Credit Suisse Investments (UK)

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.

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Cautionary Statement regarding Forward-looking Information

This report contains statements that constitute forward-looking statements. In addition, in the future we, and others on our behalf, may make statements that constitute forward-looking statements. Such 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 the consolidated situation of Credit Suisse Investments (UK) ('CSIUK') as at 31 December 2020. It should be read in conjunction with CSIUK's 2020 Annual Report which is available from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

These Pillar 3 disclosures are prepared to meet the regulatory requirements set out in Part Eight of the Capital Requirements Regulation ('CRR'). Pillar 3 aims to promote market discipline and transparency through the publication of key information on capital adequacy, risk management and remuneration.

Basis and Frequency of Disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, 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 CSIUK's external auditors.

Basis of Consolidation

The CSIUK regulatory consolidation group contains CSIUK, its subsidiary Credit Suisse Investment Holdings (UK) ('CSIHUK') and its indirect subsidiary Credit Suisse Securities (Europe) Limited ('CSSEL' or 'the Company'). CSSEL is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA').

As the ultimate parent of a UK sub-group, CSIUK is the top holding company of a regulatory consolidation group. CSIUK and CSIHUK are both holding companies and neither are regulated.

As required by CRR Article 13, Pillar 3 disclosures are required in respect of the CSIUK group on a consolidated basis, and in respect of CSSEL, on a solo basis, as it represents the principal operating ('significant') subsidiary in the group. The disclosures for the CSIUK group are contained in the main body of this document while supplementary disclosures in respect of the CSSEL can be found in Appendix 1. The quantitative Pillar 3 disclosures for CSSEL are presented only where they differ materially from the disclosures of the CSIUK group.

CSIUK prepares its IFRS financial statements on a consolidated basis ('CSIUK 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 CSIUK group

In general, the restrictions around the repayment of liabilities and transfer of regulatory capital within the CSIUK 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, the CSIUK group 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 the CSIUK group, 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. CSIUK's CET1 comprises permanent share capital of ordinary shares and reserves. The ordinary shares carry voting rights and the right to receive dividends. CSIUK has no AT1 capital and the terms of its Tier 2 capital instruments are disclosed in Appendix 2.

The CSIUK's group capital composition and principal capital ratios are presented in the tables below. 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	Own funds
USD million			
Tier 1 (and CET1) capital			
Ordinary shares	(1)	3,045	3,045
Share premium	–	–	–
Other Reserves/ Capital contribution	–	175	156
Retained earnings	(2)	3,143	3,301
Accumulated other comprehensive income	–	(342)	(347)
Tier 1 (and CET1) before prudential filters and regulatory adjustments	**–**	**6,021**	**6,155**
Prudential filters and regulatory adjustments	**–**		
Prudent valuation adjustments	(3)	(113)	(118)
Intangible assets	(4)	(1)	(2)
DTA on non temporary differences	(5)	–	–
Excess of expected losses over credit risk adjustments	(6)	(26)	(28)
Defined benefit pension fund	(7)	–	–
Free Deliveries	(8)	(5)	(7)
Total Tier 1 (and CET1) capital	**–**	**5,876**	**6,000**
Tier 2 capital			
Subordinated loans	(9)	1,187	1,588
SA General credit risk adjustments	(10)	–	4
Total Tier 2 capital	**–**	**1,187**	**1,592**
Total capital ('own funds')	**–**	**7,063**	**7,592**
Total risk weighted assets	(11)	**25,556**	**30,177**

Capital ratios

end of	**2020**	2019
Common Equity Tier 1	23.0%	19.9%
Tier 1	23.0%	19.9%
Total Capital	**27.6%**	**25.2%**
Institution specific buffer requirement		
of which: capital conservation buffer requirement	2.5%	2.7%
of which: countercyclical buffer requirement	2.5%	2.5%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.0%	0.2%
	18.5%	15.4%

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)	195	178
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)	48	43

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)	–	4
Cap on inclusion of credit risk adjustments in T2 under standardised approach	19	25
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	43	47

Notes:
(1) 2020 Statement of Financial Position for (i) Total equity and (ii) Subordinated debt values prepared under IFRS.
(2) Loss recognition for CSSEL and other, smaller child entities.
(3) A prudent valuation adjustment is applied in respect of fair valued instruments as required under CRDIV [CRR Articles 34,105].
(4) Intangible assets and goodwill do not qualify as capital for regulatory purposes under CRDIV [CRR Articles 36(1)(b), 37].
(5) 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.
(6) For institutions using the Advanced Internal Rating-based Approach ('AIRB'), represents shortfall of credit risk adjustments to expected losses.
(7) CRD IV does not permit pension fund assets to be treated as regulatory capital [CRR Articles 36(1)(e), 41].
(8) Free deliveries are subject to a 1,250% risk weight after 5 days post second contractual payment or delivery leg until the extinction of the transaction, according to the own funds requirements for settlement risk. [CRR Articles 36(1) point k) (iii) and 379(3)]
(9) Subordinated debt is either accrual accounted or fair valued under IFRS (including accrued interest) whereas 'own funds' recognises it at nominal value.
(10) General credit risk provision for standardised counterparties is added back to Tier 2 capital [CRR Article 62(c)].
(11) Total risk weighted assets of the reporting entity, which includes all relevant Pillar 1 buffers.

The CSIUK Total Capital Requirement (the sum of Pillar 1 and Pillar 2A) as set by the PRA is 13.56%.

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 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. 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, CSIUK lost access to certain EU clients and EU markets. CS group prepared for a 'hard exit', assuming financial services could not rely on 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 European Economic Area ('EEA') clients and markets.

COVID-19 Impact

CSIUK 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. CSIUK is closely monitoring the spread of COVID-19 and the effects on operations and business.

Capital Resources Requirement

The Pillar 1 capital requirements of the CSIUK group 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

end of	RWA 2020	RWA 2019*	Minimum capital requirements 2020
USD million			
Credit risk (excluding CCR)	2,586	2,682	207
Of which the standardised approach	804	913	64
Of which the foundation IRB (FIRB) approach	–	–	–
Of which the advanced IRB (AIRB) approach	1,749	1,666	140
Of which equity IRB under the simple risk-weighted approach or the IMA	33	103	3
Counterparty credit risk	6,641	8,093	531
Of which mark to market	5,899	7,040	472
Of which original exposure	–	–	–
Of which the standardised approach	–	–	–
Of which internal model method (IMM)	38	16	3
Of which risk exposure amount for contributions to the default fund of a CCP	56	22	4
Of which CVA	648	1,015	52
Settlement risk	116	51	9
Securitisation exposures in the banking book (after the cap)	–	–	–
Of which IRB approach	–	–	–
Of which ERBA approach	–	–	–
Of which internal assessment approach (IAA)	–	–	–
Of which standardised approach	–	–	–
Market risk	7,774	6,162	622
Of which the standardised approach	696	615	56
Of which IMA	7,078	5,547	566
Large exposures	5,074	9,232	406
Operational risk	2,422	2,564	194
Of which basic indicator approach	2,422	2,564	194
Of which standardised approach	–	–	–
Of which advanced measurement approach	–	–	–
Amounts below the thresholds for deduction (subject to 250% risk weight)	122	108	10
Floor adjustment	–	–	–
Total	**24,735**	**28,892**	**1,979**

*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.

