

Credit Suisse (UK) Limited

**Basel III
Pillar 3 Disclosures 2016**

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Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse (UK) Ltd ('CSUK' or 'the Bank') as at 31 December 2016. It should be read in conjunction with CSUK's 2016 Annual Report which can be obtained 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.

CSUK is authorised by the Prudential Regulatory Authority ('PRA') and regulated both by the Financial Conduct Authority ('FCA') and the PRA.

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. A reconciliation of regulatory 'own funds' calculated under CRDIV with CSUK's 2016 Statement of Financial Position is presented in the Capital Management section below.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSUK's external auditors. However, it includes information that is contained within the audited financial statements as reported in the 2016 Annual Report.

Basis of consolidation

These Pillar 3 disclosures are prepared on a stand-alone basis, as is CSUK's IFRS financial statements.

Remuneration disclosures

The remuneration disclosures required by CRR Art 450 can be found in a separate document ('Pillar 3 – UK Remuneration Disclosures 2016') 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, CSUK 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.

Multi-year business forecasts and capital plans are prepared by CSUK, 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 documented and reviewed by the Board of Directors. The ICAAP then forms the basis for any SREP ('Supervisory Review and Evaluation Process') review that the PRA conducts when assessing an institution's level of regulatory capital.

Capital resources

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 an institution's regulatory own funds (or capital resources).

CSUK's CET1 capital comprises ordinary shares. These shares carry voting rights and the right to receive dividends. CSUK has not issued any AT1 instruments and details of its Tier 2 subordinated loan capital can be found in Appendix 1.

CSUK's capital composition and principal capital ratios are presented in the tables below, together with reconciliation to CSUK's 2016 IFRS Statement of Financial Position. No amount shown in 'own funds' is subject to CRDIV transitional provisions

Capital composition (£000s)

As at 31 December	2016	2016		2015
	Own funds	Statement of Financial Position ⁽¹⁾	Difference	Own funds
Note	(a)	(b)	(a) - (b)	
Tier 1 (and CET1) capital				
Ordinary shares	245,230	245,230	0	245,230
Share premium	11,200	11,200	0	11,200
Accumulated losses	(77,409)	(77,409)	0	(76,965)
Capital contribution reserve	27,500	27,500	0	27,500
Accumulated and comprehensive income	1,973	1,973	0	1,658
Tier 1 (and CET1) before regulatory deductions	208,494	208,494	0	208,623
Prudential filters and regulatory adjustments				
Intangible assets	(2)	(20,973)	(20,973)	(24,141)
Gain on AFS equities		(1,973)	(1,973)	(1,658)
Total Tier 1 (and CET1) capital	185,547			182,824
Tier 2 Capital				
Subordinated loan	25,000	25,000	0	25,000
Total Tier 2 Capital	25,000	25,000	0	25,000
Total capital ('own funds')	210,547	233,494	(22,946)	207,824

Capital ratios

As at 31 December	2016	2015
Common Equity Tier 1	20.9%	13.0%
Tier 1	20.9%	13.0%
Total Capital	23.7%	14.8%

Notes

- (1) 2016 Statement of Financial Position for (i) Total Equity and (ii) Subordinated Debt values prepared under IFRS
- (2) Intangible assets and goodwill do not qualify as capital for regulatory purposes under CRDIV [CRR Article(s) 36(1)(b), 37].

Capital resources requirement

The Pillar 1 capital requirements of CSUK are summarised below, along with the relevant risk-weighted asset ('RWA') values. Credit risk capital requirements and RWAs are further broken down by risk-weight methodology and exposure class:

RWAs and capital requirements (£000s)

As at 31 December	2016	2016	2015	2015
	RWAs	Capital Requirement	RWAs	Capital Requirement
Credit and counterparty risk				
<i>Standardised Approach</i>				
Institutions	1,240	99	4,705	376
Corporates	83,324	6,666	74,202	5,936
Secured by mortgages on immovable property	466,530	37,322	398,985	31,919
Retail	13,117	1,049	14,433	1,155
Other items	178,599	14,288	168,981	13,518
Total Standardised Approach	742,809	59,425	661,306	52,904
<i>Credit Valuation Adjustment (CVA)</i>				
CVA - Standardised Method	5,478	438	5,245	420
Total CVA	5,478	438	5,245	420
(i) Total credit and counterparty credit risk	748,287	59,863	666,551	53,324
Market risk (PRA Standard Rules)				
Foreign exchange	56	4	68	5
(ii) Total market risk	56	4	68	5
Other risks				
Operational risk - Basic Indicator Approach (including buffer)	140,496	11,240	739,289	59,143
(iii) Total other risks	140,496	11,240	739,289	59,143
Grand total RWA and capital requirements (i) - (iii)	888,838	71,107	1,405,908	112,472

Countercyclical capital buffer ('CCB')

The Financial Policy Committee ('FPC') of the Bank of England is responsible for setting the UK Countercyclical Capital Buffer ('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 rates were set for 2016 by the FPC to apply to UK exposures. CCB rates have been set by Hong Kong, Norway and Sweden for 2016 that apply to exposures to those countries. No further disclosures are made on CCB on the basis of materiality.

Risk management

Overview

CSUK's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the CSUK's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect CSUK's financial strength and reputation, while ensuring that capital is well deployed to support business activities and grow shareholder value.

Board of Directors

The Board of Directors are responsible for reviewing the effectiveness of CSUK's risk management and systems of financial and internal control. 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 CSUK'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 Board of Directors has established a Board Risk Committee ('CSUK RC'), as discussed below. Ordinary meetings of the Board Risk Committee are required to take place at least four times each year.

Recruitment to CSUK'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 the requirements of the Bank, and similarly to consider the skills, knowledge and experience of individual candidates for appointment. Consistent with the fact that the Bank 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. In addition the CSUK's Board has adopted a Diversity Policy, setting out the approach to diversity, including consideration of differences in skills, regional and industry experience, background, race, gender and other distinctions between Directors. Details of directorships held by Board Members are shown in Appendix 3.

Risk profile associated with business strategy

The prudent taking of risk is in line with CSUK's strategic priorities. CSUK's risk appetite establishes a direct link between its strategy and performance management, its risk management and its capital structure. This approach ensures that CSUK incorporates risk factors in any major strategic or tactical decision, so that actions are compatible with an agreed appetite for risk.

- Risk thresholds are considered for the key risks identified by the risk management process. This will determine the specific maximum or residual risk (as appropriate) that CSUK is willing to accept for each risk category;
- Risk adjusted returns are also considered to establish the optimal level of risk that CSUK wishes to take with respect to a specific business objective or strategy which reflects a target rate of return and CSUK's capacity to manage the marginal risk arising; and
- Risk thresholds may be established to monitor the actual risk against the limits or guidelines, with any breaches triggering appropriate review and corrective actions, if required.

