

Credit Suisse Asset Management Limited

# Basel III Pillar 3 Disclosures 2014

(incorporating Credit Suisse Asset Management (UK) Holding Limited)

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## Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse Asset Management Limited ('CSAM' or 'the Firm') as at 31 December 2014. It should be read in conjunction with CSAM's 2014 Annual Report which will be available from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

The Basel II Framework was updated by the introduction of Basel III and the amended regime was implemented in the EU from 1 January 2014 by means of a Directive and a Regulation, collectively known as 'CRDIV'. 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.

CSAM is authorised and regulated by the Financial Conduct Authority ('FCA').

### **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 IFRS, and accordingly, certain information in the Pillar 3 disclosures may not be directly comparable.

As noted, CRDIV was implemented from 1 January 2014, so any prior year (2013) comparatives provided were prepared under the previous Basel II regime and this is indicated where applicable.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSAM's external auditors. However, it includes information that is contained within the audited financial statements as reported in the 2014 Annual Report.

### **Basis of consolidation**

CSAM has no subsidiaries and is a directly wholly-owned subsidiary of Credit Suisse Asset Management (UK) Holding Limited ('CSAM (UK) Holding'). The CSAM (UK) Holding group is subject to consolidated regulatory supervision by the FCA.

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

### **Restrictions on transfer of funds or regulatory capital within the CSAM (UK) Holding group**

In general, the restrictions around the repayment of liabilities and transfer of regulatory capital within the CSAM (UK) Holding 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 Article 450 can be found in a separate document ('Pillar 3 – UK Remuneration Disclosures 2014') on the Credit Suisse website at: [www.credit-suisse.com](http://www.credit-suisse.com)

### **Other disclosures**

The CRR provisions relating to leverage and asset encumbrance do not apply to CSAM and, accordingly, no Article 451 and Article 443 disclosures in respect of these are presented.

## Capital management

### Overview

The Credit Suisse group ('CS group') considers a strong and efficient capital position to be a priority. Consistent with this, CSAM 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. CS group continues to provide confirmation that it will ensure that CSAM 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 CSAM, taking into account the 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 Internal Capital Adequacy Assessment Process ('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 reviewed by CSAM's Board of Directors. The ICAAP then forms the basis for any SREP ('Supervisory Review and Evaluation Process') review that the FCA conducts when assessing a firm's level of regulatory capital.

### Own funds

Article 437 of the CRR requires disclosure of the main features of any Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Tier 2 instruments that make up a firm's regulatory own funds ('capital resources'). However, neither CSAM nor CSAM (UK) Holding have issued any AT1 or Tier 2 capital instruments.

CSAM's CET1 capital comprises ordinary shares. The Ordinary Shares carry voting rights but do not carry the right to receive dividends.

CSAM's Pillar 1 variable capital requirement is calculated (as a '€125K IFPRU Limited Licence Investment Firm'), as the higher of:

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

A summary of CSAM's own funds, together with a comparison to its 2014 Statement of Financial Position, is shown below. There were no differences between own funds and IFRS total equity as at 31 December 2014.

<b>Capital composition (£000s)</b>			
As at 31 December	2014	2014	2013
	Own funds (under CRD IV)	Statement of Financial Position	Own funds (under Basel II)
<b>Tier 1 (and CET1) capital</b>			
Ordinary shares	45,020	45,020	45,020
Capital contribution reserve	57,243	57,243	57,243
Share premium	20,989	20,989	20,989
Retained earnings	(9,912)	(9,912)	(20,878)
<b>Total Tier 1 (and CET1) capital</b>	<b>113,340</b>	<b>113,340</b>	<b>102,374</b>
<b>Total capital ('own funds')</b>	<b>113,340</b>	<b>113,340</b>	<b>102,374</b>

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

<b>Capital ratios</b>		
As at 31 December	2014	2013
	(under CRDIV)	(under Basel II)
Common Equity Tier 1	63.0%	N/A
Tier 1	63.0%	43.9%
Total Capital	63.0%	43.9%

### Risk-weighted assets and capital requirements

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

<b>RWAs and capital requirements (£000s)</b>				
As at 31 December	2014	2014	2013	2013
	RWAs (under CRDIV)	Capital Requirement (under CRDIV)	RWAs (under Basel II)	Capital Requirement (under Basel II)
<b>Credit risk</b>				
<i>Standardised Approach</i>				
Central governments or central banks	1,554	124	2,714	217
Institutions	148,534	11,883	121,572	9,726
Other items	5,075	406	4,751	380
Securitisation positions	24,262	1,941	0	0
<b>(i) Total credit risk</b>	<b>179,425</b>	<b>14,354</b>	<b>129,037</b>	<b>10,323</b>
<b>Market risk</b>				
<i>PRA Standard Rules</i>				
Foreign exchange (Banking Book)	582	47	104,250	8,340
<b>(ii) Total market risk</b>	<b>582</b>	<b>47</b>	<b>104,250</b>	<b>8,340</b>
<b>(iii) Total credit and market risk ((i) + (ii))</b>	<b>180,007</b>	<b>14,401</b>	<b>233,287</b>	<b>18,663</b>
<b>Other risks</b>				
Fixed Overhead Requirement	134,356	10,748	158,625	12,690
<b>(iv) Total other risks</b>	<b>134,356</b>	<b>10,748</b>	<b>158,625</b>	<b>12,690</b>
<b>Pillar 1 RWA and capital requirements (higher of (iii) or (iv))</b>	<b>180,007</b>	<b>14,401</b>	<b>233,287</b>	<b>18,663</b>

