

Credit Suisse Asset Management (UK)
Holding Limited and subsidiary

Basel III
Pillar 3 Disclosures
2017

2017

Index

INTRODUCTION	2
CAPITAL MANAGEMENT	3
RISK MANAGEMENT	5
CREDIT RISK	9
SECURITISATION	12
APPENDIX 1: CREDIT SUISSE ASSET MANAGEMENT LIMITED	15
APPENDIX 2: KEY RISKS, RISK MITIGATION AND CORE METRICS	17
APPENDIX 3: DIRECTORSHIPS	23
APPENDIX 4: LIST OF ABBREVIATIONS AND GLOSSARY	24

Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse Asset Management (UK) Holding Limited ('CSAMH') as at 31 December 2017. It should be read in conjunction with CSAMH's 2017 Annual Report, which will be available from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

These Pillar 3 disclosures are prepared to meet the regulatory requirements set out in Part Eight of the Capital Requirements Regulation ('CRR').

Pillar 3 aims to promote market discipline and transparency through the publication of key information on capital adequacy, risk management and remuneration.

Basis and frequency of disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, materiality, or being proprietary in nature, this is indicated. Pillar 3 disclosures are published annually and concurrently with the annual report. The annual report is prepared under International Financial Reporting Standards ('IFRS'), and accordingly, certain information in the Pillar 3 disclosures may not be directly comparable.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSAMH's external auditors.

Basis of consolidation

The CSAMH regulatory consolidation group ("the group") contains CSAMH and its subsidiary Credit Suisse Asset Management Limited ('CSAML'). CSAML is authorised and regulated by the Financial Conduct Authority ('FCA'). The group is subject to consolidated regulatory supervision by the FCA. On 31 December 2017, CSAMH sold its investment in Credit Suisse Quantitative Systematic Asset Management Limited.

As required by CRR Article 13, Pillar 3 disclosures are required in respect of the group on a consolidated basis, and in respect of CSAML, on a solo basis, as it represents the principal operating ('significant') subsidiary in the group. The disclosures for the group are contained in this document with additional disclosures in respect of CSAML reported in Appendix 1

The CSAMH regulatory consolidation does not differ from its accounting consolidation.

As the only subsidiary for CSAMH is CSAML, this document describes the risk measurement and management processes and framework of CSAML only. However, the financial numbers include additional values inherent in CSAMH

Restrictions on transfer of funds or regulatory capital within the group

In general, the restrictions around the repayment of liabilities and transfer of regulatory capital within the group are related to constraints that are imposed on entities by local regulators. The movement of capital may also be subject to tax constraints where there are cross-border movements or thin capitalisation rules.

Remuneration

The remuneration disclosures required by CRR can be found in a separate document ('Pillar 3 – UK Remuneration Disclosures 2017') on the Credit Suisse website at: www.credit-suisse.com

Capital management

Overview

The Credit Suisse group ('CS group') considers a strong and efficient capital position to be a priority. Consistent with this, the CSAMH group 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.

Financial forecasts and capital plans are prepared by the CSAMH group, taking into account its business strategy and the impact of known regulatory changes. For its only subsidiary CSAML, these plans are subjected to stress testing and scenario analysis as part of the annual Internal Capital Adequacy Assessment Process ('ICAAP'). Within the stress testing exercise, potential management actions are identified and assessed so as to remediate any capital shortfalls that could arise during the stress scenario. The ICAAP results are documented and reviewed by the CSAML Board of Directors.

Own funds

The group does not have issued any AT1 or Tier 2 capital instruments.

The group's CET1 capital comprises ordinary shares. These shares carry voting rights and the right to receive dividends.

The group's Pillar 1 capital requirement is calculated as the higher of:

- the sum of the credit and market risk capital requirements; and
- the 'Fixed Overheads Requirement'.

A summary of the group's own funds is shown below. The group is not required to prepare audited financial statements.

Capital composition (£000s)

As at 31 December

	2017	2016
	Own funds	Own funds
Tier 1 (and CET1) capital		
Ordinary shares	144,199	144,199
Capital contribution reserve	115,455	114,617
Share premium	23,198	23,198
Retained earnings	(110,389)	(128,076)
Accumulated other comprehensive income	-	3,270
Tier 1 (and CET1) capital	172,463	157,208
Total capital ('own funds')	172,463	157,208

Key capital ratios for the group are disclosed in the following table:

Capital ratios

As at 31 December

	2017	2016
Common Equity Tier 1	46.9%	39.3%
Tier 1	46.9%	39.3%
Total Capital	46.9%	39.3%

Risk-weighted assets and capital requirements

The Pillar 1 capital requirements of the group are summarised below, along with risk-weighted assets ('RWAs'). Credit risk capital requirements and RWAs are further analysed by exposure class:

RWAs and capital requirements (£000s)

As at 31 December	2017	2017	2016	2016
	RWAs	Capital Requirement	RWAs	Capital Requirement
Credit risk				
<i>Standardised Approach</i>				
Institutions	114,533	9,163	120,357	9,629
Units or shares in collective investment undertakings	851	67	-	-
Other items	19,422	1,554	60,912	4,873
Securitisation positions	217,613	17,409	166,051	13,284
(i) Total credit risk	352,419	28,193	347,320	27,786
Market risk				
<i>FCA Standard Rules</i>				
Foreign exchange (Banking Book)	15,450	1,236	52,242	4,179
(ii) Total market risk	15,450	1,236	52,242	4,179
(iii) Total credit and market risk ((i) + (ii))	367,868	29,429	399,562	31,965
Other risks				
Fixed Overhead Requirement	196,758	15,741	246,058	19,685
(iv) Total other risks	196,758	15,741	246,058	19,685
Pillar 1 RWA and capital requirements (higher of (iii) or (iv))	367,868	29,429	399,562	31,965

Risk management

The group operates a risk management framework for its sole regulated entity, CSAML. This framework is detailed below. The group relies upon the individual subsidiary's risk management framework.