Within the bounds of the overall risk appetite of CSUK, as defined by the limits set by the Board, the Risk Committee and Chief Risk Officer ('CRO') are responsible for setting specific risk controls deemed necessary to manage the concentration of risk within individual lines of business and across counterparties.

CSUK defines its appetite for risk through its risk appetite process. Risk controls are established by key risk category and reported to the CSUK RC and to the Board of Directors. These risk categories are constantly reviewed as part of CSUK's ongoing risk assessment process.

Key risk categories, their mitigation and associated metrics are discussed further in Annex 2, with additional disclosures on CSUK's risk management framework detailed in its 2016 Annual Report.

Risk governance

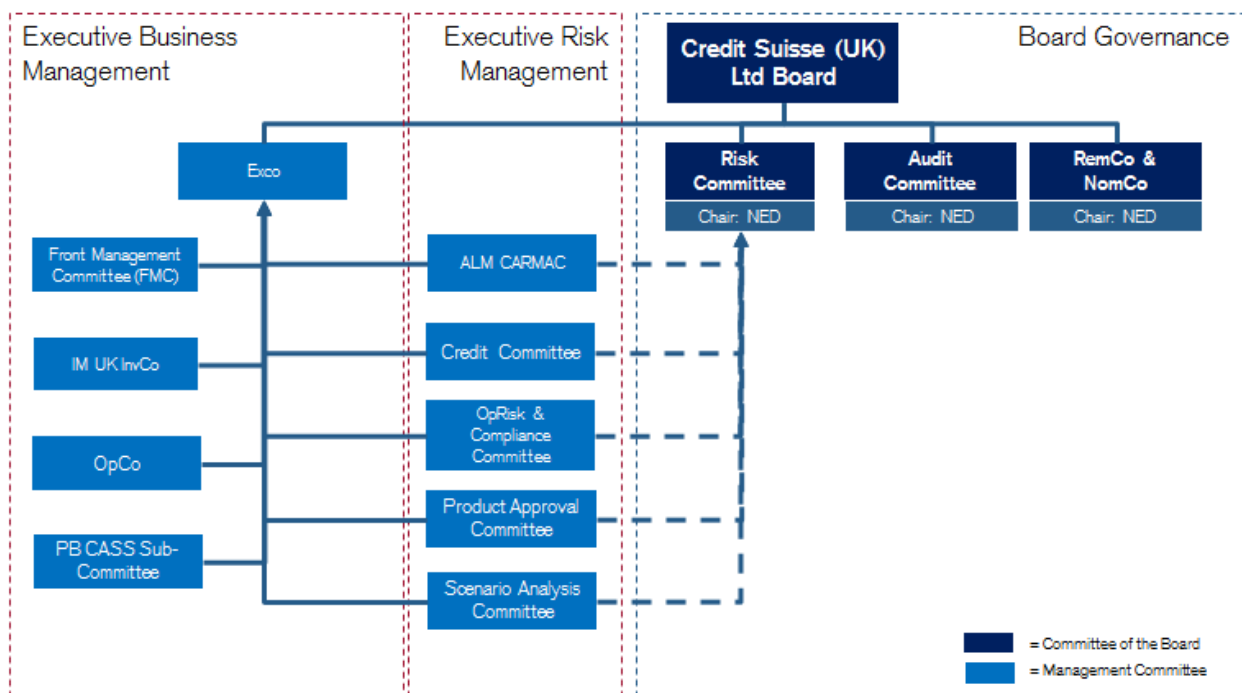
The Board of Directors sets the overall framework for risk appetite and is advised by the CSUK RC, which is chaired by a non-Executive Director. The purpose of the CSUK RC is to:

- ensure that proper standards for risk oversight and management are established;
- define and implement a risk appetite framework covering, inter alia, market, credit and operational risks and make recommendations to the Board of Directors on risk appetite;
- review and approve the ICAAP and ILAAP, together with the ALM CARMC;

- allocate risk capital and establish risk controls for individual businesses within authorities delegated by the Board of Directors; and
- review the risk portfolio, recommend and approve risk thresholds and other appropriate controls to monitor and manage the risk portfolio for the Bank.

CSUK'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 CSUK committee and the CS Group Code of Conduct.

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



The roles of the key CSUK's committees are outlined below.

- **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.
- **Executive Committee:** The Executive Committee ('EXCO') is chaired by the CEO of CSUK. The members of the EXCO include the various heads of the business who form part of the management team, providing day-to-day direction for the business.
- **Credit Risk Committee:** The members of the Credit Risk Committee consist of senior management. It meets to discuss issues and risks relating to the credit exposures arising from the business activities. In addition to considering credit exposures, the committee also considers adherence to the Credit Risk Appetite, review of the CSUK loan book, 'pipeline deals', credit approvals and breaches, and conducts periodic stress testing of the Banking Book.
- **ALM Capital Allocation and Risk Management Committee ('ALM CARMC'):** The CSUK ALM CARMC is chaired by the CSUK CFO. It is responsible for the management of Asset and Liability Management ('ALM') risks, including: the CSUK capital and liquidity position vs. internal and external limits; current, future and stressed liquidity and capital positions of CSUK; and, the impact of current and future regulatory changes on the capital and liquidity position.

Additionally, ALM CARMC advises the CSUK Board in respect of capital and liquidity stress testing, capital and liquidity buffers and the setting of risk controls, and has oversight of the ICAAP and ILAAP processes.

- **Operational Risk ('OpRisk') and Compliance Committee:** The OpRisk and Compliance Committee is responsible for maintaining sound and robust controls by acting as a central business governance committee to discuss, understand, measure and assess key operational and compliance risks to the Business and to assist EXCO in the management of these risks. The committee recommends risk appetite controls for OpRisk, monitors Key Risk Indicators ('KRIs') and Key Control Indicators ('KCI's'), periodically assesses the effectiveness of the Operational Risk Framework to ensure ongoing compliance with internal requirements and regulations, and serves as a forum for discussing and escalating emerging risks.
- **Product Approval Committee ('PAC'):** The PAC is the main forum for considering all matters relating to new investment products and services developed and/or offered for sale by the Private Bank. The responsibility and authority of the Committee is to review, identify and consider potential issues that may affect the sale of any product or service.
- **Scenario Analysis Committee (SAC):** The purpose of SAC is to review and approve scenarios and the overall stress testing framework for the entity, including model design and oversight of model governance. In particular, the SAC will approve the stress test models for inclusion into the ICAAP.

