Credit Suisse

Credit Suisse Asset Management (UK) Holdings Limited and subsidiaries

Basel III Pillar 3 Disclosures 2016

Index

Introduction

This document comprises the Pillar 3 disclosures for the consolidated situation of Credit Suisse Asset Management (UK) Holdings Limited ('CSAMH') as at 31 December 2016. It should be read in conjunction with CSAMH's 2016 Annual Report which is available from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

These Pillar 3 disclosures are prepared to meet the regulatory requirements contained in the EU rules known as the Capital Requirements Regulation ('CRR'), the UK rules known as the Prudential sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and the UK rules known as the Prudential sourcebook for Investment Firms ('IFPRU').

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

Basis and frequency of disclosures

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

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

Basis of consolidation

CSAMH is the parent undertaking of Credit Suisse Asset Management Limited ('CSAML') and Credit Suisse Quantitative and Systematic Asset Management Limited ('CSQSAML'). CSQSAML was incorporated in November 2015, and started operating in September 2016.

As the ultimate parent of a UK sub-group, CSAMH is the holding company of a UK regulatory consolidation group ('CSAMH group').

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

As required, Pillar 3 disclosures are required in respect of CSAMH group on a consolidated basis, and in respect of CSAML and CSQSAML on a solo basis, as they are both significant subsidiaries in the group. The disclosures for CSAMH group are contained in this document with additional disclosures in respect of CSAML reported in Appendix 1 and CSQSAML reported in Appendix 2.

Restrictions on transfer of funds or regulatory capital within the CSAMH group

In general, the restrictions around the repayment of liabilities and transfer of regulatory capital within the CSAMH group are related to constraints that are imposed on entities by regulators. The movement of capital may also be subject to tax constraints.

Remuneration

The remuneration disclosures required by CRR and BIPRU 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, the CSAMH group closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework.

Own funds

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

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

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

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

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

Capital composition (£000s)

As at 31 December	2016	2015
	Own funds	Own funds
Tier 1 (and CET1) capital		
Ordinary shares	144,199	144,199
Capital contribution reserve	114,617	114,617
Share premium	23,198	23,198
Retained earnings	(128,076)	(134,149)
Accumulated other comprehensive income	3,270	144,199
Tier 1 (and CET1) before regulatory deductions	**157,208**	**147,865**
Total capital ('own funds')	**157,208**	**147,865**

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

Capital ratios

As at 31 December	2016	2015
Common Equity Tier 1	39.3%	96.9%
Tier 1	39.3%	96.9%
Total Capital	39.3%	96.9%

Risk-weighted assets and capital requirements

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

RWAs and capital requirements (£000s)

As at 31 December	2016	2016	2015	2015
	RWAs	Capital Requirement	RWAs	Capital Requirement
Credit risk				
Standardised Approach				
Central governments or central banks	-	-	885	71
Institutions	120,357	9,629	88,278	7,062
Other items	60,912	4,873	9,327	746
Securitisation positions	166,051	13,284	52,236	4,179
(i) Total credit risk	**347,320**	**27,786**	**150,725**	**12,058**
Market risk				
Standard Rules				
Foreign exchange (Banking Book)	52,242	4,179	1,921	154
(ii) Total market risk	**52,242**	**4,179**	**1,921**	**154**
(iii) Total credit and market risk ((i) + (ii))	**399,562**	**31,965**	**152,646**	**12,212**
Other risks				
Fixed Overhead Requirement	246,058	19,685	134,472	10,748
(iv) Total other risks	**246,058**	**19,685**	**134,472**	**10,748**
Pillar 1 RWA and capital requirements (higher of (iii) or (iv))	**399,562**	**31,965**	**152,646**	**12,212**

Risk management

CSAMH group has distinct risk management frameworks for each of its regulated entities. These frameworks are detailed below. The CSAMH group relies upon the individual subsidiaries' risk management frameworks.

Risk management - CSAML

Overview

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

Board of directors

The Directors are ultimately responsible for reviewing the effectiveness of CSAML's risk management and systems of financial and internal control. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The Board of Directors considers that adequate systems and controls are in place with regard to CSAML's risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, has been established to avoid or minimise loss.

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

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

Business overview

CSAML had four primary businesses active in 2016:

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

Key Risks - Board of Directors

CSAML has implemented a risk management framework, including control systems and it works to limit the impact of negative developments by monitoring all relevant key risks including market, credit, operational, fiduciary,regulatory and conduct risks, and managing concentration of risks. CSAML's Board of Directors is responsible for reviewing the effectiveness of CSAML's risk management framework and controls. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

CSAML's overall risk profile associated with business strategy

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

Within the bounds of the overall risk appetite of CSAML, as defined by the thresholds 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.

