Credit Suisse International

CREDIT SUISSE

Basel III 2020 Pillar 3 Disclosures

Abbreviations are explained in the List of abbreviations in the back of this report.

Publications referenced in this report, whether via website links or otherwise, are not incorporated into this report.

In various tables, use of "–" indicates not meaningful or not applicable.

Basel III
2020 Pillar 3 Disclosures

Credit Suisse International

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 2021 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve 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 cyber-attacks 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 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.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in our Annual Report 2020.

Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse International ('CSi' or 'the Bank') as at 31 December 2020. It should be read in conjunction with CSi's 2020 Annual Report which can be found at: www.credit-suisse.com

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.

CSi is authorised by the Prudential Regulation Authority ('PRA') and regulated 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, immateriality, or being proprietary in nature, this is indicated. Pillar 3 disclosures are published annually, although key capital adequacy ratios are disclosed more frequently and may be found on the Credit Suisse website at: www.credit-suisse.com

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 CSi's external auditors.

Basis of Consolidation

These Pillar 3 disclosures are prepared on a solo basis. CSi prepares its IFRS financial statements on a consolidated basis ('CSi group'), including a number of subsidiaries that do not fall within the regulatory scope of consolidation per the CRR.

Restrictions on Transfer of Funds or Regulatory Capital within the CSi group

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

Remuneration Disclosures

The remuneration disclosures required by CRR Article 450 can be found in a separate document ('Pillar 3 – UK Remuneration Disclosures 2020') 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, CSi closely monitors its capital adequacy 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 CSi, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests 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, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP is used for the SREP ('Supervisory Review and Evaluation Process') that the PRA conducts when assessing an institution's level of regulatory capital.

Own Funds

Article 437 of the CRR requires disclosure of the main features of Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Tier 2 instruments. CSi's CET1 comprises permanent share capital of ordinary shares and reserves. The ordinary shares carry voting rights and the right to receive dividends. CSi has no AT1 capital and the terms of its Tier 2 capital instruments are disclosed in Appendix 1.

CSi's capital composition and principal capital ratios are presented in the tables below, together with a reconciliation to CSi's 2020 Statement of Financial Position. No amount shown in 'own funds' is subject to Capital Requirements Directive IV (CRD IV) transitional provisions.

Capital composition

end of 2020				**2020**	2019
	Note	Own funds	Statement of Financial Position (1)	Difference	Own funds
USD million					
Tier 1 (and CET1) capital					
Ordinary shares		11,366	11,366	–	11,366
Share Premium	(2)	–	–	–	12,704
Capital Contribution		887	887	–	875
Retained earnings		10,881	10,881	–	(2,030)
Accumulated other comprehensive income		(127)	(127)	–	(129)
Tier 1 (and CET1) before prudential filters and regulatory adjustments		**23,007**	**23,007**	**–**	**22,786**
Prudential filters and regulatory adjustments					
Elimination of losses / (gains) on fair valued liabilities	(3)	39			22
Elimination of losses / (gains) on derivative liabilities	(4)	(49)			(52)
Prudent valuation adjustments	(5)	(810)			(792)
Intangible assets	(6)	(485)			(489)
DTA on non temporary differences	(7)	(224)			(203)
Defined benefit pension fund	(8)	(796)			(825)
Excess of expected losses over credit risk adjustments	(9)	(129)			(145)
Securitisation positions (Trading Book)	(10)	(4)			(9)
Free Deliveries	(11)	(29)			–
Total Tier 1 (and CET1) capital		**20,520**	**23,007**	**(2,487)**	**20,293**
Tier 2 capital					
Subordinated loans	(12)	3	438	(435)	3
SA General credit risk adjustments	(13)	13	13	–	10
Total Tier 2 capital		**16**	**451**	**(435)**	**13**
Total capital ('own funds')		**20,536**	**23,458**	**(2,922)**	**20,306**
Total risk weighted assets	**(14)**	**106,476**			**77,108**

Capital ratios

end of	**2020**	2019
Common Equity Tier 1	19.3%	26.3%
Tier 1	19.3%	26.3%
Total Capital	**19.3%**	**26.3%**
Institution specific buffer requirement	2.5%	2.6%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.0%	0.1%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.8%	21.8%

Amounts below the thresholds for deduction (before risk weighting)

Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	792	1,126
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	269	268

Applicable caps on the inclusion of provisions in Tier 2

Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	13	10
Cap on inclusion of credit risk adjustments in T2 under standardised approach	93	80
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	180	173

Notes:

(1) 2020 Statement of Financial Position for (i) total equity and (ii) subordinated debt amounts prepared under IFRS.

(2) During 2020, share premium of $12.7bn was reclassed to retained earnings to increase the distributable profit.

(3) Represents losses on liabilities that are valued at fair value resulting from changes in CSi's credit standing [CRR Article 33(1)(b)].

(4) Represents gains on derivative liabilities that result from changes in CSi's credit standing [CRR Article 33(1)(c)].

(5) A prudent valuation adjustment is applied in respect of fair valued instruments as required under CRDIV regulatory capital rules [CRR Articles 34, 105].

(6) Intangible assets and goodwill do not qualify as capital for regulatory purposes under CRDIV [CRR Articles 36(1)(b), 37].

(7) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities are to be reduced from regulatory capital under Articles 36(1) point (c) and 38 of CRR.

(8) CRD IV does not permit pension fund assets to be treated as regulatory capital [CRR Articles 36(1)(e), 41].

(9) For institutions using the AIRB Approach, represents shortfall of credit risk adjustments to expected losses.

(10) Securitisation positions which can alternatively be subject to a 1,250% risk weight [CRR Articles 36(1)(k)(ii), 243(1)(b), 244(1)(b),258].

(11) Free deliveries which can alternatively be subject to a 1,250% risk weight [CRR Articles 36(1)(k)(ii), 243(1)(b), 244(1)(b),258].

(12) Subordinated debt is either accrual accounted or fair valued under IFRS (including accrued interest) whereas 'own funds' recognises it at nominal value. The difference is accrued interest of $414 million, excluding third party debt of $20 million.

(13) General credit risk provision for standardised counterparties is added back to Tier 2 capital [CRR Article 62 (c)].

(14) Total risk weighted assets of the reporting entity, which includes all relevant Pillar 1 buffers.

The CSi Total Capital Requirement (the sum of Pillar 1 and Pillar 2A) as set by the PRA is 12.52%.

Countercyclical Capital Buffer

The Financial Policy Committee ('FPC') of the Bank of England is responsible for setting the UK Countercyclical Capital Buffer ('CCyB') rate, i.e. the CCyB rate that applies to UK exposures of banks, building societies and large investment firms incorporated in the UK. In setting the CCyB, the FPC considers a number of core indicators such as credit to GDP ratios. CRD IV, as implemented in the UK, includes a transitional period, during which the FPC is responsible for deciding whether CCyB 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 CCyBs. CCyBs can be applied at a CS group, sub-consolidated or legal entity basis. CRD IV also includes the potential for a Systemic Risk Buffer ('SRB') which could be similarly applied.

During 2020, FPC reduced the UK CCyB rate to 0% as a response to the financial stability risks associated with the economic disruption resulting from Covid-19. CCyB rates have also been set by Bulgaria, Czech Republic, Hong Kong, Luxembourg, Norway and Slovakia for 2022 that apply to exposures to those countries. All other EEA member states had their CCyB rate set at 0%. No further disclosures are made on CCyB on the basis of materiality.

UK exit from EU

The UK's membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which is defined in UK law as 'IP completion day', during which EU law continued to apply to the UK. HM Treasury used its powers under the European Union (Withdrawal) Act 2018 to ensure that the UK continued to have a functioning financial services regulatory regime at the end of the transition period. To do this, it ensured that EU-derived laws and rules that were in place in the UK before the end of the transition period continued to apply in the UK to the extent that they remain operable.

With completion of the Transition Period on 31 December 2020, CSi lost access to certain EU clients and markets. CS group prepared for a 'hard exit', assuming financial services could not rely on a broad equivalence determination by the EU. Ahead of 31 December 2020 deadline, CS group successfully executed a group-wide plan, utilising existing legal entities to build out trading capabilities and market access across a multi-entity structure enabling continued access to the European Economic Area clients and markets.

COVID-19 Impact

CSi witnessed a highly challenging environment severely impacted by the COVID-19 pandemic. The rapid spread of COVID-19 across the world in early 2020 led to the introduction of tight government controls and travel bans, as well as the implementation of other measures, which quickly closed down activity and increased economic disruption globally. World markets were severely negatively impacted, with multiple industries, including energy, industrials, retail and leisure, significantly affected. However, major central banks and governments around the world have responded by implementing unprecedented monetary and fiscal policy stimulus measures. CSi is closely monitoring the spread of COVID-19 and the effects on operations and business.

Capital Resources Requirement

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

OV1 – Overview of RWA

	RWA		Minimum capital requirements
end of	**2020**	2019*	**2020**
USD million			
Credit risk (excluding CCR)	6,630	8,794	531
Of which the standardised approach	1,774	1,625	142
Of which the foundation IRB (FIRB) approach	–	–	–
Of which the advanced IRB (AIRB) approach	3,972	6,405	318
Of which equity IRB under the simple risk-weighted approach or the IMA	884	764	71
Counterparty credit risk	42,127	37,855	3,371
Of which mark to market	22,046	19,623	1,764
Of which original exposure	–	–	–
Of which the standardised approach	–	–	–
Of which internal model method (IMM)	8,070	6,903	646
Of which risk exposure amount for contributions to the default fund of a CCP	410	277	33
Of which CVA	11,601	11,052	928
Settlement risk	70	72	6
Securitisation exposures in the banking book (after the cap)	66	69	5
Of which IRB approach	–	–	–
Of which ERBA approach	66	–	5
Of which internal assessment approach (IAA)	–	–	–
Of which standardised approach	–	69	–
Market risk	24,456	15,371	1,956
Of which the standardised approach	229	187	18
Of which IMA	24,227	15,184	1,938
Large exposures	23,853	10,109	1,908
Operational risk	3,773	3,181	302
Of which basic indicator approach	3,773	3,181	302
Of which standardised approach	–	–	–
Of which advanced measurement approach	–	–	–
Amounts below the thresholds for deduction (subject to 250% risk weight)	683	649	55
Floor adjustment	–	–	–
Total	**101,658**	**76,100**	**8,134**

*Pillar 1 buffers are not considered in the 2020 disclosure tables in order to align them to Pillar 1 external reporting. Where comparatives are reported, the 2019 numbers also exclude any Pillar 1 buffers.

The market risk increase observed in the table above is a result of increased back-testing exceptions in the VaR model, which gave rise to a higher VaR and stressed VaR multiplier, and by extension an increased capital charge.

The large exposures charge increase was a result of higher volume of inter-company transactions, particularly due to trades and their associated intra-group exposures being transferred from Credit Suisse Securities (Europe) Limited ('CSSEL'). This was done as part of CSSEL's Ramp-Down project, which will result in CSSEL becoming a non-material entity.

The credit risk decrease was a result of reduced commercial lending business particularly in loan commitments and standard loans.

Risk Management

Overview

CSi's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in CSi'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 CSi's financial strength and reputation, while ensuring that capital is well deployed to support business activities and increase shareholder value. CSi has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring all relevant risks including credit, market, liquidity, operational and reputational as well as managing concentrations of risks.

Board of Directors

The Directors are responsible for reviewing the effectiveness of CSi'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 CSi's risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, have 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 CSi'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 CSi 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. The Board maintains its initial target of at least 25% female representation on the board in 2020 and will continue to monitor the composition in 2021 through periodic reviews of structure, size and performance of the Board. Details of directorships held by Board Members are shown in Appendix 2.

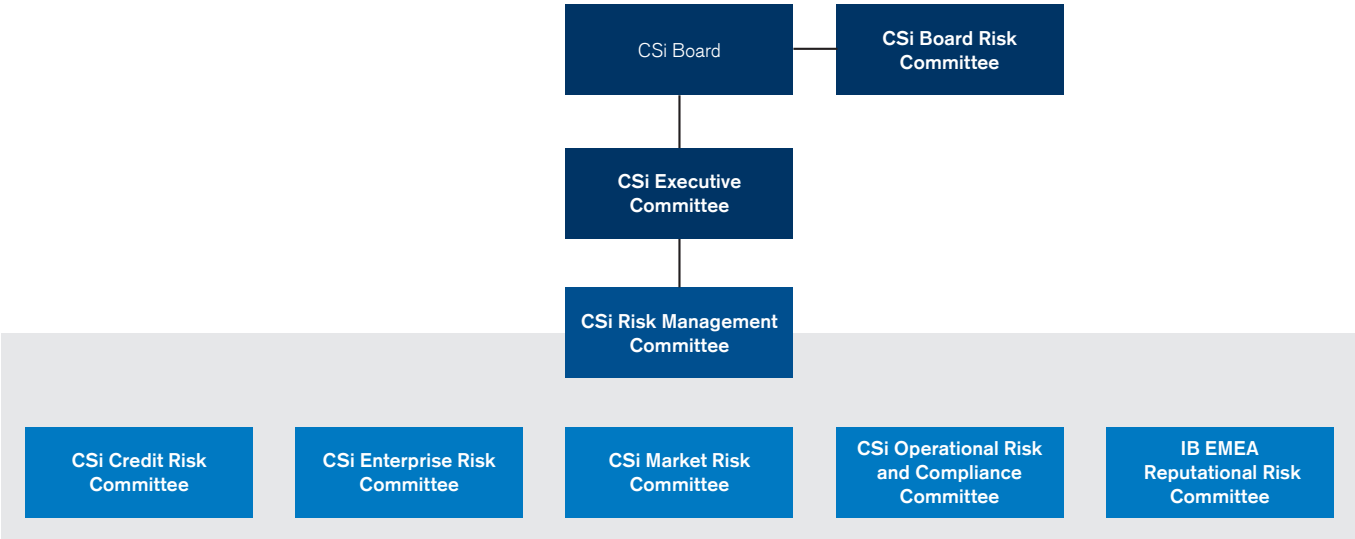
Risk Organisation and Governance

Risks are monitored and managed as part of the Risk Appetite Framework. CSi's risk management organisation reflects its risk profile to ensure risks are managed in a transparent and timely manner. CSi's independent risk management function is led by CSi's Chief Risk Officer ('CRO'), who reports jointly to CSi's Chief Executive Officer (CEO) and the CRO of the CS group.

The CRO is responsible for overseeing CSi's risk profile across all risk types and for ensuring that there is an adequate independent risk management function. This responsibility is delegated from the Board of Directors, via the ExCo, to the CRO, who in turn has established a risk governance framework and supporting organisation.

- **The CSi Board of Directors:** responsible to shareholders for the strategic direction, supervision and control of the entity and for defining the overall tolerance for risk;
- **The CSi Board Risk Committee:** responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the monitoring 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 limits; and
- **The CSi Executive Committee:** this is the primary management committee of CSi and is charged with managing all aspects including strategy, culture, revenue, risk and control, costs and employees.

Committee Hierarchy



The Board of Directors approves the overall framework for risk appetite. The authority to establish more granular limits within the bounds of the overall risk appetite is delegated to the CSi Risk Management Committee ('RMC'), which is chaired by CSi's CRO and comprises members of senior risk and business managers. The purpose of the RMC is to:

- Ensure that proper standards as well as practices and controls for risk management are established for CSi;
- Define, implement and review the risk appetite framework for CSi covering material risk types;
- Review and set/approve limits and other appropriate measures to monitor and manage the risk portfolio and risk of the individual businesses that contribute to CSi;
- Review the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment Process ('ILAAP') for CSi;
- Review and consider any matters to escalate to the CSi Executive Committee;
- Review and recommend all limit applications subject to approval by the CSi Board/Board Risk Committee;
- Review and implement appropriate controls over remote booking risk relating to CSi;
- Review and consider material new business proposals; and
- Review the design and execution of stress testing scenarios and results.

In addition to this, and aligned with the organisation structure, CSi's CRO has implemented several sub-committees of the RMC:

- **The CSi Credit Risk Committee:** chaired by the CSi Chief Credit Officer, defines and implements the CSi Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the UK IB credit portfolio including counterparty, sector, and concentration. This process is supported by the Credit Risk Management department, which is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances;
- **The CSi Market Risk Committee:** chaired by the CSi Head of Market Risk, defines and implements the CSi Market Risk Framework. It is responsible for reviewing emerging risks and assessing any issues that impact on the CSi market risk profile. This process is supported by the Market Risk Management department ('MRM') which is responsible for assessing and monitoring the market risk profile of the Bank and recommends corrective action where necessary;
- **The CSi Operational Risk & Compliance Committee:** co-chaired by the CSi Head of Non-Financial Risk with the CSi Chief Compliance Officer, is responsible for overseeing the operational, conduct and compliance risks for the divisions and corporate functions that comprise CSi, including monitoring the effective implementation of the Enterprise Risk and Control Framework. Reviewing the business (1LOD) processes to manage risk in accordance with the respective frameworks. Provides independent review and challenge (2LOD) of the risk profile to ensure that risks are managed within appetite. This process is supported by the Non-Financial Risk ('NFR') department which is responsible for the identification, assessment, and monitoring of non-financial risks;
- **The CSi Enterprise Risk Management Committee:** chaired by the CSi Head of Enterprise Risk, is responsible for developing and maintaining stress scenario processes appropriate for CSi, based on material risk factors identified. Reviewing and monitoring the Enterprise Risk Management ('ERM') risk appetite metrics and data quality issues. This process is supported by the ERM department which is responsible for covering cross-divisional and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels;

- **The IB EMEA Reputational Risk Committee:** co-chaired by the CSi CRO, CSi Chief Compliance Officer and CSi Deputy CEO, is responsible for reviewing and approving transactions that are escalated as having potential to have a negative impact on CSi's reputation. This process is supported by the Reputational Risk Management ('RRM') department which is responsible for assessing actions or transactions which may pose a reputational risk to the Bank's reputation as escalated by both the First and Second Lines of Defense, providing independent appraisal and facilitating the calibration of such risk.

The departments which support the CSi Risk Heads form part of a matrix management structure with reporting lines into both the CSi CRO and the relevant Global Risk Head. Furthermore, these departments are supported by a global infrastructure and data process which is maintained by the central Risk Data Management ('RDM') group as well as the Chief Risk and Compliance Officer ('CRCO') Change team which is responsible for the delivery of the strategic and regulatory change portfolio sponsored by the Risk division. Support is also provided by General Counsel for legal, policy and regulatory advice as well by the Global Risk functions including Quantitative Analysis and Technology, Model Risk Management and Regulatory Reporting in areas such as model development, model validation and regulatory reporting.

Risk Appetite

Risk appetite represents the aggregate level and types of risk CSi is willing to assume to achieve the strategic objectives and business plan. The Risk Appetite Framework is the overall approach including policies, processes and controls through which risk appetite is established, communicated and monitored. This includes:

- Risk Appetite Statements;
- Risk limits and/or metrics; and
- Roles and responsibilities of those overseeing the implementation and monitoring of the Risk Appetite Framework.

The Risk Appetite Framework incorporates all material risks facing CSi and aligns to the strategy through use of the forward-looking business plan and is owned by the Board. In order to ensure alignment to the strategy CSi uses the following processes:

- Risk Capacity (capital and liquidity) is evaluated and quantified;
- Risks arising from the business strategy are identified (quantitative and qualitative) and assessed;
- Board Tolerance for these risks is defined using both enterprise-wide and individual measures; and
- Should the business strategy result in risk outside of Board tolerance, there is a feedback loop into the business planning process to ensure corrective action is taken.

The Risk Appetite is approved by the Board of Directors on an annual basis as part of the strategic planning process. The Risk Appetite is expressed through both qualitative statements and quantitative measures. It is underpinned by the strategic risk objectives which include:

- **Capital Adequacy:** The Bank will hold adequate capital to be able to withstand a severe macro-economic stress meet;
- **Stability of Earnings:** The Bank will maintain stable earnings and limit its potential losses from identified and acceptable risks (even during potential stress events);
- **Funding Liquidity Adequacy:** The Bank will ensure that it is able to meet all contingent and regulatory obligations on both a BAU basis and periods of stress;
- **Operational And Business Integrity:** The Bank will maintain the integrity of its business, operations, and reputation long term;
- **Reputational Risk and Conduct Risk:** The Bank's employees make decisions and conduct business in line with its values and desired reputation as a Bank.