Risk organisation

Risks arise in all of the CSUK's business activities and cannot be completely eliminated, but they are monitored and managed through its internal control environment. The CSUK's risk management organisation reflects the specific nature of the various risks in order to ensure that risks are taken within controls set in a transparent and timely manner.

CSUK's independent risk management is headed by CSUK's CRO, who reports to CSUK's CEO. The CRO is responsible for overseeing CSUK's risk profile across all risk types; additionally, the Chair of the Risk Committee (a NED) is responsible for ensuring independence of the risk management function.

The risk management function is responsible for providing oversight and establishing a framework to monitor and manage all risk matters. Additionally, CSUK benefits from CS group expertise (through Shared Services agreements) in the following primary risk functions:

- **Market and Liquidity Risk Management ('MLRM')** assesses CSUK's overall exposure to market and liquidity risk, recommending corrective action where necessary, and manages CSUK's market and liquidity risk within limits and guidelines agreed by the Board of Directors and CSUK RC;
- **Risk and Finance Data Analytics and Reporting ('RFDAR')** is responsible for reporting, systems implementation and policies;
- **Credit Risk Management ('CRM')**, which includes the Credit Analytics department, is responsible for developing and administering credit policies and procedures, risk analytics, approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of credit portfolios and allowances; and
- **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 covering cross-divisional and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels.
- **Reputational Risk management ('RRM')** is responsible for assessing actions or transactions which may pose a reputational risk to the Bank's reputation. The entity utilizes the Reputational Risk Review Process (RRRP) to escalate any potential reputational risks.

The risk function is also responsible for the risk assessment of business critical activities such as business continuity, technology risk, reputational and conduct risk management.

Committees are implemented at a senior management level to support risk management. The Reputational Risk and Sustainability Committee sets policies and reviews processes and significant cases relating to reputational risks. The Risk Processes and Standards Committee ('RPSC') is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters across the CS group. The Credit Portfolio and Provisions Review Committee review the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

Risk management framework

The CSUK Board of Directors is responsible for the oversight of the risk management of the business and the CRO assists and supports the Board of Directors in carrying out this responsibility. CSUK operates a 'Three Lines of Defence' model within a governance and policy framework described below.

■ First Line of Defence

CSUK's business divisions are responsible for ensuring that a risk and control environment is established as part of operational management.

First Line of Defence Support ('FLDS') reports to the CSUK COO, with a dotted line to the CRO. Its objectives are to ensure that existing and emerging risks in CSUK's business are identified and that controls are established to effectively mitigate and manage these risks. The Head of FLDS also chairs the Operational Risk and Compliance Committee and partners with other teams and functions in CSUK to raise risk awareness and embed accountability.

■ Second Line of Defence

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.

CRM is independent from the Front Office and is managed by CSUK's Location Head of CRM, reporting to the CRO. CRM is responsible for: assessing, approving and declining credit limits; monitoring, reporting and managing clients' exposures against limits and collateral; reviewing and managing the quality of the credit portfolio; and managing the work-out/arrears process. Additionally, CRM monitors out-of-policy loans, specific property limits and single client exposure. CRM is also responsible for the credit policies of CSUK, ensuring that they are aligned with Group Credit Policies.

Compliance and Regulatory Affairs (CCRO), as an independent function, is mandated with the management of all Compliance and Regulatory matters for Credit Suisse. The function monitors bank activities on all levels in order to minimize risks to Credit Suisse's reputation and the violation of policies, laws or regulations. It also ensures transparency of all regulatory interactions of the bank and assesses potential impact and implementation of regulatory developments.

The IWM UK Compliance function sits within CCRO and is aligned to the IWM division and is responsible for providing an independent, effective and robust challenge function and acts as part of the CSUK's second line of defense. This includes establishing relevant policies and procedures, delivering compliance training and education programmes, providing day-to-day compliance advice and assistance, overseeing the implementation of an adequate monitoring, surveillance and testing program and escalating potential compliance and/or control issues.

The IWM UK Compliance function is supported by two central support teams specialising in Financial Crime Compliance (FCC) and Monitoring, Surveillance and Testing (MST). FCC is responsible for, inter alia, client identification, Politically Exposed Persons ('PEP') assessments, prevention of financial crime (prevention of money laundering, fraud, corruption), and adherence to policies regarding sanctions. MST is responsible for monitoring and testing against key global policies such as cross border and suitability and appropriateness.

■ Third Line of Defence

The Third line of Defence, internal and external audit, provides independent assurance through systematic reviews of the activities and results of first and second lines of defence. Additionally, internal audit performs regular reviews and operates as an independent check on the effectiveness of the internal control framework.

Credit risk

Overview

CSUK undertakes secured lending activity (and a limited amount of unsecured lending) to a client base that comprises individuals, trusts and small corporates, as well as Operating Companies in approved jurisdictions. Collateral is pledged via effective security agreements and charges over properties to support the two categories of lending:

- Lombard, which is primarily uncommitted lending collateralised by cash, marketable securities, or guarantees; and
- Real estate finance for commercial and residential properties.

Historically, provisions against clients in default have been low and concentration risk is managed via limits setting and sub-participation.

Credit limits, approval and reviews

Effective credit risk management is a structured process to assess, monitor and manage risk on a consistent basis. Accordingly, CSUK gives careful consideration of any proposed granting of credit, the setting of specific limits, diligent ongoing monitoring during the life of the exposure, active use of credit risk mitigation tools and a disciplined approach to recognising credit impairment.

The credit risk management framework is regularly refined and covers all banking business areas that are exposed to credit risk. The framework is designed to cover all the credit exposures in the banking business and comprises seven core components:

- an individual client rating system;
- a transaction rating system;
- a client credit limit system;
- country, regional, sector and client rating concentration limits;
- active credit portfolio management; and
- a credit risk provisioning methodology.

Credit risk mitigation and collateral

Collateral is pledged via effective security agreements and charges over properties to support both mortgage and Lombard lending activities. Generally, CSUK has a limited appetite for unsecured credit facilities.

The policies and processes for collateral valuation and management are defined by: a legal document framework that is bilaterally agreed with our clients; and, a collateral management risk framework enforcing transparency through self-assessment and management reporting.

Collateral securing loan transactions primarily includes:

- financial collateral pledged against loans collateralised by securities; and
- physical collateral.