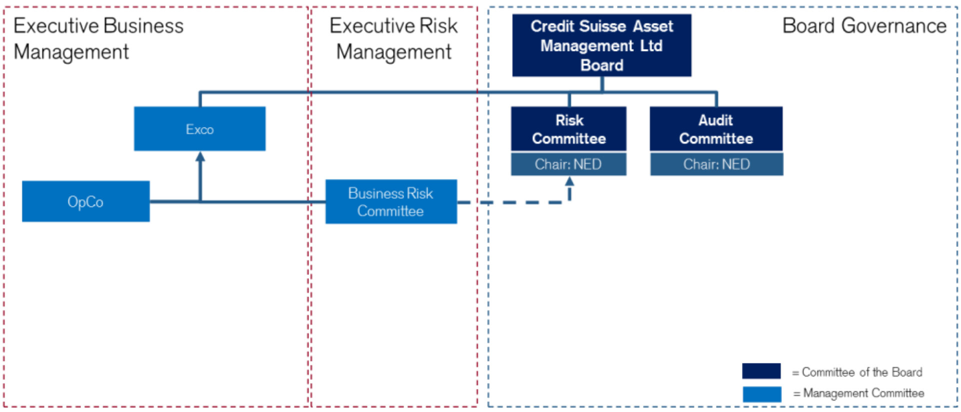
Risk governance

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

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

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

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



- Audit Committee: reviews the Internal Audit Plan to ensure its adequacy, reports on systems of accounting, internal controls and risk management systems, and compliance with regulatory and legal requirements, including litigation. Additionally, the Audit Committee reviews accounting, valuation and tax policies, as well as the quality and accuracy of all financial reporting.
- Risk Committee: responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the development of the risk profile and capital adequacy, including the regular review of major risk exposures and recommending approval by the Board of overall risk appetite thresholds
- Business Risk Committee ('BRC'): responsible for maintaining sound and robust operational risk management across CSAM 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 ('KCIs'), 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.
- CSAM Executive Committee ('EXCO'): chaired by the CEO, the CSAM Exco is ultimately responsible for the management of the CSAML business and the execution of the strategy set by the CSAML Board of Directors. As a decision-making forum, it may receive proposals escalated from other executive committees or from business unit managers.
- CSAM Operating Committee ('OPCO'): chaired by the Chief Operating Officer, this committee is responsible for monitoring key projects within the business, including reviewing the impact of regulatory matters, business improvement initiatives, the performance of the Shared Services divisions, reviewing platform procedures and operational policies.

Risk organisation

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

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

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

- Fiduciary Risk Management ('FRM') is responsible for treating clients with a prudent standard of care when acting in a fiduciary capacity as trustee, portfolio manager or investment advisor. FRM monitors investment performance, measures risks across discretionary client portfolios, and provides oversight on investment risk limits and collateral.
- Risk Analytics and Reporting ('RFDAR') is responsible for reporting, risk model validation, systems implementation and policies 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 the identification, measurement and management of all risks within the entitiy. ERM further supports the entity by building and implementing stress test models.

Risk management framework

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

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

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

First line of defence: embedded business level controls

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

Management has designed and implemented an effective supervisory structure and related risk and control functions to mitigate risk at the first line of defence. A monthly Business Risk Committee ('BRC') has been established and a set of Risk Metrics are discussed at this meeting. The BRC's responsibility is to provide information collation and advisory support for the governance and oversight structure of CSAML, to review and assess the control framework from both an effectiveness as well as an efficiency perspective, and to assist in the preparation of the annual CSAML Risk and Control Self-Assessment.

Second line of defence: independent risk and compliance functions

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

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

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

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

Third line of defence: group internal audit function

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

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

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

Risk management - CSQSAML

Overview

CSQSAML's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in CSQSAML's business planning process and is strongly supported by its senior management and the Board of Directors. The primary objectives of risk management are to protect CSQSAML's financial strength and reputation, while ensuring that capital and liquidity is well deployed to support business activities and grow shareholder value. CSQSAML receives support in all its risk management activities from the Chief Risk Officer Division of CS group, allowing the business to benefit from the expertise and infrastructure of the CS Group Risk Management organisation.

Board of directors

The Directors are ultimately responsible for reviewing the effectiveness of CSQSAML's risk management and systems of financial and internal control. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The Board of Directors considers that adequate systems and controls are in place with regard to CSQSAML'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, a Board Risk Committee has been established in 2017. Ordinary meetings of the Board Risk Committee are required to take place at least four times each year.

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

Business overview

CSQSAML acts as an Alternative Investment Fund Manager (AIFM) and has two principle product groups:

1. Management of an Alternate Investment Fund (AIF)

CSQSAML manages Qube Fund Ltd, an open ended Cayman domiciled AIF that operates as a private investment fund for non-US Persons. The AIF has net assets at 31 Dec 2016 of approximately $820m consisting of $500m CS investment, $300m third party capital (5 separate investors) and $19m employee compensation plan (held by CS group). CSQSAML performs these Investment Management activities from both London (CSQSAML) and Paris (CSQSAML Paris branch).

CSQSAML recognises the concentration risk associated with having a small number of investors in the fund. The concentration risk is increased further as CS investment represents a significant investment in the fund.

2. Operation of a Segregated Account

CSQSAML provides discretionary investment management services to Credit Suisse in the form of a Segregated Account. The Segregated Account activity is entirely separated from the AIF Fund Management activity to ensure that there are no conflicts of interest in this respect.

CSQSAML receives a reimbursement from Credit Suisse for the costs incurred in operating the Segregated Account.

Strategies

The AIF aims to deliver a diversified, uncorrelated low volatility return stream by developing and deploying systematic, data-driven investment strategies.