### Countercyclical capital buffer ('CCB')

The Financial Policy Committee ('FPC') of the Bank of England is responsible for setting the UK CCB rate ie. the CCB rate that applies to UK exposures of banks, building societies and large investment firms incorporated in the UK. In setting the CCB, the FPC considers a number of core indicators such as credit to GDP ratios. CRDIV, as implemented in the UK, includes a transitional period, during which the FPC is responsible for deciding whether CCB rates set by EEA States should be recognised and for taking certain decisions about third country rates, including whether a higher rate should be set for the purposes of UK institutions calculating their CCBs.

CCBs can be applied at a CS group, sub-consolidated or legal entity basis. CRDIV also includes the potential for a Systemic Risk Buffer ('SRB') which could be similarly applied.

No CCB or SRB rates have been set for 2014.

## Risk management

### Overview

CSAM's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an integral role in CSAM's business planning process and is strongly supported by its Board of Directors and senior management. The primary objectives of risk management are to protect CSAM's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value. CSAM receives support in all its risk management activities from the Chief Risk Officer Division of CS group as a shared service, allowing the business to benefit from the expertise and infrastructure of the CS Group Risk Management organisation. CSAM operates within the parameters set down by CS group through its governance structure and policies.

### Business overview

CSAM currently has three primary businesses:

- **Credit Suisse's 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.
- **The Credit Investment Group ('CIG')**: manages, on a discretionary basis, funds and mandates that invest primarily in non-investment grade credit strategies.
- **Insurance-linked strategies ('ILS')**: involve a role reversal between investors and insurers. Investors take on the insurance company role, covering risks and receiving premiums in return. Insurance companies take on the role of the policyholder by assigning risks to investors and paying them premiums. ILS products have little or no correlation to the financial markets and enable efficient diversification of an investor's portfolio.

### Key risks

CSAM has implemented risk management processes and control systems to limit the impact of adverse impacts by monitoring all relevant key risks including operational, investment, regulatory and key person.

CSAM neither trades on its own account nor takes proprietary market risk positions (with the exception of regulator-imposed investment manager retention requirements within its CIG business), although market risk can impact the value of advisory or managed assets which form the basis for the calculation of CSAM's management and investment management fees receivable.

Credit risk only arises in respect of management fees receivable from third party clients or other CS group entities.

These and other key risks (and their mitigation) are further considered in Appendix 2 as well as in CSAM's 2014 Annual Report, Note 22 - Financial Risk Management.

### Risk declaration

CSAM's Board of Directors is responsible for reviewing the effectiveness of CSAM's risk management and systems of financial and internal controls. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss. The Board of Directors considers that adequate systems and controls are in place with regard to CSAM's risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, has been established to avoid or minimise loss.

Details of directorships held by Board Members as well as disclosures required under Article 435 (2) (a) – (d) of the CRR are provided in Appendix 3.

### CSAM's overall risk profile associated with business strategy

The CS group's Asset Management ('AM') strategy is pursued within its defined risk appetite. The Board of Directors expresses its risk appetite through a number of key tolerances which define the level of risk acceptable across key categories (as discussed in Appendix 2). Risk appetite measures are integrated into decision-making, monitoring and reporting processes, with 'early warning trigger levels' set for each risk category to identify any required corrective action before overall tolerance levels are reached.

In addition to these, CSAM defines overarching principles for its conduct behaviours, model standards and reputational risks. These principles are reviewed annually by the Board of Directors and are monitored using key risk indicators.

**Risk governance**

The prudent taking of risk in line with CSAM's strategic priorities is fundamental to its business. To meet the challenges in a dynamic industry, CSAM seeks to continuously strengthen its risk management framework, which is independent of, but closely interacts with the businesses, to ensure the appropriate flow of information.

The Board of Directors sets the overall framework for risk appetite and has delegated authority to the Risk and Executive Committees to establish more granular limits for each business within overall risk limits. CSAM's non-executive Director chairs the Risk Committee whose membership comprises Members of the Board. The purpose of the Risk Committee is to:

- ensure that proper standards for risk oversight and management are established;
- define and implement a risk appetite framework as appropriate covering key risks faced by CSAM and make recommendations to the Board of Directors on risk appetite;
- review the ICAAP and make recommendations on capital adequacy to the Board of Directors; and
- allocate risk capital where appropriate and establish risk limits as appropriate for individual businesses within authorities delegated by the Board of Directors.