Real Estate collateral

Legal charge over and periodic re-valuation of the real estate collateral is a key risk management tool for financing transactions through mortgage lending. Subject to a satisfactory valuation report, CRM will issue a facility letter (FL) to the client, incorporating the information set out in the term sheet/key facts illustration, including the estimated costs incurred for the mortgage contract. Formal documentation may include:

- Facility Agreement
- Legal Charge (issued by Solicitors)
- Personal Guarantee of the beneficial owner, when lending to a SPV
- Security Agreement
- Board Resolution
- Charge over shares of the direct property holding company (if owned by a SPV)
- Deed of confirmation (This document confirms that the Legal Charge is still in place and is only issued for renewed facilities in certain scenarios.)

For residential mortgages exceeding EUR 3m, the Bank must obtain a valuation of the property from an independent valuer every three years. For all other mortgages, an annual review and trend analysis of the UK real estate market is undertaken by Credit Risk Management to assess whether a revaluation is necessary.

The criteria used for the analysis includes the following:

- The level of activity in the market;
- Price trends;
- The impact of interest rate levels on the property market; and
- The spread of geographic locations within the portfolio and the requisite comfort level.

Lombard collateral

Collection of financial collateral is a key risk management tool for securities financing transactions through Lombard lending. Subject to legally enforceable agreements, collateral may be accepted in many different currencies and jurisdictions, and the collateral process creates potentially significant legal, tax, credit, regulatory and operational issues for the business, in addition to the liquidity issues involved in managing a large portfolio of collateral assets and liabilities. CSUK's strategy with respect to collateral is subject to a robust collateral policy, which details standards of acceptable collateral (including collateral type, liquidity, quality, jurisdiction), valuation frequency, haircuts and agreement type. Utilisation under the facility is restricted to the lower of the credit limit or the collateral value held. Additionally, thresholds are established for the management of collateral concentrations, in line with CSUK's business strategy and risk appetite.

For portfolios collateralised by marketable securities, the valuation is performed daily. Exceptions are governed by the calculation frequency described in the legal documentation. The mark-to-market prices used for valuing collateral are a combination of internally calculated and market prices sourced from trading platforms and service providers, where appropriate. The management of collateral is standardised and centralised to ensure complete coverage of traded products.

Collateral held against financial guarantees and loan commitments typically includes securities and inward bank guarantees (almost exclusively from other parts of the CS AG Group).

Netting

CSUK only applies on-balance sheet netting to financial assets and liabilities where it:

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

In most instances, CSUK's net position on multiple transactions with the same counterparty is legally protected by 'master netting agreements'. Such agreements ensure that the net position is settled in the event of default of either counterparty or effectively limit credit risk on gross exposures.

Regulatory risk weighting approach

CSUK applies the Standardised Approach in determining the risk weights applied for the calculation of regulatory capital requirements for credit and counterparty risk under Pillar 1. All exposures are treated as unrated.

Credit exposures under the Standardised Approach

The next tables analyse credit exposures treated under the Standardised Approach according to CQS and exposure class, before and after CRM:

Credit quality step analysis of pre-CRM exposure and capital deductions under the standardised approach (£000s)

As at 31 December 2016

	Credit quality step						Unrated	Total	Deduction from capital resources
	1	2	3	4	5	6			
Standardised Approach - credit exposures									
Central governments and central banks	0	0	0	0	0	0	1,470	1,470	0
Institutions	0	0	0	0	0	0	3,344	3,344	0
Corporates	0	0	0	0	0	0	106,690	106,690	0
Secured by mortgages on immovable property	0	0	0	0	0	0	1,418,920	1,418,920	0
Retail		0	0	0	0	0	40,158	40,158	0
Other items	0	0	0	0	0	0	284,111	284,111	0
Total	0	0	0	0	0	0	1,854,694	1,854,694	0

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

As at 31 December 2016

	Credit quality step						Unrated	Total	Deduction from capital resources
	1	2	3	4	5	6			
Standardised Approach - credit exposures									
Central governments and central banks	0	0	0	0	0	0	1,470	1,470	0
Institutions	0	0	0	0	0	0	3,344	3,344	0
Corporates	0	0	0	0	0	0	83,324	83,324	0
Secured by mortgages on immovable property	0	0	0	0	0	0	1,234,263	1,234,263	0
Retail		0	0	0	0	0	17,489	17,489	0
Other items	0	0	0	0	0	0	175,973	175,973	0
Total	0	0	0	0	0	0	1,515,864	1,515,864	0

Credit exposures, risk-weighted assets and capital requirements

The following table contains an analysis of CSUK's credit exposures, risk-weighted assets and capital requirements by exposure class:

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

As at 31 December 2016					
Credit exposures by regulatory approach:	Exposure at default (pre-CRM)		RWAs		Capital requirement
	Average exposure for year	Year-end exposure	Average for year	Year-end	Year-end
<i>Standardised Approach</i>					
Central governments and central banks	1,303	1,470	0	0	0
Institutions	13,113	3,344	4,010	1,240	99
Corporates	108,932	106,690	84,104	83,324	6,666
Secured by mortgages on immovable property	1,232,043	1,418,920	434,084	466,530	37,322
Retail	41,341	40,158	14,210	13,117	1,049
Other items	276,610	284,111	172,198	178,599	14,288
Total	1,673,342	1,854,693	708,606	742,810	59,424

The following table contains a geographical analysis of credit exposures (before the effects of credit risk mitigation):

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

As at 31 December 2016						
Credit exposures by regulatory approach:	UK	Other Europe	Americas	Middle East and Africa	Asia Pacific	Total
<i>Standardised Approach</i>						
Central governments and central banks	1,470	0	0	0	0	1,470
Institutions	732	2,612	0	0	0	3,344
Corporates	16,157	8,754	80,475	0	1,304	106,690
Secured by mortgages on immovable property	450,709	322,536	431,293	84,192	130,191	1,418,920
Retail	40,158	0	0	0	0	40,158
Other items	158,232	72,326	6,018	38,234	9,301	284,111
Total	667,459	406,228	517,786	122,426	140,796	1,854,694

The following table contains an analysis of credit exposures by type of industry (before the effects of credit risk mitigation):

Credit exposures - analysed by industry (£000s)

As at 31 December 2016					
Credit exposures by regulatory approach:	Financial	Commercial	Consumer	Public Authorities	Total
<i>Standardised Approach</i>					
Central governments and central banks	0	0	0	1,470	1,470
Public sector entities	0	0	0	0	0
Institutions	732	2,612	0	0	3,344
Corporates	48,219	50,912	7,559	0	106,690
Secured by mortgages on immovable property	158,727	344,178	916,016	0	1,418,920
Retail	866	1,773	37,519	0	40,158
Other items	16,558	49,500	218,053	0	284,111
Total	225,102	448,975	1,179,146	1,470	1,854,694

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The following table contains an analysis of credit exposures by residual maturity (before the effects of credit risk mitigation):

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

As at 31 December 2016				
Credit exposures by regulatory approach:	Up to 12 months	1 - 5 years	Greater than 5 years	Total
<i>Standardised Approach</i>				
Central governments and central banks	1,470	0	0	1,470
Institutions	3,344	0	0	3,344
Corporates	105,550	1,140	0	106,690
Secured by mortgages on immovable property	349,032	1,049,614	20,274	1,418,920
Retail	40,158	0	0	40,158
Other items	277,604	6,507	0	284,111
Total	777,158	1,057,261	20,274	1,854,693

Impaired and past due exposures, credit risk adjustments and specific and general credit risk adjustments

CSUK's loan exposures are accounted for on an amortised cost basis and the statement of financial position amount of these loans was £1.5bn at 31 December 2016 (2015: £1.3bn).