Risk Limits

Based on these principles, the Board approves limits by key risk type. These limits are then used as a basis for defining a more granular framework of risk limits. The CRO is responsible for setting specific limits deemed necessary to manage the risk within individual lines of business and across counterparties as follows:

- Enterprise risk limits are based on portfolio level measures (RWA, etc.) and are calibrated for both normal and stressed conditions. The overall risk limit calibration is recommended by the Head of ERM who has responsibility for development and calibration of the full suite of enterprise risk limits;
- Market risk limits are based on a variety of sensitivity, portfolio and stress measures including, for example, Value at Risk ('VaR') and portfolio stress loss metrics. The overall market risk limit calibration is recommended by the Head of Market Risk who has responsibility for development and calibration of the full suite of market risk limits;
- Credit risk limits are based on a variety of exposure and stress measures including, for example, counterparty exposure and portfolio loss stress metrics. The overall credit risk limit calibration is recommended by CSi's Chief Credit Officer and is designed to control overall credit quality and mitigate concentration risks (such as single name and industry type) within the portfolio;
- Operational risk thresholds are based on a series of metrics designed to assess control effectiveness. The overall calibration is recommended by the Head of NFRM and is designed to identify areas of potential control weakness and drive development of programmes to reduce operational risk. These thresholds are set in both quantitative (considering historical losses and gains) and qualitative (CS group-wide statements linked to risk and control indicators) terms; and
- Liquidity risk limits are based on regulatory and internal requirements for monitoring funding under a range of conditions. The overall liquidity risk limit calibration is

recommended by the Head of Liquidity Risk who has responsibility for development and calibration of the full suite of liquidity risk limits.

The Board appetite limits define CSi's maximum risk appetite given management resources, the market environment, business strategy and financial resources available to absorb potential losses.

CSi's financial risk management objectives and policies and the exposure of CSi to market risk, credit risk, liquidity risk and currency risk are also considered in the 2020 Annual Report, Note 45 – 'Financial Risk Management'.

Stress Testing

These individual risk type limits are supplemented by an enterprise-wide stress testing programme which is designed to provide an aggregate view of CSi's financial risks. The enterprise-wide stress testing process begins with a scenario setting process, with the choice of scenarios being approved by the Enterprise Risk Management Committee. The scenarios are designed to be severe, but plausible, and relevant to CSi's business. The stress test process is based on both models and expert judgement. These stress test results are reported to the Board Risk Committee at each meeting and form a key input to the ICAAP and ILAAP.

Current and Emerging Risks

Current and emerging risks are described in sections "Other Principle Risks" and "Risk exposures" on pages 23/24 in the 2020 Annual Report.

Subsequent events – US-based hedge fund

On 6 April 2021, CSG reported that it had incurred a provision for credit losses of CHF 4,430 million in Q1 2021 in respect of the failure by a US-based hedge fund on 26 March 2021 to meet its margin requirements. The US-based hedge fund was a client of CSi and the financial impact in Q1 2021 on CSi was a charge of USD 4,669 million. Following the failure of the fund, CSG initiated the process of exiting the fund positions. To date, CSG estimates that it has exited 97% of the related positions. As a result, CSi has incurred additional losses in Q2 2021 of approximately USD 600 million during the process of closing out these positions.

Notwithstanding this event and the impact it has had on CSi's financial performance and capital, CSi is in compliance with the relevant regulatory capital and liquidity requirements of the Prudential Regulation Authority.

Following this event, CSi has reviewed exposures across its prime services business. The related risk and control governance processes are being strengthened and will be further enhanced. CSi also expects that its prime brokerage and prime financing business will be resized, with a primary focus on continuing to serve its most important franchise clients.

Furthermore, the Board of Directors of CSG has initiated an externally-led investigation of this matter, which will be supervised by a special committee of the Board of Directors of CSG, of which Doris Honold, non-executive Director of CSi, is a member.

Greensill

On 1 March 2021, the boards of the supply chain finance funds managed by certain CS group subsidiaries decided to suspend redemptions and subscriptions of those funds to protect the interests of the funds' investors.

On 4 March 2021, the boards decided to terminate those funds and proceed to their liquidation. Those decisions were based on concerns that a substantial part of the funds' assets was subject to considerable valuation uncertainty.

The assets held by the supply chain finance funds, largely consisting of notes backed by existing and future receivables, were originated and structured by Greensill Capital (UK) Limited or one of its affiliates (Greensill Capital). CSi has entered into transactions and issued products that reference the shares of one of the supply chain finance funds and consequentially has exposure to the performance of these assets.

A number of regulatory investigations and actions have been initiated or are being considered in respect of these matters. Furthermore, certain investors have threatened litigation and, as this matter develops, CS group may become subject to litigation, disputes or other actions. It is reasonably possible that CS group will incur a loss in respect of these matters, albeit that given the early stage of this process, it is not yet possible to estimate the size of such a reasonably possible loss. Any such loss or a portion thereof arising from the transactions entered into or products issued by CSi could potentially impact CSi. The CS group, including CSi, continues to analyse these matters, including with the assistance of external counsel and other experts.

Linkages between Financial Statements and Regulatory Exposures

LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Carrying values of items				
end of 2020	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets (USD million)							
Cash and due from banks	6,225	6,194	6,194	–	–	–	–
Interest-bearing deposits with banks	14,486	14,486	14,486	–	–	–	–
Securities purchased under resale agreements and securities borrowing transactions	4,559	4,559	–	4,559	–	4,559	–
Trading financial assets mandatorily at fair value through profit or loss	188,620	188,460	247	156,156	152	191,047	9
Non-trading financial assets mandatorily at fair value through profit or loss	25,516	25,624	733	21,117	–	24,945	1
Net loans	3,151	3,151	3,162	–	–	–	(11)
Investment property	15	–	–	–	–	–	–
Current tax assets	39	39	39	–	–	–	–
Deferred tax assets	199	199	199	–	–	–	0
Other assets	44,566	44,566	1,328	41,684	–	68	1,551
Property and equipment	451	451	451	–	–	–	–
Intangible assets	485	485	–	–	–	–	485
Assets held for sale	1,934	1,934	5	1,848	–	1,861	–
Total assets	**290,246**	**290,148**	**26,844**	**225,365**	**152**	**222,480**	**2,036**
Liabilities (USD million)							
Deposits	432	433	–	–	–	–	433
Securities sold under repurchase agreements and securities lending transactions	4,783	4,783	–	4,783	–	4,783	–
Trading financial liabilities at fair value through profit or loss	164,364	164,361	–	153,522	–	164,286	0
Financial liabilities designated at fair value through profit or loss	29,788	29,630	–	14,926	–	29,537	94
Borrowings	2,436	2,436	2,238	–	–	–	199
Current tax liabilities	4	4	–	–	–	–	4
Other liabilities	32,418	32,418	–	29,780	–	574	2,637
Provisions	5	4	–	–	–	–	4
Debt in issuance	31,597	31,661	16,757	–	–	(0)	14,905
Liabilities held for sale	707	707	–	667	–	518	0
Lease Liabilities	704	704	–	–	–	–	704
Total liabilities	**267,239**	**267,141**	**18,994**	**203,678**	**–**	**199,698**	**18,979**

LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Items subject to			
end of 2020	**Total**	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
(USD million)					
Asset carrying value amount under scope of regulatory consolidation (as per LI1)	288,113	26,844	225,365	152	222,480
Liabilities carrying value amount under regulatory scope of consolidation (as per LI1)	248,162	18,994	203,678	–	199,698
Total net amount under regulatory scope of consolidation	39,951	7,850	21,687	152	22,783
Off-balance sheet amounts	12,012	5,491	–	–	–
Differences in valuations due to standardised approach (SA)	–	–	–	–	–
Differences due to different netting rules due to standardised approach (SA), other than those already included in row 2	–	–	–	–	–
Differences due to consideration of provisions	–	–	–	–	–
Differences due to application of potential future exposures	–	–	–	–	–
Derivative transactions – Differences due to application of Standard Rules (SR)	53,299	–	53,299	–	–
SFT – differences due to application of Standard Rules (SR) (Repo-Var)	8,082	–	8,082	–	–
Other Differences not classified above	–	602	–	–	(22,783)
Exposure amounts considered for regulatory purposes	**113,344**	**13,943**	**83,068**	**152**	**–**

The reasons for differences between accounting and regulatory exposures are as follows:

(1) Notional for sold CDS trades are off balance sheet items as per accounting rules, however for regulatory purposes, sold CDS trades in the regulatory banking book are considered as regulatory exposures for credit risk;

(2) The accounting balance sheet only records the default fund deposited with central counterparties, whereas for regulatory purposes, RWA is calculated in line with the prescribed regulatory default fund calculation;

(3) Regulatory exposures are calculated on a net delta basis, as compared to gross exposures shown in the accounting balance sheet;

(4) The regulatory exposure for certain loan positions is dependent on the market/present value, as compared to the gross exposure that is shown in the accounting balance sheet.

(5) RWA is calculated on the securities pledged to the Bank's UK pension fund. These securities pledged are booked as off-balance sheet for accounting and are not part of the LI1.

LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

		Method of regulatory consolidation			Description of the entity
end of 2020	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted
Name of the entity					
AI3 (USD) Segregated Portfolio	Full consolidation			x	Special purpose entity
Andrea Cell 1000 EUR	Full consolidation			x	Special purpose entity
Andrea Cell 1000 USD	Full consolidation			x	Special purpose entity
Andrea Investments (Jersey) PCC MV	Full consolidation			x	Special purpose entity
Andrea Investments (Jersey) PCC: 1000	Full consolidation			x	Special purpose entity
Argentum Capital S.A. Series 2014-9	Full consolidation			x	Special purpose entity
Argentum Capital Series 2015-62	Full consolidation			x	Special purpose entity
Argentum Capital Series 2015-79	Full consolidation			x	Special purpose entity
Argentum Capital Series 2016-06	Full consolidation			x	Special purpose entity
Argentum Capital Series 2016-25	Full consolidation			x	Special purpose entity
Argentum Capital Series 2016-43	Full consolidation			x	Special purpose entity
Argentum Capital Series 2016-49	Full consolidation			x	Special purpose entity
Argentum Capital Series 2017-42	Full consolidation			x	Special purpose entity
Argentum Capital Series 2017-59	Full consolidation			x	Special purpose entity
Argentum Capital Series 2017-81	Full consolidation			x	Special purpose entity
Argentum Securities International plc Series 2017-2	Full consolidation			x	Special purpose entity
BOATS 621 (TOHOKU20 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 627 (SUMIMM 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 628 (TOHPHA 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 630 (HISJP 24 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 631 (SUMIMM 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 633 (SUMIMM 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 634 (LINECP 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 639 (SUMIMM 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 641 (HISJP 24 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 642 (HOKUTO 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 643 (HISJP 24 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 645 (NISSHO 21 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 646 (NISSHO 21 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 647 (HISJP 24 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 648 (SHIPHH 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 649 (NISSHO 21 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 654 (SHIPHH 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 655 (TOHPHA 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 656 (HOKUTO 23 CB Repack)	Full consolidation			x	Special purpose entity
BOATS 657 (NISSHO 21 CB Repack)	Full consolidation			x	Special purpose entity
Clarus Securities Cayman SPC Limited	Full consolidation			x	Special purpose entity
Clearwater Seller Limited	Full consolidation			x	Special purpose entity
Credit Suisse First Boston Trustees Limited	Full consolidation			x	Special purpose entity
Custom Markets QIAIF plc	Full consolidation			x	Special purpose entity
Global Bond Fund	Full consolidation			x	Special purpose entity
HOLT Emerging Markets Equity Fund	Full consolidation			x	Special purpose entity
Interleuvenlaan 15 Real Estate Ltd	Full consolidation			x	Special purpose entity
M&M Iris SPC	Full consolidation			x	Special purpose entity
Mistral (SPC) (MASTER VEHICLE)	Full consolidation			x	Special purpose entity
Mistral (SPC) Long/Short Equity	Full consolidation			x	Special purpose entity
Morstan Investments B.V.	Full consolidation			x	Special purpose entity
New Jersey S.A.	Full consolidation			x	Special purpose entity

		Method of regulatory consolidation				Description of the entity
end of 2020	Method of accounting consolidation	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Name of the entity						
Platinum Securities Netherlands B.V.	Full consolidation			x		Special purpose entity
Ramper Investments (Jersey) Limited – Series 8	Full consolidation			x		Special purpose entity
SAPIC Separate Account EV (Ecureuil Vie) SP	Full consolidation			x		Special purpose entity
Silver Hake Limited	Full consolidation			x		Special purpose entity
Westwood S.A	Full consolidation			x		Special purpose entity
YI Active Spezial ESPA Fund.	Full consolidation			x		Special purpose entity
Zephyros Limited	Full consolidation			x		Special purpose entity

Credit Risk

Overview

For regulatory purposes, exposures to borrowers or counterparties are categorised into exposure classes according to the framework set out in the CRR.

The majority of Pillar 1 credit and counterparty risk capital requirements are calculated using the Advanced Internal Ratings Based Approach to risk weights ('AIRB'), with certain exposure classes treated under the Standardised Approach to risk weights.

Credit risk in CSi is managed by the CSi Credit Risk Management department, which is headed by the CSi Chief Credit Officer, who in turn reports to the CSi Chief Risk Officer. CSi Credit Risk Management is a part of the wider Credit Risk Management department, which is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CSi Credit Risk Management's processes and policies cover credit risk arising from exposures to borrowers and 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. CSi enters into derivative contracts in the normal course of business principally for market-making and positioning purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency, credit and other risks.

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.
Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration.

A primary responsibility of CSi Credit Risk Management is to monitor the exposure to and creditworthiness of a counterparty, both at the initiation of the relationship and on an ongoing basis. Part of the review and approval process is an analysis and discussion to understand the motivation of the client and to identify the directional nature of the trading in which the client is engaged. Credit limits are agreed in line with CSi's Risk Appetite Framework, taking into account the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level of collateral). All credit exposure is approved, either by approval of an individual transaction or facility (e.g. lending facilities), or under a system of credit limits (e.g. OTC derivatives). Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set on a potential exposure basis. Potential exposure means the possible future value of the portfolio upon default of the counterparty on a particular future date, and is taken as a high percentile of a distribution of possible exposures computed by CSi's internal exposure models. Secondary debt inventory positions are subject to separate limits that are set at the issuer level.

A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes regular asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Regularly updated watch lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

Counterparty credit limits are governed by the Credit Risk Appetite Framework, which establishes a set of ratings-based appetite limits for specific counterparty classes. Appetite limits have been calibrated to the Bank's capital through scenario-based approach which serves the dual purpose of protecting the strategic diversification of the portfolio while promoting an efficient usage of the available capital. Credit Risk Management does not explicitly manage internal capital at the level of individual counterparties. However, all counterparty limits are managed within the Credit Risk Appetite Framework. Credit Risk Management reviews CSi's credit risk appetite at least annually and considers historical information, forward-looking risk assessments, stress-testing results as well as business and capital plans when proposing or affirming appetite limits. The formulation of appetite is anchored to the capital base of CSi in order to protect the Bank's capital resources in the event of large credit losses. An on-going risk identification process includes regular review and challenge of portfolio MI, credit officer interviews, review of business strategy and new business proposals, and may result in the development of new operating limits to protect CSi's capital resources. The CSi Credit Risk Committee monitors compliance with the Credit Risk Appetite Framework and reports any appetite breaches to the CSi Risk Management Committee on a monthly basis and, as needed, to the CSi Board Risk Committee.

Credit Hedges and Risk Mitigation

Counterparty credit risk may be reduced through various forms of mitigation, including: credit default swaps, third-party guarantees, credit insurance, letters of credit and other written assurances (unfunded credit risk mitigation); and collateral or fully-collateralised derivatives (forms of funded protection).

For risk management purposes, the use of unfunded credit risk mitigation is subject to a risk transference policy which sets out the roles and responsibilities of Credit Risk Management, General Counsel, and the Regulatory Reporting function in ensuring risk mitigation is effective and is given the correct capital treatment. In circumstances where the borrower is heavily reliant on the protection provider in order to secure the credit, Credit Risk Management will require the protection provider to be internally-rated higher than the borrower. The main types of guarantors are investment-grade rated insurers, mainly A-rated and above, that are active providers of risk mitigation to the CS group on a global basis. The providers of credit default swap ('CDS') contracts for risk mitigation are mainly investment-grade rated international banks and CCPs. The residual risk associated with risk transference and concentration to specific protection providers is assessed on a semi-annual basis. The amount of credit risk arising from the concentration to protection providers is not considered to be material.

Taking of financial collateral is a key risk management tool for securities financing transactions, derivatives, FX, other OTC products and share-backed financing. 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, in addition to the liquidity issues involved in running a large portfolio of collateral assets and liabilities. CSi's strategy with respect to collateral is subject to a robust collateral policy, which details standards of acceptable collateral (including collateral type, liquidity, quality and jurisdiction), valuation frequency, haircuts and agreement type (most agreements are two-way arrangements, meaning CSi may post as well as receive collateral). Additionally, limits and thresholds are established for the management of collateral concentrations to ensure there is no significant build-up of specific collateral types on a portfolio basis.

However, concentration with respect to cash collateral in major currencies is deemed acceptable from a risk management perspective. Similarly, high-quality liquid sovereign bonds are preferred over other less liquid or less stable collateral types. The majority of CSi's collateral portfolio is made up of cash and liquid securities which are subject to daily valuations.

The policies and processes for collateral valuation and management are driven by a legal documentation framework that is bilaterally agreed with clients, and a collateral management risk framework enforcing transparency through self-assessment and management reporting. 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-modelled 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.

Wrong-way Exposures

Wrong-way risk arises when CSi enters into a financial transaction in which exposure is adversely correlated to the creditworthiness of the counterparty. In a wrong-way trading situation, the exposure to the counterparty increases while the counterparty's financial condition and its ability to pay on the transaction diminishes. Capturing wrong-way risk ('WWR') requires the establishment of basic assumptions regarding correlations for a given trading product. The management of WWR is integrated within CSi's overall credit risk assessment approach and is subject to a framework for identification and treatment of WWR, which includes governance, processes, roles and responsibilities, methodology, scenarios, reporting, review and escalation.

A conservative treatment for the purpose of calculating exposure profiles is applied to material trades with WWR features. The WWR framework applies to OTC, securities financing transactions, loans and centrally cleared trades.

In instances where a material WWR presence is detected, limit utilisation and default capital are accordingly adjusted through more conservative exposure calculations. These adjustments cover both transactions and collateral and form part of the daily credit exposure calculation process, resulting in correlated transactions utilising more of the counterparty credit limit. In addition, WWR is considered in the scenario risk reporting process in order to identify areas of potential WWR within the portfolio, a set of defined scenarios is run on a monthly basis. The scenarios are determined by Credit Risk Management for each counterparty, taking into account aspects such as revenue sources, systemic relevance of the counterparty and other considerations.
The Front Office is responsible as a first line of defense for identifying and escalating trades that could potentially give rise to WWR. Any material WWR at portfolio or trade level is escalated to senior Credit Risk Management executives and risk committees

Credit Risk Reporting and Measurement

The RDM Risk Reporting group is responsible for the production of regular and ad hoc reporting of credit and counterparty risk, country, industry and scenario exposures, in support of internal clients such as the senior management of the Bank and CRO management, as well as external stakeholders such as regulators.

CSi's credit exposures are captured in its INSIGHT system, where exposures are calculated from various inputs including trade data, mark-to-market valuations, economic sensitivities, legal documentation and jurisdiction, collateral and other forms of risk mitigation. The Quantitative Analysis and Technology group is responsible for the development and maintenance of exposure calculation methodologies.

Effect of a Credit Rating Downgrade

CSi is subject to contractual and contingent commitments in derivative documentation which can be triggered by a credit rating downgrade. The additional collateral calls or settlement payments arising from ratings downgrade (3-notch for the 30-day stress or 2-notch for the 365-day stress) are quantified according to the terms included in the respective legal agreements. Downgrades under market, idiosyncratic and combined scenarios are considered in the stress assumptions. A liquidity pool made up of 'high quality liquid assets' ('HQLA') is held to mitigate these risks. Collateral outflows are based on Credit Support Annex ('CSA') thresholds and individual terms agreed with counterparts and SPVs.

Netting

Credit risk mitigation processes under the AIRB and Standardised Approaches include on- and off-balance sheet netting and utilising eligible collateral, as defined in the CRR.

CSi transacts bilateral OTC derivatives mainly under ISDA master agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination.

Reverse repurchase and repurchase agreements are generally covered by global master repurchase agreements with netting terms similar to ISDA master agreements. In addition, securities lending and borrowing transactions are generally executed under global master securities lending agreements, with netting terms also similar to ISDA master agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled in one single net payment.

Equity Type Exposures in the Banking Book

The classification of equity type exposures into Trading Book and Banking Book is made for regulatory reporting purposes. The Banking Book includes all items that are not classified in the Trading Book, for example, on the basis that there is no trading intent or on the basis of valuation approach or frequency.