CSIUK's balance sheet decreased in size materially during the course of 2020. This was due to the CSSEL Ramp Down Project, a material subsidiary of CSIUK, the objective of which is to reduce CSSEL to a scale where it is no longer a Material Legal Entity.

Counterparty credit risk decreased due to the significant reduction in trading volumes caused by CSSEL Ramp Down.

Market risk increased due a higher VaR charge. This was attributable to higher long exposure to bank and insurance corporate bonds within the GM Credit area.

The reduction in large exposures charge, which is driven by inter-company exposures, also reflected the transfer of trades to other entities due to CSSEL Ramp Down. The associated intragroup exposures were eliminated or transferred with the novated trades.

Risk Management

Overview

CSIUK group has a distinct risk management framework for its regulated subsidiary Credit Suisse Securities (Europe) Limited ('CSSEL'), as detailed below. The CSIUK group relies upon the individual subsidiary's risk management framework.

CSSEL's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in CSSEL'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 CSSEL's financial strength and reputation, while ensuring that capital is well deployed to support business activities and increase shareholder value. CSSEL 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 CSSEL Directors are responsible for reviewing the effectiveness of CSSEL'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 CSSEL Board of Directors considers that adequate systems and controls are in place with regard to CSSEL'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 CSSEL 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 CSSEL'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 CSSEL Board of Directors by reference to CSSEL's requirements, and similarly to consider the skills, knowledge and experience of individual candidates for appointment. Consistent with the fact that CSSEL 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 CSSEL 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 CSSEL directorships held by Board Members are shown in Appendix 3.

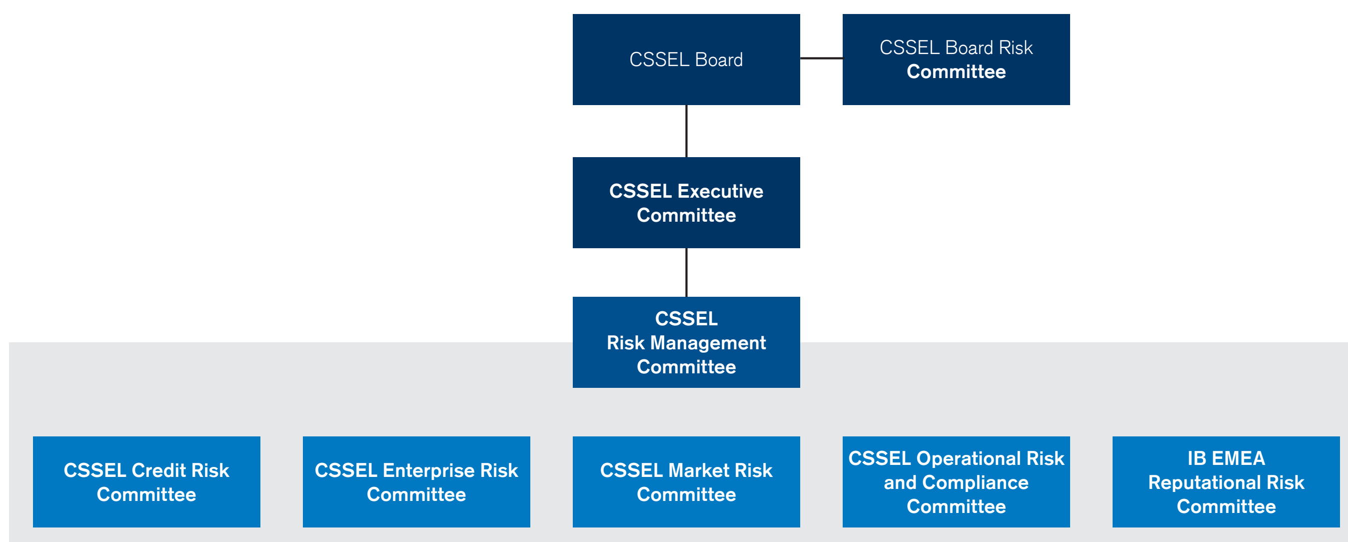
Risk Organisation and Governance

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

The CRO is responsible for overseeing CSSEL'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 CSSEL 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 CSSEL 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 CSSEL Executive Committee:** this is the primary management committee of CSSEL 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 CSSEL Risk Management Committee ('RMC'), which is chaired by CSSEL'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 CSSEL;
- Define, implement and review the risk appetite framework for CSSEL 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 CSSEL;
- Review the Internal Capital Adequacy Assessment Process ('ICAAP') and the Individual Liquidity Adequacy Assessment Process ('ILAAP') for CSSEL;
- Review and consider any matters to escalate to the CSSEL Executive Committee;
- Review and recommend all limit applications subject to approval by the CSSEL Board/Board Risk Committee;
- Review and implement appropriate controls over remote booking risk relating to CSSEL;
- 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, CSSEL's CRO has implemented several sub-committees of the RMC:

- **The CSSEL Credit Risk Committee:** chaired by the CSSEL Chief Credit Officer, defines and implements the CSSEL 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 CSSEL Market Risk Committee:** chaired by the CSSEL Head of Market Risk, defines and implements the CSSEL Market Risk Framework. It is responsible for reviewing emerging risks and assessing any issues that impact on the CSSEL market risk profile. This process is supported by the Market Risk Management department ('MRM') which is responsible for assessing and monitoring the market and liquidity risk profile of the Company and recommends corrective action where necessary;
- **The CSSEL Operational Risk & Compliance Committee:** co-chaired by the CSSEL Head of Non-Financial Risk with the CSSEL Chief Compliance Officer, is responsible for overseeing the operational, conduct and compliance risks for the divisions and corporate functions that comprise CSSEL, including monitoring the effective implementation of the Enterprise Risk and Control Framework. Reviewing the business processes (1LOD) to manage risk in accordance with the respective frameworks. Provide 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 CSSEL Enterprise Risk Management Committee:** chaired by the CSSEL Head of Enterprise Risk Management, is responsible for developing and maintaining scenario processes appropriate for CSSEL, 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 CSSEL CRO, CSSEL Chief Compliance Officer and CSSEL Deputy CEO, is responsible for reviewing and approving transactions that are escalated as having potential to have a negative impact on CSSEL'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 Company'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 CSSEL Risk Heads form part of a matrix management structure with reporting lines into both the CSSEL 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 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 CSSEL 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 CSSEL 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 CSSEL 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:** CSSEL will hold adequate capital to be able to withstand a severe macro-economic stress;
- **Stability of Earnings:** CSSEL will maintain stable earnings and limit its potential losses from identified and acceptable risks (even during potential stress events);
- **Funding of Liquidity Adequacy:** CSSEL will ensure that the Company are able to meet all contingent and regulatory obligations on both a BAU basis and periods of stress;
- **Operational and Business Integrity**: CSSEL will maintain the integrity of its business, operations, and reputation long term;
- **Reputational Risk and Conduct Risk:** CSSEL's employees make decisions and conduct business in line with its values and desired reputation as a firm.