CSUK's accounting policies relating to impairment can be found in the 2016 Annual Report, Note 2, along with the definition for accounting purposes of 'impaired'. Information on impairment losses can be found in Note 13.

The following tables analyse impaired loans and credit loss allowances and by significant industry and geographical areas:

Industry distribution of allowances and impaired loans (£000s)

As at 31 December 2016						
Industry	Specific allowances	Inherent credit loss allowances	Total allowances	Loans with specific allowances	Loans with inherent credit loss allowances	Total impaired loans
Consumer	0	0	0	275	0	275
Total	0	0	0	275	0	275

Geographic distribution of allowances and impaired loans (£000s)

As at 31 December 2016						
	Specific allowances	Inherent credit loss allowances	Total allowances	Loans with specific allowances	Loans with inherent credit loss allowances	Total impaired loans
EMEA (excluding UK)	0	0	0	275	0	275
Total	0	0	0	275	0	275

Effect of a credit rating downgrade

CSUK itself is not a rated entity. CSUK 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 the conservative funding profile of the balance sheet and would not be material to the CSUK's liquidity and funding needs.

Counterparty credit risk

Counterparty credit risk arises from OTC and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities. The related credit risk exposures depend on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature. CSUK enters into derivative contracts primarily in connection with managing its liquidity requirements and hedging residual market risk.

The CRR framework permits regulated firms to use the Internal Model Method ('IMM') and the supervisory non-model approaches to compute their counterparty credit exposure on OTC derivatives. CSUK uses the non-model Mark to Market Method.

Net derivatives credit exposure (£000s)

As at 31 December 2016

	Gross positive fair value of contracts ⁽ⁱ⁾	Netting benefits	Netted current credit exposure	Collateral held	Net derivatives credit exposure
Mark to Market Method	28,296	(9,283)	19,013	0	19,013
	28,296	(9,283)	19,013	0	19,013

(i) including Gross PFCE

Exposures covered by credit risk mitigation

The following table analyses the amount of regulatory exposure covered by funded credit risk mitigation, reported by risk weight methodology and exposure class:

Analysis of credit exposures covered by funded credit protection (£000s)

As at 31 December 2016

Credit exposures by regulatory approach:	Financial Collateral
Standardised Approach	
Institutions	0
Corporates	23,366
Secured by mortgages on immovable property	2,938
Retail	22,669
Other items	108,138
Total	157,111

CSUK has no exposures covered by unfunded credit risk mitigation.

Market risk

Overview

CS group has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at the CS group level down to specific portfolios. CS group uses market risk measurement and management methods in line with industry standards. Measurement tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are VaR and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

CS group's VaR model is subject to internal governance including model validation independent from model developers. Validation includes identifying and testing the model's assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended.

Exposure to market risk

At the CSUK level, exposure to market risk typically arises from three sources:

- structural interest rate and structural foreign exchange (FX) risk arise primarily from the loan and deposit books (a core value proposition and service offering). CSUK will avoid carrying material open interest or FX rate positions;
- FX risk arising from trades undertaken on behalf of clients. CSUK will aim to ensure net FX risks are 'flat' or matched currency positions, resulting in minimal net daily profit and loss; and
- exposure to settlement risk arising from trades executed on behalf of clients on a Delivery Vs Payment (DVP) basis. CSUK's aggregate risk appetite for market risk arising from DVP services is subject to gross notional (one-way) and VaR limits, which are quantified in the Risk Appetite and monitored on a daily basis. CSUK has legal netting agreements with external parties through which we clear DVP transactions for clients. Furthermore, all customer transactions are governed by our Terms & Conditions, which include standard netting agreements.

Typically CSUK's loan book is GBP denominated, whilst the deposit book is spread across a number of currencies. FX risk arising from this currency mismatch in the Banking Book is managed for CSUK by CS Global Treasury. The mandate given to CS Global Treasury is to run a matched currency book. Currency positions for CSUK are aggregated with currency positions of other CS Group entities and, where possible, internally matched before any hedging with external counterparties is undertaken. The DVP service is available to clients classified as MiFID Per se Professionals (generally, Family Offices and Personal Investment Companies) who custody assets away from CSUK. Settlement risk arises between Trade Date and Settlement date, during which time CSUK is exposed to Mark-to-Market movement in the event that a client fails to settle outstanding trades. Such business is subject to client and firm level limits (Gross Notional and VaR).

Criteria for inclusion in the Trading Book

CSUK falls within the scope of the CS group's Trading Book Policy. The policy sets out the principles for the classification of products between the Trading Book and Banking Book for the purpose of regulatory capital and market risk measurement. Specifically, it sets out the criteria which must be met in order to allocate positions to the Trading Book. The policy is common to all entities within the CS group and adherence to its requirements is mandatory.

The criteria for Trading Book classification are, broadly, that the position must be a transferable or hedgeable financial instrument; that there must be trading intent or a hedging relationship with another Trading Book item; and that daily fair value methodology must be applied for regulatory and risk management purposes. The fair value methodology is itself the subject of policies, procedures and verification controls that exist separately as part of the overall valuation process operated across the Credit Suisse Group.

Scenario analysis

Stress testing complements other risk measures by capturing CSUK's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets, impacting CSUK's overall capital position. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile of the business, and limits may be established if they are considered the most appropriate control. Additionally, to identify areas of risk concentration and potential vulnerability to stress events at CSUK level, a set of scenarios are used which assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of CSUK's risk control framework, with results used in risk appetite discussions and strategic business planning, and to support the CSUK's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results are reported to the Board of Directors and senior management.