CSAML's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in CSAML's business planning process and is strongly supported by its senior management and the Board of Directors. The primary objectives of risk management are to protect CSAML's financial strength and reputation, while ensuring that capital and liquidity is well deployed to support business activities and grow shareholder value. CSAML receives support in all its risk management activities from the IWM UK Chief Risk Officer (CRO).

CSAML has a business strategic risk appetite which measures and manages key metrics including: Earnings at Risk, Assets at Risk, Cost:Income Ratio and Revenue Concentration Risk. The risk profile is further enhanced by the annual capital stress testing process.

CSAML Board of directors

The CSAML Directors are ultimately responsible for reviewing the effectiveness of CSAML's risk management and systems of financial and internal control. These 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 CSAML Board of Directors considers that adequate systems and controls are in place with regard to CSAML's risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, has been established to avoid or minimise loss.

In addition, the CSAML Board of Directors has established a Board Risk Committee, as discussed below. Ordinary meetings of the Board Risk Committee are required to take place at least four times each year.

Recruitment to CSAML's Board of Directors is governed by a nominations policy that is applied consistently to all subsidiaries within the CS group. At local level, this policy is implemented by the Board that is required to evaluate the balance of skills, knowledge and experience of the CSAML Board of Directors by reference to the requirements of the entity, and similarly to consider the skills, knowledge and experience of individual candidates for appointment. Consistent with the fact that the entity is an Equal Opportunities Employer, recruitment at all levels is based on consideration of a diverse range of candidates without discrimination or targets on the basis of any protected category.

Business overview

CSAML had four primary businesses active in 2017:

- **Private Fund Group ('PFG'):** raises capital for domestic and international direct investment firms focused on a wide-range of private equity investment activities. PFG is one of the largest, most cohesive and experienced global private equity placement teams in the industry. PFG raises capital from investors worldwide, including public and private pension funds, endowments, foundations, commercial banks, banks and insurance companies, consultants and high-net-worth individuals. PFG does not manage any investments on behalf of its clients.
- **Credit Investments Group ('CIG'):** manages, on a discretionary basis, CLO's, funds and mandates that invest primarily in non-investment grade credit strategies.
- **Securitized Products Fund ("SPF"):** acts as an investment advisor to the Securitized Products Fund ("SPF"). SPF invests in asset-backed investments and is managed by CSAM LLC in New York.
- **Distribution ("Distribution"):** offers a number of CS AM investment strategies, predominately Luxembourg-domiciled funds and off-shore funds registered for private placement, into the institutional investment community. Distribution also partners with CSSEL/IBCM and CSUK by providing channel management via a marketing approval process of CS funds.

Key Risks - Board of Directors

CSAML has implemented a risk management framework, including control systems and it works to limit the impact of negative developments by monitoring all relevant key risks including market, credit, operational, fiduciary, regulatory and conduct risks, and managing concentration of risks. CSAML's Board of Directors is responsible for reviewing the effectiveness of CSAML's risk management framework and controls. These 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.

CSAML's overall risk profile associated with business strategy

The CSAML business strategy is pursued within the Risk Appetite Statement, as defined periodically by the Board of Directors. The Board of Directors expresses its risk appetite through a number of key metrics with associated thresholds which define the maximum level of risk acceptable across a broad range of risk categories. The Risk Appetite Statement further defines the responsibility for the monitoring of each risk type and appropriate escalation level, in case of a risk threshold breach.

Within the bounds of the overall risk appetite of CSAML, as defined by the thresholds set by the Board, the Risk Committee and CRO are responsible for setting specific risk controls deemed necessary to manage the concentration of risk within individual lines of business and across counterparties.