CSQSAML seeks to achieve this objective through a research intensive and data-driven quantitative and systematic trading and investment program. Specifically, the CSQSAM's personnel develop statistical and quantitative techniques and programs and apply them to a large body of third party and proprietary datasets in an effort to identify and develop potentially profitable trading and investment strategies.

The same research process and infrastructure generally is used in each individual time frame, region and asset class, although the capacity and market dynamics are different. Not all models will necessarily be in use at a given time, and CSQSAML may supplement additional strategies from time to time.

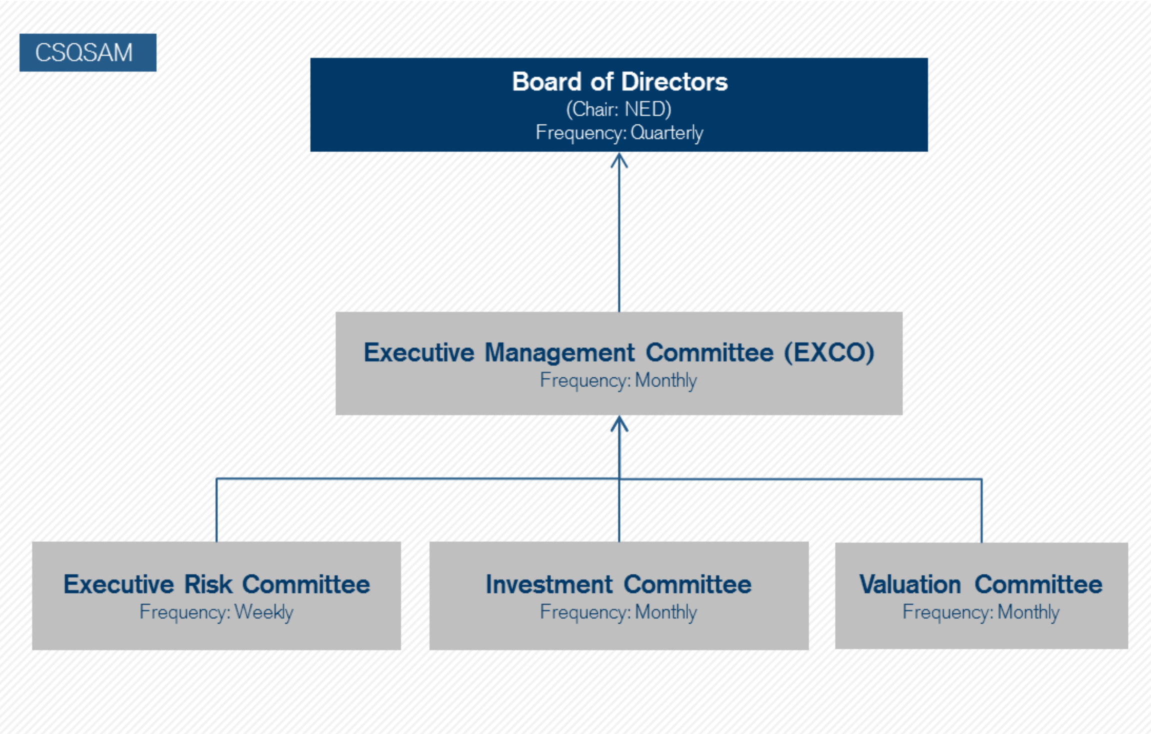
The AIF's strategies are intended to provide liquidity to liquid markets. CSQSAML has a background in market making strategies, understanding market microstructure and being able to quote to provide liquidity. CSQSAML believes that this approach will allow it to control trading costs and to maximize the value of the liquidity that the AIF provides to global markets.

Key Risks - Board of Directors

CSQSML has implemented a risk management framework, including control systems and it works to limit the impact of negative developments by monitoring all relevant key risks including market, credit, operational, regulatory and conduct risks and managing concentration of risks. CSQSAML's Board of Directors is responsible for reviewing the effectiveness of CSQSAML's risk management framework and controls. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The Board of Directors considers that adequate systems and controls are in place with regard to CSQSAML's risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, has been established to avoid or minimise loss.

Risk governance

Below illustrates the CSQSAML governance structure promoting clear communication flow between committees and Board.



Board of Directors

The Board is responsible for setting, executing and communicating the strategic development of the business. It ensures the business is run in a compliant manner and with appropriate risk management. The Board ensures CSQSAML has adequate financial and non-financial resources and provides direction for and challenge to management. The Board is ultimately responsible for the management of conflict of interest, promotion of the right corporate culture and client outcomes.

The Board is chaired by a Non-Executive Director and the members are directors of CSQSAML that have adequate knowledge and experience of the business and the regulatory environment in the UK. The attendance of the chairs of the Investment Committee and Valuation Committee allows the investment and risk issues to be escalated and provide senior management investment and risk expertise and perspective. The Board meets on a quarterly basis and due consideration is given to MI received from the various functions.