CSUK's stress testing framework is governed through a dedicated steering committee that operates across CS group as well as the CSUK Scenario Analysis Committee. Scenarios can be defined with reference to historic events or based on forward-looking, hypothetical events that could impact CSUK's capital, liquidity or profitability. The scenarios are reviewed and updated as markets and business strategies evolve, and new scenarios are designed by the CS Group Global CRO in collaboration with Global Research and business divisions.

Market risk capital requirement (£000s)

As at 31 December	2016	
	RWAs	Capital requirement
<i>PRA Standard Rules</i>		
Foreign exchange (Banking Book)	56	4
Total market risk RWAs and capital requirement	56	4

Interest Rate Risk in the Banking Book (IRRBB)

Overview

CSUK manages IRRBB by including monitoring the potential impact of changes in interest rates. The economic impacts of adverse parallel shifts in interest rates of 200 basis points and adverse interest rate shifts calibrated to a one-year holding period with a 99% confidence level were significantly below the threshold of 20% of eligible regulatory capital used by regulators to identify excessive levels of non-trading interest rate risk. This risk is not capitalised within the Pillar 1 regime: rather, it is analysed within the ICAAP and addressed in the PRA's determination of the CSUK's Pillar 2 capital requirement.

CSUK's interest rate risk exposures in these non-trading positions arise from treasury and funding activity, with the majority of interest rate risk transferred to and centrally managed by Treasury on a portfolio basis within approved limits using appropriate hedging instruments. Credit Suisse AG's Board of Directors defines interest rate risk appetite for the Group and its subsidiaries, including CSUK, on an annual basis. Within those limits, the ALM CARMC and CSUK Board of Directors may define early warning triggers.

Risk measurement

The risks associated with the non-trading interest rate-sensitive portfolios are measured using a range of tools, including the following key metrics:

- **Interest rate sensitivity ('DV01')**: expresses the linear approximation of the impact on a portfolio's fair value resulting from a one basis point (0.01%) parallel shift in yield curves.
- **VaR**: a statistical indicator of the potential fair value loss, taking into account the observed interest rate moves across yield curve tenors and currencies. In addition, VaR takes into account yield curve risk, spread and basis risks, as well as foreign exchange and equity risk.
- **Economic value scenario analysis**: expresses the impact of a pre-defined scenario (e.g. instantaneous changes in interest rates) on a portfolio's fair value. This metric does not rely on statistical inference.

The measures listed above focus on the impact on a fair value basis, taking into account the present value of all future cash flows associated with the current positions. More specifically, the metrics estimate the impact on the economic value of the current portfolio, ignoring dynamic aspects such as the time schedule of how changes in economic value materialise in profit and loss (since most non-trading books are not marked-to-market) and the development of the portfolio over time.

Monitoring and review

Interest rate risk metrics are monitored by MLRM at least monthly or more frequently as deemed necessary, with any threshold breaches escalated appropriately.

Fair value impact of change in interest rates on non-trading positions (£ million equivalent)

As at 31 December 2016						
Basis points movement + / (-)	USD	GBP	EUR	CHF	Other	Total
200	(0.1)	(0.1)	(0.4)	(0.4)	0.0	(1.0)
(200)	0.1	0.1	0.4	0.4	0.0	1.0

Leverage ratio

Overview

The leverage ratio was introduced by the CRR from 2014, although prescribed regulatory requirements will not be binding on financial institutions until 2018.

Subsequent amendments to the leverage ratio calculation methodology (including treatment of securities financing transactions, cash variation margin and credit default swap notional values) were proposed by BCBS and CSUK began internal monitoring of these impacts during 2015.

In conjunction with other regulatory and capital metrics such as RWAs levels, leverage ratios are actively monitored and managed within CSUK's capital and risk management governance processes. Similar to the CS group level, internal targets (including the setting of internal management buffers where required) are developed and monitored and this process is flexible, reflecting changing regulatory expectations.

Longer-term strategies will consider the leveraging or deleveraging impacts resulting from both business development and the impact of future regulatory change to ensure CSUK continues to meet external and internal expectations. CSUK's stress testing framework will consider the impact on leverage ratios of both internal and regulator-prescribed stress tests.

Factors impacting on leverage ratio during the period

CSUK's leverage ratio declined to 6.2% by 31 December 2016 from 6.7% by 31 December 2015. The movement is primarily driven by an increase in the on balance sheet assets.

Summary reconciliation of accounting assets and leverage ratio exposures (£000s)

As at 31 December 2016	
Total assets as per published financial statements	2,946,364
Adjustments for derivative financial instruments	2,783
Adjustment for off-balance sheet items	68,196
Other adjustments	(20,973)
Total leverage ratio exposure	2,996,370

Leverage ratio common disclosure (£000s)

As at 31 December 2016	
<i>On-balance sheet exposures</i>	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,100,440
Asset amounts deducted in determining Tier 1 capital	(20,973)
(i) Total on-balance sheet exposures (excluding derivatives and SFTs)	2,079,446
<i>Derivative exposures</i>	
Replacement cost associated with all derivatives transactions	10,519
Add-on amounts for PFCE associated with all derivatives transactions	8,494
(ii) Total derivative exposures	19,013
<i>Securities financing transaction exposures</i>	
Gross SFT assets, after adjusting for sales accounting transactions	829,694
(iii) Total securities financing transaction exposures	829,694
<i>Off-balance sheet exposures</i>	
Off-balance sheet exposures at gross notional amount	68,196
(iv) Total off-balance sheet exposures	68,196
Tier 1 capital	184,881
Total exposures ((i) - (iv))	2,996,370
Leverage ratio	6.2%

Split of on-balance sheet exposures by Banking and Trading Book (excluding derivatives and SFTs)
(£000s)

As at 31 December 2016	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,100,440
Trading book exposures	0
Banking book exposures, of which:	2,100,440
Exposures treated as sovereigns	1,470
Institutions	1,470
Secured by mortgages of immovable properties	330,787
Retail exposures	40,158
Corporate	149,185
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	396,550

Asset encumbrance

Overview

CSUK does not generally undertake transactions which involve the encumbrance of assets to finance trading or other activity. The encumbered amounts disclosed below (£9.6m) relates to CSUK's cash ratio deposit held with the Bank of England and the amounts deposited within CS group for the purposes of margining.