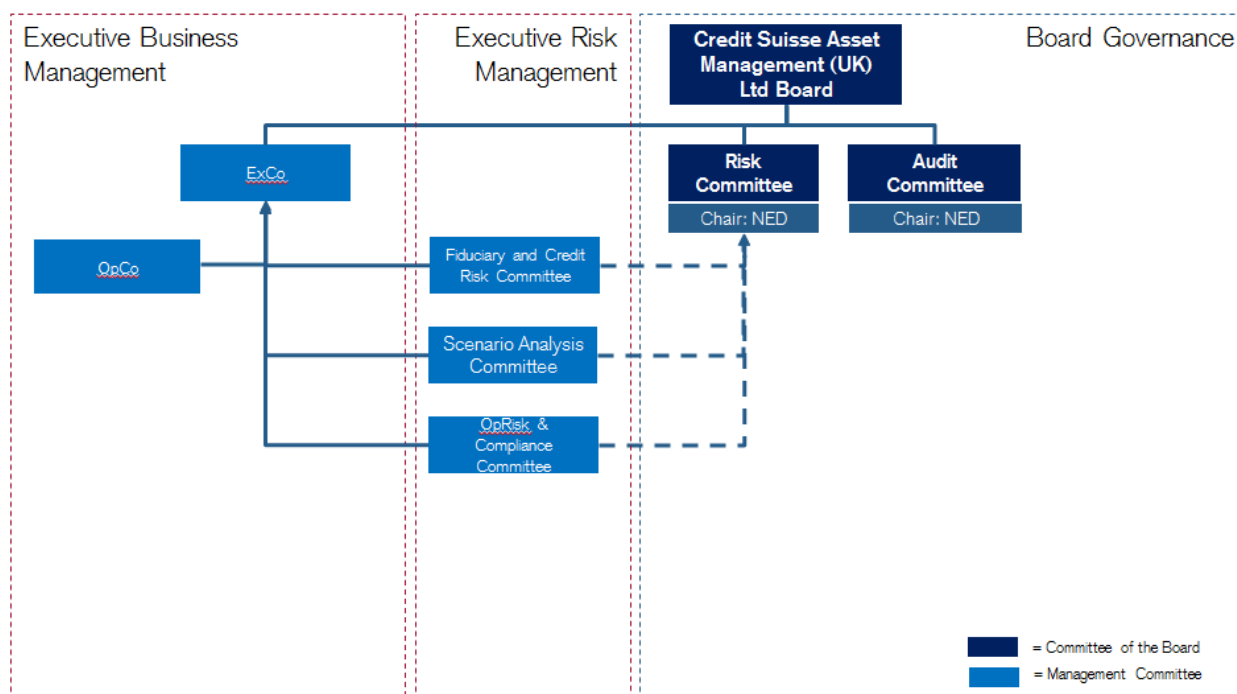
Risk governance

The Board of Directors sets the overall framework for risk appetite and is advised by the Risk Committee, which is chaired by a non-executive Director. The purpose of the Risk Committee is to:

- review and assess the integrity and adequacy of the risk management function of the Company, in particular as it relates to market, credit, and liquidity & funding risks and investment portfolio risk;
- review the adequacy of CSAML's capital (economic and regulatory) and its allocation to CSAML's businesses;
- review certain risk thresholds and regular risk reports including updates to the Risk Appetite Statement and make recommendations to the Board of Directors;
- review the ICAAP and provide input into the range of scenarios and analyses that management should consider;
- review and assess the adequacy of the management of reputational risks, jointly with the Audit Committee;
- review and assess the adequacy of the management of operational and conduct risks including the adequacy of the internal control system, jointly with the Audit Committee;
- review CSAML policy in respect of corporate responsibility and sustainable development;
- review of the liquidity risk framework.

CSAML's corporate governance policies and procedures are aligned with the Credit Suisse Group policies. Other relevant corporate governance documents include the Articles of Association, the Organisational Guidelines and Regulations, the Charters of the Board of Directors, the Terms of Reference of each CSAML committee and the CS Group Code of Conduct.

The CSAML governance and management structure is outlined in the following chart:



- **Audit Committee:** reviews the Internal Audit Plan to ensure its adequacy, reports on systems of accounting, internal controls and risk management systems, and compliance with regulatory and legal requirements, including litigation. Additionally, the Audit Committee reviews accounting, valuation and tax policies, as well as the quality and accuracy of all financial reporting.
- **Risk Committee:** responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and recommending approval by the Board of overall risk appetite thresholds
- **Fiduciary and Credit Risk Committee ('FCRC'):** Oversees the assessment and management of all market, liquidity, fiduciary and credit risks taken by CSAML legal entity. The committee specifically discusses risks associated with the management of collateralized loan obligations (CLO) vehicles and other investment funds by the entity.
- **Operational Risk and Compliance Committee ('ORCC'):** Primary function is to investigate risks relating to operational, compliance, financial crime, legal, personnel, conduct, reputational and regulatory, incorporating all outsourcing activities undertaken for the entity. Furthermore, the committee reviews the entity's annual Risk and Control Self-Assessment ('RCSA').

- Scenario Analysis Committee ('SAC'): Oversees the scenario analysis framework, including oversight of scenarios relating to capital specific stresses that captures credit & counterparty, market and fiduciary risks. The committee also reviews stress testing documentation, such as SR11-7, which outlines model governance, assumptions, model parameters and weaknesses and results.
- CSAML Executive Committee ('ExCo'): chaired by the CEO, the CSAML ExCo is ultimately responsible for the management of the CSAML business and the execution of the strategy set by the CSAML Board of Directors. As a decision-making forum, it may receive proposals escalated from other executive committees or from business unit managers.
- CSAML Operating Committee ('OPCO'): chaired by the Chief Operating Officer, this committee is responsible for monitoring key projects within the business, including reviewing the impact of regulatory matters, business improvement initiatives, the performance of the Shared Services divisions, reviewing platform procedures and operational policies.

Risk organisation

Risks arise in all of the CSAML's business activities and cannot be completely eliminated, but they are monitored and managed through its internal control environment. The CSAML'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.

CSAML's independent risk management is headed by its CRO. The CRO is responsible for overseeing CSAML's risk profile across all risk types; additionally, the Chair of the Risk Committee (a Non-Executive Director "NED") is responsible for ensuring that there is an adequate independent risk management function.

The risk management function is responsible for providing oversight and establishing a framework to monitor and manage all risk matters. Additionally, CSAML benefits from CS group expertise in four primary risk departments:

- Fiduciary Risk Management ('FRM') is responsible for treating clients with a prudent standard of care when acting in a fiduciary capacity as trustee, portfolio manager or investment advisor. FRM monitors investment performance, measures risks across discretionary client portfolios, and provides oversight on investment risk limits and collateral.
- Operational Risk Management ('ORM') is responsible for establishing a framework for managing operational risks, including ensuring that operational risk policies are consistently implemented and helping to understand, assess, and mitigate operational risks.
- Enterprise Risk Management ('ERM') is responsible for the identification, measurement and management of all risks within the entity. ERM further supports the entity by building and implementing stress test models.