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 CSSEL'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 Enterprise Risk Management & Non-Financial Risk Management 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 CSSEL's maximum risk appetite given management resources, the market environment, business strategy and financial resources available to absorb potential losses.

CSSEL's risk management objectives and policies and the exposure of CSSEL to market risk, credit risk, non-financial risk, liquidity risk and currency risk are also considered in the 2020 Annual Report, Note 40 – '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 CSSEL'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 CSSEL'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 Significant Risks" and "Risk exposures" on page 22 in the 2020 Annual Report.

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	2,654	2,654	2,654	–	–	–	–
Interest-bearing deposits with banks	7,990	7,990	7,990	–	–	–	–
Securities purchased under resale agreements and securities borrowing transactions	11,413	11,413	–	11,413	–	11,413	–
Trading financial assets mandatorily at fair value through profit or loss	4,428	4,428	0	4,380	–	3,700	–
Non-trading financial assets mandatorily at fair value through profit or loss	8,715	8,715	1,191	6,840	–	7,523	–
Current Tax Assets	38	38	38	–	–	–	–
Deferred Tax Assets	48	48	48	–	–	–	0
Other assets	6,053	6,053	2,143	3,203	–	11	707
Property and equipment	18	18	18	–	–	–	–
Intangible Fixed Assets	3	3	–	–	–	–	3
Assets Held for Sale	23,341	23,341	0	12,112	–	21,786	–
Total assets	**64,701**	**64,701**	**14,082**	**37,948**	**–**	**44,433**	**710**
Liabilities (USD million)							
Due to banks	171	171	–	–	–	–	171
Deposits	–	–	–	–	–	–	–
Securities sold under repurchase agreements and securities lending transactions	292	292	–	292	–	292	–
Trading financial liabilities mandatorily at fair value through profit or loss	5,681	5,681	–	4,572	–	5,543	–
Financial liabilities designated at fair value through profit or loss	7,184	7,184	–	5,563	–	5,563	1,622
Borrowings	3,429	3,429	955	–	–	–	2,474
Current Tax Liabilities	16	16	–	–	–	–	16
Deferred Tax Liabilities	(0)	(0)	–	–	–	–	(0)
Other liabilities	10,039	10,039	–	7,219	–	72	2,820
Provisions	229	229	–	–	–	–	229
Debt in issuance	8,955	8,955	7,705	–	–	–	1,250
Liabilities Held for Sale	21,663	21,663	–	15,009	–	17,793	131
Total liabilities	**57,659**	**57,659**	**8,660**	**32,654**	**–**	**29,262**	**8,712**

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 template LI1)	63,991	14,082	37,948	–	44,433
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	48,946	8,660	32,654	–	29,262
Total net amount under regulatory scope of consolidation	15,044	5,422	5,294	–	15,170
Off-balance sheet amounts	584	584	–	–	–
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)	6,560	–	6,560	–	–
SFT – differences due to application of Standard Rules (SR) (Repo-Var)	5,577	–	5,577	–	–
Other Differences not classified above	–	55	–	–	(15,170)
Exposure amounts considered for regulatory purposes	**27,765**	**6,061**	**17,431**	**–**	**–**

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.

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						
DLJ UK Holding	Full consolidation			x		Special purpose entity
DLJ Group	Full consolidation			x		Special purpose entity
DLJ International Group Limited	Full consolidation			x		Special purpose entity
DLJ UK Properties Limited	Full consolidation			x		Special purpose entity
DLJ UK Investment Holdings Limited	Full consolidation			x		Special purpose entity
Credit Suisse Client Nominees (UK) 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 AIRB approach to risk weights with certain exposure classes treated under the Standardised Approach to risk weights.

Credit risk in CSSEL is managed by the CSSEL Credit Risk Management department, which is headed by the CSSEL Chief Credit Officer, who in turn reports to the CSSEL Chief Risk Officer. CSSEL 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. CSSEL 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. CSSEL 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 CSSEL 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 CSSEL'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 that 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 CSSEL'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 Company'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 CSSEL'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 CSSEL in order to protect the Company's capital resources in the event of large credit losses. An ongoing 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 CSSEL's capital resources. The CSSEL Credit Risk Committee monitors compliance with the Credit Risk Appetite Framework and reports any appetite breaches to the CSSEL Risk Management Committee on a monthly basis and, as needed, to the CSSEL 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. CSSEL'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 CSSEL 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 CSSEL'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 document 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 CSSEL 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 CSSEL'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 processes 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 would be 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, CRO management, as well as external stakeholders such as regulators.

CSSEL'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

CSSEL 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.

CSSEL 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 CSSEL'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 CSIUK 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. CSSEL 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 CSSEL 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') and loss given default ('LGD') and credit conversion factors ('CCF') are used when calculating credit risk capital requirements. As prescribed in its AIRB permission, CSSEL 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 CSSEL 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). CSSEL 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 a number of 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 CSSEL 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 CSSEL 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 some cases 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. CSSEL 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 class, 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 CSSEL'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 CSSEL'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 (e.g. 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 CSSEL 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 CSSEL 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. CSSEL'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 CSSEL'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 CSSEL 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 CSSEL portfolio to the CSSEL 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	64	57
Institutions	10,834	13,899
Corporates	1,393	1,668
Of which: Specialised lending	–	–
Of which: SMEs	–	–
Retail	–	–
Secured by real estate property	–	–
SMEs	–	–
Non-SMEs	–	–
Qualifying revolving	–	–
Other retail	–	–
SMEs	–	–
Non-SMEs	–	–
Equity	11	11
Total IRB approach	**12,302**	**15,635**
Central governments or central banks	3	3
Regional governments or local authorities	–	–
Public sector entities	–	–
Multilateral development banks	–	–
International organisations	–	–
Institutions	460	669
Corporates	842	941
Of which: SMEs	–	–
Retail	–	–
Of which: SMEs	–	–
Secured by mortgages on immovable property	–	–
Of which: SMEs	–	–
Exposures in default	–	–
Items associated with particularly high risk	–	–
Covered bonds	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–
Collective investments undertakings	–	–
Equity exposures	–	–
Other exposures	–	–
Total standardised approach	**1,305**	**1,613**
Total	**13,607**	**17,248**

CRB-C – Geographical breakdown of exposures

end of 2020	UK	of which England and Wales [1]	Europe	Americas	of which United States (the)	Asia	Africa & Middle East	**Total**
Net value (USD million)								
Central governments or central banks	64	64	–	–	–	–	–	64
Institutions	9,297	9,297	205	622	366	691	19	10,834
Corporates	58	58	67	1,180	1,142	74	14	1,393
Retail	–	–	–	–	–	–	–	–
Equity	–	–	11	–	–	–	–	11
Total IRB approach	**9,419**	**9,419**	**283**	**1,802**	**1,508**	**765**	**33**	**12,302**
Central governments or central banks	3	3	–	–	–	–	–	3
Regional governments or local authorities	–	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–	–
International organisations	–	–	–	–	–	–	–	–
Institutions	5	5	114	4	4	337	–	460
Corporates	451	451	6	379	377	6	–	842
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	–	–	–	–	–	–	–	–
Collective investments undertakings	–	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–	–
Total standardised approach	**459**	**459**	**120**	**383**	**381**	**343**	**–**	**1,305**
Total	**9,878**	**9,878**	**403**	**2,185**	**1,889**	**1,108**	**33**	**13,607**

