinanced with the proceeds being used to repay USD 1.48 billion of subordinated debt.

Other movements in own funds were as follows:

CSS(E)L Group and Company	2015	2014
<b>Own Funds (USD million)</b>		
<b>Own Funds at 1 January</b>	<b>10,892</b>	<b>10,617</b>
Change in Tier 1 Instruments:		
CET 1 Capital injection	-	1,000
Change in Tier 2 Instruments:		
Subordinated Debt Issued	750	-
Subordinated Debt Repayment	(750)	-
Net increase on restructuring of subordinated loans	-	18
Derecognition of gain on AFS equities due to ineligibility under CRR	-	(24)
Profit and loss and movements in other comprehensive income	(278)	(432)
Net movement in regulatory deductions and prudential filters	11	(287)
<b>Own Funds at 31 December</b>	<b>10,625</b>	<b>10,892</b>

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%. In addition, the EBA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6% in 2015 (CET1 ratio of 4% and a Tier 1 ratio of 5.5% in 2014). The risk weighted assets reflect the credit, market, operational and other risks of the Company calculated using methodologies set out in the CRR.

The Company must at all times monitor and demonstrate compliance with the relevant own funds requirements of the CRR. The Company has put in place processes and controls to monitor and manage its own funds and no breaches were reported to the PRA during the year.

The following table sets out details of the Company's own funds at 31 December 2015 and 2014.

Company	2015	2014
<b>Own Funds (USD million)</b>		
Total shareholders' equity	7,970	8,248
Other deductions:		
Regulatory deductions	(1)	(8)
Excess of expected loss amounts over credit risk adjustments <sup>1</sup>	(43)	(57)
Defined benefit pension fund assets	(616)	(662)
Securitisation positions	(19)	(7)
Gain on AFS equities	-	(22)
Prudential filters <sup>2</sup>	(167)	(101)
<b>Total Tier 1 capital</b>	<b>7,124</b>	<b>7,391</b>
<b>Tier 2 capital</b>		
Subordinated debt	3,501	3,501
<b>Total Tier 2 capital</b>	<b>3,501</b>	<b>3,501</b>
<b>Total Tier 1 and Tier 2 capital</b>	<b>10,625</b>	<b>10,892</b>
Regulatory deductions:		
Excess of expected loss amounts over credit risk adjustments <sup>1</sup>	-	-
Free deliveries	-	-
<b>Own Funds</b>	<b>10,625</b>	<b>10,892</b>

<sup>1</sup> Under CRDIV, the expected loss amount is deducted from CET1 whereas under Basel II, it was deducted from the total of Tier 1 and Tier 2 capital.

<sup>2</sup> Includes Prudent Valuation adjustment from 1st of January, 2015

## 42 Country-by-Country Reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, and their turnover, pre-tax profit or loss, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2015. For ease of comparison, 2014 is disclosed below, and was previously disclosed on [www.credit-suisse.com](http://www.credit-suisse.com).

All amounts for CSS(E)L, its subsidiaries and branches are reported in USD, (the functional currency of the Company).

### Basis of preparation

- **Country:** The geographical location of CSS(E)L, its material branches and subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. The countries are listed in the table below.
- **Entity details:** the name of the entity, the entity type, and the nature of activity is detailed in the table below. CSS(E)L including its branches, is an investment firm whose activities include arranging finance for clients in the international capital markets, providing financial advisory services and acting as

dealer in securities, derivatives and foreign exchange on a principal and agency basis. CSS(E)L's material subsidiaries are disclosed separately.

- **Average Number of Employees:** Defined as the number of employees on a full time equivalent basis, compensated directly by the entity.
- **Turnover:** Defined as net revenues, and is consistent with CSS(E)L's financial statements. Net revenues include total income before impairment and operating expenses, but after net interest, net commissions/fees income and investment and trading income.
- **Pre Tax Profit/(Loss):** Definition of profit/(loss) before tax is consistent with that within CSS(E)L's financial statements, which includes net revenues, less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid for CSS(E)L in each country in 2015 and does not include taxes refunded back to CSS(E)L on account of tax overpayments in prior years during 2015.
- **Public Subsidies Received:** Interpreted as direct support by the government and there were no public subsidies received by CSS(E)L in 2015 (2014 : Nil).



## Country-by-Country report for the year ended 31 December 2015

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Taxes Paid USD Million <sup>2</sup>	Public Subsidies Received
<b>United Kingdom</b>							
Credit Suisse Securities Europe Limited	Parent	Investment firm	4,651	1,429	(664)	–	–
CSFB Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
<b>Italy</b>							
Credit Suisse Securities (Europe) Limited, Milan Branch	Branch	Branch of an investment firm	17	16	1	–	–
<b>Sweden</b>							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	–	1	–	–	–
<b>France</b>							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	102	145	(13)	4	–
<b>Poland</b>							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	3	2	1	–	–
<b>Germany</b>							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	79	47	(3)	5	–
<b>The Netherlands</b>							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	13	7	–	1	–
<b>South Korea</b>							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	90	116	81	16	–
<b>Credit Suisse Securities Europe Limited</b>	Consolidated <sup>1</sup>		4,955	1,763	(597)	26	–

<sup>1</sup> Variable Interest entities are not included in the above reporting for a full list please see Note 34.

<sup>2</sup> The Corporation taxes paid above do not include taxes refunded during 2015. Taxes refunded during 2015 for CSSEL amounted to USD 45 million.