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

As at 31 December 2016						
	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
Assets of the reporting institution						
Loans on demand	8,149	8,149	170,278	170,278	178,428	178,428
Equity instruments	0	0	2,010	2,010	2,010	2,010
Debt securities	0	0	163	163	163	163
Loans and advances other than loans on demand	0	0	2,706,103	2,706,103	2,706,103	2,706,103
Other assets	1,470	1,470	58,130	58,130	59,601	59,601
Total assets	9,620	9,620	2,936,684	2,936,684	2,946,304	2,946,304

Collateral received (£000s)

As at 31 December 2016			
		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received			
Loans on demand		0	0
Equity instruments		0	0
Debt securities		0	877,355
Loans and advances other than loans on demand		0	0
Other collateral received		0	0
Total collateral received		0	877,355
Own debt securities issued other than own covered bonds or ABSs		0	0
Total		0	877,355

Carrying amount of encumbered assets and collateral received and associated liabilities (£000s)

As at 31 December 2016		Carrying amount
Matching liabilities, contingent liabilities or securities lent		0
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered		0

Appendix 1: Main features of Tier 2 capital

No.	Term	T2
1	Date of Agreement	31-May-2006
2	Original date of issuance	07-Jan-2011
3	Tranche	N/A
4	Issuer/Lender	CSFB Fin BV
5	Governing Law	English
Regulatory treatment		
6	Transitional CRR Rules	Tier 2
7	Post-transitional CRR Rules	Tier 2
8	Eligible at solo and / or consolidated basis?	Solo
9	Instrument type	Subordinated debt
10	Amount recognised in regulatory capital (million)	£25.0
11	Nominal amount of instrument (million)	£25.0
12	Issue price	Par
13	Redemption price	Par
14	Accounting classification	Liability -amortised cost
15	Perpetual or dated	Dated
16	Original maturity date	31-May-2031
17	Repayment option	Optional, not before 7 January 2016, subject to prior PRA approval
Coupons		
18	Fixed or floating dividend/coupon	Floating
19	Coupon rate and any related index	£ 3-month Libor + 310bps
20	Optional Deferral	None
21	Existence of step-up or other incentive to redeem	No
22	Convertible or non-convertible	Non-convertible
23	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Unsecured and subordinated to the claims of unsubordinated creditors
24	Non-compliant transitional features	No

Appendix 2: Key risks, risk mitigation and core metrics

As at 31 December 2016

Key risk	Risk description	Risk mitigation	Indicative core metrics monitored
Credit risk	The risk to earnings (and potentially solvency) in the event of counterparties failing to meet their obligations and/or impairment of collateral.	<ul style="list-style-type: none"> The credit risk management framework covers seven core components. Collateral as security in the form of an asset or third-party obligation that either substitutes the borrower default risk or improves recoveries in the event of default. CSUK also transacts under International Swaps and Derivatives Association ('ISDA') Master Agreements which provide for the net settlement of all transactions under the agreement. CSUK only deposits cash with other CS group entities. Country limits are approved annually for emerging markets. CSUK maintains capital adequacy in excess of regulatory requirements. 	<ul style="list-style-type: none"> Sector concentration Counterparty concentration Unsecured facilities Impaired loans
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<ul style="list-style-type: none"> Bank Operational Risk Oversight, the CSUK OpRisk Appetite Framework and Business Continuity Management are aligned to CS group policies. Businesses areas take responsibility for their operational risk management and are supported by operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies and reporting. CS group-wide tools are employed including risk appetite tolerances, reporting of 'top' operational risks; utilising operational risk registers; risk and control indicators; risk and control self-assessments (RCSAs); analysis of internal operational risk incident data; review of external loss data; operational risk scenario development. 	<ul style="list-style-type: none"> Internal fraud External fraud Employment practice Clients, products and business practices Business and system disruption Damage to physical assets

Key risk	Risk description	Risk mitigation	Indicative core metrics monitored
Liquidity risk	The 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 firm due to inability to access proper funding.	<ul style="list-style-type: none"> Liquidity and funding and management of FX positions is centrally managed by CS Group Treasury. Oversight provided by the ALM CARMC with ultimate responsibility of CSUK's Board of Directors. Funding is a component of a conservative asset-liability management ('ALM') strategy aimed at maintaining a funding structure with long-term stable funding sources. A liquidity buffer is also maintained to sustain operations for extended periods of time in the event of systemic and other crisis. CSUK would activate its Contingency Funding Plan ('CFP') in the event of such a crisis. 	<ul style="list-style-type: none"> Net stable funding ratio (NSFR) Liquidity Coverage Ratio (LCR) CS Internal Barometer Currency Coverage Ratio
Market risk	<p>Potential risk to earnings, primarily through FX positions, arising as a consequence of the lending book (FX gap risk); and intraday exposures from FX trading on behalf of clients; and settlement risk arising from DVP trades on behalf of clients..</p> <p>Potential risk to earnings arising primarily as a consequence of the banking book, potential MTM risk on failed client trades (FX and DVP), and to a lesser extent, other interest-rate sensitive earnings.</p>	<ul style="list-style-type: none"> CSUK has a policy of not taking proprietary market positions. Trading transactions are generally entered into on either an agency or 'back-to-back' basis. The Board of Directors sets limits on the level of exposure by single currency and in aggregate for both overnight and intra-day FX positions, which are monitored daily. The Board of Directors sets limits on the level of exposure at a client level and firm level arising from failed DVP trades, which are monitored daily. 	<ul style="list-style-type: none"> Funding gaps in the Banking Book Net open FX positions Gross notional, MTM and VaR on settlement risk arising from DVP trades Interest rate sensitivity to a +/- 200 basis point shift Model VaR and EaR on a yield curve shift
Reputational risk	The risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect CSUK's ability to maintain existing (or establish new) business relationships and continued access to sources of funding.	<ul style="list-style-type: none"> The Reputational Risk and Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risk. Business proposals are submitted to the CS group's Reputational Risk Review Process which includes submitting a proposal to CS Reputational Risk Approvers who are independent of the business division. 	<ul style="list-style-type: none"> Approved/declined applications for higher risk products / services in period Monitoring of Investor Visa clients