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

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	–	6	15	1	–	–	6
Retail	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–
Total IRB approach	**–**	**6**	**15**	**1**	**–**	**–**	**6**
Central governments or central banks	–	–	–	–	–	–	–
Regional governments or local authorities	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–
International organisations	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–
Corporates	1	4	18	6	–	1	5
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	–	–	–	–	–	–	–
Collective investments undertakings	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–
Total standardised approach	**1**	**4**	**18**	**6**	**–**	**1**	**5**
Total	**1**	**10**	**33**	**7**	**–**	**1**	**11**

Transport and storage	Accom-modation and food service activities	Information and communi-cation	Real estate activities	Professional, scientific and technical activities	Admini-strative and support service activities	Public ad-ministration and defence, compulsory social security	Education	Human health services and social work-activities	Arts, entertain-ment and recreation	Financial and insurance activities	Other services	**Total**
–	–	–	–	–	–	64	–	–	–	–	–	64
–	–	–	–	–	–	–	–	–	–	10,834	–	10,834
5	–	5	–	58	124	–	–	–	1	1,172	–	1,393
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	11	–	11
5	**–**	**5**	**–**	**58**	**124**	**64**	**–**	**–**	**1**	**12,017**	**–**	**12,302**
–	–	–	–	–	–	3	–	–	–	–	–	3
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	460	–	460
5	2	2	2	2	–	–	–	1	–	793	–	842
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
5	**2**	**2**	**2**	**2**	**–**	**3**	**–**	**1**	**–**	**1,253**	**–**	**1,305**
10	**2**	**7**	**2**	**60**	**124**	**67**	**–**	**1**	**1**	**13,270**	**–**	**13,607**

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	–	64	–	–	–	64
Institutions	930	9,689	26	189	–	10,834
Corporates	86	186	103	1,018	–	1,393
Retail	–	–	–	–	–	–
Equity	–	–	–	–	11	11
Total IRB approach	**1,016**	**9,939**	**129**	**1,207**	**11**	**12,302**
Central governments or central banks	–	3	–	–	–	3
Regional governments or local authorities	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
International organisations	–	–	–	–	–	–
Institutions	411	9	40	–	–	460
Corporates	15	443	114	270	–	842
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	–	–	–	–	–	–
Collective investments undertakings	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–
Total standardised approach	**426**	**455**	**154**	**270**	**–**	**1,305**
Total	**1,442**	**10,394**	**283**	**1,477**	**11**	**13,607**

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	–	64	–	–	–	–	64
Institutions	–	10,834	–	–	–	–	10,834
Corporates	–	1,393	–	–	–	–	1,393
Of which: Specialised lending	–	–	–	–	–	–	–
Of which: SMEs	–	–	–	–	–	–	–
Retail	–	–	–	–	–	–	–
Secured by real estate property	–	–	–	–	–	–	–
SMEs	–	–	–	–	–	–	–
Non-SMEs	–	–	–	–	–	–	–
Qualifying revolving	–	–	–	–	–	–	–
Other retail	–	–	–	–	–	–	–
SMEs	–	–	–	–	–	–	–
Non-SMEs	–	–	–	–	–	–	–
Equity	–	11	–	–	–	–	11
Total IRB approach	**–**	**12,302**	**–**	**–**	**–**	**–**	**12,302**
Central governments or central banks	–	3	–	–	–	–	3
Regional governments or local authorities	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–
International organisations	–	–	–	–	–	–	–
Institutions	–	460	–	–	–	–	460
Corporates	–	842	–	–	–	–	842
Of which: SMEs	–	–	–	–	–	–	–
Retail	–	–	–	–	–	–	–
Of which: SMEs	–	–	–	–	–	–	–
Secured by mortgages on immovable property	–	–	–	–	–	–	–
Of which: SMEs	–	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–	–
Items associated with particularly high risk	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–
Collective investments undertakings	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–
Total standardised approach	**–**	**1,305**	**–**	**–**	**–**	**–**	**1,305**
Total	**–**	**13,607**	**–**	**–**	**–**	**–**	**13,607**
Of which: Loans	–	11,522	–	–	–	–	11,522
Of which: Debt securities	–	–	–	–	–	–	–
Of which: Off- balance-sheet exposures	–	544	–	–	–	–	544

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

end of 2020	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
USD million							
Agriculture, forestry and fishing	–	1	–	–	–	–	1
Mining and quarrying	–	10	–	–	–	–	10
Manufacturing	–	33	–	–	–	–	33
Electricity, gas, steam and air conditioning supply	–	7	–	–	–	–	7
Water supply	–	–	–	–	–	–	–
Construction	–	1	–	–	–	–	1
Wholesale and retail trade	–	11	–	–	–	–	11
Transport and storage	–	10	–	–	–	–	10
Accommodation and food service activities	–	2	–	–	–	–	2
Information and communication	–	7	–	–	–	–	7
Real estate activities	–	2	–	–	–	–	2
Professional, scientific and technical activities	–	60	–	–	–	–	60
Administrative and support service activities	–	124	–	–	–	–	124
Public administration and defence, compulsory social security	–	67	–	–	–	–	67
Education	–	–	–	–	–	–	–
Human health services and social work activities	–	1	–	–	–	–	1
Arts, entertainment and recreation	–	1	–	–	–	–	1
Financial and insurance activities	–	13,270	–	–	–	–	13,270
Other services	–	–	–	–	–	–	–
Total	**–**	**13,607**	**–**	**–**	**–**	**–**	**13,607**

CR1-C – Credit quality of exposures by geography

end of 2020	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
USD million							
UK	–	9,878	–	–	–	–	9,878
of which England and Wales1	–	9,878	–	–	–	–	9,878
Europe	–	403	–	–	–	–	403
Americas	–	2,185	–	–	–	–	2,185
of which United States (the)	–	1,889	–	–	–	–	1,889
Asia	–	1,108	–	–	–	–	1,108
Africa & Middle East	–	33	–	–	–	–	33
Other geographical areas	–	–	–	–	–	–	–
Total	**–**	**13,607**	**–**	**–**	**–**	**–**	**13,607**

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

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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**	**30,782**	**30,782**	**–**	**–**	**–**
2	Central banks	–	–	–	–	–
3	General governments	–	–	–	–	–
4	Credit institutions	25,338	25,338	–	–	–
5	Other financial corporations	5,444	5,444	–	–	–
6	Non-financial corporations	–	–	–	–	–
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**	**5,540**	**–**	**–**	**–**	**–**
16	Central banks	–			–	
17	General governments	–			–	
18	Credit institutions	2,329			–	
19	Other financial corporations	3,211			–	
20	Non-financial corporations	–			–	
21	Households	–			–	
22	**Total**	**36,322**	**30,782**	**–**	**–**	**–**