**Risk organisation**

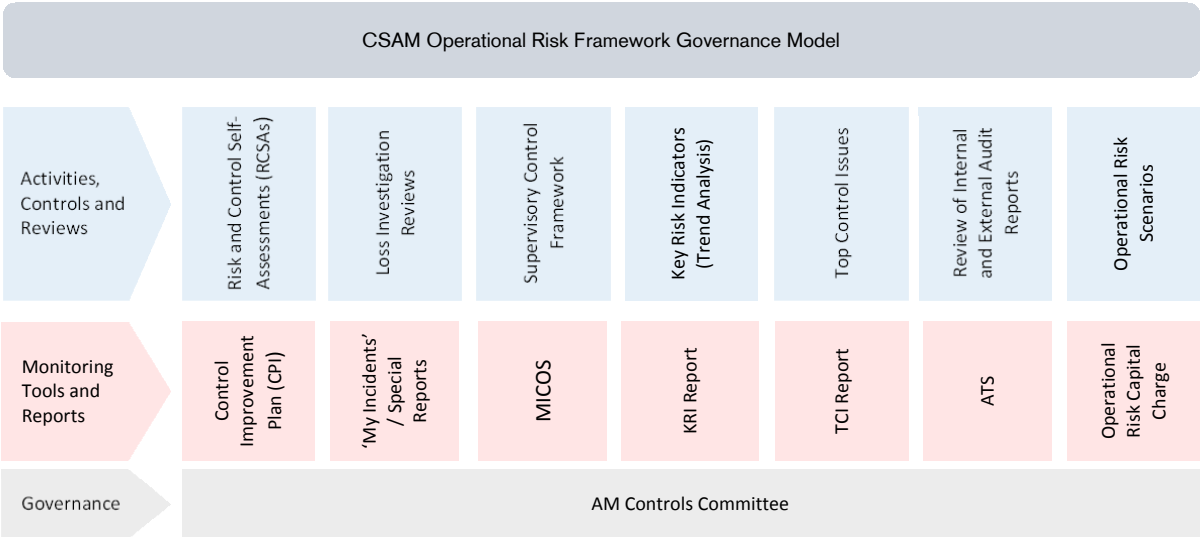
CSAM's risk management function provides independent risk oversight across all investment advisory and operational activity. CSAM's risk governance infrastructure is designed to provide transparency to portfolio managers and senior management and to monitor attributes such as country, sector and equity allocations as required against client investment mandates. Appropriate software solutions (primarily provided by third party vendors) monitor investment restrictions and performance attribution and contribution.

CSAM's internal risk management framework, including internal audit, incorporates policies and procedures to comply with internal policies and regulatory rules. Controls are in place to reasonably ensure that portfolios are traded and managed within defined risk and performance tolerances, and that portfolio guidelines are enforced. The risk management function has frequent interaction with the portfolio management team, as well as a formal monthly meeting with portfolio managers.

CSAM's Risk Committee meets quarterly and is chaired by CSAM's non-executive Director. The Executive Risk Committee, chaired by the Senior Risk Officer, meets monthly and reports to the Management Committee and the Risk Committee.

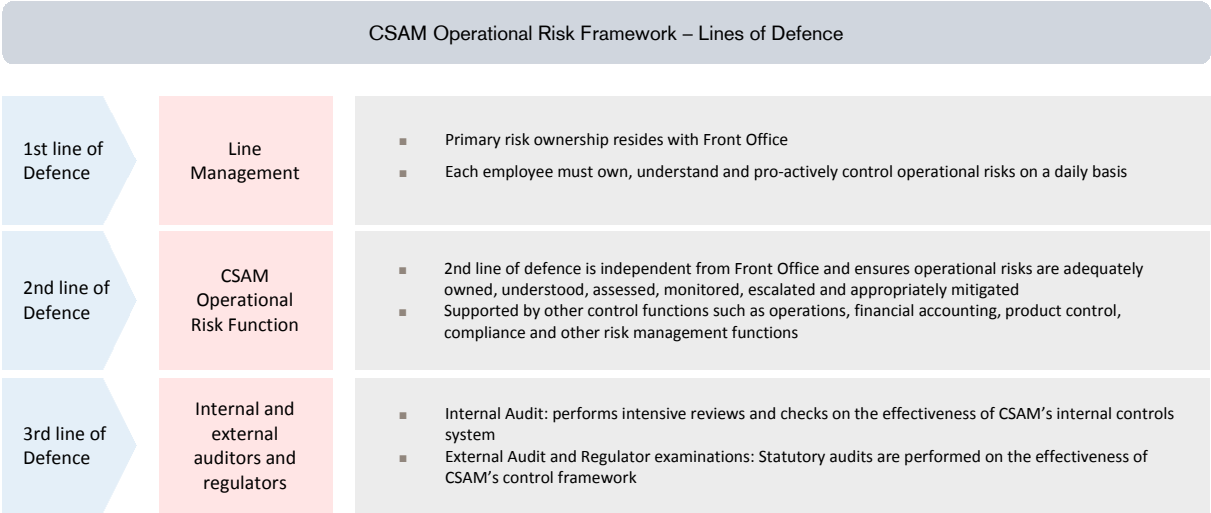
**Operational risk framework**

CSAM's Operational Risk Framework is a network of processes, procedures, reports and responsibilities that are used to monitor and manage operational risks. These include governance committees, day-to-day management practices such as the collection and analysis of loss data, strategic and cultural practices and the measurement of operational risk capital. This framework is summarised in the following chart:



**Lines of defence, roles and responsibilities**

CSAM's operational risk governance model also incorporates 'three lines of defence' as illustrated in the following diagram:



Operational risk management takes place across the organisation to employee level. It is considered most effective when operational risks are controlled by business line management, the relevant Risk Officer and Senior Management, the EMEA CEO and shared services divisions, so as to align the skill set and ownership with the risks and issues.