Executive Management Committee (EXCO)

The Executive Management Committee oversees and manages the day to day management of CSQSAML. The Committee ensures that arrangements are made for the fulfilment of CSQSAML's duties within regulatory guidelines. The ExCo supervises and controls the business within the overall framework of the CS Group, reviews and considers new business initiatives and outsourced services. This Committee will alert the Board if it does not feel CSQSAML has adequate financial and non-financial resources, and considers any activities which may impact CSQSAML.

The ExCo is chaired by the Chief Executive Officer and all senior management are members of the committee.

As part of the management of the AIF, CSQSAML has set up additional committes, as detailed below:

Investment Committee

The Investment Committee is responsible for the consistent delivery of the investment capabilities, oversight of the investment process, adherence to the risk tolerances, consider new strategies and assess the suitability of products and services to the target market. The Committee reviews the pipeline and take decisions regarding product development.

The Investment Committee is chaired by the Chief Investment Officer.

Valuation Committee

The Valuation Committee is responsible for the consistent application of the AIF's pricing policy and procedures, approval of valuations, pricing sources and amendments or exceptions. The Committee escalates issues to the Board of Directors and the Global Valuation Oversight Committee.

The Valuation Committee is chaired by the Chief Operating Officer.

Executive Risk Committee ("ERC")

The Executive Risk Committee assists the ExCo in fulfilling the risk management responsibilities, escalating areas of concern to those committees. The ERC's function is one of information collation and advisory support for the governance and oversight structure of the Firm, recognizing that management is responsible for executing the risk management policy.

The Executive Risk Committee is chaired by the Chief Risk Officer.

Risk organisation

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

CSQSAML has appointed a dedicated Chief Risk Officer ("CRO") who is responsible for establishing policies and procedures to identify, measure, manage and monitor all risks relating to CSQSAML and to the AIF managed. CSQSAML has ensured that representation of the risk function is undertaken at a senior management level and that a comparable degree of authority for the risk management function is given as compared to other business units, including the portfolio management functions.

The CRO is independent to the portfolio management function and there is clear functional and hierarchical separation. For the avoidance of any conflicts of interest or breach of independence, the CRO reports directly to the CEO. CSQSAML's CRO will be independently monitored and overseen by the CS AM Risk Management team. The CS AM Risk Management team operates at a CS Group level and monitors risks across a number of metrics and provides management information to the Board of Directors of CSQSAML. The team, therefore, provides an extra layer of independent performance of risk management activities.

The CRO establishes and implements the policies forming the risk management policy and recommends amendments and additions to the Executive Risk Committee established by CSQSAML (the "ERC"). All risk policies and risk management systems are reviewed at least annually. Should any deficiencies be identified at any time, CSQSAML's risk function will work with senior management to ensure remedial improvements are made in a prompt manner.

All risk policies and risk management systems are reviewed at least annually. Should any deficiencies be identified at any time, CSQSAML's risk function will work with senior management to ensure remedial improvements are made in a prompt manner.

Risk management framework

CSQSAML is fully committed to promoting a strong compliance and control culture throughout its structure which encourages strong investment performance within a risk controlled environment.

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

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

The three lines of defence model are designed to provide multiple opportunities to address operational risks before they become issues or incidents. Although each line is defined separately and has its own responsibilities, in practice they are required to work in co-operation to ensure that risks are addressed at the correct level and so CSQSAML will work closely with CS Group level compliance and risk teams. In addition, the CS Group internal audit function will conduct regular risk based reviews of CSQSAML's operating procedures and controls. CSQSAML is considering the below framework, which will be subject to review to ensure appropriateness and scalability.

First line of defence: embedded business level controls

Primary risk ownership resides with the business. The first line of defence is responsible for identification and management of operational risk, ensuring a strong control environment is in place, the monitoring and reporting of operational risk profile and ensuring compliance with established risk appetite and all associated policies, standards and guidelines. CSQSAML's management continually monitor and manage the levels of exposure to ensure that risk and return are balanced. CSQSAML leverage the Group Operational Risk Framework ("ORF") to ensure a consistent approach to operational risk management.

CSQSAML benefits from a robust and control focused first line of defence which consists of three layers of control:

- Portfolio management function – this function is led by the Chief Investment Officer and consists of the individual desks running their own strategies within the Product Groups. The desks working on each Product Group are physically segregated. The Chief Investment Officer receives live and daily Management Information which allows him to effectively monitor the actions of those within the portfolio management function.

- IT Development teams – each strategy within the Product Groups have a dedicated member of the IT coding team. The team member sits with the desk running the strategy and works with one portfolio manager.

- COO and CRO teams – these teams sit on the trading floor and assist with the monitoring of the trading desks across both Product Groups. The COO team assists in reviews on topics such as conflicts of interest, segregation of access, operational risk, key control metrics and escalations. The CRO team covers the monitoring of market, liquidity, credit and counterparty risks relating to CSQSAML, AIF and the Managed Account.

CSQSAML is largely an electronic business operating a range of process-driven strategies. The business model requires rapid deployment of new functionality which will be managed through a robust change management process involving relevant layers of the first line of defence. Requests for changes must be approved by authorised personnel before implementation can proceed.

Management has designed and implemented an effective supervisory structure and related risk and control functions to mitigate operational risk at the first line of defence. A monthly Business Risk and Control Meeting (BRCM) is embedded, in line with the enhanced ORF, and a set of Operational Risk metrics are discussed at this meeting. The BRCM discusses the implementation of actions agreed with compliance and audit.