'Past due' and 'Impaired' are described in Note 2 Significant Accounting Policies on page 65-67 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
–	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**
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–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**
						–
						–
						–
						–
						–
						–
–	**–**	**–**	**–**	**–**	**–**	**–**

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**	**30,782**	**22,068**	**–**	**–**	**–**	**–**	**–**
2 Central banks	–	–	–	–	–	–	–
3 General governments	–	–	–	–	–	–	–
4 Credit institutions	25,338	21,597	–	–	–	–	–
5 Other financial corporations	5,444	471	–	–	–	–	–
6 Non-financial corporations	–	–	–	–	–	–	–
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**	**5,540**	**5,540**	**–**	**–**	**–**	**–**	**–**
16 Central banks	–	–	–	–	–	–	–
17 General governments	–	–	–	–	–	–	–
18 Credit institutions	2,329	2,329	–	–	–	–	–
19 Other financial corporations	3,211	3,211	–	–	–	–	–
20 Non-financial corporations	–	–	–	–	–	–	–
21 Households	–	–	–	–	–	–	–
22 **Total**	**36,322**	**27,607**	**–**	**–**	**–**	**–**	**–**

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**		**1.0**
2 Increases due to amounts set aside for estimated loan losses during the period		–
3 Decreases due to amounts reversed for estimated loan losses during the period		(1.0)
4 Decreases due to amounts taken against accumulated credit risk adjustments		–
5 Transfers between credit risk adjustments		–
6 Impact of exchange rate differences		–
7 Business combinations, including acquisitions and disposals of subsidiaries		–
8 Other adjustments		–
9 **Closing balance**		**–**
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		–

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 IFRS 9 categorization is reported under general credit risk adjustments. CSIUK had no general credit risk adjustments as at the end of 2020.

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		
–	**–**	**–**	**–**	**–**	**–**	**20,115**	**–**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	16,244	–
–	–	–	–	–	–	3,871	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**		**13**	**–**
–	–	–	–	–		–	–
–	–	–	–	–		–	–
–	–	–	–	–		3	–
–	–	–	–	–		9	–
–	–	–	–	–		–	–
–	–	–	–	–		–	–
–	**–**	**–**	**–**	**–**	**–**	**20,128**	**–**

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**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2	Central banks	–	–	–	–	–	–	–	–
3	General governments	–	–	–	–	–	–	–	–
4	Credit institutions	–	–	–	–	–	–	–	–
5	Other financial corporations	–	–	–	–	–	–	–	–
6	Non-financial corporations	–	–	–	–	–	–	–	–
7	Households	–	–	–	–	–	–	–	–
8	**Debt Securities**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
9	**Loan commitments given**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
10	**Total**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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	**–**
Loans and debt securities that have defaulted or impaired since the last reporting period	–
Returned to non-defaulted status	–
Amounts written off	–
Other changes	–
Closing balance	**–**

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	2,862	8,660	8,577	–	–
Total debt securities	–	–	–	–	–
Total exposures	**2,862**	**8,660**	**8,577**	**–**	**–**
Of which defaulted	–	–	–	–	–

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		Exposures post CCF and CRM		RWA and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
end of 2020 (USD million, except where indicated)						
Central governments or central banks	3	–	3	–	3	1
Regional government or local authorities	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
International organisations	–	–	–	–	–	–
Institutions	459	1	457	1	95	21%
Corporates	668	174	667	174	706	84%
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	–	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–	–
Equity	–	–	–	–	–	–
Other items	–	–	–	–	–	0%
Total	**1,130**	**175**	**1,127**	**175**	**804**	**62%**

CR5 – 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	–	–	–	–	–
Public sector entities	–	–	–	–	–
Multilateral development banks	–	–	–	–	–
International organisations	–	–	–	–	–
Institutions	–	–	–	–	451
Corporates	–	–	–	–	4
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	–	–	–	–	–
Collective investment undertakings	–	–	–	–	–
Equity	–	–	–	–	–
Other items	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**455**

										Risk weight		
35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	**Total**	Of which unrated
–	–	–	–	3	–	–	–	–	–	–	3	3
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	5	–	–	2	–	–	–	–	–	–	458	53
–	268	–	–	567	2	–	–	–	–	–	841	533
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–	–
–	**273**	**–**	**–**	**572**	**2**	**–**	**–**	**–**	**–**	**–**	**1,302**	**589**

CR6 – 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%	15	–	–	15	0.04
0.15% to <0.25%	–	–	–	–	–
0.25% to <0.50%	–	–	–	–	–
0.50% to <0.75%	–	–	–	–	–
0.75% to <2.50%	49	–	–	49	1.10
2.50% to <10.00%	–	–	–	–	–
10.00% to <100.00%	–	–	–	–	–
100.00% (Default)	–	–	–	–	–
Sub-total	**64**	**–**	**–**	**64**	**0.85**
INSTITUTION					
0.00% to <0.15%	10,582	189	1.00	10,771	0.06
0.15% to <0.25%	1	–	–	1	0.22
0.25% to <0.50%	–	–	–	–	–
0.50% to <0.75%	–	–	–	–	–
0.75% to <2.50%	62	–	–	62	1.89
2.50% to <10.00%	–	–	–	–	–
10.00% to <100.00%	–	–	–	–	–
100.00% (Default)	–	–	–	–	–
Sub-total	**10,645**	**189**	**1.00**	**10,834**	**0.07**
CORPORATES					
0.00% to <0.15%	1,133	121	1.00	1,254	0.06
0.15% to <0.25%	2	15	1.00	16	0.22
0.25% to <0.50%	67	9	1.00	76	0.37
0.50% to <0.75%	–	2	1.00	2	0.64
0.75% to <2.50%	–	2	1.00	3	1.10
2.50% to <10.00%	8	–	–	8	5.58
10.00% to <100.00%	3	31	1.00	34	16.44
100.00% (Default)	–	–	–	–	–
Sub-total	**1,213**	**180**	**1.00**	**1,393**	**0.51**
Total (all portfolios)	**11,922**	**369**	**1.00**	**12,291**	**0.13**

Credit Risk Mitigation is reflected by shifting the PD from that of the obligor to that of the guarantor.

AIRB coverage is 82% of the total credit 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
2	0.5200	1.00	2	13%	–	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
1	0.5550	1.00	122	249%	–	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
3	**0.5467**	**1.00**	**124**	**194%**	**–**	**–**
68	0.5722	1.06	652	6%	1	–
1	1.0000	1.00	1	100%	–	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
4	1.0000	1.00	172	277%	1	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
–	–	–	–	0%	–	–
73	**0.5747**	**1.06**	**825**	**8%**	**2**	**–**
75	0.5774	4.24	655	52%	–	–
16	0.5550	4.02	13	81%	–	–
14	0.9479	1.35	101	133%	–	–
2	0.5550	4.47	2	100%	–	–
6	0.5979	4.14	5	167%	–	–
1	0.5550	5.00	22	275%	–	–
2	0.5551	3.74	106	312%	3	–
–	–	–	–	0%	–	–
116	**0.5968**	**4.07**	**904**	**65%**	**3**	**–**
192	**0.5770**	**1.40**	**1,853**	**15%**	**6**	**–**

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

end of 2020 (USD million)	2020 Pre-credit derivatives RWA	2020 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	124	124
Institutions	825	825
Corporates – SMEs	–	–
Corporates – Specialised lending	–	–
Corporates – Other	904	904
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	33	33
Other non credit obligation assets	18	18
Total	**1,904**	**1,904**

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		
RWA as at the end of the previous reporting period	**1,774**	**142**
Asset size	243	19
Asset quality	(124)	(10)
Model updates	(22)	(2)
Methodology and policy	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	–	–
Other	–	–
RWA as at the end of the reporting period	**1,871**	**150**

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

The difference of $0.3bn in the opening RWA figure is due to the restatement of the 2019 figure in order to eliminate the Pillar 1 buffers, in line with the 2020 basis of preparation.