## Country-by-Country report for the year ended 31 December 2014

Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover USD Million	Pre Tax Profit/(Loss) USD Million	Taxes Paid USD Million <sup>2</sup>	Public Subsidies Received
<b>United Kingdom</b>							
Credit Suisse Securities Europe Limited	Parent	Investment firm	4,900	1,624	(488)	–	–
CSFB Trustees Limited	Subsidiary	Trustee Company for the Credit Suisse Group Pension and Life Assurance Scheme	–	–	–	–	–
Credit Suisse Client Nominees (UK) Limited	Subsidiary	Nominee Company	–	–	–	–	–
<b>Italy</b>							
Credit Suisse Securities (Europe) Limited, Milan Branch	Branch	Branch of an investment firm	16	19	(1)	–	–
<b>Sweden</b>							
Credit Suisse Securities (Europe) Limited, Filial Stockholm	Branch	Branch of an investment firm	1	2	–	–	–
<b>France</b>							
Credit Suisse Securities (Europe) Limited, Paris Branch	Branch	Branch of an investment firm	106	156	21	18	–
<b>Poland</b>							
Credit Suisse Securities (Europe) Limited spolka z. o.o. Oddzial w Polsce	Branch	Branch of an investment firm	2	2	1	–	–
<b>Germany</b>							
Credit Suisse Securities (Europe) Limited, Niederlassung Frankfurt	Branch	Branch of an investment firm	85	47	(19)	33	–
<b>The Netherlands</b>							
Credit Suisse Securities (Europe) Limited, Amsterdam Branch	Branch	Branch of an investment firm	15	11	2	1	–
<b>South Korea</b>							
Credit Suisse Securities (Europe) Limited, Seoul Branch	Branch	Branch of an investment firm	88	118	83	18	–
<b>Credit Suisse Securities Europe Limited</b>	Consolidated <sup>1</sup>		5,213	1,979	(401)	70	–

<sup>1</sup> Variable Interest entities are not included in the above reporting for a full list please see Note 34.

<sup>2</sup> The Corporation taxes paid above do not include taxes refunded during 2014. Taxes refunded during 2014 for CSSEL amounted to USD 83 million

## 43 Subsequent Events

On 17 March 2016, CSS(E)L signed a business transfer agreement to sell parts of its Prime Services platform to Credit Suisse AG (acting through its Dublin branch). CSS(E)L has agreed to transfer the underlying business to Credit Suisse AG in a phased approach, which is expected to be completed within 18 months from the signing of the agreement. CSS(E)L expects to receive initial consideration of USD 300 million, when the majority of the associated client relationships have been transferred to Credit Suisse AG (acting through its Dublin branch) during this 18 month period. The agreement contains a purchase price adjustment clause for the case that fewer client relationships transfer than anticipated. CSS(E)L presents the income and expenses generated by the Prime Services platform in its financial statements as discontinued operations and the associated assets and liabilities as held-for-sale. Refer Note 26 – Discontinued Operations and Assets Held for Sale.

In the UK budget announcement of 16 March 2016, the UK government announced its intention to further reduce the UK

corporation tax rate to 17% with effect from 1 April 2020. This tax rate reduction is expected to be substantively enacted in 2016.

On March 23, 2016, the CS group announced a number of additional measures and adjusted financial objectives beyond those announced on October 21, 2015 to further lower its cost base, accelerate the risk-weighted assets and leverage reduction initiatives in the reshaping of the Global Markets business and further strengthen its capital position. The additional measures and new financial objectives that impact the Company will need to consider include:

- increasing the gross savings targets;
- reducing the risk-weighted assets target in the Global Markets;
- exiting the European Securitised Products trading businesses in Global Markets; and
- the assets from businesses the Company is exiting and other business reductions in Global Markets will predominantly be transferred to the Strategic Resolution Unit over the course of 2016.

#### 44 CSS(E)L's Subsidiaries and Associates

In accordance with Section 409 of the Companies Act 2006 a list of CSS(E)L's subsidiaries and associates, the country of incorporation and the effective percentage of equity owned at 31 December 2015 is disclosed below.

	Country	Security	Total (%)
<b>31 December 2015</b>			
<b>Subsidiaries</b>			
Credit Suisse AF Trust	USA	Beneficiary	100
CSSEL Bare Trust	USA	Beneficiary	100
Redwood Master Trust I	USA	Beneficiary	100
Redwood Master Trust II	USA	Beneficiary	100
Sail Master Trust I	USA	Beneficiary	100
Sail Master Trust II	USA	Beneficiary	100
Credit Suisse Client Nominees (UK) Limited	United Kingdom	GBP 1 Ordinary shares	100
Credit Suisse First Boston PF (Europe) Limited	United Kingdom	GBP 1 Ordinary shares	100
Credit Suisse First Boston Trustees Limited	United Kingdom	GBP 1 Ordinary shares	100
Redwood Funding Trust I	USA	No shares	-1
Redwood Funding Trust II	USA	No shares	-1
Redwood Trust I	USA	No shares	-1
Redwood Trust II	USA	No shares	-1
Sail Funding Trust I	USA	No shares	-1
Sail Funding Trust II	USA	No shares	-1
Sail Trust I	USA	No shares	-1
Sail Trust II	USA	No shares	-1
<b>Associates</b>			
Peninsula HEDGE CSHG Fundo de Investimento em Cotas de Fundo de Investimento Multmercado	Brazil	Quotas with no par value	25.21
Gaoh Offshore (UK) Ltd	United Kingdom	GBP 0.001p Ordinary shares	20.30

<sup>1</sup> Subsidiaries included in Note 35 – Interests in Other Entities, where CSSEL does not hold any share capital.







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