Risk management framework

Credit Suisse's risk framework, as per established best practice, utilises three lines of defence to ensure that risks are identified, assessed, escalated and managed in a controlled and effective manner.

First Line Risk Owner	Responsible for risk identification and management on a front-to-back basis, including design, operation and testing of controls required to comply with risk appetite and policies.
Second Line Independent Risk Control	Responsible for establishing risk management standards and providing advice and independent challenge of activities, processes and controls carried out by the first line.
Third Line Independent Assurance	Responsible for providing independent assurance about the adequacy of the overall risk control framework directly to the Audit Committee.

The three lines of defence model is designed to provide multiple opportunities to address risks before they become issues or incidents. Although each line is defined separately and has its own responsibilities, in practice they are required to work in co-operation to ensure that risks are addressed at the correct level.

First line of defence: embedded business level controls

Primary risk ownership resides with the business. The first line of defence is responsible for identification and management of risk, ensuring a strong control environment is in place, for the monitoring and reporting of risk profile and for ensuring compliance with established risk appetite and all associated policies, standards and guidelines. CSAML's management continually monitors and manages the levels of exposure to ensure that risk and return are balanced.

Management has designed and implemented an effective supervisory structure and related risk and control functions to mitigate risk at the first line of defence. A monthly ORCC has been established and a set of Risk Metrics are discussed at this meeting.

The ORCC's responsibility is to provide information collation and advisory support for the governance and oversight structure of CSAML, to review and assess the control framework from both effectiveness as well as an efficiency perspective, and to assist in the preparation of the annual CSAML RCSA.

Second line of defence: independent risk and compliance functions

The Second Line of Defence sets risk boundaries for the business, drafts and implements policies and procedures and provides oversight of risks and governance across the risk management framework. The CRO is responsible for adherence to risk appetites, advises the business on inherent risks in relation to the risk appetite and ensures that a prudent and risk-aware culture is embedded in the firm.

The CS Compliance department provides a risk-based monitoring programme to determine whether regulatory controls are operating effectively and regulatory requirements have been complied with. Monitoring activities are determined according to the assessment of regulatory risk in each area of CSAML. The Compliance department provide updates to the Board of Directors and senior management as required.

The CS Operational Risk Management department provides robust, independent assessment and active challenge on operational risks, processes and controls generated by the first line. Operational Risk Management conducts oversight and challenge on the basis of the first line's implementation of the CS Group's Enterprise Risk Control Framework (ERCF), which provides a systematic approach to operational risk management, including conduct risk elements.

Additionally, further support such as Legal, Finance, Fiduciary Risk, Product Control and Operations within the CS Group provides independent review and challenge as part of their day-to day operations.

Third line of defence: group internal audit function

The CS Internal Audit department plays a vital role in evaluating the effectiveness of internal controls related to the Company. Control assessments performed are risk-based and process-oriented, generally covering front-to-back business flows with consideration of all relevant financial, operational and technology risks.

Internal Audit's mission is to help the Group deliver on its promises by:

- Understanding Group strategy and business objectives in an evolving industry and regulatory environment, focusing work on the highest risks;
- Using their judgement to apply the right mix of control, business and technical skills to provide reliable independent assurance and advice;
- Applying current industry knowledge, technical expertise and commercial awareness to challenge the business and share best practices;
- Anticipating the changing needs and circumstances of the Group and adapting their approach accordingly;
- Providing a supportive, learning-focused environment that allows people to realize their potential across the Group; and
- To establish confidence that the Group can rely on its control framework and it can achieve its objectives.

Credit risk

Overview

The group has adopted the Standardised Approach to risk weights for the purposes of calculating Pillar 1 credit risk capital requirements. Under this approach, ratings published by External Credit Assessment Institutions ('ECAIs') are mapped to Credit Quality Steps ('CQS') according to mapping tables laid down by the European Banking Authority ('EBA'). The CQS value is then mapped to a risk weight percentage.

No credit risk mitigation ('CRM') techniques are applied, and no exposures are covered by funded or unfunded credit protection. Accordingly, the group is not exposed to wrong-way risk.

Credit exposures, RWAs and capital requirements

The following tables represent analyses of exposures, RWAs and capital requirements:

Credit exposures and RWAs by exposure classes (£000s)

2017	Exposure at default		RWAs		Capital requirement
	Average for year	Year-end exposure	Average for year	Year-end	Year-end
<i>Standardised Approach</i>					
Central governments and central banks	3,974	4,104	-	-	-
Institutions	218,665	210,608	116,871	114,533	9,163
Units or shares in collective investment undertakings	31,836	851	31,835	851	67
Other items	16,251	12,290	23,064	19,422	1,554
Securitisation positions	98,887	110,908	194,682	217,613	17,409
Total Standardised Approach	369,612	338,761	366,452	352,419	28,193

Credit exposures - analysed by geographical region (£000s)

As at 31 December 2017	UK	Europe	Americas	Asia Pacific	Total
<i>Standardised Approach</i>					
Central governments and central banks	4,104	-	-	-	4,104
Institutions	873	194,844	14,884	7	210,608
Units or shares in collective investment undertakings	-	851	-	-	851
Other items	12,290	-	-	-	12,290
Securitisation positions	-	92,254	18,654	-	110,908
Total Standardised Approach	17,267	287,949	33,538	7	338,761