This primary line management responsibility is complemented by a central responsibility of designated Operational Risk functions at the divisional and CS group level and by various levels of governance committees. These responsibilities are complementary and mutually supporting within the overall Operational Risk Management Framework.

Operational risk exposures, metrics, issues and remediation efforts are reviewed by CSAM's risk management committees, whose membership reflects all the relevant functions. CSAM utilises a number of CS group tools for the management and reporting of operational risk which are discussed in Appendix 2.



CS group's Internal Audit function performs regular reviews and operates as an independent check on the effectiveness of internal controls, reporting directly to the CS group Chairman and Audit Committee. External auditors provide additional feedback on the control environment and the overall effectiveness of the operational risk framework.

#### **Fund performance – reporting and analysis**

Each AM business provides client assurance by providing relevant analysis on advisory and managed fund performance.

Risk management reports (detailing predicted tracking errors) are provided at least monthly. In addition to these reports (ex-ante tracking error reports for active risk and total value-at-risk ('VaR') reports for total risk), performance is measured on a risk-adjusted basis, at the same time checking for the actual incurred active risk:

- **risk-adjusted performance assessment:** specific analysis and reporting systems are available to portfolio managers and clients, which, for example, enable market and portfolio performance analysis, as well as risk control. The systems are flexible and, in addition to the monthly valuation reports, provide, inter alia, daily (exception reporting in which compliance with the parameters set for each client is documented), cash flow analysis, breakdown of positions, transaction reports and daily changes in value (summarised for monthly, quarterly, and yearly periods);
- **risk metrics:** covering historical simulation (method), variance/covariance method and Monte Carlo simulation;
- **parameters:** assumption that financial instruments or groups of financial instruments that are in the portfolio at the close of business will be considered special assets for a minimum of 10 business days, unilateral prediction interval with a probability of 99% and effective historical observation period of at least one year; and
- **back-testing:** AM utilises 'RiskMetrics' (industry standard). Accordingly, AM does not perform any conventional backtesting of risk data. However, the relationship between relative performance and tracking error, as well as absolute performance and VaR, are constantly monitored stress tests (market simulation): portfolios are subjected to various historical stress tests on a monthly basis and the movements in all risk factors are monitored over the corresponding period and are applied to portfolios and benchmarks. This makes it possible to make both absolute and relative conclusions on the scenario results.

## Credit risk

### Overview

CSAM 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. The ECAIs used by CSAM are Standard & Poor's and Moody's.

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

### Credit quality steps and corresponding risk weights under Standardised Approach

Credit quality step	Credit rating agency			Risk weights (%)		
	Standard and Poor's	Moody's	Fitch	Central government and central banks	Corporate	Institutions greater than 3 months maturity
1	AAA to AA-	Aaa to Aa3	AAA to AA-	0	20	20
2	A+ to A-	A1 to A3	A+ to A-	20	50	50
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	50	100	50
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	100	100	100
5	B+ to B-	B1 to B3	B+ to B-	100	150	100
6	CCC+ and below	Caa1 and below	CCC+ and below	150	150	150

### 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)

2014						
Credit exposures by regulatory approach:	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	1,978	1,554	1,978	1,554	124	
Institutions	136,305	148,534	136,305	148,534	11,883	
Securitisation positions	11,970	11,970	24,262	24,262	1,941	
Other items	3,986	3,912	4,277	5,075	406	
<b>Total Standardised Approach</b>	<b>154,239</b>	<b>165,970</b>	<b>166,822</b>	<b>179,425</b>	<b>14,354</b>	

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

As at 31 December 2014				
Credit exposures by regulatory approach:	UK	Other Europe	Americas	Total
<i>Standardised Approach</i>				
Central governments and central banks	1,554	0	0	1,554
Institutions	84	137,517	10,933	148,534
Securitisation positions	11,970	0	0	11,970
Other items	3,912	0	0	3,912
<b>Total Standardised Approach</b>	<b>17,520</b>	<b>137,517</b>	<b>10,933</b>	<b>165,970</b>

**Credit exposures - analysed by industry (£000s)**

As at 31 December 2014					
Credit exposures by regulatory approach:	Financial	Commercial	Consumer	Public Authorities	Total
<i>Standardised Approach</i>					
Central governments and central banks	0	0	0	1,554	1,554
Institutions	148,534	0	0	0	148,534
Securitisation positions	0	11,970	0	0	11,970
Other items	0	0	3,136	776	3,912
<b>Total Standardised Approach</b>	<b>148,534</b>	<b>11,970</b>	<b>3,136</b>	<b>2,330</b>	<b>165,970</b>

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

As at 31 December 2014				
Credit exposures by regulatory approach:	Up to 12 months	Greater than 5 years	Total	
<i>Standardised Approach</i>				
Central governments and central banks	1,554	0	1,554	
Institutions	148,534	0	148,534	
Securitisation positions	0	11,970	11,970	
Other items	3,912	0	3,912	
<b>Total Standardised Approach</b>	<b>154,000</b>	<b>11,970</b>	<b>165,970</b>	

**Impaired loans, charges and write-offs**

CSAM had no impaired loans, charges or write-offs during the year, hence no disclosure is made under Article 442 (g) or (h) of the CRR.