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	End of the year
CENTRAL GOVERNMENTS & CENTRAL BANKS						
	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	0.00%	0.00%	–	–
	> 0.034 to <= 0.044	AA-	0.04%	0.04%	2	1
	> 0.044 to <= 0.056	A+	0.00%	0.00%	1	–
	> 0.056 to <= 0.068	A	0.00%	0.00%	–	–
	> 0.068 to <= 0.097	A-	0.00%	0.00%	–	–
	> 0.097 to <= 0.167	BBB+	0.00%	0.00%	1	–
	> 0.167 to <= 0.285	BBB	0.00%	0.00%	1	–
	> 0.285 to <= 0.487	BBB-	0.00%	0.00%	–	–
	> 0.487 to <= 0.839	BB+	0.00%	0.00%	–	–
	> 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+	3.25%	3.25%	–	1
	> 4.259 to <= 7.311	B	0.00%	0.00%	–	–
	> 7.311 to <= 12.550	B-	0.00%	0.00%	–	–
	> 12.550 to <= 21.543	CCC+	0.00%	0.00%	–	–
	> 21.543 to <= 100	CCC to C	0.00%	0.00%	–	–
INSTITUTIONS						
	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	0.00%	0.00%	–	–
	> 0.034 to <= 0.044	AA-	0.04%	0.04%	11	10
	> 0.044 to <= 0.056	A+	0.05%	0.05%	8	10
	> 0.056 to <= 0.068	A	0.06%	0.06%	23	28
	> 0.068 to <= 0.097	A-	0.07%	0.07%	8	11
	> 0.097 to <= 0.167	BBB+	0.13%	0.13%	6	7
	> 0.167 to <= 0.285	BBB	0.22%	0.22%	1	1
	> 0.285 to <= 0.487	BBB-	0.00%	0.00%	3	–
	> 0.487 to <= 0.839	BB+	0.64%	0.64%	1	1
	> 0.839 to <= 1.442	BB	1.10%	1.10%	1	2
	> 1.442 to <= 2.478	BB-	1.89%	1.89%	3	2
	> 2.478 to <= 4.259	B+	3.25%	3.25%	–	1
	> 4.259 to <= 7.311	B	0.00%	0.00%	–	–
	> 7.311 to <= 12.550	B-	0.00%	0.00%	–	–
	> 12.550 to <= 21.543	CCC+	0.00%	0.00%	–	–
	> 21.543 to <= 100	CCC to C	0.00%	0.00%	–	–
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%	3	2
	> 0.034 to <= 0.044	AA-	0.04%	0.04%	5	4
	> 0.044 to <= 0.056	A+	0.05%	0.05%	24	17
	> 0.056 to <= 0.068	A	0.06%	0.06%	15	17
	> 0.068 to <= 0.097	A-	0.07%	0.07%	11	19
	> 0.097 to <= 0.167	BBB+	0.13%	0.13%	6	17
	> 0.167 to <= 0.285	BBB	0.22%	0.22%	–	16
	> 0.285 to <= 0.487	BBB-	0.37%	0.37%	3	14
	> 0.487 to <= 0.839	BB+	0.64%	0.64%	1	2
	> 0.839 to <= 1.442	BB	1.10%	1.10%	1	6
	> 1.442 to <= 2.478	BB-	0.00%	0.00%	–	–
	> 2.478 to <= 4.259	B+	0.00%	0.00%	–	–
	> 4.259 to <= 7.311	B	5.58%	5.58%	1	1
	> 7.311 to <= 12.550	B-	0.00%	0.00%	–	–
	> 12.550 to <= 21.543	CCC+	16.44%	16.44%	1	2
	> 21.543 to <= 100	CCC to C	0.00%	0.00%	1	(1)

This is a qualitative disclosure for defaulted obligors, and due to materiality the average annual rate is not reported. In the year 2020, there was one new defaulted obligor.

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	RWA	Capital requirements
Equities under the simple risk-weighted approach						
Regulatory categories						
Private equity exposures	–	–	190%	–	–	–
Exchange-traded equity exposures	11	–	290%	11	33	3
Other equity exposures	–	–	370%	–	–	–
Total	**11**	**–**	–	**11**	**33**	**3**

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. CSSEL 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.

CSSEL 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	–	2,059	4,502	–	–	9,190	1,534
Original exposure	–	–	–	–	–	–	–
Standardised approach	–	–	–	–	–	–	–
IMM (for derivatives and SFTs)	–	–	–	90	1.4	126	38
Of which securities financing transactions	–	–	–	–	–	–	–
Of which derivatives and long settlement transactions	–	–	–	90	1.4	126	38
Of which from contractual cross- product netting	–	–	–	–	–	–	–
Financial collateral simple method (for SFTs)	–	–	–	–	–	–	–
Financial collateral comprehensive method (for SFTs)	–	–	–	–	–	85,700	4,310
VaR for SFTs	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**95,016**	**5,882**

Pillar 1 buffers are not included in the replacement cost or 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	74	3
(i) VaR component (including the 3× multiplier)	–	–
(ii) SVaR component (including the 3× multiplier)	–	–
All portfolios subject to the standardised method	2,492	645
Based on the original exposure method	–	–
Total subject to the CVA capital charge	**2,566**	**648**

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	–	–	–	–	–
Regional government or local authorities	–	–	–	–	–
Public sector entities	–	–	–	–	–
Multilateral development banks	–	–	–	–	–
International organisations	–	–	–	–	–
Institutions	–	899	–	–	405
Corporates	–	–	–	–	140
Retail	–	–	–	–	–
Institutions and corporates with a short-term credit assessment	–	–	–	–	137
Other items	–	–	–	–	–
Total	**–**	**899**	**–**	**–**	**682**

					Risk weight		
50%	70%	75%	100%	150%	Others	**Total**	Of which unrated
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
57	–	–	18	–	–	1,379	1,069
–	–	–	496	–	–	636	329
–	–	–	–	–	–	–	–
94	–	–	–	2	–	233	–
–	–	–	–	–	–	–	–
151	**–**	**–**	**514**	**2**	**–**	**2,248**	**1,398**