Credit exposures - analysed by industry (£000s)

As at 31 December 2017

Credit exposures by regulatory approach:	Financial	Commercial	Consumer	Public Authorities	Total
<i>Standardised Approach</i>					
Central governments and central banks	-	-	-	4,104	4,104
Institutions	210,608	-	-	-	210,608
Units or shares in collective investment undertakings	851	-	-	-	851
Other items	7,536	-	-	4,754	12,290
Securitisation positions	110,908	-	-	-	110,908
Total Standardised Approach	329,903	-	-	8,858	338,761

Credit exposures - analysed by residual maturity (£000s)

As at 31 December 2017

Credit exposures by regulatory approach:	<= 1 year	>1 year <= 5 years	> 5 years	Total
<i>Standardised Approach</i>				
Central governments and central banks	4,104	-	-	4,104
Institutions	210,608	-	-	210,608
Units or shares in collective investment undertakings	851	-	-	851
Other items	12,290	-	-	12,290
Securitisation positions	-	13,928	96,908	110,908
Total Standardised Approach	227,853	13,928	96,908	338,761

Impaired loans, charges and write-offs

The group had no impaired loans, charges or write-offs during the year. The group's accounting policies relating to impairment described in the 'Significant Accounting Policies' Note of the CSAMH 2017 Annual Report.

Effect of a credit rating downgrade

CSAMH itself is not a rated entity. CSAMH relies on other companies in the CS group for funding and capital, and therefore would be affected by any change to the ratings of those companies. The impact of downgrades of the CS group long-term debt ratings is considered in the stress assumptions used to determine CSAMH's internal capital assessment and would not be material to the CSAMH's capital and funding needs.

Credit quality step analysis of post-CRM exposure and capital deductions under the Standardised Approach (£000s)

As at 31 December 2017

	Credit quality step						Unrated	Total	Deduction from capital resources
	1	2	3	4	5	6			
<i>Standardised Approach</i>									
Central governments and central banks	4,104	-	-	-	-	-	-	4,104	-
Institutions	-	192,150	-	-	-	-	18,458	210,608	-
Units or shares in collective investment undertakings	-	-	-	-	-	-	851	851	-
Other items	-	-	-	-	-	-	12,290	12,290	-
Securitisation positions	77,834	7,266	5,324	6,995	1,998	-	11,490	110,908	-
Total	81,938	199,416	5,324	6,995	1,998	-	43,089	338,761	-

No credit risk mitigation is applied, and accordingly the pre- and post-CRM exposure values are equal.

Securitisation

Overview

A securitisation is defined as a transaction or scheme where the payments are dependent upon the performance of a single exposure or pool of exposures and where the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme.

Objectives in relation to securitisation activity and CSAMH's role

The group's exposure to securitisation positions is related to CSAML's appointment as an Investment Manager of collateralised loan obligations ('CLOs') and the requirement to comply with the EU risk retention obligations which do not permit credit risk mitigation of these positions. The key risks retained are related to the performance of the underlying assets and all retained positions are held in the Banking Book. The exposures are valued and reported monthly for each CLO falling under the retention requirements, with the positions defined into classes and denoting the initial credit rating from Moody's and Fitch.

Management of credit risk

CLO instruments operate within the thresholds as defined in the risk appetite statement set by the Board. For additional governance, new CLO launches will require review and approval by the FCRC and notification to the Board. Risk Retention positions are reported each month at the relevant committees as well as quarterly at the Board.

Accounting policies

The group's accounting policy with respect to special purpose entities is described in the 'Significant Accounting Policies' Note of the CSAML 2017 Annual Report. Further information on the interest in other entities is disclosed in the 'Disclosures of interest in other entities' Note.

The accounting policy with respect to valuation of securitisation positions is described in the Financial Instruments Note of the CSAMH 2017 Annual Report.

The policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support for securitised assets follow the same policies as for other provisions and financial guarantees. These policies are described in the Significant Accounting Policies Note of the CSAMH 2017 Annual Report.

Banking Book securitisation positions

These positions are regulator-imposed investment manager retention requirements. The group has no Trading Book securitisation positions. Exposure to securitisations increased versus 2016 in line with regulatory retention requirements for new CLO funds launched during 2017.

The following tables detail the amount of exposures securitised by the group and which were outstanding at 31 December 2017 and securitisation positions held at that date:

Outstanding exposures securitised - Banking Book (£000s)

As at 31 December 2017				
	Sponsor	Other role		Total
		Traditional	Synthetic	
Loans to corporates or SMEs	110,908	-	-	110,908
Total	110,908	-	-	110,908

Securitisation exposures purchased or retained - Banking Book (£000s)

As at 31 December 2017		
	Banking Book	
	Traditional	Synthetic
Loans to corporates or SMEs	110,908	-
Total	110,908	-

Regulatory approach – Banking Book

For the retained securitisation positions in the Banking Book, RWAs are calculated under the Standardised Approach:

Securitisation and re-securitisation exposures by regulatory capital approach – Banking Book (£000s)

As at 31 December 2017						
	Securitisation exposure		Re-securitisation exposure			Total
	EAD - purchased or retained	RWAs	EAD - purchased or retained	RWAs	EAD - purchased or retained	RWAs
Standardised Approach	110,908	217,613	-	-	110,908	217,613
Total	110,908	217,613	-	-	110,908	217,613

Certain securitisation positions, those with a Credit Quality Step of 5 and those that are unrated, have been risk weighted at 1,250%. The total exposure value of these positions is equal to £13.5m with a total RWA of £168.7m.