**Effect of a credit rating downgrade**

The impact of downgrades of the CS group's long-term debt ratings is considered in the stress assumptions used to determine CSAM's internal capital assessment.

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

As at 31 December 2014

	Credit quality step						Unrated	Uniform regulatory treatment	Total	Deduction from capital resources
	1	2	3	4	5	6				
<i>Standardised Approach</i>										
Central governments and central banks	0	0	0	0	0	0	1,554	0	<b>1,554</b>	0
Institutions	0	0	0	0	0	0	148,534	0	<b>148,534</b>	0
Securitisation positions	8,290	680	609	915	0	0	1,476	0	<b>11,970</b>	0
Other items	0	0	0	0	0	0	3,912	0	<b>3,912</b>	0
<b>Total</b>	<b>8,290</b>	<b>680</b>	<b>609</b>	<b>915</b>	<b>0</b>	<b>0</b>	<b>155,476</b>	<b>0</b>	<b>165,970</b>	<b>0</b>

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 CSAM's role

CSAM's exposure to securitisation positions is related to its role as a manager of collateralised loan obligations ('CLOs') and the requirement to comply with the retention obligations of the CRR 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.

### Management of credit risk

CSAM has set limits for the purpose of managing its risk appetite framework in relation to securitisations and re-securitisations. Future CLO instruments require agreement by the Board prior to launch.

### Accounting policies

CSAM's accounting policy with respect to special purpose entities is described in Note 3. 'Critical accounting estimates and judgements' on page 21 of the CSAM 2014 Annual Report.

### Banking Book securitisation positions

These positions are regulator-imposed investment manager retention requirements. CSAM has no Trading Book securitisation positions.

The following tables detail the amount of exposures securitised by CSAM and which were outstanding at 31 December 2014 and securitisation positions held at that date:

#### Outstanding exposures securitised - Banking Book (£000s)

As at 31 December 2014				
	Sponsor	Other role		Total
		Traditional	Synthetic	
Loans to corporates or SMEs	11,970	0	0	11,970
<b>Total</b>	<b>11,970</b>	<b>0</b>	<b>0</b>	<b>11,970</b>

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

As at 31 December 2014		
	Banking Book	
	Traditional	Synthetic
Loans to corporates or SMEs	11,970	0
<b>Total</b>	<b>11,970</b>	<b>0</b>

### 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 2014						
	Securitisation exposure		Re-securitisation exposure		Total	
	EAD - purchased or retained	RWAs	EAD - purchased or retained	RWAs	EAD - purchased or retained	RWAs
Standardised Approach	11,970	24,262	0	0	11,970	24,262
<b>Total</b>	<b>11,970</b>	<b>24,262</b>	<b>0</b>	<b>0</b>	<b>11,970</b>	<b>24,262</b>

### 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 2014.

## Appendix 1: Credit Suisse Asset Management (UK) Holding Limited

### Overview

CSAM is a wholly-owned subsidiary of Credit Suisse Asset Management (UK) Holding Limited ('CSAM (UK) Holding'). As the ultimate parent of a UK sub-group, CSAM (UK) Holding is the holding company of a UK regulatory consolidation group.

The CSAM (UK) Holding regulatory consolidation group comprises CSAM (UK) Holding and CSAM. As CSAM is the only regulated firm in the consolidation group (and a 'significant subsidiary'), the CSAM (UK) Holding group's capital requirements derive principally from the activity of CSAM.

Accordingly, the Pillar 3 disclosures for the CSAM (UK) Holding group are disclosed only where they differ materially from those of CSAM as at 31 December 2014. The following disclosures are therefore presented:

- capital composition;
- RWAs and corresponding capital requirements; and
- analysis credit risk exposures.

The CSAM (UK) Holding accounting consolidation group is not required to prepare audited financial statements. Therefore, the 2014 Statement of Financial Position shown in the table below is unaudited, although the CSAM contribution to capital and reserves therein is audited.

### Consolidated capital resources and capital requirements

An analysis of consolidated 2014 'own funds' (as calculated under CRDIV) and total equity from CSAM (UK) Holding group's 2014 Statement of Financial Position is presented as follows:

<b>Capital composition (£000s)</b>			
As at 31 December	2014	2014	2013
	Own funds (under CRD IV)	Statement of Financial Position	Own funds (under Basel II)
<b>Tier 1 (and CET1) capital</b>			
Ordinary shares	144,199	144,199	144,199
Share premium	23,198	23,198	23,198
Capital contribution reserve	115,455	115,455	115,455
Retained earnings	(133,742)	(133,742)	(138,786)
<b>Total Tier 1 (and CET1) capital</b>	<b>149,110</b>	<b>149,110</b>	<b>144,066</b>
<b>Total capital ('own funds')</b>	<b>149,110</b>	<b>149,110</b>	<b>144,066</b>

There was no difference between CRDIV own funds and total equity calculated under IFRS as at 31 December 2014.