Key risk	Risk description	Risk mitigation	Indicative core metrics monitored
Financial Crime risk	The risk of regulatory or legal breach, loss of reputation and the financial consequences thereof through facilitating any kind of criminal conduct relating to money or to financial services or markets.	<ul style="list-style-type: none"> • Conduct business only with clients and beneficial owners whose identity and source of funds and wealth have been established, as appropriate, in accordance with local laws, rules and regulations; • Subject client relationships and transactions that are deemed to have increased money laundering risk to higher scrutiny through enhanced due diligence; • Monitor and, where appropriate, investigate client transactions to detect and prevent unusual or suspicious activity; and • Escalate unusual or suspicious activity in accordance with local laws, rules and regulations. 	<ul style="list-style-type: none"> • Proportion of higher risk (PEPs and EDD) clients • Prospects declined • Alerts • SARs • KYCs
Strategic risk	The risk of negative outcomes which impair the ability of CSUK to execute its strategic business plans.	<ul style="list-style-type: none"> • Focus on identifying, mitigating and systematically managing the risks to our strategic objectives. Monitored by Risk Committee • Proactive management by the business via Exco to reduce barriers that would otherwise prevent CSUK from achieving its strategic objectives. • Seek to be anticipatory and preventative – not reactive – in addressing Strategic Risk. 	<ul style="list-style-type: none"> • Earnings at risk • Focus on Risk Adjusted returns • Target earnings stability (or volatility) against strategy / forecast
Pension risk	Contingent liability arising from a Defined Benefits scheme (now closed). Market risk (which is materially hedged) and longevity risk.	<ul style="list-style-type: none"> • Contingent liability arising from a Defined Benefit Scheme (now closed). The risk manifests in market risk (materially hedged) and longevity risk. • Seek to manage the residual risk, maintaining adequate provisions for potential shortfalls. 	<ul style="list-style-type: none"> • Monitoring potential level of provisioning for any contingent liability • Tri-annual review with Plan manager
Conduct risk	The risk of poor conduct by CSUK and/or individuals resulting in clients not receiving a fair transaction, a lack of integrity in activities on financial markets and in the wider financial system and a lack of effective competition in the interests of clients. Conduct risk may arise from a variety of sources, including the potential unsuitability of products sold to clients due to their complexity, breaches of regulatory rules or laws by individual employees or CSUK's market conduct.	<ul style="list-style-type: none"> • Primary responsibility lies with CSUK's senior business line managers (first Line of Defence). CSUK participates in the Credit Suisse London Conduct Risk Committee (LCRC). • The LCRC will consider CSUK's adoption of compliance and other policies and training, and the use of employee training sessions to mitigate Conduct Risk. • Limit and control risk of adverse outcomes through policies, procedures and training 	<ul style="list-style-type: none"> • Market Conduct & Integrity Index • Employee Conduct Index • Regulatory Interaction Index • Client Conduct Index

Appendix 3: Directorships

CSUK's Board Members hold the following number of directorships as at 12 April 2017:

Directorships	Total
M Bussey	5
P Brewster	1
E Crystal	1
J Forrester	1
P Harris	3
I Hale	3
M Sullivan	3
S Politzer	3

Appendix 4: List of abbreviations and glossary

Term	Definition
B	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
Back-testing	A technique (typically applied to trading strategies) where a specific strategy is applied to historical data to assess the effectiveness of that strategy.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (June 2006). From 1 January 2007, The European Union's Capital Requirements Directive ('CRD') was effective. The CRD was derived from the Basel II Accord ('Basel II').
Basel III	Basel II was subsequently replaced in the EU, from 1 January 2014, by the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (collectively 'CRDIV'). Basel III requirements will be fully implemented by 1 January 2019.
C	
CCB	<i>Countercyclical capital buffer</i> : 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.
CET1	<i>Common Equity Tier 1</i> : the highest quality level of regulatory capital prescribed under Basel III (and by CRD IV in the EU).
CET 1 ratio	CET1 expressed as a percentage of RWAs.
CRD	<i>Capital Requirements Directive</i> : EU legislation implementing Basel III (and previously Basel II) in the EU.
CRR	<i>Capital Requirements Regulation</i> : EU legislation implementing Basel III in the EU.
CVA	<i>Credit valuation adjustment</i> : a capital charge under Basel III (CRD IV) covering the risk of mark-to-market losses on expected counterparty risk on derivative exposure arising from deterioration in a counterparty's credit worthiness.
E	
DVP	A securities industry settlement procedure in which the buyer's payment for securities is due at the time of delivery. Delivery versus payment (DVP) is a settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security. This form of settlement applies where the client custodies cash / securities external to CSUK, but executes market trades via CSUK.
E	
Exposure value	The maximum loss that a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations or if assets and off-balance sheet positions have to be realised.
EBITDA	<i>Earnings before interest, taxation, depreciation and amortisation</i> .
F	
FCA	<i>Financial Conduct Authority</i> - The UK regulator responsible for conduct of business regulation and supervision.
H	
Haircut	A discount applied to reflect the amount at which an asset can be realised.
I	
ICAAP	<i>Internal capital adequacy assessment process</i> : 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.
IFRS	<i>International Financial Reporting Standards</i> .
ISDA	<i>International Swaps and Derivatives Association</i> .
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.
L	
Leverage ratio	A calculation prescribed under Basel III (and CRDIV) to measure the ratio of total exposures to available Tier 1 capital.
K	
KYC	<i>Know Your Client</i> . The information that a bank collects to correctly identify clients and their source of wealth to prevent criminals and terrorists from using financial products or services to store or move the proceeds of crime.
M	

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Term	Definition
Mark-to-market	A regulatory prescribed method for calculating exposure values in respect of counterparty credit risk
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.
Minimum capital requirement	The minimum amount Pillar 1 requirement to be held for credit, market and operational risk.
N	
Netting	Netting is a means to reduce on- and off- balance sheet credit risk exposures by offsetting the value of any contracts or other positions held with the same counterparty.
O	
OTC	<i>Over-the-counter.</i> A security or other financial instrument not traded on a formal exchange.
P	
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.
PRA	<i>Prudential Regulation Authority</i> - The UK regulator responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms
R	
Reverse repurchase agreement	An agreement that allows a borrower to use a financial security as collateral for a cash loan.
RWA	<i>Risk-weighted asset.</i> derived by assigning risk weights to an exposure value.
S	
SAR	<i>Suspicious activity report.</i> An SAR is a piece of information alerting law enforcement agencies (such as the National Crime Agency) that a certain customer activity is in some way suspicious and may indicate money laundering or terrorist financing
SFT	<i>Securities financing transaction:</i> lending or borrowing of securities (or other financial instruments), a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
SREP	<i>Supervisory Review and Evaluation Process.</i>
Stressed VaR	A market risk capital charge derived from potential market movements applied over a continuous one-year period of stress to a trading book portfolio.
T	
Tier 1 capital	A component of regulatory capital, comprising CET1 and Additional Tier 1 capital as defined by Basel III and the CRDIV.
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.
Trading Book	Positions held with intent to trade or to hedge other items in the Trading Book.
V	
VaR	<i>Value-at-risk:</i> loss estimate from adverse market movements over a specified time horizon and confidence level.

Cautionary statement regarding forward-looking information

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following:

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our 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. We do 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. We caution you that 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 volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets 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 us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold and other targets and ambitions;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyberattacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our 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, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

The foregoing list of important factors is not exclusive



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