Securitized Banking Book Exposures – losses, impaired and past due assets

There were no losses related to securitisations during the period, nor were there any past due or impaired Banking Book assets at 31 December 2017.

Asset encumbrance

Overview

The group does undertake transactions which involve the encumbrance of assets.

Assets - encumbered and unencumbered asset analysis (£000s)

As at 31 December 2017

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets	Total asset carrying amount	Total fair value of assets
<i>Assets</i>						
Loans on demand	-	-	192,119	-	192,119	-
Equity instruments	-	-	851	851	851	851
Debt securities	-	-	110,915	110,915	110,915	110,915
Loans and advances other than loans on demand	-	-	-	-	-	-
Other assets	-	-	34,883	-	34,883	-
Total assets	-	-	338,767	111,765	338,767	111,765

Appendix 1: Credit Suisse Asset Management Limited

Overview

CSAML is a wholly-owned subsidiary of CSAMH. As a significant subsidiary of the CSAMH group, certain additional disclosures in respect of CSAML are reported in this Appendix.

Capital resources and capital requirements

An analysis of 2017 'own funds' (as calculated under CRD IV) and total equity from CSAML's 2017 Statement of Financial Position is presented as follows:

Capital composition (£000s)

As at 31 December	2017	2017		2016
	Own funds	Statement of Financial Position	Difference	Own funds
	(a)	(b)	(a) - (b)	
Tier 1 (and CET1) capital				
Ordinary shares	45,020	45,020	0	45,020
Capital contribution reserve	57,243	57,243	0	57,243
Share premium	20,989	20,989	0	20,989
Retained earnings	17,401	17,401	0	(82)
Tier 1 (and CET1) capital	140,653	140,653	0	123,170
Total capital	140,653	140,653	0	123,170

Capital ratios

The CSAML's key capital adequacy ratios are detailed in the following table:

As at 31 December	2017	2016
Common Equity Tier 1	41.3%	47.6%
Tier 1	41.3%	47.6%
Total Capital	41.3%	47.6%

Capital requirements and RWAs are set out below:

RWAs and capital requirements (£000s)

As at 31 December	2017	2017	2016	2016
	RWAs	Capital Requirement	RWAs	Capital Requirement
Credit risk				
<i>Standardised Approach</i>				
Institutions	103,295	8,264	77,354	6,188
Units or shares in collective investment undertakings	851	68	-	-
Other items	11,542	923	9,087	727
Securitisation positions	217,613	17,409	166,051	13,284
(i) Total credit risk	333,301	26,664	252,492	20,199
Market risk				
<i>Standard Rules</i>				
Foreign exchange (Banking Book)	7,008	561	6,380	510
(ii) Total market risk	7,008	561	6,380	510
(iii) Total credit and market risk ((i) + (ii))	340,309	27,225	258,872	20,710
Other risks				
Fixed Overhead Requirement	49,862	3,989	98,939	7,915
(iv) Total other risks	49,862	3,989	98,939	7,915
Pillar 1 RWA and capital requirements (higher of (iii) or (iv))	340,309	27,225	258,872	20,710

Appendix 2: Key risks, risk mitigation and core metrics

As at 31 December 2017

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Operational Risk	Risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.	<ul style="list-style-type: none"> Business areas take responsibility for their operational risk management and are supported by operational risk teams who are responsible for the implementation of the CS Group Operational Risk Management Framework, methodologies and reporting. CS group-wide tools are employed including risk appetite statements, reporting of 'top' operational risks; utilizing operational risk registers; risk and control indicators; risk and control self-assessments; analysis of internal operational risk incident data; review of external loss events. Internal Audit performs regular reviews and operates as an independent check on the effectiveness of internal controls. External auditors provide additional feedback on the control environment and the overall effectiveness of the operational risk management framework. 	<ul style="list-style-type: none"> Annual cumulative Operational Risk events Expected and unexpected losses Key man risks IT risks "Best execution" policy Tasks past due Outsourcing reviews Breaches of third-party and outsourcing agreements
Credit Risk	Credit risk is the risk of default on a debt that may arise from a borrower failing to make required obligations. This can lead to risk of fallings in earnings, and potential solvency.	<ul style="list-style-type: none"> Credit risk arises on fees receivable from third parties and other Credit Suisse group companies. Fees are accrued and billed in-line with the Investment Management Agreement. CSAML invests in CLO funds for which the CSAML Credit Investments Group is the investment manager, in line with regulatory minimum risk retention requirements relating to securitisations. Excess capital is invested with other Credit Suisse group companies. 	<ul style="list-style-type: none"> RWA/Capital Aggregate Concentration by Issuer Aggregate Concentration by Industry Sector Credit ratings of the aggregate portfolio