### Consolidated capital ratios

The CSAM (UK) Holding group's key capital adequacy ratios are detailed in the following table:

<b>Capital ratios</b>		
As at 31 December	2014	2013
	(under CRDIV)	(under Basel II)
Common Equity Tier 1	61.1%	N/A
Tier 1	61.1%	32.1%
Total Capital	61.1%	32.1%

Consolidated capital requirements and RWAs are set out below:

<b>RWAs and capital requirements (£000s)</b>				
As at 31 December	2014	2014	2013	2013
	RWAs	Capital Requirement	RWAs	Capital Requirement
	(under CRDIV)	(under CRDIV)	(under Basel II)	(under Basel II)
<b>Credit risk</b>				
<i>Standardised Approach</i>				
Central governments or central banks	1,554	124	1,736	139
Institutions	189,372	15,150	158,321	12,666
Other items	20,568	1,645	39,468	3,157
Securitisation positions	24,262	1,941	0	0
<b>(i) Total credit risk</b>	<b>235,756</b>	<b>18,860</b>	<b>199,525</b>	<b>15,962</b>
<b>Market risk</b>				
<i>Standardised Approach</i>				
Foreign exchange (Banking Book)	8,402	672	90,838	7,267
<b>(ii) Total market risk</b>	<b>8,402</b>	<b>672</b>	<b>90,838</b>	<b>7,267</b>
<b>(iii) Total credit and market risk ((i) + (ii))</b>	<b>244,158</b>	<b>19,532</b>	<b>290,363</b>	<b>23,229</b>
<b>Other risks</b>				
Fixed Overhead Requirement	134,472	10,758	448,225	35,858
<b>(iv) Total other risks</b>	<b>134,472</b>	<b>10,758</b>	<b>448,225</b>	<b>35,858</b>
<b>Pillar 1 RWA and capital requirements (higher of (iii) or (iv))</b>	<b>244,158</b>	<b>19,532</b>	<b>448,225</b>	<b>35,858</b>

### Credit risk exposures

Credit exposures for CSAM (UK) Holding group of £213.2m as at 31 December 2014 were higher than those of CSAM (£166.0m), principally due to CSAM (UK) Holding's Banking Book exposures to other CS group legal entities.

Credit exposures are broken down in the following tables by exposure class, geographical region, industry and residual maturity:

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

As at 31 December 2014					
	Exposure at default (pre-CRM)		RWAs		Capital requirement
Credit exposures by regulatory approach:	Average for year	Year-end exposure	Average for year	Year-end	Year-end
<i>Standardised Approach</i>					
Central governments and central banks	2,366	1,554	2,366	1,554	124
Institutions	175,817	189,371	175,817	189,371	15,150
Securitisation positions	11,970	11,970	24,262	24,262	1,941
Other items	6,817	10,284	9,388	20,568	1,645
<b>Total Standardised Approach</b>	<b>196,970</b>	<b>213,179</b>	<b>211,833</b>	<b>235,755</b>	<b>18,860</b>

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

As at 31 December 2014				
Credit exposures by regulatory approach:	UK	Other Europe	Americas	Total
<i>Standardised Approach</i>				
Central governments and central banks	1,554	0	0	1,554
Institutions	128	178,357	10,887	189,371
Securitisation positions	11,970	0	0	11,970
Other items	10,284	0	0	10,284
<b>Total Standardised Approach</b>	<b>23,936</b>	<b>178,357</b>	<b>10,887</b>	<b>213,179</b>

**Credit exposures - analysed by industry (£000s)**

As at 31 December 2014					
Credit exposures by regulatory approach:	Financial	Commercial	Consumer	Public Authorities	Total
<i>Standardised Approach</i>					
Central governments and central banks	0	0	0	1,554	1,554
Institutions	189,371	0	0	0	189,371
Securitisation positions	0	11,970	0	0	11,970
Other items	0	0	3,427	6,856	10,284
<b>Total Standardised Approach</b>	<b>189,371</b>	<b>11,970</b>	<b>3,427</b>	<b>8,410</b>	<b>213,179</b>

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

As at 31 December 2014				
Credit exposures by regulatory approach:	Up to 12 months	Greater than 5 years	Total	
<i>Standardised Approach</i>				
Central governments and central banks	1,554	0	1,554	
Institutions	189,371	0	189,371	
Securitisation positions	0	11,970	11,970	
Other items	10,284	0	10,284	
<b>Total Standardised Approach</b>	<b>201,209</b>	<b>11,970</b>	<b>213,179</b>	