For equity type exposures in the Banking Book, risk weights are determined using the IRB Simple Risk Weight Approach, which differentiates by equity sub-asset types (qualifying private equity, listed equity and all other equity positions). The significant majority of CSi's Banking Book equity exposures are in the Fund-Linked Product ('FLP') business area. These instruments are fair valued for accounting purposes, but fall within the regulatory Banking Book category, as valuations are not available sufficiently frequently to meet the standards required for Trading Book eligibility. In the context of business objectives and trading activity, the Banking Book positions are indistinguishable from FLP instruments that fall within the regulatory Trading Book category, and the positions are actively traded and risk-managed.

No further disclosure is made concerning cumulative realised gains or losses from sales or liquidations in the period and total latent revaluation gains or losses on the basis of materiality.

Standardised Approach to Risk Weights

Under the Standardised Approach to risk weights, 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 CSi are Standard & Poor's, Moody's and Fitch.

Internal Ratings Based Approach

The Basel Framework permits banks a choice between two broad methodologies in calculating their capital requirements for credit risk by exposure class, the IRB Approach (within which there are two variants, Foundation and Advanced) or the Standardised Approach. CSi has received approval from the PRA to use the AIRB Approach.

Under the AIRB Approach, risk weights are determined using internal models and risk parameters, whereas under the Standardised Approach, the risk weights are based on regulatory prescribed parameters. Credit risk models are reviewed and updated on an ongoing basis, reflecting more recent data, changes to methodologies, and updated regulatory requirements. For those portfolios where CSi has not received approval from the PRA to use the AIRB approach, the Standardised Approach is applied.

Currently, the AIRB Approach is used for the majority of exposures whereby internal estimates for probability of default ('PD'), loss given default ('LGD') and credit conversion factors ('CCF') are used when calculating credit risk capital requirements. As prescribed in its AIRB permission, CSi calculates the credit risk capital requirement for equity exposures using the Simple Risk Weight Approach.

Rating Models

The majority of the credit rating models used by CSi are developed internally by Core Credit Models, a specialised unit within the Quantitative Analysis & Technology department in CRO.

These models are independently validated by Model Risk Management prior to use in the regulatory capital calculation and thereafter on a regular basis (see below). CSi also uses models purchased from recognised data and model providers (e.g. credit rating agencies).

All new or material changes to rating models are subject to a robust governance process. After development and validation of a rating model or model change, the model is reviewed by relevant governance committees where model developers, validators and users of the models consider the technical and regulatory aspects of the model. The relevant committees consider the information provided and decide to either approve or reject the model or model change.

Model Development

The techniques to develop models are carefully selected by Core Credit Models to meet industry standards in the banking industry as well as regulatory requirements. The models are developed to exhibit 'through-the-cycle' characteristics, reflecting a probability of default in a 12-month period across the credit cycle.

All models have clearly defined model developers who have primary responsibility for development, enhancement, review, maintenance and documentation. The models are required to pass statistical performance tests, where feasible, followed by usability tests by designated Credit Risk Management experts to proceed to formal approval and implementation. The development process of a new model is documented and foresees a separate schedule for model updates.

The level of calibration of the models is based on a range of inputs, including internal and external benchmarks where available. Additionally, the calibration process ensures that the estimated calibration level accounts for variations of default rates through the economic cycle and that the underlying data contains a representative mix of economic states. Conservatism is incorporated in the model development process to compensate for any known or suspected limitations and uncertainties.

Model Validation

Model validation within CSi is performed by an independent function subject to clear and objective internal standards as outlined in the validation policy. This ensures a consistent and meaningful approach for the validation of models across all areas within CSi and over time. All models are subject to Model Governance and depending on their risk-tiering to independent model validation. Where used, externally developed models are subject to the same governance and validation standards as internal models.

New Models and significant changes to existing models must be validated and approved before 'go-live'. A waiver is required to allow for use of an unapproved model including unapproved significant changes to an existing model.

Existing models are subject to a regular review process which requires each model to be periodically revalidated and its performance to be monitored. The frequency of the periodic reviews and of the ongoing performance monitoring depends on the model Tier.
Each validation review is a comprehensive quantitative and qualitative assessment aiming:

- to confirm that the model remains conceptually sound and the model design is suitable for its intended purpose;
- to verify that model assumptions are still supported and that limitations are known and mitigated;
- to confirm that model outputs are in line with realised outcomes;
- to establish whether the model is accepted by the users and is used as intended;
- to check whether a model is implemented correctly; and
- to ensure that the model is sufficiently transparent and is well documented.

To meet these goals, models are validated against a series of quantitative and qualitative criteria, and each validation is notified to the model governing committees. Quantitative analyses may include a review of model performance (comparison of model output against realised outcome), calibration accuracy against appropriate time series, assessment of a model's ability to rank order risk and performance against available benchmarks. Qualitative assessment includes a review of the appropriateness of the key model assumptions, the identification of the model limitations and their mitigation, and further review to ensure appropriate model use. The modelling approach is reassessed in light of developments in academic literature and industry practice.

Shortcomings and required improvements identified by the independent validation process must be remediated within an agreed deadline.

Descriptions of the Rating Processes

Credit Risk Management policy requires that all credit-bearing transactions are approved by Credit Risk Management prior to trading. Generally, this approval takes the form of a credit analysis of the counterparty, which includes the assignment of a credit rating. In the cases of small, one-off and short-term trades, Credit Risk Management approval may take the form of a transaction approval, which may include an indicative rating or no rating. At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counterparty are used by Credit Risk Management in the models and result in the assignment of a credit rating or PD, which measures the counterparty's risk of default over a one-year period.

Counterparty and Transaction Rating Process

Where rating models are used, the models are an integral part of the rating process, and the outputs from the models are complemented with other relevant information from credit officers via a model-override framework. CSi has a PD model (PD-Masterscale), which applies to the following types of exposure: Banking Book bonds, commercial lending, exchange-traded derivatives, OTC derivatives, secured financing, open trades, and uncollateralised loans. The Masterscale PDs are estimated through reference to an external database, which contains the rating history of issuers over 30 years to the present. Annual default rates are calculated for each rating category, with default rates forming the basis of the PD calculation. For higher quality ratings, where there is relatively little default experience on which to base estimates, a low default portfolio ('LDP') estimator is used. All PDs are floored at 0.03% for all exposure classes with the exception of the sovereign asset, where no floor applies. The overrides by credit officers are intended to incorporate information not captured by the approved counterparty rating models. In addition to the information captured by the rating models, credit officers make use of peer analysis, industry comparisons, external ratings and research and the judgment of credit experts to support their fundamental credit analysis and determine model inputs. This analysis emphasises a forward-looking approach, concentrating on economic trends and financial fundamentals. Where rating models are not used, the assignment of credit ratings is based on a well-established expert judgement process which captures key factors specific to the type of counterparty.

The exposures in scope of CSi's LGD model are the same as those in the PD model. The main sources of information for LGD estimation purposes are data on experienced losses and recoveries. The CS group participates in data-pooling in which lending institutions contribute historical information on defaulted loans. LGDs are discounted and therefore reflect economic losses. They also include recovery cost and downturn effects. LGD estimates are annually backtested against internal experience.

Exposure at Default ('EAD') for loan products is calculated following the CCF approach. The scope of CCFs is irrevocable commitments such as regular loans and contingent liabilities such as letters of credit. For regular loans, a scalar CCF is used to convert an undrawn but committed amount into a loan equivalent. The EAD is modelled for each facility as the sum of the drawn exposure at reference date plus a percentage ('CCF') of the undrawn portion of the commitment. The CCF estimate is obtained using historical information on realised CCFs. This type of calculation requires information on exposures for defaulted counterparties both at default and at a given date prior to default (i.e. 12 months prior to default). This information is sourced from CSi's default and loss database. CCFs include downturn and conservative add-ons. For contingent liabilities, CCFs are used to convert the exposures from drawn products to a cash exposure. CCF estimates are annually back-tested against recent internal experience.

For PD, LGD and CCF parameters, there are no deviations from the regulatory definition of default and all are applied in the same way for central banks and central governments, institutions and corporates.

Credit Risk Management has established guidelines for the analysis and rating of all significant counterparty types. Analysis guidelines include the following requirements for specific IRB exposure classes:

- **Central governments and central banks:** The analysis of central governments and central banks must consider the connection to the sovereign. The legal enforceability, economic structure and level of development can vary vastly from one country to another, in addition to other factors that can drive the credit risk of an individual sovereign counterparty. Credit analysis includes an assessment of connection to the sovereign (for central banks), the legal basis on which the counterparty is established, the level of sovereign support (implicit or explicit), and a discussion of economic factors, including revenue generation (both current and future), the ability to collect additional revenue, current and future financial liabilities, access to capital markets, and quality of governance and administration. Analysis must also include a review of the current credit portfolio, including a summary of risk mitigation used to reduce credit exposure.
- **Institutions:** Analysis of institutions is founded on a review of capital adequacy, asset quality, management, earnings, liquidity and funding. Analysis must also consider the counterparty's risk management (eg. credit, market, interest rate and operational risk), the counterparty's industry and franchise, and its operating environment, including regulatory environment. The credit review must include both quantitative and qualitative factors. The review must cover reported financials, ratios, and financial trends both in relation to historical performance and relative to peers. Peer analysis provides context for the analysis and is required in all reviews unless suitable peers are unavailable. Banks and bank holding companies are generally reviewed at the consolidated entity level, as well as at the legal entity level with which CSi is trading. This approach helps to uncover any particularly strong or weak entities within a group. To the extent that external ratings and research exist (rating agency and/or fixed income and equity), these must be reflected in the assessment if relevant. The analysis must also encompass relevant media information. As part of the counterparty review, Credit Risk Management is responsible for classifying whether certain institutions are 'regulated' per specific regulatory definitions and, if so, for capturing the financial institution's group asset value.
- **Corporates:** Analysis of corporates includes an overview of the company including main business segments, sources of revenue, and financial sponsor ownership. Corporate credit analysis is a function of the industry in which a company operates. Therefore industry and peer analysis is to be included in the review; if the counterparty competes in a global industry, global competitors may be the most appropriate. The comparisons should include credit ratings as well as financial metrics appropriate for the industry. Analysis must also include an

assessment of specific financial factors, including profitability, cash flow adequacy, capital structure (leverage) and liquidity. As a minimum, review and peer analyses must include the following ratios: debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA'), senior debt to EBITDA (if applicable) and net debt to EBITDA; interest coverage based on industry; and debt to capitalisation or debt to assets. Finally, where CSi extends loan facilities containing financial covenants, the review must include an analysis of those covenants.

For structured and asset finance deals, the focus is on the performance of the underlying assets which represent the collateral of the deal. The ultimate rating is dependent upon the expected performance of the underlying assets and the level of credit enhancement of the specific transaction. Additionally, a review of the originator and/or servicer is performed. External ratings and research (rating agency and/or fixed income and equity), where available, are incorporated into the rating justification, as is any available market information (e.g. bond spreads, equity performance).

Transaction ratings are based on the analysis and evaluation of both quantitative and qualitative factors. The specific factors analysed include seniority, industry and collateral. The analysis emphasises a forward-looking approach.

Use of Internal Ratings

Internal ratings play an essential role in the decision-making and credit approval processes. CSi's internal counterparty ratings system has a 22-grade ratings scale. Ratings are reviewed regularly (at least annually), and consideration is given to external credit ratings during the review process. The portfolio credit quality is set in terms of the proportion of investment and non-investment grade exposures. Investment or non-investment grade is determined by the internal rating assigned to a counterparty.

Internal counterparty ratings (and associated PDs), transaction ratings (and associated LGDs) and CCFs for loan commitments are inputs to RWA calculations. Model outputs are the basis for risk-adjusted pricing or assignment of credit competency levels.

The internal ratings are also integrated into CSi's risk management reporting infrastructure and are reviewed in senior risk management committees.

To ensure risk ratings are assigned on a consistent basis, the Credit Risk Review function, which is an independent team, performs periodic portfolio reviews on a sampled basis, which cover, inter alia:

- accuracy and consistency of assigned counterparty/ transaction ratings;
- transparency of rating justifications (both the counterparty rating and transaction rating);
- quality of the underlying credit analysis and credit process; and
- adherence to relevant CSi and CS group credit risk policies, guidelines, procedures, and documentation checklists.

Credit Risk Review is an independent control function of the Board of Directors Risk Committee of the CS group. Credit Risk Review presents the findings of its reviews of the CSi portfolio to the CSi Risk Committee at least semi-annually.

Credit Exposures RWA and Capital Requirements

The tables in this section contain analyses of credit exposures in both the Trading Book and Banking Book.

CRB-B – Total and average net amount of exposures

	2020	
	Net value of exposures at the end of the period	Average net exposures over the period
USD million		
Central governments or central banks	1,446	1,483
Institutions	21,337	20,235
Corporates	6,549	8,100
Of which: Specialised lending	–	–
Of which: SMEs	–	–
Retail	–	–
Secured by real estate property	–	–
SMEs	–	–
Non-SMEs	–	–
Qualifying revolving	–	–
Other retail	–	–
SMEs	–	–
Non-SMEs	–	–
Equity	303	282
Total IRB approach	**29,635**	**30,100**
Central governments or central banks	37	46
Regional governments or local authorities	10	14
Public sector entities	–	14
Multilateral development banks	8	15
International organisations	–	–
Institutions	305	499
Corporates	1,947	2,591
Of which: SMEs	–	–
Retail	–	–
Of which: SMEs	–	–
Secured by mortgages on immovable property	–	–
Of which: SMEs	–	–
Exposures in default	13	7
Items associated with particularly high risk	–	–
Covered bonds	–	–
Claims on institutions and corporates with a short-term credit assessment	152	38
Collective investments undertakings	–	–
Equity exposures	–	–
Other exposures	–	–
Total standardised approach	**2,472**	**3,224**
Total	**32,107**	**33,324**

CRB-C – Geographical breakdown of exposures

end of 2020	UK	of which England and Wales [1]	Europe	Americas	Asia	Africa & Middle East	**Total**
Net value (USD million)							
Central governments or central banks	345	345	126	–	975	–	1,446
Institutions	19,917	19,902	169	887	284	80	21,337
Corporates	3,814	3,814	1,840	603	169	123	6,549
Retail	–	–	–	–	–	–	–
Equity	7	7	296	–	–	–	303
Total IRB approach	**24,083**	**24,068**	**2,431**	**1,490**	**1,428**	**203**	**29,635**
Central governments or central banks	34	34	–	–	3	–	37
Regional governments or local authorities	10	10	–	–	–	–	10
Public sector entities	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	8	–	8
International organisations	–	–	–	–	–	–	–
Institutions	223	223	72	10	–	–	305
Corporates	604	600	756	518	69	–	1,947
Retail	–	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–	–
Exposures in default	10	10	3	–	–	–	13
Items associated with particularly high risk	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–	124	28	–	–	152
Collective investments undertakings	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–
Total standardised approach	**881**	**877**	**955**	**556**	**80**	**–**	**2,472**
Total	**24,964**	**24,945**	**3,386**	**2,046**	**1,508**	**203**	**32,107**

[1] All regions are shown plus any individual country where its exposure is greater than 10% of the total exposure

Loans include all on-balance sheet exposures that give rise to a credit risk charge, and exclude debt securities, derivatives, securities financing transactions and off-balance sheet exposures.

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CRB-D – Concentration of Exposures by Industry or Counterparty types

end of 2020	Agriculture, forestry and fishing	Mining and quarrying	Manu-facturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade
USD million							
Central governments or central banks	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–
Corporates	–	260	710	16	30	–	619
Retail	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–
Total IRB approach	**–**	**260**	**710**	**16**	**30**	**–**	**619**
Central governments or central banks	–	–	–	–	–	–	–
Regional governments or local authorities	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–
International organisations	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–
Corporates	6	45	647	143	8	15	72
Retail	–	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–
Items associated with particularly high risk	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–	–	68	–	–	–
Collective investments undertakings	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–
Total standardised approach	**6**	**45**	**647**	**211**	**8**	**15**	**72**
Total	**6**	**305**	**1,357**	**227**	**38**	**15**	**691**

Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertainment and recreation	Financial and insurance activities	Other services	**Total**
–	–	–	–	–	–	1,400	–	–	–	46	–	1,446
–	–	–	–	–	–	–	–	–	–	21,337	–	21,337
57	31	420	9	84	884	37	–	54	126	3,212	–	6,549
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	303	–	303
57	**31**	**420**	**9**	**84**	**884**	**1,437**	**–**	**54**	**126**	**24,898**	**–**	**29,635**
–	–	–	–	–	–	37	–	–	–	–	–	37
–	–	–	–	–	–	10	–	–	–	–	–	10
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	8	–	8
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	305	–	305
38	31	145	26	25	–	–	–	6	–	740	–	1,947
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	10	–	–	–	–	–	–	–	3	–	13
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	84	–	152
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
38	**31**	**155**	**26**	**25**	**–**	**47**	**–**	**6**	**–**	**1,140**	**–**	**2,472**
95	**62**	**575**	**35**	**109**	**884**	**1,484**	**–**	**60**	**126**	**26,038**	**–**	**32,107**

CRB-E – Maturity of exposures

end of 2020	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	**Total**
Net exposure value (USD million)						
Central governments or central banks	–	381	1,053	12	–	1,446
Institutions	1,583	19,608	146	–	–	21,337
Corporates	207	3,476	2,479	387	–	6,549
Retail	–	–	–	–	–	–
Equity	–	–	–	–	303	303
Total IRB approach	**1,790**	**23,465**	**3,678**	**399**	**303**	**29,635**
Central governments or central banks	–	34	3	–	–	37
Regional governments or local authorities	–	10	–	–	–	10
Public sector entities	–	–	–	–	–	–
Multilateral development banks	–	–	8	–	–	8
International organisations	–	–	–	–	–	–
Institutions	33	195	77	–	–	305
Corporates	145	458	1,242	102	–	1,947
Retail	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–
Exposures in default	–	3	10	–	–	13
Items associated with particularly high risk	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	56	68	–	28	–	152
Collective investments undertakings	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–
Total standardised approach	**234**	**768**	**1,340**	**130**	**–**	**2,472**
Total	**2,024**	**24,233**	**5,018**	**529**	**303**	**32,107**

CR1-A – Credit quality of exposures by exposure class and instrument

	Gross carrying values of						Net values
end of 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	
USD million							
Central governments or central banks	–	1,446	–	–	–	–	1,446
Institutions	–	21,337	–	–	–	–	21,337
Corporates	81	6,482	8	6	–	14	6,549
Of which: Specialised lending	–	–	–	–	–	–	–
Of which: SMEs	–	–	–	–	–	–	–
Retail	–	–	–	–	–	–	–
Secured by real estate property	–	–	–	–	–	–	–
SMEs	–	–	–	–	–	–	–
Non-SMEs	–	–	–	–	–	–	–
Qualifying revolving	–	–	–	–	–	–	–
Other retail	–	–	–	–	–	–	–
SMEs	–	–	–	–	–	–	–
Non-SMEs	–	–	–	–	–	–	–
Equity	–	303	–	–	–	–	303
Total IRB approach	**81**	**29,568**	**8**	**6**	**–**	**14**	**29,635**
Central governments or central banks	–	37	–	–	–	–	37
Regional governments or local authorities	–	10	–	–	–	–	10
Public sector entities	–	–	–	–	–	–	–
Multilateral development banks	–	8	–	–	–	–	8
International organisations	–	–	–	–	–	–	–
Institutions	–	305	–	–	–	–	305
Corporates	13	1,961	–	14	–	14	1,947
Of which: SMEs	–	–	–	–	–	–	–
Retail	–	–	–	–	–	–	–
Of which: SMEs	–	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–	–
Of which: SMEs	–	–	–	–	–	–	–
Exposures in default	13	–	–	–	–	–	13
Items associated with particularly high risk	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	152	–	–	–	–	152
Collective investments undertakings	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–
Total standardised approach	**13**	**2,473**	**–**	**14**	**–**	**14**	**2,472**
Total	**94**	**32,041**	**8**	**20**	**–**	**28**	**32,107**
Of which: Loans	87	25,061	8	20	–	28	25,120
Of which: Debt securities	–	198	–	–	–	–	198
Of which: Off- balance-sheet exposures	8	5,484	–	–	–	–	5,492

The geographical distribution is based on country of incorporation or the nationality of the counterparty.