Pillar 3 Disclosures 2017

As at 31 December 2017

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Market Risk	Risk on earnings or capital resulting from changes in market conditions, such as interest rates, currency fluctuations and market volatility.	<ul style="list-style-type: none"> Regulatory capital requirement thresholds in place to monitor market risk exposure. 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. A Foreign Currency Exposure Management process. 	<ul style="list-style-type: none"> FX risk regulatory capital requirements CS employee share plan volatility Monthly Valuation reporting Monthly price testing Aggregate mark-to-market on CLO book for CSAML
Tax, Legal and Regulatory Risk	Risk of a change in regulations and law that might affect an industry or a business.	<ul style="list-style-type: none"> Compliance standards are monitored and communicated with regular mandatory training completed by all staff on a range of compliance issues. The approval process for new business activity assesses proposed projects to ensure compliance with all applicable rules and regulations, requiring multi-level approval before a new product or business process is launched. Completion of 'know your client' and anti-money laundering checks and controls when onboarding a new client. Systems and controls to ensure that all employees adhere to local rules and regulations and the second line of defence monitors compliance with those rules, escalating breaches to senior management. 	<ul style="list-style-type: none"> Internal or external audit findings Breaches of market abuse policy Breaches of cross-border policy Regulatory breaches or fines Client money breaches New business conditions overdue & Post Implementation Reviews Monitoring of metrics on annual compliance training requirements. Post-implementation reviews conducted for new business initiatives. Completion of annual compliance reviews

Pillar 3 Disclosures 2017

As at 31 December 2017

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Conduct Risk	<p>The risk that the conduct of Credit Suisse, its employees, associates or representatives gives rise to:</p> <ul style="list-style-type: none">• financial or non-financial detriment to clients, customers, or counterparties, whether dealt with directly or via third parties• damage to the integrity of the financial markets• ineffective competition in the markets in which Credit Suisse participates• Non-compliance with the law or the requirements and expectations of regulators, shareholders or other relevant stakeholders (eg. Government bodies and tax authorities)	<ul style="list-style-type: none">• The Operational Risk and Compliance Committee considers the effectiveness of the conduct risk framework and challenges business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk.• Conduct Risk mitigation is embedded in the daily activities including training, review of supervisory Management Information, consideration of conduct risk in risk and control self assessments and disciplinary procedures.• Limit and control risk of adverse outcomes through policies, procedures and training.	<ul style="list-style-type: none">• Block leave breaches• Personal Account Trading breaches• Staff sanctions due to inappropriate communication• Mandatory training not completed

Pillar 3 Disclosures 2017

As at 31 December 2017

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Fiduciary Risk	Add Fiduciary risk is the risk of financial loss arising when the entity or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a product-related market, credit, liquidity and operational risk perspective.	<ul style="list-style-type: none"> • Fee structure: fees are designed to help align the interests of the investor and manager while discouraging excessive risk taking. • Limit and control risk of adverse outcomes through policies, procedures and training • Monitoring of adherence to investment guidelines and the Fiduciary & Credit Committee governance 	<ul style="list-style-type: none"> • Investment guidelines • Par value test • Interest coverage test • Individual portfolio management performance
Strategic Risk	Risk defined as the uncertainties and unrealized opportunities embedded in an entity's strategic intent, and how well they are executed. Strategic risk may arise from making poor business decisions or from substandard execution of decisions, inadequate resources, or from changes in the business environment.	<ul style="list-style-type: none"> • Identifying, mitigating and systematically managing the risks to our strategic objectives in an integrated and comprehensive manner. • Avoiding risk does not advance the strategy; but, proactive risk management can reduce the barriers that would otherwise prevent achievement of strategic objectives. 	<ul style="list-style-type: none"> • Earnings at risk • Earnings at risk • Assets at risk • Cost: Income ratio • Stress • CLO regulatory requirements for CSAML

Pillar 3 Disclosures 2017

As at 31 December 2017

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Shared Service (Group) Risk	Risk that key support services for the entity which do not sit within its legal entity. This risk arises from the entity having no control over resourcing of the functions or the expertise of the individuals employed into the teams.	<ul style="list-style-type: none"> Minimize the residual risk using robust controls and processes, including formal service level agreements (SLAs). Where SLAs are not in place, we strive to implement them in a reasonable timeframe. 	<ul style="list-style-type: none"> Number of material SLA breaches
Financial Crime Risk	Risk as economically motivated criminal actions defined against statutory rules & legislation. Types of financial crime include money laundering, terrorist financing, breach of economic sanctions, bribery and corruption.	<ul style="list-style-type: none"> Financial Crime control framework designed to implement a risk based approach wherein more resource and scrutiny is applied to higher risk business relationships and clients. The objective is to minimise the residual risk. There is a zero tolerance approach to knowingly breaching legal or regulatory requirements or financial crime related entity policies but it is expected that unforeseen and non-systemic breaches of regulatory requirements may occur. Aim to conduct business in accordance with the values and ethics that Credit Suisse Group has adopted, and in compliance with applicable laws, rules and standards. 	<ul style="list-style-type: none"> Investigations and surveillance: Sanctions, Suspicious Activity Report and Know Your Client reviews for high risk clients Financial crime breaches Cyber security breaches Anti-corruption: Gifts & Entertainment instances above policy thresholds Anti-fraud: Staff vetting and training
Liquidity Risk	Risk to earnings, capital or the conduct of business arising from the inability to meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the entity due to inability to access proper funding.	<ul style="list-style-type: none"> Given CSAML does not maintain significant assets, market positions (other than risk retention CLOs) in any securities and do not have contractual obligations beyond fee receivables and normal costs of doing business for the entity, liquidity risk is minimised by ensuring that liquid assets and receivables are always greater than our payables over a 30 day period. Receivables for QSAM are always greater than the payables. 	<ul style="list-style-type: none"> Counterbalancing capacity Net cash position

Pillar 3 Disclosures 2017

As at 31 December 2017

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Reputational risk	Risk of the possible loss of the organization's reputational capital, or risk of loss resulting from damages to an entity reputation, in lost revenue, increased operating, capital or regulatory costs	<ul style="list-style-type: none">• Where the presence of factors gives rise to potential reputational risk for CS Group, the relevant business proposal is required to be submitted to CS Group's Reputational Risk Review Process.• Vetting of the proposal by senior business management, and its subsequent referral to one of CS Group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS Group's participation	<ul style="list-style-type: none">• New business risks and conditions
Pension Risk	Risk to an entity caused by its contractual or other liabilities to or with respect to a pension scheme, whether established for its employees or those of a related company, or otherwise.	<ul style="list-style-type: none">• Pension Risk is a contingent liability arising from a Defined Benefits scheme (now closed). As the scheme is closed, the residual risk obligations are managed by the trustees, and sponsored by CSSEL, who act on the behalf of the entity. However, as we continue to have a death in service risk which is insurable, but not for spouse and family members, we would be obliged to pay sums for death of all employees affected.	