CSQSAML focuses on conduct risk which is considered in the daily activities and throughout the lifecycle of a strategy: from design, testing, implementation, production roll out, intra-day monitoring, post trade review and supervisory activities. Conduct risk training has been and will continue to be delivered to CSQSAML's employees.

Second line of defence: independent risk and compliance functions

The Compliance team, in coordination with other CS Group control functions, undertakes a risk based monitoring programme to determine whether controls are operating effectively and regulatory requirements have been complied with. Monitoring activities are determined according to the assessment of regulatory risk in each area of the AIFM. The compliance team provides updates to the Board of Directors and senior management as well as the Board of the AIF, as may be required.

Trade surveillance is undertaken with a programme known as Actimize and using a number of tests deemed relevant to the business of CSQSAML. These tests have been developed in line with ESMA and UK regulatory requirements.

The CS Operational Risk Management department provides robust, independent assessment and active challenge on operational risks, processes and controls generated by the first line.

Operational Risk Management conduct oversight and challenge on the basis of the first line's implementation of the Group ORF, which provides a systematic approach to operational risk management, including conduct risk elements. Additionally, further support such as Legal, Finance Risk, Product Control and Operations within the CS Group provides independent review and challenge as part of their day-to day operations.

Third line of defence: group internal audit function

Internal Audit of Credit Suisse Group is a department with about 350 staff based in various locations. Larger teams are located in Zurich, New York, London and Singapore. There are also offices in Lugano, Tokyo, Hong Kong, Pune, Powai, Raleigh and Wroclaw..

Internal Audit supports Credit Suisse Group management with financial, operational and information-technology audits covering all business within Credit Suisse Group. The Global Head of Internal Audit reports directly to the Audit Committee.

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

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

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

Credit risk

Overview

CSAMH 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 CSAMH for all types of exposures are Standard & Poor's, Moody's and Fitch.

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

Credit quality steps and corresponding risk weights under the Standardised Approach

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

2016					
	Exposure at default		RWAs		Capital requirement
Credit exposures by regulatory approach:	Average for year	Year-end exposure	Average for year	Year-end	Year-end
Standardised Approach					
Central governments and central banks	1,647	2,928	289	0	0
Institutions	189,186	231,571	98,922	120,357	9,629
Securitisation positions	59,860	86,290	113,801	166,051	13,284
Other items	18,671	53,242	22,194	60,912	4,873
Total Standardised Approach	**269,364**	**374,031**	**235,205**	**347,320**	**27,786**

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

As at 31 December 2016					
Credit exposures by regulatory approach:	UK	Other Europe	Americas	Asia Pacific	Total
Standardised Approach					
Central governments and central banks	2,928	0	0	0	2,928
Institutions	193	130,207	4,622	31	231,571
Securitisation positions	52,236	0	0	0	86,290
Other items	4,341	0	0	0	53,242
Total Standardised Approach	**15,714**	**289,009**	**69,277**	**31**	**374,031**

Credit exposures - analysed by industry (£000s)

As at 31 December 2016			
Credit exposures by regulatory approach:	Financial	Public Authorities	Total
Standardised Approach			
Central governments and central banks	0	2,928	2,928
Institutions	231,571	0	231,571
Securitisation positions	86,290	0	86,290
Other items	48,129	5,113	53,242
Total Standardised Approach	**365,990**	**8,041**	**374,031**

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

As at 31 December 2016			
Credit exposures by regulatory approach:	Up to 12 months	Greater than 5 years	Total
Standardised Approach			
Central governments and central banks	2,928	0	2,928
Institutions	231,571	0	231,571
Securitisation positions	0	86,290	86,290
Other items	53,242	0	53,242
Total Standardised Approach	**287,741**	**86,290**	**374,031**

Impaired loans, charges and write-offs

CSAMH had no impaired loans, charges or write-offs during the year. CSAMH's accounting policies relating to impairment described in the 'Significant Accounting Policies' Note of the CSAMH 2016 Annual Report.

Effect of a credit rating downgrade

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

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

As at 31 December 2016

	Credit quality step						Unrated	**Total**	Deduction from capital resources
Standardised Approach	*1*	*2*	*3*	*4*	*5*	*6*			
Central governments and central banks	0	0	0	0	0	0	2,928	**2,928**	0
Institutions	0	222,428	0	0	0	0	9,143	**231,571**	0
Securitisation positions	60,698	5,742	4,215	5,401	787	0	9,447	**86,290**	0
Other items	0	0	0	0	0	0	53,242	**53,242**	0
Total	**60,698**	**228,170**	**4,215**	**5,401**	**787**	**0**	**74,760**	**0**	**0**

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

Securitisation

Overview

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

Objectives in relation to securitisation activity and CSAMH's role

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

Management of credit risk

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

Accounting policies

CSAMH's accounting policy with respect to special purpose entities is described in the 'Significant Accounting Policies' Note of the CSAMH 2016 Annual Report. Further information on the interest in other entities is disclosed in the 'Disclosures of interest in other entities' Note.

The accounting policy with respect to valuation of securitisation positions is described in the Financial Instruments Note of the CSAMH 2016 Annual Report.

The policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support for securitised assets follow the same policies as for other provisions and financial guarantees. These policies are described in the Significant Accounting Policies Note of the CSAMH 2016 Annual Report.

Banking Book securitisation positions

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

Exposure to securitisations increased versus 2015 as the result of the launch of additional CLOs in 2016 with attendant regulatory retention requirements

The following tables detail the amount of exposures securitised by CSAMH and which were outstanding at 31 December 2016 and securitisation positions held at that date:

Outstanding exposures securitised - Banking Book (£000s)

As at 31 December 2016				
		Other role		
	Sponsor	Traditional	Synthetic	Total
Loans to corporates or SMEs	86,290	0	0	86,290
Total	**86,290**	**0**	**0**	**86,290**

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

As at 31 December 2016		
	Banking Book	
	Traditional	Synthetic
Loans to corporates or SMEs	86,290	0
Total	**86,290**	**0**

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 2016

	Securitisation exposure		Re-securitisation exposure		Total	
	EAD - purchased or retained	RWAs	EAD - purchased or retained	RWAs	EAD - purchased or retained	RWAs
Standardised Approach	86,290	166,051	0	0	86,290	166,051
Total	**86,290**	**166,051**	**0**	**0**	**86,290**	**166,051**

Certain securitisation positions have been risk weighted at 1,250%. The total exposure value of these positions is equal to £10.2m, with a total RWA of £127.9m.

Securitised 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 2016.

Appendix 1: CSAML

Overview

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

Capital resources and capital requirements

An analysis of 2016 'own funds' (as calculated under CRD IV) and total equity from CSAML's 2016 Statement of Financial Position is presented as follows:

Capital composition (£000s)

As at 31 December	2016	2016		2015
	Own funds (a)	Statement of Financial Position (b)	Difference (a) - (b)	Own funds
Tier 1 (and CET1) capital				
Ordinary shares	45,020	45,020	0	45,020
Capital contribution reserve	57,243	57,243	0	57,243
Share premium	20,989	20,989	0	20,989
Retained earnings	(82)	(82)	0	(9,568)
Tier 1 (and CET1) before regulatory deductions	**123,170**	**123,170**	0	**113,684**
Total capital ('own funds')	**123,170**	**123,170**	0	**113,684**

Capital ratios

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

Capital ratios

As at 31 December	2016	2015
Common Equity Tier 1	47.6%	84.6%
Tier 1	47.6%	84.6%
Total Capital	47.6%	84.6%

Capital requirements and RWAs are set out below:

RWAs and capital requirements (£000s)

As at 31 December	2016	2016	2015	2015
	RWAs	Capital Requirement	RWAs	Capital Requirement
Credit risk				
Standardised Approach				
Central governments or central banks	0	0	885	71
Institutions	77,354	6,188	70,600	5,648
Other items	9,087	727	4,341	347
Securitisation positions	166,051	13,284	52,236	4,179
(i) Total credit risk	**252,492**	**20,199**	**128,062**	**10,245**
Market risk				
Standard Rules				
Foreign exchange (Banking Book)	6,380	510	1,973	158
(ii) Total market risk	**6,380**	**510**	**1,973**	**158**
(iii) Total credit and market risk ((i) + (ii))	**258,872**	**20,710**	**130,036**	**10,403**
Other risks				
Fixed Overhead Requirement	98,939	7,915	134,356	10,748
(iv) Total other risks	**98,939**	**7,915**	**134,356**	**10,748**
Pillar 1 RWA and capital requirements (higher of (iii) or (iv))	**258,872**	**20,710**	**134,356**	**10,748**

Appendix 2: CSQSAML

Overview

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

CSQSAML was incorporated in November 2015, and started operating in September 2016. As such, comparative figures did not exist at the end of 2015.

Capital resources and capital requirements

An analysis of 2016 ‘own funds’ (as calculated under CRD IV) and total equity from CSQSAML’s 2016 Statement of Financial Position is presented as follows:

Capital composition ($000s)

As at 31 December	2016	2016
	Own funds	Statement of Financial Position
Tier 1 (and CET1) capital		
Ordinary shares	60,000	60,000
Retained earnings	(4,495)	(4,495)
Accumulated other comprehensive income	9	9
Total Tier 1 (and CET1) capital	**55,514**	**55,514**
Total capital ('own funds')	**55,514**	**55,514**

Capital ratios

The CSAMH group’s key capital adequacy ratios are detailed in the following table:

Capital ratios

As at 31 December	2016
Common Equity Tier 1	26.1%
Tier 1	26.1%
Total Capital	26.1%

Capital requirements and RWAs are set out below:

RWAs and capital requirements ($000s)

As at 31 December	2016	2016
	RWAs	Capital Requirement
Credit risk		
Standardised Approach		
Institutions	47,502	3,800
Other items	55,562	4,445
(i) Total credit risk	**103,064**	**8,245**
Market risk		
Standardised Approach		
Foreign exchange (Banking Book)	6,065	485
(ii) Total market risk	**6,065**	**485**
(iii) Total credit and market risk ((i) + (ii))	**109,129**	**8,730**
Other risks		
Fixed Overhead Requirement	212,626	17,010
(iv) Total other risks	**212,626**	**17,010**
Pillar 1 RWA and capital requirements (higher of (iii) or (iv))	**212,626**	**17,010**