CR1-B – Credit quality of exposures by industry or counterparty types

	Gross carrying values of						Net values
end of 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	
USD million							
Agriculture, forestry and fishing	–	6	–	–	–	–	6
Mining and quarrying	12	301	8	–	–	8	305
Manufacturing	–	1,375	–	18	–	18	1,357
Electricity, gas, steam and air conditioning supply	–	227	–	–	–	–	227
Water supply	–	38	–	–	–	–	38
Construction	–	15	–	–	–	–	15
Wholesale and retail trade	–	692	–	1	–	1	691
Transport and storage	–	95	–	–	–	–	95
Accommodation and food service activities	31	31	–	–	–	–	62
Information and communication	10	566	–	1	–	1	575
Real estate activities	–	35	–	–	–	–	35
Professional, scientific and technical activities	–	109	–	–	–	–	109
Administrative and support service activities	–	884	–	–	–	–	884
Public administration and defence, compulsory social security	38	1,446	–	–	–	–	1,484
Education	–	–	–	–	–	–	–
Human health services and social work activities	–	60	–	–	–	–	60
Arts, entertainment and recreation	–	126	–	–	–	–	126
Financial and insurance activities	3	26,035	–	–	–	–	26,038
Other services	–	–	–	–	–	–	–
Total	**94**	**32,041**	**8**	**20**	**–**	**28**	**32,107**

CR1-C – Credit quality of exposures by geography

	Gross carrying values of						Net values
end of 2020	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	
USD million							
UK	11	24,968	–	15	–	15	24,964
of which England and Wales [1]	11	24,949	–	15	–	15	24,945
Europe	34	3,357	–	5	–	5	3,386
of which France	–	–	–	–	–	–	–
Americas	40	2,006	–	–	–	–	2,046
Asia	–	1,508	–	–	–	–	1,508
Africa & Middle East	9	202	8	–	–	8	203
Other geographical areas	–	–	–	–	–	–	–
Total	**94**	**32,041**	**8**	**20**	**–**	**28**	**32,107**

[1] All regions are shown plus any individual country where its exposure is greater than 10% of the total exposure

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Template 3 – Credit quality of performing and non-performing exposures by past due days

USD million		a	b	c	d	e
			Performing exposures			
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days
1	**Loans and advances**	**54,005**	**54,005**	**–**	**806**	**49**
2	Central banks	46	46	–	–	–
3	General governments	165	165	–	37	37
4	Credit institutions	42,974	42,974	–	–	–
5	Other financial corporations	9,966	9,966	–	–	–
6	Non-financial corporations	853	853	–	768	11
7	Of which SMEs	–	–	–	–	–
8	Households	–	–	–	–	–
9	**Debt securities**	**–**	**–**	**–**	**–**	**–**
10	Central banks	–	–	–	–	–
11	General governments	–	–	–	–	–
12	Credit institutions	–	–	–	–	–
13	Other financial corporations	–	–	–	–	–
14	Non-financial corporations	–	–	–	–	–
15	**Off-balance-sheet exposures**	**8,433**	**–**	**–**	**7**	**–**
16	Central banks	–			–	
17	General governments	–			–	
18	Credit institutions	485			–	
19	Other financial corporations	5,010			–	
20	Non-financial corporations	2,939			7	
21	Households	–			–	
22	**Total**	**62,438**	**54,005**	**–**	**813**	**49**

The gross non-performing loan ('NPL') ratio is 1.58% as at year ended 2020.

'Past due' and 'Impaired' are described in Note 2 Significant Accounting Policies on page 72-75 of the 2020 Annual Report.

	f	g	h	i	j	k	l
							Gross carrying amount/nominal amount
							Non-performing exposures
	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
	–	**–**	**–**	**–**	**–**	**757**	**757**
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	757	757
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**
							–
							–
							–
							–
							–
							–
	–	**–**	**–**	**–**	**–**	**757**	**757**

Template 4 – Performing and non-performing exposures and related provisions

USD million		a	b	c	d	e	f	g
		Gross carrying amount/nominal amount						
			Performing exposures			Non-performing exposures		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	
1	**Loans and advances**	**54,005**	**28,427**	**7**	**806**	**–**	**11**	**(11)**
2	Central banks	46	46	–	–	–	–	–
3	General governments	165	–	–	37	–	–	–
4	Credit institutions	42,974	24,308	–	–	–	–	–
5	Other financial corporations	9,966	3,484	–	–	–	–	–
6	Non-financial corporations	853	589	7	768	–	11	(10)
7	Of which SMEs	–	–	–	–	–	–	–
8	Households	–	–	–	–	–	–	–
9	**Debt securities**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10	Central banks	–	–	–	–	–	–	–
11	General governments	–	–	–	–	–	–	–
12	Credit institutions	–	–	–	–	–	–	–
13	Other financial corporations	–	–	–	–	–	–	–
14	Non-financial corporations	–	–	–	–	–	–	–
15	**Off-balance-sheet exposures**	**8,433**	**1,711**	**28**	**7**	**–**	**7**	**6**
16	Central banks	–	–	–	–	–	–	–
17	General governments	–	–	–	–	–	–	–
18	Credit institutions	485	–	–	–	–	–	–
19	Other financial corporations	5,010	257	–	–	–	–	–
20	Non-financial corporations	2,939	1,454	28	7	–	7	6
21	Households	–	–	–	–	–	–	–
22	**Total**	**62,438**	**30,137**	**35**	**813**	**–**	**19**	**(5)**

CR2-A – Changes In The Stock Of General And Specific Credit Risk Adjustments

USD million		a	b
		Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1	**Opening balance**	**686**	**4**
2	Increases due to amounts set aside for estimated loan losses during the period	24	9
3	Decreases due to amounts reversed for estimated loan losses during the period	(12)	(3)
4	Decreases due to amounts taken against accumulated credit risk adjustments	(14)	–
5	Transfers between credit risk adjustments	–	–
6	Impact of exchange rate differences	67	–
7	Business combinations, including acquisitions and disposals of subsidiaries	–	–
8	Other adjustments	–	–
9	**Closing balance**	**752**	**10**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	–	–
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	12	–

Specific Credit Risk Adjustments: The movement on provision of all impaired loans (including Stage 3 assets) is reported under specific credit risk adjustments.

General Credit Risk Adjustments: The movement on provision of loans those classified Stage 1 and Stage 2 as per IFRS9 categorization is reported under general credit risk adjustments.

h	i	j	k	l	m	n	o
Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
Performing exposures – accumulated impairment and provisions		Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	Accumulated partial write-off		
(11)	**–**	**(752)**	**–**	**(10)**	**–**	**26,200**	**51**
–	–	–	–	–	–	–	–
–	–	(4)	–	–	–	–	33
–	–	–	–	–	–	20,736	–
–	–	–	–	–	–	5,036	–
(10)	–	(747)	–	(10)	–	428	18
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
5	**1**	**–**	**–**	**–**	**–**	**1,759**	**7**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	57	–
5	1	–	–	–	–	1,702	7
–	–	–	–	–	–	–	–
(6)	**1**	**(752)**	**–**	**(10)**	**–**	**27,959**	**58**

Template 1 – Credit quality of forborne exposures

USD million		a	b	c	d	e	f	g	h
			Gross carrying amount/nominal amount of exposures with forbearance measures			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
				Non-performing forborne					
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
1	**Loans and advances**	**–**	**37**	**–**	**–**	**–**	**(4)**	**33**	**33**
2	Central banks	–	–	–	–	–	–	–	–
3	General governments	–	37	–	–	–	(4)	33	33
4	Credit institutions	–	–	–	–	–	–	–	–
5	Other financial corporations	–	–	–	–	–	–	–	–
6	Non-financial corporations	–	–	–	–	–	–	–	–
7	Households	–	–	–	–	–	–	–	–
8	**Debt Securities**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
9	**Loan commitments given**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10	**Total**	**–**	**37**	**–**	**–**	**–**	**(4)**	**33**	**33**

Template 9 – Collateral obtained by taking possession and execution processes

USD million		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	–	–
2	Other than PP&E	–	–
3	Residential immovable property	–	–
4	Commercial Immovable property	–	–
5	Movable property (auto, shipping, etc.)	–	–
6	Equity and debt instruments	–	–
7	Other	–	–
8	**Total**	**–**	**–**

CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

end of 2020	Gross carrying value defaulted exposures
USD million	
Opening balance	48
Loans and debt securities that have defaulted or impaired since the last reporting period	48
Returned to non-defaulted status	–
Amounts written off	–
Other changes	(2)
Closing balance	**94**

CR3 – CRM techniques – Overview

end of 2020	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by: Collateral	Exposures secured by: Financial guarantees	Exposures secured by: Credit derivatives
USD million					
Total loans	3,291	21,829	21,763	40	–
Total debt securities	198	–	–	–	–
Total exposures	**3,489**	**21,829**	**21,763**	**40**	**–**
Of which defaulted	78	–	–	–	–

Loans include all on-balance sheet exposures that give rise to a credit risk charge, and exclude debt securities, derivatives, securities financing transactions and off-balance sheet exposures.

CR4 – Standardised approach – Credit risk exposure and CRM effects

Exposure classes	Exposures before CCF and CRM: On-balance-sheet amount	Exposures before CCF and CRM: Off-balance-sheet amount	Exposures post CCF and CRM: On-balance-sheet amount	Exposures post CCF and CRM: Off-balance-sheet amount	RWA and RWA density: RWA	RWA and RWA density: RWA density
end of 2020 (USD million, except where indicated)						
Central governments or central banks	34	3	34	3	37	100%
Regional government or local authorities	–	10	–	2	–	–
Public sector entities	–	–	–	–	–	0%
Multilateral development banks	–	8	–	6	3	50%
International organisations	–	–	–	–	–	–
Institutions	228	77	228	1,086	100	8%
Corporates	855	1,106	872	988	1,574	85%
Retail	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–
Exposures in default	6	7	6	4	14	150%
Higher-risk categories	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	56	96	56	70	46	0
Collective investment undertakings	–	–	–	–	–	–
Equity	–	–	–	–	–	–
Other items	–	–	–	–	–	–
Total	**1,179**	**1,307**	**1,196**	**2,159**	**1,774**	**53%**

CR5 – Standardised approach – Exposures by asset classes and risk weights

Exposure classes	0%	2%	4%	10%	20%
2020 (USD million)					
Central governments or central banks	–	–	–	–	–
Regional government or local authorities	–	–	–	–	2
Public sector entities	–	–	–	–	–
Multilateral development banks	–	–	–	–	–
International organisations	–	–	–	–	–
Institutions	–	1,008	–	–	270
Corporates	–	–	–	–	135
Retail	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–
Exposures in default	–	–	–	–	–
Higher-risk categories	–	–	–	–	–
Covered bonds	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	58
Collective investment undertakings	–	–	–	–	–
Equity	–	–	–	–	–
Other items	–	–	–	–	–
Total	**–**	**1,008**	**–**	**–**	**465**

											Risk weight		
	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	**Total**	Of which unrated
	–	–	–	–	37	–	–	–	–	–	–	37	37
	–	–	–	–	–	–	–	–	–	–	–	2	2
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	6	–	–	–	–	–	–	–	–	–	6	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	21	–	–	15	–	–	–	–	–	–	1,314	1,293
	–	368	–	–	1,347	10	–	–	–	–	–	1,860	869
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	10	–	–	–	–	–	10	9
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	68	–	–	–	–	–	–	–	–	–	126	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	**463**	**–**	**–**	**1,399**	**20**	**–**	**–**	**–**	**–**	**–**	**3,355**	**2,210**

CR6 – IRB approach – Credit risk exposures by portfolio and PD range

end of 2020	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post-CRM and post-CCF	Average PD
(USD million, except where indicated)					
CENTRAL GOVERNMENTS & CENTRAL BANKS					
0.00% to <0.15%	72	1,020	1.00	357	0.04
0.15% to <0.25%	–	3	1.00	3	0.22
0.25% to <0.50%	20	58	1.00	20	0.37
0.50% to <0.75%	–	–	–	–	–
0.75% to <2.50%	273	–	–	273	1.10
2.50% to <10.00%	–	–	–	–	–
10.00% to <100.00%	–	–	–	–	–
100.00% (Default)	–	–	–	–	–
Sub-total	**365**	**1,081**	**1.00**	**653**	**0.49**
INSTITUTION					
0.00% to <0.15%	21,024	241	1.00	21,265	0.06
0.15% to <0.25%	1	7	1.00	8	0.22
0.25% to <0.50%	14	26	1.00	40	0.37
0.50% to <0.75%	–	–	–	–	–
0.75% to <2.50%	20	1	1.00	21	1.10
2.50% to <10.00%	3	–	–	3	3.25
10.00% to <100.00%	–	–	–	–	–
100.00% (Default)	–	–	–	–	–
Sub-total	**21,062**	**275**	**1.00**	**21,337**	**0.06**
CORPORATES					
0.00% to <0.15%	3,128	613	0.79	1,058	0.08
0.15% to <0.25%	–	159	1.00	145	0.22
0.25% to <0.50%	166	389	0.62	384	0.37
0.50% to <0.75%	44	–	1.00	44	0.64
0.75% to <2.50%	85	186	0.59	193	1.10
2.50% to <10.00%	232	1,464	0.55	1,036	6.04
10.00% to <100.00%	–	16	0.55	2,513	16.44
100.00% (Default)	81	–	–	55	100.00
Sub-total	**3,736**	**2,827**	**0.63**	**5,428**	**2.35**
Total (all portfolios)	**25,163**	**4,183**	**0.70**	**27,419**	**0.53**

Credit risk mitigation is reflected by shifting the PD from that of the obligor to that of the guarantor.

AIRB coverage is 80% of the total credit risk and counterparty credit risk RWA and rest is under SA approach.

	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
	13	0.8477	3.83	187	52%	–	–
	1	1.0000	4.90	5	167%	–	–
	3	0.5204	1.00	11	1	–	–
	–	–	0.00	–	0%	–	–
	1	0.5550	1.00	683	250%	–	–
	–	–	0.00	–	–	–	–
	–	–	0.00	–	–	–	–
	–	–	0.00	–	–	–	–
	18	**0.7159**	2.56	**886**	136%	**–**	**–**
	97	0.5563	0.99	568	3%	1	–
	2	0.6169	3.91	9	113%	–	–
	8	0.5923	2.62	47	1	–	–
	–	–	0.00	–	0%	–	–
	6	1.0000	1.00	48	229%	–	–
	5	1.0000	1.00	9	3	–	–
	–	–	0.00	–	–	–	–
	–	–	0.00	–	–	–	–
	118	**0.5569**	0.99	**681**	3%	**1**	**–**
	112	0.5744	2.17	381	36%	–	–
	34	0.5682	4.67	130	90%	–	–
	32	0.4994	2.38	318	83%	1	–
	5	0.9955	2.29	77	175%	–	–
	37	0.6311	2.52	296	153%	1	–
	193	0.3548	2.48	1,349	130%	22	–
	2	0.0111	1.01	30	1%	4	–
	33	0.7300	2.59	55	100%	8	–
	448	**0.2732**	1.79	**2,636**	49%	**36**	
	584	**0.5045**	1.19	**4,203**	15%	**39**	**14**

CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques

	2020	
end of 2020 (USD million)	Pre-credit derivatives RWA	Actual RWA
Exposures under FIRB		
Central governments and central banks	–	–
Institutions	–	–
Corporates – SMEs	–	–
Corporates – Specialised lending	–	–
Corporates – Other	–	–
Exposures under AIRB	–	–
Central governments and central banks	1,478	886
Institutions	683	681
Corporates – SMEs	–	–
Corporates – Specialised lending	–	–
Corporates – Other	2,724	2,636
Retail – Secured by real estate SMEs	–	–
Retail – Secured by real estate non- SMEs	–	–
Retail – Qualifying revolving	–	–
Retail – Other SMEs	–	–
Retail – Other non-SMEs	–	–
Equity IRB	884	884
Other non credit obligation assets	451	451
Total	**6,220**	**5,538**

Includes RWA related to the AIRB and simple risk weight approaches.

CR8 – RWA flow statements of credit risk exposures under the IRB approach

2020	RWA amounts	Capital requirements
USD million		
RWAs as at the end of the previous reporting period	**7,054**	**564**
Asset size	31	2
Asset quality	(1,160)	(93)
Model updates	(1,271)	(102)
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	–	–
Other	–	–
RWAs as at the end of the reporting period	**4,654**	**372**

Difference of $0.9bn in opening RWA due to restatement of capital requirements for 2019 to eliminate Pillar 1 buffers

Includes RWA related to the AIRB and simple risk weight approaches.

CR9 – IRB approach – Backtesting of PD per exposure class

2020	PD range (%)	External rating equivalent	Weighted average PD (%)	Arithmetic average PD by obligors (%)	Number of obligors: End of previous year	Number of obligors: End of the year
CENTRAL GOVERNMENTS & CENTRAL BANKS						
	0.00 to <= 0.021	AAA	0.00%	0.00%	2	–
	> 0.021 to <= 0.027	AA+	0.00%	0.00%	–	–
	> 0.027 to <= 0.034	AA	0.03%	0.03%	1	1
	> 0.034 to <= 0.044	AA-	0.04%	0.04%	3	3
	> 0.044 to <= 0.056	A+	0.05%	0.05%	1	1
	> 0.056 to <= 0.068	A	0.00%	0.00%	–	–
	> 0.068 to <= 0.097	A-	0.07%	0.07%	–	1
	> 0.097 to <= 0.167	BBB+	0.13%	0.13%	3	1
	> 0.167 to <= 0.285	BBB	0.22%	0.22%	3	1
	> 0.285 to <= 0.487	BBB-	0.37%	0.37%	1	3
	> 0.487 to <= 0.839	BB+	0.00%	0.64%	2	2
	> 0.839 to <= 1.442	BB	1.10%	1.10%	1	1
	> 1.442 to <= 2.478	BB-	0.00%	0.00%	–	–
	> 2.478 to <= 4.259	B+	0.00%	3.25%	1	1
	> 4.259 to <= 7.311	B	0.00%	5.58%	3	2
	> 7.311 to <= 12.550	B-	0.00%	9.58%	–	1
	> 12.550 to <= 21.543	CCC+	0.00%	0.00%	1	–
	> 21.543 to <= 100	CCC to C	0.00%	0.00%	–	–
INSTITUTIONS						
	0.00 to <= 0.021	AAA	0.00%	0.00%	3	1
	> 0.021 to <= 0.027	AA+	0.00%	0.00%	–	–
	> 0.027 to <= 0.034	AA	0.00%	0.00%	–	–
	> 0.034 to <= 0.044	AA-	0.04%	0.04%	16	18
	> 0.044 to <= 0.056	A+	0.05%	0.05%	13	12
	> 0.056 to <= 0.068	A	0.06%	0.06%	31	34
	> 0.068 to <= 0.097	A-	0.07%	0.07%	14	16
	> 0.097 to <= 0.167	BBB+	0.13%	0.13%	14	15
	> 0.167 to <= 0.285	BBB	0.22%	0.22%	8	2
	> 0.285 to <= 0.487	BBB-	0.37%	0.37%	5	8
	> 0.487 to <= 0.839	BB+	0.00%	0.00%	1	–
	> 0.839 to <= 1.442	BB	1.10%	1.10%	2	4
	> 1.442 to <= 2.478	BB-	1.89%	1.89%	2	2
	> 2.478 to <= 4.259	B+	3.25%	3.25%	–	1
	> 4.259 to <= 7.311	B	5.58%	5.58%	2	3
	> 7.311 to <= 12.550	B-	9.58%	9.58%	2	1
	> 12.550 to <= 21.543	CCC+	0.00%	0.00%	–	–
	> 21.543 to <= 100	CCC to C	100.00%	100.00%	1	1
CORPORATES						
	0.00 to <= 0.021	AAA	0.00%	0.00%	–	–
	> 0.021 to <= 0.027	AA+	0.00%	0.00%	–	–
	> 0.027 to <= 0.034	AA	0.03%	0.03%	2	1
	> 0.034 to <= 0.044	AA-	0.04%	0.04%	8	6
	> 0.044 to <= 0.056	A+	0.05%	0.05%	11	9
	> 0.056 to <= 0.068	A	0.06%	0.06%	27	20
	> 0.068 to <= 0.097	A-	0.07%	0.07%	39	36
	> 0.097 to <= 0.167	BBB+	0.13%	0.13%	35	40
	> 0.167 to <= 0.285	BBB	0.22%	0.22%	37	34
	> 0.285 to <= 0.487	BBB-	0.37%	0.37%	32	32
	> 0.487 to <= 0.839	BB+	0.64%	0.64%	16	5
	> 0.839 to <= 1.442	BB	1.10%	1.10%	18	22
	> 1.442 to <= 2.478	BB-	1.89%	1.89%	17	15
	> 2.478 to <= 4.259	B+	3.25%	3.25%	62	45
	> 4.259 to <= 7.311	B	5.58%	5.58%	106	109
	> 7.311 to <= 12.550	B-	9.58%	9.58%	50	39
	> 12.550 to <= 21.543	CCC+	16.44%	16.44%	3	1
	> 21.543 to <= 100	CCC to C	100.00%	97.89%	37	34

This is a qualitative disclosure for defaulted obligors, and due to materiality the average annual rate is not reported. In the year 2020, there were 12 defaulted obligors out of which four were new defaults.