## Appendix 2: Key risks, risk mitigation and core metrics

As at 31 December 2014

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Settlement and counterparty risk	The risk that a business counterparty experiences a default, or is otherwise unable to honour its financial obligations under a contractual agreement.	<p>CS group policies require counterparties to be pre-approved for both settlement and counterparty risk by the Risk function. Risk also performs ongoing counterparty risk monitoring to endeavour to ensure performance by brokers and counterparties with regard to trades and transactions with clients. Exposures are monitored daily and formally reported monthly to senior management. In addition, the trading desks and the fund management companies perform additional assessments and may impose additional sets of restrictions (eg. minimum agency ratings) on brokers or counterparties.</p> <p>Counterparty risk controls over funds in Credit Suisse's European fund management companies have several levels of risk oversight. Firstly, the European fund management companies have a business risk team which ensures OTC and depository counterparties meet certain ratings (usually a credit rating higher than A-) and exposure limits (usually between 3 and 10% of funds' AuM). Additionally, the funds have investment guidelines which relate to concentration limits (ie. issuer and counterparty, usually between 5 and 10%) and are independently monitored by a CSAM unit, the Investment Guideline Monitoring team.</p> <p>CS group also has a central credit department which has a dedicated group overseeing the fiduciary risk undertaken by Asset Management (AM) managed funds and accounts. OTC counterparties are required to be approved both by the Business Risk team of the Fund Management Company as well as the AM Credit team.</p> <p>ISDAs are required to be executed before OTC trading can commence. ISDAs are negotiated between the fund and the counterparty, with terms typically including bilateral collateral agreements (CSAs) and certain on-going performance and credit-related terms and conditions for both parties.</p>	<ul style="list-style-type: none"> <li>■ Sector concentration: portfolios are monitored for concentration risk by industry sector.</li> </ul>
Investment risk	Investment risk is the risk of investment performance not meeting client investment objectives, relative to agreed benchmarks.	<p><b>Quantitative risk analysis</b></p> <p>CSAM monitors and controls both relative and absolute risks. Before an investment decision is executed, CSAM will assess the impact of the transaction on the ex-ante tracking error as well as on the value-at-risk (VaR).</p> <p>For fixed income products, CSAM will compute risk parameters for typical changes in the maturity structure of interest rates.</p>	<ul style="list-style-type: none"> <li>■ Concentration analysis.</li> <li>■ Returns versus benchmark: portfolio performance is monitored in comparison with the benchmark.</li> </ul>

As at 31 December 2014

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Investment risk (continued)		<p>In addition to quantitative analysis, credit risks associated with individual sectors, issuers, and securities are monitored. The Portfolio Management team benefits from the full resources provided by the Credit Suisse Global Credit Research function. Portfolios are diversified by sectors and issuers to minimise credit risk.</p> <p><b>Active risk analysis</b> In order to monitor portfolio risks, an expected (ex-ante) tracking error is used to assign a tracking error limit to each portfolio. The expected tracking error is then calculated weekly for individual portfolios and compared with the relevant limit, with the causes of the tracking error also monitored. Any breach of the limits triggers an escalating process of monitoring and supervision.</p> <p>The first stage requires risk management to verify that the underlying data is correct. If a tracking error limit is breached as a result of excessive risk positioning in the portfolio, the portfolio manager will be advised accordingly and appropriate action taken to restore the portfolio to an acceptable risk level.</p> <p><b>Total risk analysis</b> Clients may also require portfolio risk monitoring based on overall portfolio VaR, which is expressed either as a percentage of the portfolio or as an amount in the corresponding currency. Where total VaR is adopted, the internal control process remains as described above.</p>	
Other operational risks	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. CSAM's primary aim is the early identification, recording, assessment, monitoring, prevention and mitigation of operational risks, as well as timely and meaningful management reporting.	<p>Operational risk exposures, metrics, issues and remediation efforts are discussed at CSAM's risk management committees, which have senior representation from all relevant functions. CSAM utilises a number of CS group tools for the management and reporting of operational risk including:</p> <ul style="list-style-type: none"> <li>■ risk appetite tolerance levels, which set out senior management's expectations with respect to losses or metrics; breaches of tolerance levels are reported to senior management and may trigger mitigation actions;</li> <li>■ reporting on 'top operational risks' is used to highlight the most material risks to senior management, along with associated risk mitigation efforts;</li> <li>■ the operational risk register, which contains a catalogue of inherent operational risks arising as a consequence of CSAM activity;</li> </ul>	<ul style="list-style-type: none"> <li>■ Monthly report summary including description and analysis of any risk incidents in the period.</li> <li>■ Annual Risk and Control Self Assessment programme.</li> </ul>