Appendix 3: Key risks, risk mitigation and core metrics

As at 31 December 2016

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
Operational Risk	Risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.	• Business areas take responsibility for their operational risk management and are supported by operational risk teams who are responsible for the implementation of the CS Group Operational Risk Management Framework, methodologies and reporting. • CS group-wide tools are employed including risk appetite statements, reporting of 'top' operational risks; utilizing operational risk registers; risk and control indicators; risk and control self-assessments; analysis of internal operational risk incident data; review of external loss events. • Internal Audit performs regular reviews and operates as an independent check on the effectiveness of internal controls. External auditors provide additional feedback on the control environment and the overall effectiveness of the operational risk management framework.	• Annual cumulative OpRisk 'events' • Expected losses • Unexpected loses • Key man risk • IT risk • Best execution policy • Micos tasks past due • Planned reviews overdue on outsourcing • Breaches of 3rd party / outsourcing agreements • Number of 'MyIncidents'
Credit Risk	Credit risk is the risk of default on a debt that may arise from a borrower failing to make required obligations. This can lead to risk of fallings in earnings, and potential solvency.	• Credit risk arises on management fees receivable from third party clients and other Credit Suisse group entities. Fees are accrued on a monthly basis and are billed in-line with the Investment Management Agreement • CSAML specifically invests on its account in CLO structures for which the CSAML Credit Investments Group is the investment manager, in line with regulatory minimum risk retention requirements relating to securitisations. • Otherwise no proprietary Credit risk is taken and excess capital is invested predominantly with other Group companies.	• RWA/Capital (inc/excl cash upstream to CS Group) • Concentration: Issuer • Concentration: Sector • Credit ratings of the aggregate portfolio
Market Risk	Risk on earnings or capital resulting from changes in	• FX regulatory capital requirements thresholds in place to manage and monitor market risk.	• FX risk regulatory capital requirements • CS employee share plan volatility

As at 31 December 2016

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
	market conditions, such as interest rates, currency fluctuations and market volatility.	• Market risk exposure of CS stock is hedged by another CS group entity. CS group continues to provide confirmation that it will ensure that the Company is able to meet its debt obligations and maintain a sound financial position over the foreseeable future • FX levelling processes, including FX Hedging trades processed by EMEA Finance/Treasury are implemented in order to mitigate FX Exposure	• Monthly Valuation reporting • Monthly price testing • Aggregate mark-to-market on CLO book for CSAML
Tax, Legal and Regulatory Risk	Risk of a change in regulations and law that might affect an industry or a business.	• Continuous monitoring of 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. • 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. • Systems and controls to ensure that all employees adhere to local rules and regulations and the second line of defence monitor compliance with those rules, escalating breaches and having a transparent approach with regulators	• Internal or external open audit items past due • Breaches of market abuse policy • Breaches of cross-border policy • Regulatory breaches or fines • Wall crossings without approval • Client asset breaches • New business conditions overdue & Post Implementation Reviews • Monitoring of metrics on annual compliance training requirements. • Post-implementation reviews conducted for new business initiatives. • Completion of annual compliance reviews
Conduct Risk	The risk that the conduct of Credit Suisse, its employees, associates or representatives gives rise to:	• Primary responsibility lies with senior business line managers. • The Operational Risk and Compliance Committee considers the effectiveness of the conduct risk framework and challenges business leaders on the suitability and effectiveness of the measures and tools used in their businesses to identify, control and mitigate conduct risk.	• Block leave breaches • Personal Account Trading breaches • Staff sanctions due to inappropriate communication • Mandatory training not completed

As at 31 December 2016

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
	• financial or non-financial detriment to clients, customers, or counterparties, whether dealt with directly or via third parties • damage to the integrity of the financial markets • ineffective competition in the markets in which Credit Suisse participates • Non-compliance with the law or the requirements and expectations of regulators, shareholders or other relevant stakeholders (eg. Government bodies and tax authorities)	• Limit and control risk of adverse outcomes through policies, procedures and training. • Conduct Risk mitigation is embedded in the daily activities including training, review of supervisory Management Information , consideration of conduct risk in risk and control self assessments and disciplinary procedures. • Limit and control risk of adverse outcomes through policies, procedures and training.	
Fiduciary Risk	Add Fiduciary risk is the risk of financial loss arising when the entity or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of our client's assets including from a	• Fee structure: fees are designed to help align the interests of the investor and manager while discouraging excessive risk taking. • Limit and control risk of adverse outcomes through policies, procedures and training • Monitoring of adherence to investment guidelines and the Fiduciary & Credit Committee governance	• Investment guidelines • Par value test • Interest coverage test • Individual portfolio management performance