CR10 – IRB (specialised lending and equities)

end of 2020 (USD million, except where indicated)	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Capital requirements
Equities under the simple risk-weighted approach						
Regulatory categories						
Private equity exposures	–	–	190%	–	–	–
Exchange-traded equity exposures	296	–	290%	296	858	69
Other equity exposures	7	–	370%	7	26	2
Total	**303**	**–**	–	**303**	**884**	**71**

Counterparty Credit Risk

Overview

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. CSi enters into derivative contracts in the normal course of business principally for market-making and positioning purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency, credit and other risks.

CSi calculates EAD for derivatives under the Internal Model Method ('IMM') approach for interest rate and foreign exchange risks while Counterparty Credit Risk Mark-to-market Method ('CCRMTM') approach for all other products. The CCRMTM calculation takes into account potential future credit exposure ('PFCE') and thus may generate exposures greater than the derivative net replacement values.

CCR1 – Analysis of CCR exposure by approach

end of 2020	Notional	Replacement cost/current market value	Potential future-credit exposure	EEPE	Multiplier	EAD post-CRM	RWA
(USD million, except where indicated)							
Mark to market	–	26,024	30,726	–	–	62,672	18,297
Original exposure	–	–	–	–	–	–	–
Standardised approach	–	–	–	–	–	–	–
IMM (for derivatives and SFTs)	–	–	–	8,318	1.4	11,645	8,034
Of which securities financing transactions	–	–	–	–	–	–	–
Of which derivatives and long settlement transactions	**–**	**–**	**–**	**8,318**	**1.4**	**11,645**	**8,034**
Of which from contractual cross-product netting	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Financial collateral simple method (for SFTs)	–	–	–	–	–	–	–
Financial collateral comprehensive method (for SFTs)	–	–	–	–	–	70,400	3,077
VaR for SFTs	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**144,717**	**29,408**

Pillar 1 buffer impacts are not considered in the replacement cost and PFCE figures in the derivative mark-to-market disclosure.

CCR2 – CVA capital charge

	2020	
end of 2020	Exposure value	RWA
USD million		
Total portfolios subject to the advanced method	5,644	3,567
(i) VaR component (including the 3× multiplier)	–	151
(ii) SVaR component (including the 3× multiplier)	–	134
All portfolios subject to the standardised method	24,449	8,034
Based on the original exposure method	–	–
Total subject to the CVA capital charge	**30,093**	**11,601**

Pillar 1 buffers are not included in the CVA figure.

CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

Exposure classes	0%	2%	4%	10%	20%
2020 (USD million)					
Central governments or central banks	30	–	–	–	–
Regional government or local authorities	–	–	–	–	–
Public sector entities	–	–	–	–	3
Multilateral development banks	358	–	–	–	1
International organisations	–	–	–	–	–
Institutions	–	18,614	8,358	–	480
Corporates	–	–	–	–	925
Retail	–	–	–	–	–
Institutions and corporates with a short-term credit assessment	–	–	–	–	34
Other items	–	–	–	–	–
Total	**388**	**18,614**	**8,358**	**–**	**1,443**

					Risk weight		
50%	70%	75%	100%	150%	Others	**Total**	Of which unrated
–	–	–	–	–	–	30	–
–	–	–	–	–	–	–	–
–	–	–	203	–	–	206	206
51	–	–	–	–	–	410	–
–	–	–	–	–	–	–	–
2,089	–	–	14	–	–	29,555	18,864
299	–	–	3,092	66	–	4,382	2,723
–	–	–	–	–	–	–	–
45	–	–	33	–	–	112	33
–	–	–	–	–	–	–	–
2,484	**–**	**–**	**3,342**	**66**	**–**	**34,695**	**21,826**

CCR4 – IRB approach – CCR exposures by portfolio and PD scale

end of 2020 (USD million, unless otherwise indicated)	EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
CENTRAL GOVERNMENTS & CENTRAL BANKS							
PD scale							
0.00% to <0.15%	623	0.02	14	0.20	3.80	43	7%
0.15% to <0.25%	–	0.22	1	1.00	3.15	–	0%
0.25% to <0.50%	112	0.37	1	0.52	4	103	1
0.50% to <0.75%	–	–	–	–	–	–	–
0.75% to <2.50%	–	–	–	–	–	–	–
2.50% to <10.00%	197	3.25	1	0.52	5.00	392	199%
10.00% to <100.00%	–	–	–	–	–	–	–
100.00% (Default)	–	–	–	–	–	–	–
Sub-total	**932**	**0.75**	**17**	**0.30**	**4.06**	**538**	58%
INSTITUTIONS							
0.00% to <0.15%	88,774	0.07	229	0.18	0.92	8,958	10%
0.15% to <0.25%	1,013	0.22	34	0.33	4.70	677	67%
0.25% to <0.50%	313	0.37	21	0.40	2.92	229	73%
0.50% to <0.75%	16	0.64	10	0.26	4.44	11	69%
0.75% to <2.50%	102	1.52	29	0.72	2.50	210	206%
2.50% to <10.00%	511	3.70	25	0.41	1.68	758	148%
10.00% to <100.00%	104	28.22	5	0.09	4.87	60	58%
100.00% (Default)	–	–	–	–	0.00	–	–
Sub-total	**90,833**	**0.12**	**353**	**0.18**	**0.98**	**10,903**	12%
CORPORATES							
0.00% to <0.15%	25,458	0.06	2,554	0.30	1.78	4,156	16%
0.15% to <0.25%	1,465	0.22	246	0.16	1.33	273	19%
0.25% to <0.50%	2,620	0.37	246	0.26	1.74	1,036	40%
0.50% to <0.75%	2,193	0.64	113	0.09	1.51	390	18%
0.75% to <2.50%	9,311	1.57	481	0.15	1.52	4,113	44%
2.50% to <10.00%	4,126	5.25	303	0.19	1.55	2,938	71%
10.00% to <100.00%	28	16.44	6	0.42	1.07	61	2
100.00% (Default)	31	100.00	1	0.40	2	31	1
Sub-total	**45,232**	**0.97**	**3,950**	**0.24**	**1.67**	**12,998**	**29%**
Total (all portfolios)	**136,997**	**0.41**	**4,320**	**0.20**	**1.23**	**24,439**	**18%**

CCR5-A – Impact of netting and collateral held on exposure values

2020 (USD million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	206,447	123,044	83,403	29,646	67,611
SFTs	63,508	6,969	56,539	44,879	15,452
Cross-product netting	–	–	–	–	–
Total	**269,955**	**130,013**	**139,942**	**74,525**	**83,063**

Exposures measured under the IMM approach cannot be bifurcated between the Netting and Collateral columns.

CCR6 – Credit derivatives exposures

end of 2020	Credit derivative hedges: Protection bought	Credit derivative hedges: Protection sold	Other credit derivatives
Notionals (USD million)			
Single-name credit default swaps	2,699	611	498,853
Other	505	–	79,595
Total notionals	**3,204**	**611**	**578,448**
Fair values (USD million)			
Positive fair value (asset)	5	8	12,418
Negative fair value (liability)	(61)	(2)	(12,437)

This table includes the client leg of cleared derivatives.

CCR7 – Risk-weighted assets flow statements of CCR exposures under IMM

2020 (USD million)	RWA	Capital requirements
Risk-weighted assets at beginning of period	6,903	552
Asset size	972	78
Credit quality of counterparties	195	16
Model and parameter updates	–	–
Methodology and policy changess	–	–
Acquisitions and disposals	–	–
Foreign exchange impact	–	–
Other	–	–
Risk-weighted assets at end of period	**8,070**	**646**

Difference of 1.18bn USD in opening RWA due to restatement of capital requirements for 2019 to eliminate Pillar 1 buffers.

CCR8 – Exposures to CCPs

	2020	
	EAD post-CRM	RWA
USD million		
Exposures to QCCPs (total)	**–**	**1,137**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	24,381	656
(i) OTC derivatives	1,008	21
(ii) Exchange-traded derivatives	23,344	634
(iii) SFTs	29	1
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	1,294	–
Non-segregated initial margin	4,643	72
Prefunded default fund contributions	794	410
Alternative calculation of own funds requirements for exposures	–	–
Exposures to non-QCCPs (total)	**–**	**–**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	–	–
(i) OTC derivatives	–	–
(ii) Exchange-traded derivatives	–	–
(iii) SFTs	–	–
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	–	–
Non-segregated initial margin	–	–
Prefunded default fund contributions	–	–
Unfunded default fund contributions	–	–

Exposures measured using the IMM approach incorporate any associated initial margin in the trade exposure figure.

Securitisation

Overview

A traditional securitisation is a structure where an underlying pool of assets is sold to a Special Purpose Entity ('SPE'), which issues tranched securities that are collateralised by, and which pay a return based on the underlying asset pool.

A synthetic securitisation is a tranched structure where the credit risk of an underlying pool of exposures is transferred, in whole or in part, through the use of credit derivatives or guarantees that serve to hedge the credit risk of the portfolio. In both traditional and synthetic securitisations, risk is dependent on the seniority of the retained interest and the performance of the underlying asset pool.

Objectives in Relation to Securitisation Activity and CSi's Role

CSi acts as derivative counterparty for securitisation SPEs. Additionally, CSi holds securitisation positions in its Trading Book. CSi's key objective in relation to Trading Book securitisation is to meet clients' investment and divestment needs through its market making role in securitised products across all major collateral types.

CSi's exposure resulting from continuing involvement in transferred financial assets is generally limited to beneficial interests typically held in the form of instruments issued by SPEs that are senior, subordinated or equity tranches, or derivative instruments.

Beneficial interests, which are fair valued, include rights to receive all or portions of specified cash inflows received by an SPE, including, but not limited to, senior and subordinated shares of interest, principal, or other cash inflows to be 'passed through' or 'paid through' residual interests, whether in the form of debt or equity. Any changes in the fair value of these beneficial interests are recognised in CSi's financial statements.

Risks Assumed and Retained

The key risks retained are related to the performance of the underlying assets. These risks are summarised in the securitisation pool level attributes: PDs of underlying loans (default rate), severity of loss and prepayment speeds.

The transactions may also be exposed to general market risk, credit spread and counterparty credit risk (see below).

Financial models project risk drivers based on market interest rates and volatility and macro-economic variables.

For re-securitisation risk, models take a 'look through' approach where they model the behaviour of the underlying securities based on their own collateral and then transmit that to the re-securitised position.

The impact of liquidity risk for securitisation products is embedded within CSi's historical simulation model through the incorporation of market data from stressed periods, and in the scenario framework through the calibration of price shocks to the same period.

Correlation and first-to-default products are valued using a correlation model which uses the market implied correlation and detailed market data such as constituent spread term structure and constituent recovery. The risks embedded in securitisation and re-securitisations are similar and include spread risk, recovery risk, default risk and correlation risk. The risks for different seniority of tranches will be reflected in the tranche price sensitivities to each constituent in the pools. The complexity of the correlation portfolio's risk lies in the level of convexity and inherent cross risk, for example, the risk of large spread moves, and the risk of spread and correlation moving together. The risk limit framework is designed to address the key risks for the correlation trading portfolio.

Management of Credit and Market Risk

CSi has in place a comprehensive risk management process whereby the Front Office monitor positions and position changes, portfolio structure and trading activity and calculate a set of risk measures on a daily basis using risk sensitivities and loss modelling methodologies.

CSi has set limits for the purpose of managing its risk in relation to securitisations and re-securitisations. These limits cover exposure measures, risk sensitivities, VaR and capital measures with the majority monitored on a daily basis.

Retained Banking Book exposures for transactions are risk managed on the same basis as similar Trading Book transactions. Other transactions are managed in line with their individual structural or parameter requirements.

Where counterparty credit risk exposure is identified for a particular transaction, there is a requirement for it to be approved through normal credit risk management processes with collateral taken as required. CSi may also use various proxies including corporate single name and index hedges to mitigate the price and spread risks to which it is exposed. Hedging decisions are made by the trading desk based on current market conditions and will be made in consultation with Risk, requiring approval under CSi's pre-trade approval governance process.

Risk monitors portfolio composition by capital structure and collateral type on a daily basis with subordinate exposure and each collateral type subject to separate risk limits. In addition, the internal risk methodology is designed such that risk charges are based on the seniority the particular security holds in the capital structure, the less senior the bond the higher the risk charges.

Credit Risk Mitigation

There are no instances where CSi has applied credit risk mitigation approaches to Banking Book securitisation or re-securitisation exposures. CSi does not typically retain material servicing responsibilities from securitisation activities.

In the normal course of business, CSi may hold tranches which have a monoline guarantee. No benefit from these guarantees is currently included in the calculation of regulatory capital.

Calculation of RWA

Securities are classified by the nature of the collateral (eg. commercial mortgages and corporate loans) and the seniority each security has in the capital structure (eg. senior, mezzanine, subordinate), which in turn will be reflected in the transaction risk assessment.

For Trading Book securitisations, specific risk of securitisation transactions is calculated using the IRB or Standardised Approach as applicable to the underlying asset type of the securitisation position; general market risk of securitisations is captured in market risk models.

For Banking Book securitisations, the RWA are calculated under the available IRB approaches.

Accounting Policies

The accounting policy with respect to special purpose entities and recognition of gains on sale for securitisations is described in the Significant Accounting Policies Note of the CSi 2020 Annual Report, with further information provided in the Interests in Other Entities Note (page 142).

The accounting policy with respect to valuation of securitisation positions is described in the Financial Instruments Note (page 146) of the CSi 2020 Annual Report. The valuation of assets awaiting securitisation follows the same policies as for other assets, as described in the above Note. The assignment of those assets awaiting securitisation to the Banking or Trading Book follows the same policies as for other assets, further described in the Notes to the CSi 2020 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 CSi 2020 Annual Report.

Trading Book Securitisation Exposures

There was $466m of synthetic securitisation positions outstanding at 31 December 2020 that are held in the Trading Book. These were majorly classified as mortgages ($219m) and loans to corporates or SMEs ($245m). Unrated positions of $4m were deducted from capital. There were no losses, impairments or past due items in relation to securitisation positions in the Trading Book exposures as at 31 December 2020.

Banking Book Securitisation Exposures

There was $2.9bn of traditional securitisation positions outstanding at 31 December 2020 that are held in the Banking Book at that date. These were classified as mortgages. There were no unrated positions. There were no losses, impairments or past due items in relation to securitisation positions in the Banking Book exposures as at 31 December 2020.

Outstanding exposures securitised – Banking Book

		Other role		
end of 2020	Sponsor	Traditional	Synthetic	**Total**
USD million				
Residential mortgages	–	2,936	–	2,936
Loans to corporates or SMEs	–	–	–	–
Covered bonds	–	–	–	–
Total	**0**	**2,936**	**0**	**2,936**

Securitisation exposures purchased or retained – Trading Book

end of 2020	Traditional	Synthetic
USD million		
Residential mortgages	–	219
Commercial mortgages	–	2
Loans to corporates or SMEs	–	246
Consumer loans	–	–
Other assets	–	–
Total	**–**	**467**

Securitisation exposures purchased or retained – Banking Book

end of 2020	Traditional	Synthetic
USD million		
Residential mortgages	152	–
Commercial mortgages	–	–
Loans to corporates or SMEs	–	–
Consumer loans	–	–
Other assets	–	–
Total	**152**	**–**

Securitisation and re-securitisation exposures by regulatory capital approach – Trading Book

	Securitisation exposure		Re-securitisation exposure		**Total**	
end of 2020	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA
USD million						
Ratings-based approach (RBA)	257	190	–	–	257	190
Supervisory formula approach (SFA)	–	–	–	–	–	–
Total IRB approaches	**257**	**190**	**–**	**–**	**257**	**191**
Standardised approach	206	42	3	43	210	85
Total	**463**	**232**	**3**	**43**	**467**	**276**

Securitisation and re-securitisation exposures under RBA by rating grade – Trading Book

	Securitisation exposure		Re-securitisation exposure		**Total**	
end of 2020	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA
USD million						
AAA	24	15	–	–	24	15
AA	260	138	–	–	260	139
A	36	31	–	–	36	31
BBB	79	27	–	–	79	27
BB	58	9	–	–	58	9
B or lower or unrated	6	12	3	43	10	55
Total	**463**	**232**	**3**	**43**	**467**	**276**

Securitisation and re-securitisation exposures under RBA by risk weight band – Trading Book

	Securitisation exposure		Re-securitisation exposure		**Total**	
end of 2020	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA
USD million						
0% – 10%	–	–	–	–	–	–
>10% – 50%	366	108	–	–	366	108
>50% – 100%	78	70	–	–	78	70
>100% – 650%	17	31	–	–	17	31
> 650% – 1250%	2	23	3	43	6	67
Total	**463**	**232**	**3**	**43**	**467**	**276**

Securitisation and re-securitisation exposures by regulatory capital approach – Banking Book

	Securitisation exposure		Re-securitisation exposure		**Total**	
end of 2020	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA
USD million						
Ratings-based approach (RBA)	152	66	–	–	152	66
Supervisory formula approach (SFA)	–	–	–	–	–	–
Total IRB approaches	**152**	**66**	**–**	**–**	**152**	**66**
Standardised approach	–	–	–	–	–	–
Total	**152**	**66**	**–**	**–**	**152**	**66**

Securitisation and re-securitisation exposures under RBA by rating grade – Banking Book

	Securitisation exposure		Re-securitisation exposure		**Total**	
end of 2020	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA
USD million						
AAA	–	–	–	–	–	–
AA	–	–	–	–	–	–
A	–	–	–	–	–	–
BBB	152	66	–	–	152	66
BB	–	–	–	–	–	–
B or lower or unrated	–	–	–	–	–	–
Total	**152**	**66**	**–**	**–**	**152**	**66**

Securitisation and re-securitisation exposures under RBA by risk weight band – Banking Book

	Securitisation exposure		Re-securitisation exposure		**Total**	
end of 2020	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA	EAD – purchased or retained	RWA
USD million						
0% – 10%	–	–	–	–	–	–
>10% – 50%	152	66	–	–	152	66
>50% – 100%	–	–	–	–	–	–
>100% – 650%	–	–	–	–	–	–
> 650% – 1250%	–	–	–	–	–	–
Total	**152**	**66**	**–**	**–**	**152**	**66**

Market Risk

Overview

The Bank is active in the principal global trading markets, using a wide range of trading and hedging products, including derivatives and structured products (some of which are customised transactions using combinations of financial instruments and executed to meet specific client or internal needs). The Bank conducts its Trading Book activities primarily through the Investment Bank divisions.

The Bank provides listed and vanilla OTC options, structured OTC derivatives on indices, single stocks and hybrid underlying and hedging equity products to clients globally. It participates as a market maker in the investment grade credit default swaps and secondary loans markets, trades in mortgage-backed and asset-backed products and provides loans underwriting services. It trades FX spot, bonds, interest rates derivatives and structured notes products for the developed markets currencies. It also provides client advisory services on M&A and conducts underwriting transactions across all main industry sectors in APAC and EMEA locations.