As at 31 December 2014

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Other operational risks (continued)		<ul style="list-style-type: none"> <li>■ risk and control indicators, which are metrics used to monitor specified operational risks and controls over time; they may be associated with tolerance levels that define acceptable performance and provide early warning signals with regard to potential risks;</li> <li>■ risk and control self-assessments ('RCSAs'), which are comprehensive, bottom-up assessments of the key operational risks in each business; RCSAs utilise other components of the operational risk framework, such as risk and control indicators and loss data, and they evaluate the strength of mitigating controls to produce an assessment of the residual risks in each business;</li> <li>■ internal operational risk incident data, which provide information on CSAM's operational risk profile; incident investigations are carried out for material internal operational risk events, including those that did not result in economic losses; incident investigations are used to assess control failings, identify required improvements and ascertain whether events have implications for other businesses;</li> <li>■ external operational risk incident data for peer firms, which is collected to identify risks that may be potentially applicable to CSAM; and</li> <li>■ operational risk scenarios, which are used to identify and measure exposure to a range of adverse events; scenario analysis enables CSAM to assess its control environment and is a key input to internal models used to calculate economic capital.</li> </ul> <p>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 CSAM's operational risk management framework.</p>	
Credit risk	The risk that financial obligations due from counterparties are not met.	<p>In undertaking investment management activities, Portfolio Managers and credit specialists monitor credit risks associated with individual sectors, issuers, and securities. CSAM Portfolio Management teams also benefit from the resources of the Credit Suisse Global Credit Research Team. Portfolios are also diversified by sectors and issuer to minimise credit risk. The rate of diversification will depend on the quality of the individual issuer.</p> <p>CSAM does not hold client money.</p>	<ul style="list-style-type: none"> <li>■ Collateral performance.</li> <li>■ Over-collateralisation testing.</li> </ul>

As at 31 December 2014

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Regulatory risk	Risk of adverse rulings or penalties resulting in financial loss and/or reputational damage to CSAM, as the result of failure to comply with financial services rules and regulations applied by governments and regulatory bodies in any jurisdiction in which CSAM operates.	<p>CSAM continuously monitors the compliance of all of its activities in each of its operating jurisdictions. Compliance standards are monitored and communicated with regular mandatory training completed by all staff on a range of compliance issues. The new business approval process assesses proposed business projects to ensure compliance with all applicable rules and regulations, requiring multi-level signoff approval before a new product or business process is launched.</p> <p>CSAM also requires completion of 'know your client' and anti-money laundering checks and controls when onboarding a new client. Annually assessed mandatory compliance training is required for all employees.</p>	<ul style="list-style-type: none"> <li>■ Monitoring of metrics on annual compliance training requirements.</li> <li>■ Post-implementation reviews conducted for new business initiatives.</li> <li>■ Completion of annual compliance reviews.</li> </ul>
Key person risk	This is the risk that the loss of an individual has a disproportionate adverse impact on the business, due to knowledge concentration or lack of suitably qualified replacement resources.	CSAM is exposed to key person risk through the nature of its diverse set of sub businesses. These portfolio management and business teams may have key individuals in their management or operational structures. CSAM manages key person risk through carefully planned and regularly assessed incentive structures, performance measurement, succession planning and strong training and development programmes.	<ul style="list-style-type: none"> <li>■ Annual 'Risk and Control Self-Assessment Programme'.</li> </ul>

## Appendix 3: Directorships and related disclosures

CSAM's Board Members hold the following number of directorships as at the date of signing of the financial statements (14 April 2015).

<b>Directorships</b>			
	CS group (including CSAM)	External	<b>Total</b>
Tracy Cherrington	2	0	<b>2</b>
Stephen Foster <sup>(1)</sup>	7	16	<b>23</b>
Robert Lister	1	2	<b>3</b>
Michael Murphy	2	0	<b>2</b>

<sup>(1)</sup> External directorships refer to 16 special purpose entities ('SPEs') which are either managed by, or otherwise connected to, Credit Suisse.

### Disclosures with regard to Article 435 (2) (a) – (d)

Recruitment to CSAM'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 a nominations committee that is required to evaluate the balance of skills, knowledge and experience of the Board of Directors by reference to CSAM's requirements, and similarly to consider the skills, knowledge and experience of individual candidates for appointment. Consistent with the fact that CSAM 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.

CSAM has established a Risk Committee, distinct from the Board of Directors. Ordinary meetings of the Risk Committee are required to take place at least four times each year.

## Appendix 4: List of abbreviations and glossary

Term	Definition
<b>A</b>	
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>B</b>	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
<b>C</b>	
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 CSAM 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	<i>Capital Requirements Directive: EU legislation implementing Basel III (and previously Basel II) in the EU.</i>
CRR	<i>Capital Requirements Regulation: EU legislation implementing Basel III in the EU.</i>
<b>E</b>	
ECAI	<i>External Credit Assessment Institutions.</i>
<b>F</b>	
FCA	<i>Financial Conduct Authority.</i>
<b>I</b>	
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 CSAM 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.
<b>M</b>	
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 CSAM performs.
<b>P</b>	
PFG	<i>Private Fund Group: a CSAM 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.
<b>R</b>	
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.
<b>S</b>	
SRB	<i>Systemic risk buffer</i> : a capital buffer under CRDIV deployed by EU member states to reduce build-up of macro-prudential risk.
SREP	<i>Supervisory Review and Evaluation Process</i> .
<b>T</b>	
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.
<b>V</b>	
VaR	<i>Value-at-risk</i> : loss estimate from adverse market movements over a specified time horizon and confidence level.

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### 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 2015 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.



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