As at 31 December 2016

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
	product-related market, credit, liquidity and operational risk perspective.		
Strategic Risk	Risk defined as the uncertainties and unrealized opportunities embedded in an entity's strategic intent, and how well they are executed. Strategic risk may arise from making poor business decisions or from substandard execution of decisions, inadequate resources, or from changes in the business environment.	• Identifying, mitigating and systematically managing the risks to our strategic objectives in an integrated and comprehensive manner. • Avoiding risk does not advance the strategy; but, proactive risk management can reduce the barriers that would otherwise prevent achievement of strategic objectives.	• Earnings at risk • Earnings at risk • Assets at risk • Cost: Income ratio • Stress • CLO regulatory requirements for CSAML
Shared Service (Group) Risk	Risk that key support services for the entity which do not sit within its legal entity. This risk arises from the entity having no control over resourcing of the functions or the expertise of the individuals employed into the teams.	• Minimize the residual risk using robust controls and processes, including formal service level agreements (SLAs). Where SLAs are not in place, we strive to implement them in a reasonable timeframe.	• Number of material SLA breaches
Financial Crime Risk	Risk as economically motivated criminal actions defined against statutory rules & legislation. Types of financial crime include money laundering, terrorist financing, breach of economic sanctions, bribery and corruption.	• Financial Crime control framework designed to implement a risk based approach wherein more resource and scrutiny is applied to higher risk business relationships and clients. The objective is to minimise the residual risk. There is a zero tolerance approach to knowingly breaching legal or regulatory requirements or financial crime related entity policies but it is expected that unforeseen and non-systemic breaches of regulatory requirements may occur. • Aim to conduct business in accordance with the values and ethics that Credit Suisse Group have adopted, and in compliance with	• Investigations and surveillance: Sanctions, Suspicious Activity Report and Know Your Client reviews for high risk clients • Financial crime breaches • Cyber security breaches • Anti-corruption: Gifts & Entertainment instances above policy thresholds • Anti-fraud: Staff vetting and training

As at 31 December 2016

Key risk	Risk description	Risk mitigation	Description of key risk indicator (KRI) or other metric
		applicable laws, rules and standards.	
Liquidity Risk	Risk to earnings, capital or the conduct of business arising from the inability to meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the entity due to inability to access proper funding.	• Given CSAML does not maintain significant assets, market positions (other than risk retention CLOs) in any securities and do not have contractual obligations beyond fee receivables and normal costs of doing business for the entity, liquidity risk is minimised by ensuring that liquid assets and receivables are always greater than our payables over a 30 day period. • Receivables for QSAM are always greater than the payables.	• Counterbalancing capacity • Net cash position
Reputational risk	Risk of the possible loss of the organization's reputational capital, or risk of loss resulting from damages to an entity reputation, in lost revenue, increased operating, capital or regulatory costs	• Where the presence of factors gives rise to potential reputational risk for CS Group, the relevant business proposal is required to be submitted to CS Group's Reputational Risk Review Process. • Vetting of the proposal by senior business management, and its subsequent referral to one of CS Group's Reputational Risk Approvers, each of whom is independent of the business divisions and has authority to approve, reject, or impose conditions on CS Group's participation	• New business risks and conditions
Pension Risk	Risk to an entity caused by its contractual or other liabilities to or with respect to a pension scheme, whether established for its employees or those of a related company, or otherwise.	• Pension Risk is a contingent liability arising from a Defined Benefits scheme (now closed). As the scheme is closed, the residual risk obligations are managed by the trustees, and sponsored by CSSEL, who act on the behalf of the entity. However, as we continue to have a death in service risk which is insurable, but not for spouse and family members, we would be obliged to pay sums for death of all employees affected.	

Appendix 4: Directorships

CSAMH's Board Members hold the following number of directorships as at 21 April 2017:

Directorships

	Total
T Cherrington	2
S Foster	29
E Laer	1

Appendix 5: List of abbreviations and glossary

Term	Definition
A	
ALM	*Asset and liability management.*
AM	*Asset management.*
AT1	*Additional Tier 1 capital*: a form of capital eligible for inclusion in Tier 1, but outside the definition of CET1.
ATS	*Audit tracking system*.
AuM	*Assets under management.*
B	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
BIPRU	*Prudential Sourcebook for Banks, Building Societies and Investment Firms*
C	
CCB	*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.
CCR	*Counterparty credit risk*.
CET1	*Common Equity Tier 1:* 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.
CIG	*Credit Investment Group:* a CSAML line of business.
CLO	*Collateralised loan obligation.*
CQS	*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.
CRD IV	EU legislative package implementing Basel III in the EU.
E	
ECAI	*External Credit Assessment Institutions*.
F	
FCA	*Financial Conduct Authority*.
I	
ICAAP	*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.
IFRS	*International Financial Reporting Standards*.
ILS	*Insurance-linked Strategies:* a CSAML line of business.
ISDA	*International Swaps and Derivatives Association*.
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.
M	
Master netting agreement	An agreement between two counterparties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on, or termination of any one contract.
MICOS	An internal system used to track the progress of regular control activities that CSAML performs.
P	
PFG	*Private Fund Group*: a CSAML line of business.
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRDIV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRDIV prescribed capital, risk and remuneration disclosure requirements.
R	

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

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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 forwardlooking 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

CREDIT SUISSE ASSET MANAGEMENT (UK)
HOLDINGS LIMITED AND SUBSIDIARIES
One Cabot Square
London E14 4QJ
www.credit-suisse.com

DMC 1506416