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%	632	0.06	1	0.54	0.09	61	10%
0.15% to <0.25%	–	–	–	–	–	–	–
0.25% to <0.50%	–	–	–	–	–	–	–
0.50% to <0.75%	–	–	–	–	–	–	–
0.75% to <2.50%	–	–	–	–	–	–	–
2.50% to <10.00%	–	–	–	–	–	–	–
10.00% to <100.00%	–	–	–	–	–	–	–
100.00% (Default)	–	–	–	–	–	–	–
Sub-total	**632**	**0.06**	**1**	**0.54**	0.09	**61**	10%
INSTITUTIONS							
0.00% to <0.15%	59,906	0.06	89	0.06	0.33	1,528	3%
0.15% to <0.25%	332	0.22	3	0.12	0.08	29	9%
0.25% to <0.50%	466	0.37	5	0.11	0.19	63	14%
0.50% to <0.75%	–	–	–	–	–	–	0%
0.75% to <2.50%	42	1.47	5	0.92	0.99	93	221%
2.50% to <10.00%	287	4.29	8	0.02	0.02	18	6%
10.00% to <100.00%	–	–	–	–	–	–	–
100.00% (Default)	–	–	–	–	–	–	–
Sub-total	**61,033**	**0.09**	**110**	**0.06**	0.32	**1,731**	3%
CORPORATES							
0.00% to <0.15%	19,602	0.05	1,235	0.20	0.79	1,223	6%
0.15% to <0.25%	352	0.22	25	0.44	0.69	154	44%
0.25% to <0.50%	3,158	0.37	73	0.09	0.27	350	11%
0.50% to <0.75%	959	0.64	60	0.07	0.37	109	11%
0.75% to <2.50%	7,069	1.50	272	0.08	0.50	1,340	19%
2.50% to <10.00%	898	5.64	77	0.07	0.47	216	24%
10.00% to <100.00%	–	–	–	–	–	–	–
100.00% (Default)	5	100.00	1	0.56	5.00	5	100%
Sub-total	**32,043**	**0.60**	**1,743**	**0.16**	**0.65**	**3,397**	**11%**
Total (all portfolios)	**93,708**	**0.26**	**1,854**	**0.10**	**0.43**	**5,189**	**6%**

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	16,503	8,488	8,014	7,877	3,538
SFTs	74,592	10,292	64,300	53,023	13,853
Cross-product netting	–	–	–	–	–
Total	**91,095**	**18,780**	**72,314**	**60,900**	**17,391**

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	Protection sold	Other credit derivatives
Notionals (USD million)			
Single-name credit default swaps	12	–	4,691
Credit options			
Other credit derivatives			
Total notionals	**12**	**–**	**4,691**
Fair values (USD million)			
Positive fair value (asset)	–	–	54
Negative fair value (liability)	–	–	(65)

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	16	1
Asset size	23	2
Credit quality of counterparties	–	–
Model and parameter updates	–	–
Methodology and policy changess	–	–
Acquisitions and disposals	–	–
Foreign exchange impact	–	–
Other	–	–
Risk-weighted assets at end of period	38	3

The difference of $2m in the opening RWA figure is due to the restatement of the 2019 figure in order to eliminate the Pillar 1 buffers, in line with the 2020 basis of preparation.

CCR8 – Exposures to CCPs

	2020	
	EAD post-CRM	RWA
USD million		
Exposures to QCCPs (total)	**–**	**74**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	763	15
(i) OTC derivatives	–	–
(ii) Exchange-traded derivatives	514	10
(iii) SFTs	249	5
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	108	–
Prefunded default fund contributions	183	56
Alternative calculation of own funds requirements for exposures	–	–
Exposures to non-QCCPs (total)	**–**	**22**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	22	22
(i) OTC derivatives	–	–
(ii) Exchange-traded derivatives	–	–
(iii) SFTs	22	22
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	–	–
Prefunded default fund contributions	–	–
Unfunded default fund contributions	–	–

Exposures associated with initial margin, where the exposures are measured under the IMM, have been included within the exposures for trades.

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 CSIUK's Role

Although CSSEL has no securitisations in the Banking Book, it has previously acted as derivative counterparty for securitisation SPEs. CSSEL does hold securitisation positions in its Trading Book. CSSEL'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.

CSSEL'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 CSSEL'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 CSSEL'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

CSSEL has in place a comprehensive risk management process whereby the Front Office and Risk 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.

CSSEL 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. CSSEL 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 CSSEL'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 CSSEL has applied credit risk mitigation approaches to Banking Book securitisation or re-securitisation exposures. CSSEL does not typically retain material servicing responsibilities from securitisation activities.

In the normal course of business, CSSEL 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 (e.g. commercial mortgages and corporate loans) and the seniority each security has in the capital structure (e.g. 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 in 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 CSSEL 2020 Annual Report, with further information provided in the Interests in Other Entities Note.

The accounting policy with respect to valuation of securitisation positions is described in the Financial Instruments Note of the CSSEL 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 CSSEL 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 CSSEL 2020 Annual Report.

Securitisation Exposures

There were no exposures securitised by CSIUK outstanding as at 31 December 2020 in Banking or Trading Book.

There were no losses, impairments or past due items in relation to securitisation positions in the Banking Book exposures as at 31 December 2020.

Market Risk

Overview

CSSEL is mainly active in the credit and equity trading markets of the world, using the majority of common trading and hedging products in these markets, including derivatives such as credit default swaps, futures and, to a lesser extent, options. CSSEL conducts its Trading Book activities primarily through the Investment Bank division.

CSSEL provides access to equity market products such as equity swaps, index futures, exchange traded funds and participatory notes, participates as market maker on global stock exchanges and facilitates underwriting and syndication activities. It participates as market maker in fixed income bonds for EMEA, provides issue underwriting and bridge loan services and portfolio advisory solutions. It also trades in structured notes and provides secured financing using swaps and repos.

Market Risk Capital Requirements

The following tables detail the components of the CSSEL'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 assets (USD million)		
Outright products		
Interest rate risk (general and specific)	–	–
Equity risk (general and specific)	–	–
Foreign exchange risk	696	56
Commodity risk	–	–
Options	–	–
Simplified approach	–	–
Delta-plus method	–	–
Scenario approach	–	–
Securitisation (specific risk)	–	–
Total risk-weighted assets	**696**	**56**

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)	**2,361**	**189**	**809**	**65**
(a) Spot VaR	722	58	236	19
(b) Average of the daily VaR preceding 60 business days * multiplication factor	2,361	189	809	65
2 SVaR (higher of values a and b)	**2,859**	**229**	**1,816**	**145**
(a) Spot SVaR	895	72	455	36
(b) Average of the daily SVaR preceding 60 business days * multiplication factor	2,859	229	1,816	145
3 IRC (higher of values a and b)	**1,271**	**102**	**1,512**	**121**
(a) Spot IRC	1,271	102	897	72
(b) Average of the IRC number over the preceding 12 weeks	1,078	86	1,512	121
4 Other [1]	587	47	1,410	113
5 Total	**7,078**	**566**	**5,547**	**444**