Market Risk Capital Requirements

The following table details the components the Bank's capital requirement for market risk (Trading Book unless otherwise stated):

MR1 – Market risk under standardized approach

end of 2020	RWA	Capital requirements
Risk-weighted asset (USD million)		
Outright products		
Interest rate risk (general and specific)	–	–
Equity risk (general and specific)	–	–
Foreign exchange risk	–	–
Commodity risk	–	–
Options	–	–
Simplified approach	–	–
Delta-plus method	–	–
Scenario approach	–	–
Securitisation (specific risk)	229	18
Total risk-weighted asset	**229**	**18**

MR2-A – Market risk capital requirements under IMA

	2020		2019	
(USD million)	RWAs	Capital requirements	RWAs	Capital requirements
1 VaR (higher of values a and b)	**2,786**	**223**	**810**	**65**
(a) Spot VaR	631	50	237	19
(b) Average of the daily VaR preceding 60 business days * multiplication factor	2,786	223	810	65
2 SVaR (higher of values a and b)	**3,079**	**246**	**1,088**	**87**
(a) Spot SVaR	631	50	270	22
(b) Average of the daily SVaR preceding 60 business days * multiplication factor	3,079	246	1,088	87
3 IRC (higher of values a and b)	**4,613**	**369**	**3,555**	**284**
(a) Spot IRC	4,613	369	3,555	284
(b) Average of the IRC number over the preceding 12 weeks	4,429	354	3,261	261
4 Other [1]	13,749	1,100	9,731	779
5 Total	**24,227**	**1,938**	**15,184**	**1,215**

[1] Risk not in VaR addon

The following tables detail the RWA flow statement of market risk exposures (Trading Book unless otherwise stated):

MR2-B – RWA flow statements of market risk exposures under the IMA

(USD million)	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
1 RWAs at previous year end	810	1,088	3,555	n/a	9,731	15,184	1,215
(1a) Regulatory adjustment	(52)	(223)	-	n/a	-	(275)	(22)
(1b) RWAs at YE2018 (spot-based)	758	865	3,555	n/a	9,731	14,909	1,193
2 Movement in risk levels	1,104	1,000	950	n/a	4,136	7,190	575
3 Model updates/changes	157	42	108	n/a	(1,829)	(1,523)	(122)
4 Methodology and policy	-	-	-	n/a	-	-	-
5 Acquisitions and disposals	-	-	-	n/a	-	-	-
6 Foreign exchange movements	-	-	-	n/a	-	-	-
7 Other	536	649	-	n/a	1,711	2,896	232
(8a) RWAs at YE2018 (spot-based)	2,555	2,555	4,613	n/a	13,749	23,473	1,878
(8b) Regulatory adjustment	230	524	-	n/a	-	754	60
8 RWAs at the end of the reporting period	2,786	3,079	4,613	n/a	13,749	24,227	1,938

Risk Measurement and Management

The Bank 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 specific positions up to the overall risk positions at the Bank level. The Bank uses market risk measurement and management methods in line with regulatory and industry standards. These include general tools capable of calculating comparable risk metrics across the Bank's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The Bank regularly reviews its risk management techniques and policies to ensure they remain appropriate.

The principal portfolio measurement tools the Bank uses are VaR, Incremental Risk Charge ('IRC'), scenario analysis and sensitivity analysis, which complement each other in measuring the market risk at the Bank's level. Internal Models Approach ('IMA') models are used to quantify market risk capital requirements in Trading Book along with foreign exchange and commodity risks in the banking book for regulatory capital purposes. The trading portfolio includes a majority of trading assets and liabilities, selected fair-valued securities, other investments, other assets (mainly derivatives used for hedging and loans), short-term borrowings, long-term debt and other liabilities (mainly derivatives used for hedging).

Scope of IMA Calculations: Criteria for Inclusion in the Trading Book

Trading Book classification is one of the criteria for inclusion of positions in the scope of calculations for regulatory capital requirements under the IMA as defined in the IMA waiver.

The Bank falls within the scope of the CS group's Trading Book Policy. The policy sets out the principles for the classification of products between Trading and Banking Book for the purpose of regulatory capital and market risk measurement. Specifically, it sets out the criteria that 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, principally, 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 controls that exist separately as part of the overall valuation process operated across the CS group.

In addition to the policy document, the governance arrangements relating to the Trading Book classification, management and control incorporate a number of components. These include a Trading Book Eligibility Committee which is responsible for i) reviewing and approving (or rejecting) proposed transfers between Trading and Banking Books, and ii) reviewing complex Trading/Banking Book classification decisions. Trading Book status is subject to re-validation by Product Control each year, and additionally on an ad-hoc basis when required.

Internal Models Approach ('IMA') Framework

The key components of the market risk IMA framework are VaR (intended as both regulatory VaR and Stressed VaR) and IRC. This is complemented by a Risks Not In VaR ('RNIV') Framework.

Within the Bank's IMA framework, risk metrics for the period are summarised as follows:

MR3 – Regulatory VaR, stressed VaR and Incremental Risk Charge

in / end of	**2020**	2019
(USD million)		
Regulatory VaR (10 day 99%)		
Maximum value	147	57
Average value	46	29
Minimum value	15	16
Period end	50	19
Stressed VaR (10 day 99%)		
Maximum value	147	89
Average value	55	36
Minimum value	21	21
Period end	50	22
IRC (99.9%)		
Maximum value	443	425
Average value	313	298
Minimum value	272	218
Period end	369	284

The Bank has received IMA permission from the PRA for calculating Trading Book market risk capital requirements along with foreign exchange and commodity risks in the banking book. The Bank applies the IMA framework to the majority of the positions in its Trading Book. It continues to seek regulatory approval for ongoing enhancements to the IMA framework where applicable. The VaR model does not cover all identified market risk types, and the Bank captures RNIV through market risk capital add-ons. Credit correlation products (including ABS positions) are not part of the IMA framework and are capitalised via standard rules, for specific risk as set out in the CRR.

Value-at-Risk

The Bank uses a historical simulation approach in modelling VaR. The VaR model used for Risk Management purpose is calculated as a 98th percentile one-tailed confidence interval using a 1-day holding period and for both Regulatory purpose is calculated as a 99th percentile one-tailed confidence interval using a 10-day holding period. Both measures use a 2-year data period which is updated weekly and apply exponential weighting with a time decay factor of 0.994 to provide sufficient responsiveness to market regime changes. For Regulatory Stressed VaR ('SVaR'), the Bank uses a 99th percentile, one-tailed confidence interval for a 1-year data period of significant financial stress without a time decay factor. No difference exists between the SVaR model used for management purposes and the model used for regulatory purposes.

The holding period of the VaR metrics is modelled directly using overlapping returns. There are two approaches used to model general and specific risk:

- **Full Simulation approach:** This approach uses an individual risk factor for each security. Therefore, for each security, this approach incorporates both specific risk and general risk within the same risk factor.
- **Regression approach:** This approach uses a common risk factor across related securities in conjunction with additional specific risk add-ons for each security. This modelling approach segregates historical price variations into general and specific risk components.

Under the Full Simulation approach, scenario P&Ls incorporating both specific and general risk are aggregated in the Historical Simulation VaR via individual risk factor time series. Under the Regression approach, scenario P&Ls corresponding to general risk are aggregated in the Historical Simulation VaR, while for each specific risk, a VaR is calculated by applying either a 1st or a 99th percentile historical move (depending on the direction of the position). Specific risk VaR components are then aggregated with Historical Simulation VaR under a zero correlation assumption (square root sum of squares).

The Bank's VaR model uses Full Revaluation, Partial Revaluation or Taylor Series approximation, depending on the complexity of underlying risk factors. Full Revaluation and Partial Revaluation approaches are in place for non-linear risk factors and use the same Front Office valuation models that are used for fair valuation purposes:

- Under Full Revaluation, scenario P&L is calculated by fully re-evaluating every historical scenario. Given the required computational cost, Full Revaluation is generally reserved for non-linear products with material dependence on multiple risk factors and their associated hedges.
- Under Partial Revaluation, P&L is calculated by re-evaluating pre-determined nodes of a ladder or grid of possible market moves. Scenario P&L is then calculated by interpolation over the grid. Partial Revaluation is an efficient and accurate approach for products with low dimensionality (in terms of the number of material risk drivers). Typically a grid has two dimensions, representing spot price and volatility.

The methods used to simulate the potential movements in risk factors are primarily dependent on the risk types. For risk types pertaining to equity prices, FX rates and volatilities, the returns are modelled as a function of proportional historical moves. For certain spread risks, the returns are modelled as a function of absolute historical moves. For some risk types, such as swap spreads and EM credit spreads, a mixed approach is used.

Stress testing applied to the modelling parameters is performed on a periodic basis to ensure model stability and robustness

against adverse market environments. For this purpose, impacts from large changes in inputs and model parameter are simulated and assessed against expected model outputs under different stressed scenarios.

Stressed Value-at-Risk

SVaR is calculated as a 10-day 99th percentile with no time decay factor and uses a 1-year time period corresponding to significant financial stress for the legal entity's current portfolio. The SVaR measure is identical to the Regulatory VaR in the following aspects:

- 10-day VaR is modelled directly using overlapping 10-day returns.
- Use of the same individual VaR risk types and aggregation methodology.
- The same coverage of the positions/underlying securities using time series market data.
- The same set of relevant trading book positions.
- The same IT infrastructure.
- The same valuation approach.

The stress period chosen is reviewed on a monthly basis and includes all possible 1-year SVaR windows from 2006 on, rolling by one month. Regulatory SVaR is maximised for the average of the preceding 60 days of actual positions for all SVaR windows within the review. The valuation approach used in selecting the maximising SVaR window is generally the same as for calculating Regulatory VaR. The only exception concerns exotic Equity derivative positions where the Regulatory VaR calculation uses a Full Revaluation approach. Given the computational cost of calculating Full Revaluation over the fifteen-year period from 2006 until the present date during the SVaR window review, Full Revaluation is used for the most recent two-year period and also a two-year period around the current stress period, and a sensitivity-based approximation is used for all other periods. The appropriateness of this approach is monitored on a weekly basis by calculating the Full Revaluation and sensitivity-based metrics for a single portfolio date over the full fifteen-year history.

The SVaR window for the Bank as of the December 2020 month-end assessment is July 2007 – June 2008.

Data standards

The Bank imposes robust requirements around minimum data standards which ensure the accuracy and reliability of data and parameters used in the VaR model. It operates a global function responsible for data validation, aggregation and reporting, and has established operational procedures which are based on the policies outlined in the Market Risk and Enterprise Risk Control Framework. The procedures describe the business process and controls applied to verify the completeness and accuracy of the system feeds received for sensitivities and key risk data attributes. These controls include verifying the Market Risk data inputs received from upstream systems, validating the Market Risk sensitivities and performing reconciliations. The controls include automated reviews for data completeness, validation checks to ensure report completeness and accuracy, including review of breaches, back testing exception process review, large moves analysis, and report review. The controls are identified, documented, and are subjected to ongoing monitoring for effectiveness including supervisory oversight and control governance.

For validating the accuracy of data, the Bank executes a T+1 process. Data delivery agreements are monitored by the Risk and Finance IT teams. The Global Data Validation, Aggregation & Reporting function may modify the risk data to normalise it across the sources, enrich the data to infer internal model parameter inputs or additional attributes for reporting and MI purposes, etc. The function also makes adjustments for mis-booking or valuation errors from Front Office valuation systems.

The VaR model is subject to internal governance including validation by a team of modelling experts that are independent from the 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.

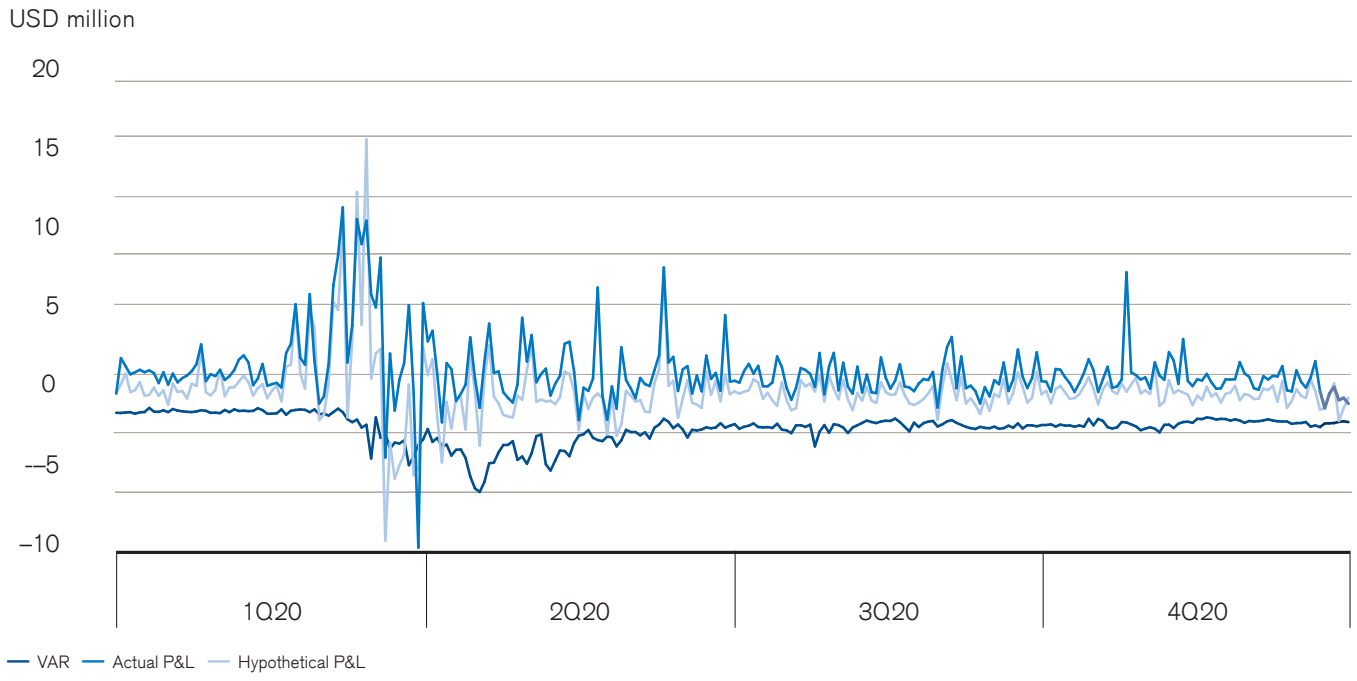
The Bank employs a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated Model Approval and Control Committee meets regularly to review the model performance and approve any new or amended models.

Value-at-Risk Backtesting

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, the Bank undertakes backtesting using actual and hypothetical daily trading revenues. Actual and hypothetical daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A backtesting exception occurs when the daily trading loss exceeds the daily VaR estimate.

For capital purposes, a backtesting addend is added for every backtesting exception over four in the prior rolling 12-month period. This is calculated using the higher number of exceptions under either actual or hypothetical daily trading revenues. The backtesting addend is equal to 0.85 as the number of backtesting exceptions were nine in 2020 (2019: one).

MR4 – Backtesting VaR vs Actual/Hypothetical P&L



Date	Actual P&L	Hypothetical P&L	VaR	Exception Category	Exception Summary
02.03.20	$(6.3)m	$(16.8)m	$13.1	Hypothetical P&L	The Hypothetical P&L and Actual P&L losses, in general, were due to equity markets volatility in the Global Trading Solutions business and extreme credit spread movements in the Credit business within the Investment Bank division, amid Covid-19 crisis.
03.03.20	$(1.8)m	$(13.2)m	$12.6	Hypothetical P&L	
20.03.20	$(40.3)m	$(92.8)m	$25.2	Hypothetical P&L Actual P&L	
24.03.20	$(10.8)m	$(53.7)m	$31.0	Hypothetical P&L	
25.03.20	$8.9m	$(45.2)m	$31.5	Hypothetical P&L	
26.03.20	$19.3m	$(38.3)m	$29.6	Hypothetical P&L	
30.03.20	$0.7m	$(51.5)m	$39.6	Hypothetical P&L	
31.03.20	$(97.2)m	$(46.8)m	$32.5	Hypothetical P&L Actual P&L	
07.04.20	$(18.2)m	$(43.5)m	$33.2m	Hypothetical P&L	The Hypothetical P&L losses were due unexpected co-movements of equities risk factors in the Global Trading Solutions business within the Investment Bank division, resulting in correlation break with respect to the empirical correlation captured by the historical simulation model used to estimate VaR.

Incremental Risk Charge

IRC capitalizes issuer default and migration risk in the trading book, such as bonds or credit default swaps, but excludes securitizations and correlation trading. The Bank has received PRA approval to use the IRC model within the Specific Risk Capital Framework for the Bank. The Bank continues to seek regulatory approval for ongoing enhancements to the IRC methodology, and the IRC model is subject to regular reviews by the PRA.

The IRC model assesses risk at 99.9% confidence level over a one-year time horizon assuming the Constant Position Assumption, i.e. a single liquidity horizon of one year. This corresponds to the most conservative assumption on liquidity that is available under current IRC regulatory rules.

The IRC portfolio model is a Merton-type portfolio model designed to calculate the cumulative loss at the 99.9% confidence level. The model's design is based on the same principles as industry standard credit portfolio models including the Basel II AIRB model.

As part of the exposure aggregation model, stochastic recovery rates are used to capture recovery rate uncertainty, including the case of basis risks on default, where different instruments issued by the same issuer can experience different recovery rates.

In order to capture systematic risks in the IRC model, a multifactor asset correlation framework is used.

To achieve the IRB soundness standard, the Bank uses IRC parameters that are either based on the AIRB reference data sets (migration matrices including PDs, LGDs, LGD correlation and volatility), or parameters based on other internal or external data covering more than ten years of history and including periods of stress.

Scenario Analysis

Stress testing complements other risk measures by quantifying the potential losses arising from moves across financial markets in response to plausible external events. The majority of scenario analysis calculations performed is specifically tailored toward the risk profile of particular businesses and limits may be established for some of them. In addition, to identify areas of risk concentration and potential vulnerability to stress events at the Bank's level, a set of scenarios is consistently applied across all businesses to assess the impact of significant, simultaneous movements across a broad range of markets and asset classes. Additionally, scenarios targeted at a specific market, product or risk type are used to better understand the risk profiles and concentrations, to monitor and control the exposure.

Scenarios can be defined with reference to historic events or based on forward-looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios used within the Bank are reviewed at the relevant risk committees as well as by a dedicated scenario design forum. The scenarios used within the Bank continuously evolve to reflect changes in market conditions and any change in business strategy.

Sensitivity Analysis

The sensitivity analysis for the trading activities includes a wide range of measures such as sensitivities, both net and gross, long and short, notional and sensitivity impacts under scenarios. This family of measures allow to quantity the potential profit or loss resulting from specified, generally small, hypothetical shocks to market factors.

Similarly to stress testing, the majority of sensitivity analysis calculations performed are specifically tailored towards the risk profile of particular businesses and limits may be established for some of them. Sensitivity analysis may also be used to identify, monitor and control areas of risk concentration at the Bank's level across a broad range of markets, products and asset classes.

VaR, stress testing and sensitivity analysis are fundamental elements of the Bank's risk control framework. Their results are used in risk appetite discussions and strategic business planning, and support the Bank's internal capital adequacy assessment. VaR, scenario and sensitivity calculations are conducted on a regular basis and the results, trend information and supporting analysis are reported to the Board, senior management and shared and discussed with the business lines.

Non-Financial Risk

Overview

Non-financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities.

Conduct Risk

CSi considers conduct risk to be the risk that improper behaviour or judgment by our employees may result in a negative financial, non-financial or reputational impact to our clients, employees or the Bank, or negatively impact the integrity of the financial markets. Conduct risk may arise from a wide variety of activities and types of behaviours. A group-wide definition of conduct risk supports the efforts of our employees to have a common understanding of and consistently manage and mitigate our conduct risk. Further, it promotes standards of responsible conduct and ethics in our employees. Managing conduct risk includes consideration of the risks generated by each business and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the group and at other firms in the financial services sector.

CSi seeks to promote responsible behaviour through the Code of Conduct, which provides a clear statement on the conduct standards and ethical values that the Bank expects of its employees and members of the Board, so that it maintains and strengthens its reputation for integrity, fair dealing and measured risk-taking. In addition, our cultural values, which include inclusion, meritocracy, partnership, accountability, client focus, and trust, are a key part of the Bank's effort to embed its core values into its business strategy and the fabric of the organization.

The Code of Conduct and the set of Cultural Values are linked to the employee performance assessment and compensation processes.

Technology Risk

Technology risk deserves particular attention given the complex technological landscape that covers our business model. Ensuring that confidentiality, integrity and availability of information assets are protected is critical to our operations.

Technology risk is the risk that technology system-related failures, such as service outages or information security incidents, may disrupt business activities. Technology risk is inherent not only in the Bank's IT assets, but also in the people and processes that interact with them including through dependency on third-party suppliers and the worldwide telecommunications infrastructure. CS group seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. CS group requires the Bank's critical IT systems to be identified, secure, resilient and available to support its ongoing operations, decision-making, communications and reporting. CSi systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of its customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share. Technology risks are managed through the Bank's technology risk management program, business continuity management plan and business contingency and resiliency plans. Technology risks are included as part of the Bank's overall enterprise risk and control assessment based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood

Cyber Risk

Cyber risk, which is part of technology risk, is the risk that the Bank will be compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject the Bank to litigation or cause it to suffer a financial loss, a disruption of its businesses, liability to its clients, regulatory intervention or reputational damage. CS group could also be required to expend significant additional resources to modify the Bank's protective measures or to investigate and remediate vulnerabilities or other exposures.

CSi recognises that cyber risk represents a rapidly evolving external risk landscape. The financial industry continues to face cyber threats from a variety of actors who are driven by monetary, political and other motivations. CSi actively monitors external incidents and threats and assesses and responds accordingly to any potential vulnerabilities that this may reveal. CSi is also an active participant in industry forums and information exchange initiatives and engages in regulatory consultation on this subject.