Appendix 3: Directorships

CSAMH's Board Members hold the following number of directorships as at 20 April 2018:

CSAMH Directorships

	Total
T Cherrington	2
S Foster	31

CSAML's Board Members hold the following number of directorships as at 20 April 2018:

CSAML Directorships

	Total
T Cherrington	2
S Foster	31
A Henderson	2
R Lister	3
M Murphy	2
M Sullivan	3

Appendix 4: List of abbreviations and glossary

Term	Definition
A	
ALM	<i>Asset and liability management.</i>
AM	<i>Asset management.</i>
AT1	<i>Additional Tier 1 capital: a form of capital eligible for inclusion in Tier 1, but outside the definition of CET1.</i>
ATS	<i>Audit tracking system.</i>
AuM	<i>Assets under management.</i>
B	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
C	
CCB	<i>Countercyclical capital buffer: prescribed under Basel III and CRDIV and aims to ensure that capital requirements mitigate potential future losses arising from excess credit growth and hence increased system-wide risk.</i>
CCR	<i>Counterparty credit risk.</i>
CET1	<i>Common Equity Tier 1: the highest quality level of regulatory capital prescribed under Basel III (and by CRD IV in the EU).</i>
CET 1 ratio	CET1 expressed as a percentage of RWAs.
CIG	<i>Credit Investment Group: a CSAML line of business.</i>
CLO	<i>Collateralised loan obligation.</i>
CQS	<i>Credit quality step: a supervisory credit quality assessment scale, based on the credit ratings of ECAIs, and used to assign risk weights under the Standardised Approach.</i>
CRD IV	EU legislative package implementing Basel III in the EU.
CRR	<i>Capital Requirements Regulation: EU legislation implementing Basel III in the EU</i>
E	
ECAI	<i>External Credit Assessment Institutions.</i>
F	
FCA	<i>Financial Conduct Authority.</i>
I	
ICAAP	<i>Internal capital adequacy assessment process: a risk-based assessment of the level of regulatory capital to be held by a bank or firm. This may exceed the Pillar 1 capital requirement.</i>
IFRS	<i>International Financial Reporting Standards.</i>
ILS	<i>Insurance-linked Strategies: a CSAML line of business.</i>
ISDA	<i>International Swaps and Derivatives Association.</i>
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.
M	
Master netting agreement	An agreement between two counterparties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on, or termination of any one contract.
MICOS	An internal system used to track the progress of regular control activities that CSAML performs.
P	
PFG	<i>Private Fund Group: a CSAML line of business.</i>
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRDIV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRDIV prescribed capital, risk and remuneration disclosure requirements.
R	
RCSA	<i>Risk and control self-assessment.</i>

Term	Definition
RWA	<i>Risk-weighted asset</i> : derived by assigning risk weights to an exposure value.
S	
SRB	<i>Systemic risk buffer</i> : a capital buffer under CRDIV deployed by EU member states to reduce build-up of macro-prudential risk.
T	
Tier 1 capital	A component of regulatory capital, comprising CET1 and AT1 capital.
Tier 1 capital ratio	The ratio of Tier 1 capital to total RWAs.
Tier 2 capital	A lower quality of capital (with respect to 'loss absorbency') also known as 'gone concern' capital.
V	
VaR	<i>Value-at-risk</i> : loss estimate from adverse market movements over a specified time horizon and confidence level.



This page is intentionally left blank

DRAFT

Cautionary statement regarding forward-looking information

Pillar 3 disclosures contain statements that constitute forward-looking statements. In addition, in the future Credit Suisse may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- plans, objectives or goals;
- future economic performance or prospects;
- the potential effect on future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Credit Suisse does not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market and interest rate fluctuations and interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which Credit Suisse conducts operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries in 2017 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
- the ability of counterparties to meet their obligations to Credit Suisse;
- the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations; political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalisation or confiscation of assets in countries in which Credit Suisse conducts operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- actions taken by regulators with respect to business and practices in one or more of the countries in which Credit Suisse conducts operations;
- the effects of changes in laws, regulations or accounting policies or practices;
- competition in geographic and business areas in which Credit Suisse conducts operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain Credit Suisse’s reputation and promote its brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation and other contingencies;
- the ability to achieve cost efficiency goals and cost targets; and
- Credit Suisse’s success at managing the risks involved in the foregoing.

The foregoing list of important factors is not exclusive.



**CREDIT SUISSE ASSET MANAGEMENT
(UK) HOLDING LIMITED**

One Cabot Square
London E14 4QJ

credit-suisse.com

This communication is for informational purposes only. It is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial instrument. All market data and other information are not warranted. Please contact the offices listed in this communication for further information.
© 2018 CREDIT SUISSE GROUP AG and/or its affiliates. All rights reserved.