CS group has an enterprise-wide Cybersecurity Strategy to provide strategic guidance as part of its efforts to achieve an optimised end-to-end security and risk competence that enables a secure and innovative business environment, aligned with CS group risk appetite. CS group's technology security team leverages a wide array of leading technology solutions and industry best practices to support its ability to maintain a secure perimeter and detect and respond to threats in real time.

CSi regularly assesses the effectiveness of our key controls and conducts ongoing employee training and awareness activities, including for key management personnel, in order to embed a strong cyber risk culture. As part of the Enterprise and Risk Control Framework, the CSi Board as well as the CSi risk

management committee are given updates on the broader technology risk exposure.

Senior management, including the CSi Board and its Risk Committee are regularly informed about broader technology risk exposure and the threats and mitigations in place to manage cyber incidents. Notable incidents are escalated to the RMC together with lessons learned and mitigation plans. Related business continuity and cyber incident response plans are rehearsed at all levels, up to and including the Board.

Evaluation and management of non-financial risks

The Enterprise Risk and Control Framework ('ERCF') sets out the principles and components for managing non-financial risk in CSi. The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across CSi while providing individual businesses with sufficient flexibility to tailor specific components to their own needs, as long as they meet group-wide minimum standards. The main components of the ERCF are described below.

Risk Taxonomy

The Non-Financial Risk Register contains a complete catalogue of non-financial risks which may arise as a consequence of the Bank's activities. The Risk Register covers Bank-wide operational risks on a front-to-back basis, i.e. risks in Business Divisions, Corporate Functions and legal entities and provides a standardized terminology of risks across the Bank. It provides a consistent approach to the identification and classification of these risks across both CSi and CS group.

Key Controls

The Non-Financial Key Controls key controls are documented and assessed under a common controls assessment framework, ensuring that key controls are identified, documented and assessed consistently and comprehensively, with a focus on the most significant risks and associated key controls. The Bank utilizes a comprehensive set of internal controls that are designed to ensure that its activities follow agreed policies and that processes operate as intended. Key controls are subject to independent testing to evaluate their effectiveness. The results of these tests are considered by other ERCF components, such as in the Risk and Control Self-Assessment ('RCSA') process.

Metrics

Non-Financial Metrics are risk and control indicators that are used to provide an early warning of increasing risk exposure to non-financial risks in various areas of the organisation. A key control indicator is defined as a metric that assesses and monitors the effectiveness of one or several controls. Principles and minimum standards apply to the identification, selection, mapping, and threshold setting of metrics that are linked to the Non-Financial Risk Appetite and Key Non-Financial Risks.

Incidents

Incidents describes the process in which the Bank systematically collect, analyse and report data on non-financial risk incidents to ensure that it understands the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. The Bank focuses both on incidents that result in economic losses and on events that provide information on potential control gaps, even if no losses occurred. CS group also collects and utilizes available data on incidents at relevant peer firms to identify potential risks that may be relevant in the future, even if they have not impacted the legal entity. Incident data is also a key input for the Bank's operational risk capital models and other analytics.

Risk and Control Assessment

RCSAs are comprehensive, bottom-up assessments of the operational and compliance risks in each business and control function. The process of preparing RCSAs comprises a self-assessment of the relevant business or functional risk profile based on the risk taxonomy classifying risks under a standardized approach. It covers an assessment of the inherent risks of each business and control function, provides an evaluation of the effectiveness of the controls in place to mitigate these risks, determines the residual risk ratings and requires a decision to either accept or remediate any residual risks. In the case of remediation, mitigating actions are defined and approved by management. While these are self-assessments, they are subject to independent review and challenge by relevant risk management functions to ensure that they have been conducted appropriately. RCSAs utilize other components of the ERCF, such as metrics and incidents, and they generate outputs that are used to manage and monitor risks.

Compliance Risk Assessment is the process which provides the framework for the independent Second Line Compliance function to formally assess the overall compliance and regulatory risks associated with a particular business unit or business activity. The results are used to identify potential or actual areas of risk in the business which also assists Compliance management in planning the compliance objectives to mitigate risks identified. This risk assessment consists of an analysis of the inherent risk and control effectiveness aligned to the compliance risk categories and is performed at the level of a risk unit. Quantitative metrics are leveraged wherever possible, supplementing the qualitative assessments. Upon completion of the assessment, ratings are established through a Compliance Divisional and CS group-wide review

and mitigating actions are identified as appropriate. The results of the Compliance Risk Assessment are presented to the Board and CS group's Audit Committee and the CSi Board of Directors.

Top Risks

Key Non-Financial Risks are identified at the legal entity level and represent the most significant risks requiring senior management attention. They are identified through a combination of top-down assessment by senior management and a bottom-up process collating the main themes arising from the RCSA and compliance risk assessment processes. Where appropriate, remediation plans are put in place with ownership by senior management

Stress Testing, Scenarios and Capital Modelling

CSi uses the Basic Indicator Approach to determine its Pillar 1 capital requirement in respect of operational risk.

Pillar 2 assesses those risks that are relevant to the firm but are not captured, or not fully captured, under Pillar 1. An assessment of Pillar 2 is conducted at least annually as part of the Internal Capital Adequacy Assessment Process (ICAAP) and sets a Total Capital Requirement (TCR) that is the sum of the Minimum Capital Requirement and Pillar 2A.

For Pillar 2A, a capital adequacy assessment is conducted by combining both historical loss incidents, scenarios and business expert judgment. Historical operational risk loss incidents combined with external loss data and operational risk scenarios are extrapolated at a 99.9% confidence level over a one-year period leveraging the Advanced Measurement Approach (AMA) used by CS group.

CSi uses its operational risk models for regulatory capital calculations, operational loss projections, scenario analysis, external financial disclosures, and other purposes. It is therefore necessary that each operational risk model is subject to comprehensive, rigorous and consistent development within a modelling framework. This mitigates model risk, ensuring that models function according to the intended purpose and are compliant to all applicable regulatory requirements.

Scenarios are developed and leveraged for the operational risk capital adequacy assessment process within a rigorous framework. The scenarios are a risk management tool that outline hypothetical events that may occur in relation to key or material risks.

An assessment of Pillar 2B through stress testing is assessing those risks that will be impacted under macroeconomic stress in order to derive a capital buffer to be held over and above Pillar 2A.

Reverse Stress Testing (RST) is another risk management tool that considers the events and scenarios that could lead to the business model becoming unviable. This allows an assessment of potential business vulnerabilities and weaknesses in the business model

Issues and Actions

Issue and action management encompasses a structured approach to responding to non-financial risk incidents and breaches of non-financial quantitative and qualitative risk appetite or metrics, as well as continuous monitoring of remediation actions against identified control issues. Further, the compliance and regulatory responses function consolidates and monitors issues and actions including audit, regulatory, self-identified and second line identified issues and actions. The operational risk incident management component includes a defined process for identifying, categorizing, investigating, escalating and remediating incidents. These reviews seek to assess the causes of control weaknesses, establish appropriate remediation actions and ascertain whether events have implications for other businesses or could have potential impact in the future. They can result in recommendations to impose restrictions on businesses while operational risk management processes and controls are improved. The breach component provides a methodology for evaluating breaches of quantitative and qualitative non-financial risk appetite statements. Its goal is to provide senior management with the information needed to make decisions on how to best remediate issues that fall outside agreed risk appetite levels.

Targeted Reviews

Targeted reviews are focused evaluations with the objective to take a proactive approach in identifying potential risks, control deficiencies, and/or trends. Where applicable, output consists of:

- Root cause/drivers, including impact to risk profile
- Identification of sustainable measures to mitigate relevant risk exposure
- Information/data for further analyses/metrics and monitoring, including potential for Global Read-Across (GRA) activities/ reviews

Reputational Risk

Overview

CSi highly values its reputation and is fully committed to protecting it through a prudent approach to risk-taking, and responsible approach to business. This is achieved through use of dedicated processes, resources and policies focused on identifying, evaluating, managing and reporting potential reputational risks. This is also achieved through applying the highest standards of personal accountability and ethical conduct as set out in the CS group Code of Conduct, and the Bank's approach to Conduct and Ethics.

CSi acknowledges that as a large global financial institution, with a wide range of businesses and stakeholders, it may be subject to general criticism or negative perception from time to time which may negatively impact its reputation.

CSi also acknowledges that it will knowingly engage in specific activities where opinions may vary depending on the perspective and standpoint of each party, and which may lead to negative perception from some stakeholders.

In both these cases, CSi accepts reputational risk only where it can justify at the time decisions are taken that:

- The activity is in line with CSi's stated Code of Conduct, and Conduct and Ethics Standards
- Informed judgment is exercised in line with the Bank's internal sector policies and thematic guidelines, including region specific concerns or mitigation, where applicable.

CSi has no appetite for engaging in activity that exposes the Bank to reputational risk where these conditions are not met.

CSi has adopted the CS Global Policy on Reputational Risk ('the Policy') which states that each employee is responsible for assessing the potential reputational impact of all businesses in which they engage, and for determining whether any actions or transactions should be formally submitted through the Reputational Risk Review Process ('RRRP') for review.
Reputational risk may arise from a variety of sources, including, but not limited to, the nature or purpose of a proposed transaction, action or client relationship, the identity or nature of a potential client, the regulatory or political climate in which the business will be transacted or significant public attention surrounding the transaction itself.

Process and Governance

The Board has delegated reputational risk issues to be reviewed via the Bank's global RRRP which includes an overview of the transaction or action being considered, the risks identified and relevant mitigating factors and views from internal subject matter experts. All formal submissions in the RRRP require review by the CSi Senior Manager in the relevant division, and assuming they are supportive of the proposal are then subsequently referred to the CSi Reputational Risk Approver ('RRA'), who is independent of the business divisions and assesses and determines whether the proposed activity is within the appetite of the firm If the RRA considers there to be a material reputational risk associated with a submission, it is escalated to the IB EMEA Reputational Risk Committee ('RRC') for further discussion, review and final decision. The Committee is comprised of senior Bank entity management across divisions and corporate functions.

Reputational risk is assessed on an entity based approach whereby the region of the RRRP submission is driven by the location of the relevant regional booking entity. Where a submission relates to a Remote Booking, a submission will be made through to CSi RRRP and the RRAs in other regions will be consulted as appropriate, which may include escalation to the RRC.

Liquidity Risk

Overview

Liquidity Risk is risk that the Bank is unable to fund its assets or meet its liquidity obligations as they fall due in times of stress, whether caused by market events and/or company specific issues. Liquidity at CSi is managed primarily by Treasury and the Global Liquidity Group, independently overseen by Treasury and Liquidity Risk Management.

Risk Appetite

The Board defines CSi's risk tolerance, including liquidity risk, and set parameters for the balance sheet and funding usage by businesses. The Board is also responsible for defining the overall risk tolerance in the form of a risk appetite statement, both quantitative and qualitative. It is set based on both regulatory (Liquidity Coverage Ratio, Net Stable Funding Ratio) and internal metrics (Barometer 2.0), which capture the impact on CSi funding liquidity in a stressed situation.

The authority to set more granular liquidity risk limits is delegated by the Board to the Executive Committee, which has appointed the CRO as the Accountable Executive. The liquidity risk operating limits are approved through the Risk Management Committee (RMC). Liquidity Risk has a responsibility for development and calibration of the overall liquidity risk constraints framework.

The Adequacy of Liquidity Risk Management

An Internal Liquidity Adequacy Assessment ('ILAAP') document sets out CSi's approach to liquidity and funding and is approved by the Board. The assessment of the liquidity needs of CSi has been made in consideration of the relevant guidance and requirements set out by regulatory bodies. The most recent assessment concludes that CSi was in compliance with the internal controls in place and with the Board approved Risk Appetite.

The entity was also in compliance with the regulatory minimum liquidity requirements under the Liquidity Coverage Requirement ('LCR') and held surplus liquidity above both the Board approved LCR Risk Appetite and internal risk constraints.

Strategies and Processes in the Management of the Liquidity Risk

The Asset & Liabilities Management Capital Allocation and Risk Management Committee ('ALM CARMC') is the primary governance forum for CS Group's funding, liquidity and capital management. Furthermore, the ALM CARMC is responsible for the planning and monitoring of regulatory and business liquidity requirements. The committee is chaired by the Group CFO and attended by the Group CEO, Divisional CEOs, business divisions, Group CRO, Chief Auditor, Group Treasurer and relevant representatives of Treasury. Treasury leads this forum on all treasury matters, including funding liquidity risks. The Group CRO, Head of ERM and Global Head of Treasury and Liquidity Risk and GLG CRO represents the CRO division in this committee.

The CSi RMC is responsible to set liquidity risk limits which are in place to strictly control the risk profile within the Board risk appetite. A breach of a limit requires immediate mitigating action to reduce risk below the limit.

The implementation and execution of the liquidity and funding strategy is managed by Treasury and the Global Liquidity Group. Treasury ensures adherence to the funding policy and the efficient coordination of secured funding desks. The Global Liquidity Group (GLG) Risk Coverage function has been established within the wider Enterprise Risk Management ('ERM') organisation with the aim of optimising liquidity sourcing, funding costs and high-quality liquid assets ('HQLA') portfolio.

The liquidity and funding profile is reported regularly to ALM CARMC and the Board. It reflects CS's strategy and risk appetite and is driven by business activity levels and the overall operating environment.

Structure and Organisation of the Liquidity Risk Management Function

The functional reporting line is led by the Global Head of Liquidity Risk Management and is responsible for establishing global minimum standards, which are intended to provide a basis for the consistent application of risk management frameworks to the legal entity Liquidity Risk Management teams. Additions or changes to the global minimum standards must be approved by the relevant governance bodies.

The Three Lines of Defense Model is adopted by the Bank for managing liquidity risks. The current operating model for liquidity risk establishes Treasury, Liquidity Measurement and Reporting ('LMR') together with Global Liquidity Group ('GLG') and Business Division as the First Line of Defense and Liquidity Risk as the Second Line of Defense. Third Line of Defense sits with Internal Audit. The segregation of mandates ensures controlled and cohesive management of liquidity risks.

Liquidity Risk Management challenges Treasury, LMR, GLG and business divisions for their liquidity risk measurement and management responsibilities.

Overview of the Liquidity Management Function

All liquidity management functions have regional presence outside head offices to ensure regional liquidity risk requirements are fulfilled.

The entity liquidity management functions have dual reporting lines to the local treasurers and functionally to the Global Head of Liquidity management. The teams are responsible for managing liquidity positions at the local level in conjunction with regulatory and senior management requirements.

Overview of the Group Governance Structure

All functions involved in the liquidity risk management governance and risk management framework have regional presence to ensure Liquidity Risk Management governance is implemented locally and satisfies local liquidity requirements, local rules and regulations.

The Entity and Global Committee governance is aligned in terms of the CS Group operating model. This setup is mirrored locally in the entities. This application ensures that risk control frameworks are developed and adhered to consistently at the CS Group and local entity levels while allowing for a nuanced approach to entity specific business lines and regulations.

Liquidity Risk Reporting and Measurement Systems

Liquidity Measurement and Reporting ('LMR') produces both regulatory reports and MI reporting, which supports EMEA Treasury in their decision making processes. The liquidity MIS reports being produced by LMR, including commentary, are distributed on a regular basis to EMEA Treasury Regional Management, LRM Senior Management, and to regulators where required. The Legal Entity Internal Liquidity Risk Management framework is aligned with the CS group approach but also incorporates local regulatory compliance requirements. Such compliance requirements are measured as part of the PRA's Individual Liquidity Guidance which results in CSi holding term funding and a local liquid asset buffer of qualifying securities.

The LCR is used as one of the bank's primary tools, in parallel with the internal liquidity model (referred to as the Barometer), and the NSFR, to monitor the structural liquidity position and plan funding.

The LCR addresses liquidity risk over a 30-day period. The LCR aims to ensure that banks have unencumbered HQLA available to meet short-term liquidity needs under a severe stress scenario. The LCR is comprised of two components, the value of HQLA in stressed conditions and the total net cash outflows calculated according to specified scenario parameters.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of the Bank's on- and off-balance sheet activities over a one-year horizon. The NSFR is a complementary measure to the LCR and is structured to ensure that illiquid assets are funded with an appropriate amount of stable long-term funds. The NSFR is defined as the ratio of available stable funding over the amount of required stable funding. NSFR will become legally effective in the UK from 1 January 2022 under the Capital Requirements Regulation ('CRR2') rules.

The PRA110 Cash Flow Mismatch regulatory reporting requirements have been introduced in July 2019. The PRA requires the report for the monitoring of key metrics including survival days, net liquidity position, worst net liquidity position and peak cumulative net outflows. The PRA110 covers both short-term and medium term risks, cash flow mismatches and liquidity cliffs. PRA110 internal risk constraints will be established once the regulator has confirmed when the liquidity guidance will be set.

The internal liquidity model ('Barometer') is used to manage liquidity to internal targets and as a basis to model both the Bank specific and market-wide stress scenarios and their impact on liquidity and funding. The internal Barometer framework supports the management of the Bank's funding structure. It allows the management of the time horizon over which the stressed market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This Barometer framework allows the management of liquidity to a desired profile under stress in order to be able to continue to pursue activities for a period of time without changing business plans during times of firm specific or market-wide stress. Under this framework, there are also short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames.

The Barometer and LCR are produced and reviewed on a daily basis. These daily reports are available to be compared versus forecasts, ensuring ongoing monitoring of the liquidity position of the entities. The PRA 110 and the NSFR produced weekly and monthly respectively.

Processes for Hedging and Mitigating Liquidity Risk

The Barometer framework supports the management of the Bank's funding structure. It allows Treasury to manage the time horizon over which the stressed market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments.

The Barometer framework also allows Treasury to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for a period of time, without changing business plans during times of stress.

Under this framework, Treasury also has short-term targets based on additional stress scenarios to ensure uninterrupted liquidity for short time frames.

LCR Disclosure Template

The table in this section discloses level and components of the LCR.

LIQ1: LCR

CSi	Total unweighted value (average)				Total weighted value (average)			
USD million								
Quarter ending on	**31.03.20**	**30.06.20**	**30.09.20**	**31.12.20**	**31.03.20**	**30.06.20**	**30.09.20**	**31.12.20**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					14,992	15,296	15,078	14,853
CASH – OUTFLOWS								
Retail deposits and deposits from small business customers,	0	0	0	0	0	0	0	0
of which stable deposits	0	0	0	0	0	0	0	0
of which less stable deposits	0	0	0	0	0	0	0	0
Unsecured wholesale funding	1,056	1,060	970	904	1,056	1,060	970	904
Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
Non-operational deposits (all counterparties)	1,056	1,060	970	904	1,056	1,060	970	904
Unsecured debt	0	0	0	0	0	0	0	0
Secured wholesale funding					687	662	570	525
Additional requirements	17,097	16,528	15,416	14,648	11,778	11,846	11,470	10,993
Outflows related to derivative exposures and other collateral requirements	7,830	7,871	7,709	7,600	7,446	7,539	7,212	6,825
Outflows related to lossof funding on debt products	3,438	3,513	3,640	3,709	3,438	3,513	3,640	3,709
Credit and liquidity facilities	5,829	5,144	4,067	3,339	894	794	618	459
Other contractual funding obligations	3,265	3,363	3,538	3,755	110	155	151	218
Other contingent funding obligations	1,870	1,816	1,786	1,378	1,488	1,505	1,437	1,173
TOTAL CASH OUTFLOWS					**15,119**	**15,228**	**14,598**	**13,813**
CASH – INFLOWS								
Secured lending (e.g. reverse repos)	18,381	18,759	17,792	17,224	1,703	1,424	1,079	1,001
Inflows from fully performing exposures	4,855	5,347	5,427	5,244	4,846	5,340	5,425	5,243
Other cash inflows	948	885	855	744	948	884	854	742
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
(Excess inflows from a related specialised credit institution)					0	0	0	0
TOTAL CASH INFLOWS	**24,184**	**24,991**	**24,074**	**23,212**	**7,497**	**7,648**	**7,358**	**6,986**
Fully exempt inflows	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Inflows subject to 90% cap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Inflows subject to 75% cap	**22,364**	**23,125**	**22,289**	**21,023**	**7,497**	**7,647**	**7,358**	**6,987**

LIQ1: LCR

CSi	Total adjusted value			
USD million				
Quarter ending on	**31.03.20**	**30.06.20**	**30.09.20**	**31.12.20**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
Liquidity buffer	**14,992**	**15,296**	**15,078**	**14,853**
Total net cash outflows	**7,621**	**7,580**	**7,239**	**6,827**
Liquidity coverage ratio (%)	**202%**	**207%**	**216%**	**224%**

There are elements of Liquidity Risk Management that are not covered in the LCR disclosure template. The Pillar 2 framework considers the liquidity risks not captured, or not fully captured, under Pillar 1. For example debt buyback risk that may arise in the absence of a contractual buyback obligation, intraday liquidity risk and the risk from early termination of non-margined derivatives.

The internal liquidity model, internal Barometer, adequately addresses those risks not captured by the LCR. The ILAAP document details how and why these risks are considered and how they are modelled.

Concentration of Funding and Liquidity Sources

The liquidity and funding policy is designed to ensure that CSi's assets are funded and CSi's liquidity obligations are met as they fall due in times of stress, whether caused by market events and/or CSi specific issues. This is achieved thorough a conservative asset/liability management strategy aimed at maintaining long-term funding, including stable deposits, in excess of illiquid assets.

To address short-term liquidity stress, a liquidity pool comprising of cash held at central banks and HQLA is maintained and managed by Treasury for the purpose of covering unexpected outflows in the event of severe market and idiosyncratic stress. CSi's liquidity risk parameters reflect various liquidity stress assumptions calibrated as such that in the event CSi is unable to access unsecured funding, CSi expects to have sufficient liquidity to sustain operations for a period of time in excess of the minimum limit. This includes potential currency mismatches, which are monitored and subject to limits, particularly in the significant currencies of USD, EUR, GBP, CHF and JPY.

Funding Profile

CSi holds a mix of term unsecured funding supplied by CS AG London Branch, which mitigates its short-term funding risk. The entity also has a diverse funding strategy through structured notes, equity and subordinated debt.

Treasury reviews secured funding profile changes and wider secured funding related activity which is discussed on a weekly basis during the UK Liquidity Meeting, with Liquidity Risk Management and Global Liquidity Group representatives attending these meetings.

Treasury works closely with business divisions to understand and forecast material changes in activity whether short, medium or long-term and its potential impact on internal and regulatory metrics.

Liquidity Risk have also established a number of controls which are set at an entity level and used to highlight any material changes to the asset pool, secured funding profile, including counterparty concentrations.

Funding Concentration Framework

Concentration risk is addressed in the Liquidity Risk Constraint Framework. It is CSi's funding strategy to ensure that each entity has access to a diversified range of funding sources by customer base, financial market and geography to cover short-term and medium to long-term requirements, without any significant reliance on a particular funding source, counterparty, tenor or product.

The established governance supports the identification of concentration risks, as well as a forward-looking approach to concentration risk management as in the tenor concentration view. Limits and/or tolerances are defined by Risk governance bodies or its delegated authority e.g. Head of EMEA Treasury & Liquidity Risk Management, based on the CSi Board Risk Appetite. Concentration risk exposures, where relevant, are discussed at the RMC, Liquidity Review Board and Treasury UK Liquidity weekly meetings; mitigations are devised and escalated accordingly.

Derivative Exposures and Potential Collateral Calls

The LCR is used as one of the primary tools, in parallel with the Barometer and the NSFR, to monitor CSi's structural liquidity position and to plan funding. The Barometer is also used to manage liquidity to internal targets and as a basis to model both the CSi specific and market-wide stress scenarios and their impact on the overall liquidity and funding profile.

Derivatives exposure and collateral calls are part of this overarching framework and cover anticipated mark to market changes and collateral calls related to this (variation and initial margin) and other items (such as downgrade risk/additional termination events).

Currency Coverage

Currency coverage is monitored locally for CSi via an internal measure based on the Barometer, the Barometer by Currency.

The framework places controls around potential cross currency mismatches and highlights situations where liquidity deficits are developing due to structural long and short positions in various currencies. These controls are intended to encourage management decision making and planning regarding the currency composition of funding activities.

Interest Rate Risk in the Banking Book

Overview

CSi manages the interest rate risk in the Banking Book which includes monitoring the potential impact of changes in interest rates. CSi's interest rate risk exposures in non-trading positions arise primarily 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. The CSi Risk Management Committee defines interest rate risk appetite on an annual basis. Furthermore, the committee set risk limits for interest rate risk the banking book which are monitored on at least a monthly basis.

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, where the approximation tends to be closer to the true change in the portfolio's fair value for smaller parallel shifts in the yield curve. The DV01 is a transparent and intuitive indicator of linear directional interest rate risk exposure, which does not rely on statistical inference. The interest rate sensitivity is measured and reported on a daily basis;
- **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; and
- **Delta Economic Value of Equity:** expresses the impact of a pre-defined scenario (eg. instantaneous changes in interest rates) on a portfolio's fair value. This metric does not rely on statistical inference.

These measures 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. The metrics estimate the impact on the economic value of the current portfolio, since most non-trading books are not marked-to-market and ignore the development of the portfolio over time.

CSi's Banking Book does not include any replicated non-maturing deposits or loans with prepayment options.

Monitoring and Review

The economic impacts of adverse shifts in interest rates 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 within CSi's Pillar 2 capital requirement.

Limits and other interest rate risk metrics are monitored by the Risk division at least monthly or more frequently as deemed necessary with any limit breaches escalated appropriately.

The following tables show the fair value impact of yield curve changes, by currency:

One-basis-point parallel increase in yield curves by currency – non-trading positions (USD million equivalent)

As at 31 December 2020	USD	GBP	EUR	CHF	Other	**Total**
Fair value impact of a one-basis-point parallel increase in yield curves	0.1	(0.2)	0.0	0.0	0.0	(0.0)

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

As at 31 December 2020	USD	GBP	EUR	CHF	Other	**Total**
Basis points movement + / (-)						
200	17.5	(14.9)	1.2	0.6	(0.7)	3.7
100	8.7	(7.7)	1.7	0.3	(0.3)	2.7
-100	(8.6)	8.3	(4.0)	(0.3)	0.3	(4.3)
-200	(17.2)	17.2	(10.2)	(0.6)	0.7	(10.2)

Leverage

Overview

CSi is required to monitor and disclose its leverage ratio in accordance with the CRR definition, as amended by the European Commission Leverage Ratio Delegated Act. In Nov 2016, the European Commission proposed amendments to CRR, including a binding leverage ratio for certain EU financial institutions.

In conjunction with other regulatory and capital metrics such as RWA levels, leverage ratios are actively monitored and managed within CSi's capital 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.

Consideration is given to the leveraging or deleveraging impacts resulting from both business development and the impact of future regulatory change to ensure CSi continues to meet external and internal expectations. CSi's stress testing framework will consider the impact on leverage ratios of both internal and regulator-prescribed stress tests. The impact on the leverage ratio is also consider as part of the ICAAP.

Factors Impacting the Leverage Ratio during the Period

CSi's leverage ratio decreased to 9.94% as of 31 December 2020 from 11.86% as at 31 December 2019. This is due to increase in book size across business areas primarily in total on-balance sheet exposure (excluding derivatives, SFTs and fiduciary assets) by $20bn and Derivatives exposure by $11bn.

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	end 2020 (USD million)	Applicable Amounts
1	Total assets as per published financial statements	290,246
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(98)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	–
4	Adjustments for derivative financial instruments	(61,584)
5	Adjustments for securities financing transactions "SFTs"	3,793
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	6,941
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	–
7	Other adjustments	(32,802)
8	**Total leverage ratio exposure**	**206,496**

Table LRCom: Leverage ratio common disclosure

	end 2020 (USD million)	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	76,454
2	(Asset amounts deducted in determining Tier 1 capital)	(2,487)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**73,967**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	19,099
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	72,663
EU-5a	Exposure determined under Original Exposure Method	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8	(Exempted CCP leg of client-cleared trade exposures)	(2,370)
9	Adjusted effective notional amount of written credit derivatives	6,962
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**96,354**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	25,644
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(105)
14	Counterparty credit risk exposure for SFT assets	3,695
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	–
15	Agent transaction exposures	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**29,234**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	8,447
18	(Adjustments for conversion to credit equivalent amounts)	(1,506)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**6,941**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	–
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	–
Capital and total exposures		
20	**Tier 1 capital**	20,520
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**206,496**
Leverage ratio		
22	**Leverage ratio**	9.94%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	–
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	–

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	end 2020 (USD million)	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	76,454
EU-2	Trading book exposures	37,579
EU-3	Banking book exposures, of which:	38,875
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	647
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	–
EU-7	Institutions	27,722
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	–
EU-10	Corporate	9,466
EU-11	Exposures in default	60
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	980

Asset Encumbrance

Overview

The main source of asset encumbrance within CSi relates to securities lending and derivatives transactions. Securities lending transactions encumber assets through a combination of repo and stock loan/borrow activity, with derivatives transactions causing encumbrance through collateralisation of derivative transaction exposures.

Collateralisation Agreements entered into for Securing Liabilities

Secured lending and stock borrow/loan transactions are principally governed by Global Master Repurchase Agreements ('GMRAs') and Global Master Stock Lending Agreements ('GMSLAs'). These agreements generally focus on the mechanism of collateral delivery, income on the collateral positions and other impacts (eg. corporate actions occurring on collateral or failure to deliver).

Collateral

Collateral postings on derivatives transactions are principally governed by ISDA agreements, including CSA documentation. These agreements determine the asset type used to satisfy collateral obligations and any re-hypothecation restrictions related to derivatives collateralisation. Collateral pledged to CSi in excess of the minimum requirement, and collateral owed by CSi to counterparties which has not yet been called is considered as part of the internal monitoring procedures for the management of asset encumbrance.

Encumbered Assets

The amount reported in the first table below as 'other assets' within 'carrying amount of encumbered assets' comprises mainly cash collateral on derivatives instrument with third party / inter-company counterparties, which are being considered for encumbrances.

Unencumbered Assets

The amount reported in the first table below as 'other assets' within 'carrying amount of unencumbered assets' comprises mainly derivative assets, loans, reverse repo, cash and cash equivalent time deposits, intangible assets, deferred tax, tangible fixed assets and various receivable balances (both trade and non-trade). None of these asset types is considered available for encumbrance in the normal course of business.

In accordance with EBA guidelines the information below uses the median value of last four quarterly data points. Therefore, the sum of sub-components will not necessarily add up.

Template A – Encumbered and unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
end of 2020		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
USD million								
Assets of the reporting institution	53,021	3,880			236,386	3,712		
Equity instruments	6,251	–			4,127	–		
Debt securities	6,296	3,880	6,296	3,880	10,295	3,712	10,295	3,712
of which: covered bonds	4	–	4	–	5	–	5	–
of which: asset-backed securities	–	–	–	–	10	–	10	–
of which: issued by general governments	5,371	3,880	5,371	3,880	4,278	3,712	4,278	3,712
of which: issued by financial corporations	289	–	289	–	4,919	–	4,919	–
of which: issued by non-financial corporations	656	–	656	–	1,501	–	1,501	–
Other assets	40,296	–			220,347	0		
of which: Cash collateral on derivative instruments	40,232	–			(0)	–		
of which: Derivative instruments	–	–			159,274	–		

Template B-Collateral received

end of 2020	Fair value of encumbered collateral received or own debt securities issued	of which notionally elligible EHQLA and HQLA	Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
USD million				
Collateral received by the reporting institution	**58,338**	**16,124**	**22,708**	**10,008**
Loans on demand	–	–	–	–
Equity instruments	16,067	–	3,519	–
Debt securities	42,271	16,124	16,614	10,008
of which: covered bonds	1,260	–	157	–
of which: asset-backed securities	56	–	1	–
of which: issued by general governments	32,216	16,124	12,693	10,006
of which: issued by financial corporations	1,389	–	497	2
of which: issued by non-financial corporations	6,999	–	3,702	–
Loans and advances other than loans on demand	–	–	–	–
Other collateral received	–	–	2,972	–
of which:	–	–	–	–
Own debt securities issued other than own covered bonds or ABSs	–	–	–	–
Own covered bonds and asset-backed securities issued and not yet pledged			–	–
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**110,099**	**19,929**		

Template C-Sources of encumbrance

end of 2020	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
USD million		
Carrying amount of selected financial liabilities	54,575	53,989
of which: Derivative instruments	38,976	38,767

Appendix 1: Capital Instruments' Main Features

Credit Suisse International – Capital Instruments' Main Features

No.	Term	Capital Instruments				
1	Issuer	Credit Suisse International	Credit Suisse PSL GmbH	Credit Suisse PSL GmbH	Credit Suisse PSL GmbH	Credit Suisse PSL GmbH
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A			
3	Governing law(s) of the instrument	English	English	English	English	English
Regulatory treatment						
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Shares	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$11,366.2	$0.1	$0.1	$0.1	$0.1
9	Nominal amount of instrument	$11,366.2	$0.1	$0.1	$0.1	$0.1
9a	Issue price	Par	Par	Par	Par	Par
9b	Redemption price	Par	Par	Par	Par	Par
10	Accounting classification	Shareholders Equity	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	09.05.90	20.08.01	31.01.03	19.09.05	15.03.06
12	Perpeptual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No Maturity	N/A	N/A	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons / dividends						
17	Fixed or floating dividend / coupon	N/A	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	USD 3-month Libor + 150bps	USD 3-month Libor + 150bps	USD 3-month Libor + 150bps	USD 3-month Libor + 150bps
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No	No	No
22	Noncumulative or cumulative	Non-Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 1	Junior subordinated	Junior subordinated	Junior subordinated	Junior subordinated
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A	N/A	N/A

Credit Suisse International – Capital Instruments' Main Features

No.	Term	Capital Instruments				
1	Issuer	Credit Suisse PSL GmbH	CSFB (Cayman) Ltd	CSFB (Cayman) Ltd	CSFB (Cayman) Ltd	CSFB (Cayman) Ltd
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)					
3	Governing law(s) of the instrument	English	English	English	English	English
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$0.1	$0.1	$0.1	$0.1	$0.1
9	Nominal amount of instrument	$0.1	$0.1	$0.1	$0.1	$0.1
9a	Issue price	Par	Par	Par	Par	Par
9b	Redemption price	Par	Par	Par	Par	Par
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	16.11.06	17.06.03	17.06.03	23.12.03	19.10.04
12	Perpeptual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	N/A	31.03.26	31.03.26	31.03.26	31.03.26
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons / dividends						
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	USD 3-month Libor + 125bps	USD 3-month Libor + 75bps	USD 3-month Libor + 75bps	USD 3-month Libor + 75bps	USD 3-month Libor + 75bps
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Junior subordinated	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A	N/A	N/A

Credit Suisse International – Capital Instruments' Main Features

No.	Term	Capital Instruments				
1	Issuer	CSFB (Cayman) Ltd	CSFB Finance BV	CSFB Finance BV	CSFB Finance BV	CSFB Finance BV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)					
3	Governing law(s) of the instrument	English	English	English	English	English
Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$0.1	$0.1	$0.1	$0.5	$0.5
9	Nominal amount of instrument	$0.1	$0.1	$0.1	$0.5	$0.5
9a	Issue price	Par	Par	Par	Par	Par
9b	Redemption price	Par	Par	Par	Par	Par
10	Accounting classification	Liability -amortised cost	Liability -amortised cost	Liability -amortised cost	Liability -amortised cost	Liability -amortised cost
11	Original date of issuance	08.11.04	17.11.05	23.08.06	09.05.07	09.05.07
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	31.03.26	17.11.30	23.08.31	09.05.32	09.05.32
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons / dividends						
17	Fixed or floating dividend / coupon	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	USD 3-month Libor + 75bps	USD 3-month Libor + 90bps	USD 3-month Libor + 80bps	USD 3-month Libor + 70bps	USD 3-month Libor + 70bps
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A	N/A	N/A

Credit Suisse International – Capital Instruments' Main Features

No.	Term	Capital Instruments			
1	Issuer	CSFB Finance BV	CSFB Finance BV	CSFB Finance BV	CSFB Finance BV
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)				
3	Governing law(s) of the instrument	English	English	English	English
Regulatory treatment					
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Debt	Subordinated Debt	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$0.5	$0.5	$0.1	$0.1
9	Nominal amount of instrument	$0.5	$0.5	$0.1	$0.1
9a	Issue price	Par	Par	Par	Par
9b	Redemption price	Par	Par	Par	Par
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10.07.07	22.10.07	28.03.08	04.04.08
12	Perpeptual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	10.07.32	22.10.32	15.03.38	15.03.38
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval	Optional, subject to prior PRA approval
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend / coupon	Floating	Floating	Fixed	Fixed
18	Coupon rate and any related index	USD 3-month Libor + 70bps	USD 3-month Libor + 75bps	8.6% Fixed Rate	8.6% Fixed Rate
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A	N/A

Appendix 2: Directorships

CSi's Board Members hold the following number of directorships as at 01 March 2021:

Directorships

	Gender	Independent	Appointment Date [1]	Total Number of Directorships
J Devine	M	Independent	01.11.17	3
D Davies	F	Independent	01.07.19	2
A Gottschling	M	Independent	01.01.18	2
R Hafner	M		19.11.20	1
A Halsey	F	Independent	05.11.15	3
D Honold	F	Independent	18.09.20	4
C Horne	M		14.05.15	1
N Kane	F		07.06.18	1
D Mathers	M		24.03.16	1
J Moore	M		07.12.17	2
C Waddington	F		31.03.17	2

[1] Non-executive Directors are typically appointed for a two-year term, and the non-executive Chair a three-year term. The Board may invite a Director to serve additional periods. All terms are subject to review by the Nomination Committee.
The Board and Board Committees are subject to an annual Board Evaluation.

Appendix 3: List of Abbreviations and Glossary

Term	Definition
A	
AIRB	Advanced Internal Ratings-Based: the AIRB Approach is a method of deriving risk weights using internally assessed, rather than supervisory, estimates of risk parameters (eg. for PD, LGD).
ABS	Asset-backed security.
AT1	Additional Tier 1 capital: a form of capital eligible for inclusion in Tier 1, but outside the definition of CET1.
B	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
BCBS	Basel Committee on Banking Supervision.
C	
CCB	Countercyclical capital buffer: prescribed under Basel III and CRD IV and aims to ensure that capital requirements mitigate potential future losses arising from excess credit growth and hence increased system-wide risk.
CCF	Credit conversion factor: represents an estimate of undrawn commitments drawn down at the point of default.
CCP	Central counterparty.
CCR	Counterparty credit risk.
CCRMTM	Counterparty credit risk mark-to-market method: a regulatory prescribed method for calculating exposure values in respect of counterparty credit risk.
CDO	Collateralised debt obligation.
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.
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	Capital Requirements Directive: EU legislation implementing Basel III (and previously Basel II) in the EU.
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation: EU legislation implementing Basel III in the EU.
CVA	Credit valuation adjustment: 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	
EAD	Exposure at default: the net exposure prior to taking account of any credit risk mitigation at the point of default.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
ECAI	External Credit Assessment Institutions.
Expected loss	The downturn loss on any exposure during a 12-month time horizon calculated by multiplying EAD by PD and LGD.
F	
FLP	Fund-linked product.
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.
IMA	Internal Models Approach: used in the calculation of market risk capital requirements.
IRC	Incremental risk charge: a capital add-on to VAR calculated in respect of the potential for direct loss due to an internal or external rating downgrade (or upgrade) as well as the potential for indirect losses arising from a credit mitigation event.
ISDA	International Swaps and Derivatives Association.
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.
L	
Leverage ratio	A calculation prescribed under Basel III (and CRD IV) to measure the ratio of total exposures to available Tier 1 capital.
LGD	Loss given default: the estimated ratio of loss to the amount outstanding at default (EAD) as a result of any counterparty default.
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.
P	
PD	Probability of default: is the probability of an obligor defaulting within a one-year horizon.
PFCE	Potential future credit exposure.
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRD IV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRD IV prescribed capital, risk and remuneration disclosure requirements.
PRA	Prudential Regulation Authority.
R	
RBA	Ratings-Based Approach: an AIRB approach to securitisations using risk weights derived from ECAI ratings.
RCSA	Risk and control self-assessment.
RDM	Risk Data Management
RMC	Risk Management Committee.
RNIV	Risks not in VaR.
RWA	Risk-weighted asset: derived by assigning risk weights to an exposure value.
S	
SFA	Supervisory Formula Approach.
SFT	Securities financing transaction: 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.
SME	Small and medium-sized enterprise.
SRB	Systemic risk buffer: a capital buffer under CRD IV deployed by EU member states to reduce build-up of macro-prudential risk.
SREP	Supervisory Review and Evaluation Process.
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.
SRW	Supervisory Risk Weights Approach
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.
Trading Book	Positions held with intent to trade or to hedge other items in the Trading Book.
V	
VaR	Value-at-risk: loss estimate from adverse market movements over a specified time horizon and confidence level.
W	
WWR	Wrong-way risk: risk exposure to a counterparty is adversely correlated with a counterparty's credit quality.

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