[1] Risk not in VaR addon

The following table details 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	Compre-hensive risk measure	Other	Total RWAs	Total capital requirements
1 RWAs at previous year end	809	1,816	1,512	n/a	1,409	5,547	444
(1a) Regulatory adjustment	(53)	(359)	(615)	n/a	-	(1,027)	(82)
(1b) RWAs at YE2018 (spot-based)	756	1,457	897	n/a	1,409	4,519	362
2 Movement in risk levels	896	1,056	421	n/a	(902)	1,472	118
3 Model updates/changes	658	352	(48)	n/a	11	974	78
4 Methodology and policy	-	-	-	n/a	-	-	-
5 Acquisitions and disposals	-	-	-	n/a	-	-	-
6 Foreign exchange movements	-	-	-	n/a	-	-	-
7 Other	542	672		n/a	69	1,282	103
(8a) RWAs at YE2018 (spot-based)	2,852	3,537	1,271	n/a	587	8,247	660
(8b) Regulatory adjustment	(491)	(677)	(0)	n/a	-	(1,168)	(93)
8 RWAs at the end of the reporting period	2,361	2,859	1,271	n/a	587	7,078	566

Risk Measurement and Management

CSSEL 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 CSSEL's level. CSSEL 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 CSSEL'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 principal portfolio measurement tools are Value-at-Risk ('VaR'), scenario analysis and sensitivity analysis, which complement each other in measuring the market risk at the Company's level. CSSEL regularly reviews its risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

The principal portfolio measurement tools CSSEL uses are Value-at-Risk ('VaR'), Incremental Risk Charge ('IRC'), scenario analysis and sensitivity analysis, which complement each other in measuring the market risk at CSSEL's level. Internal Models Approach ('IMA') models are used to quantify market risk capital requirements in the 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.

CSSEL 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 Incremental Risk Charge ('IRC'). This is complemented by a Risks Not In VaR ('RNIV') Framework.

Within the CSSEL'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	104	30
Average value	37	19
Minimum value	15	9
Period end	58	19
Stressed VaR (10 day 99%)		
Maximum value	104	73
Average value	47	44
Minimum value	22	23
Period end	72	36
IRC (99.9%)		
Maximum value	227	224
Average value	90	140
Minimum value	45	72
Period end	102	72

CSSEL 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. CSSEL 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 Company also 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

CSSEL 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 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'), CSSEL 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).

CSSEL'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 between ladder and grid nodes. 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 derivatives 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 CSSEL as of the December 2020 month-end assessment is July 2019 – March 2020.

Data standards

CSSEL 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, backtesting 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, CSSEL 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 misbooking 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.

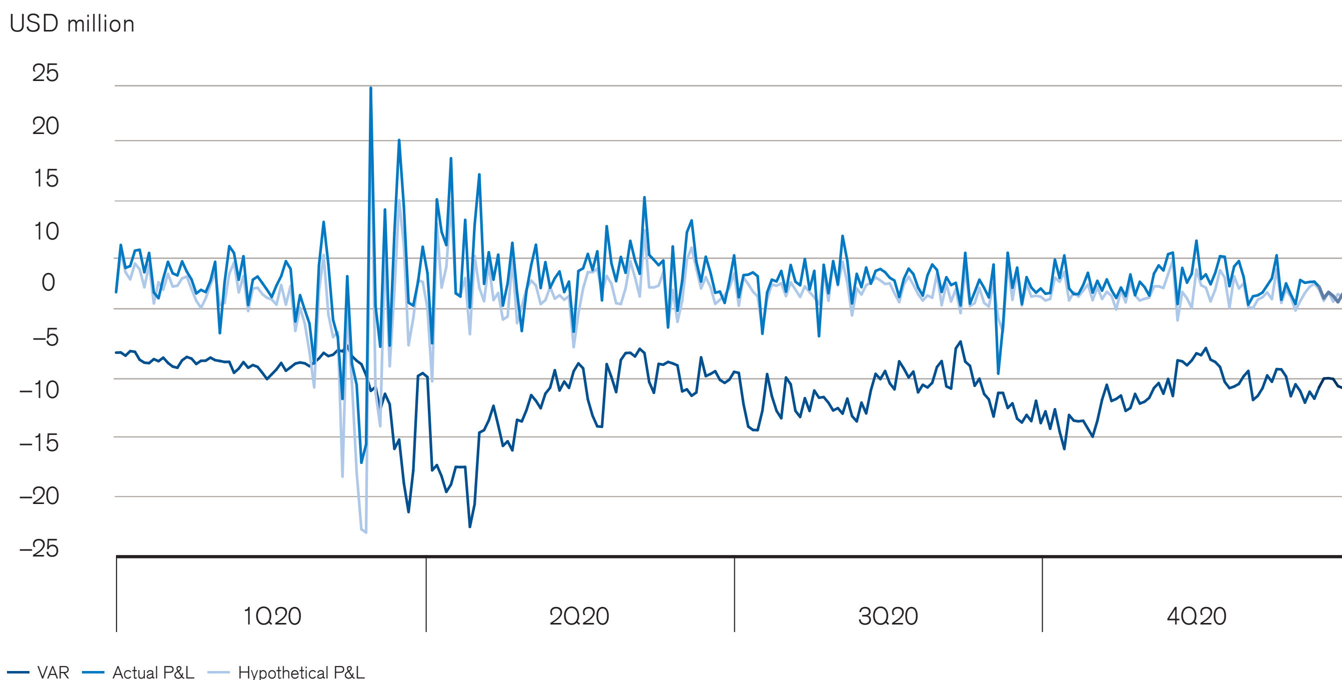
CSSEL employs a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated Model Approval and Control Committee meets regularly to review the model performance and approve any new or amended models.

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, CSSEL undertakes backtesting using both 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 actual and hypothetical 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 0.75 as the number of backtesting exception were eight in 2020 (2019: one).

MR4 – Backtesting VaR vs Actual/Hypothetical P&L



Date	Actual P&L	Hypothetical P&L	VaR	Exception Category	Exception Summary
28.02.20	$(6.7)m	$(9)m	$6.6m	Hypothetical P&L Actual P&L	The Hypothetical P&L and Actual P&L losses, in general, were due to extreme credit spread movements in the Credit and Global Trading Solutions businesses and equity markets volatility in the Prime Services business within the Investment Bank division, amid Covid-19 crisis.
09.03.20	$(10.1)m	$(17.4)m	$5.6m	Hypothetical P&L Actual P&L	
11.03.20	$(6.8)m	$(8.6)m	$6.1m	Hypothetical P&L Actual P&L	
12.03.20	$(8.8)m	$(17.1)m	$6.5m	Hypothetical P&L Actual P&L	
13.03.20	$(16.1)m	$(22.4)m	$6.8m	Hypothetical P&L Actual P&L	
16.03.20	$(14.4)m	$(22.7)m	$7.8m	Hypothetical P&L Actual P&L	
18.03.20	$(1.3)m	$(9.5)m	$9m	Hypothetical P&L	
19.03.20	$(5.2)m	$(12.7)m	$11.1m	Hypothetical P&L	

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. CSSEL has received PRA approval to use the IRC model within the Specific Risk Capital Framework for the Company. CSSEL 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, CSSEL 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 are 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 Company'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 CSSEL's positions, capital, or profitability. The scenarios used within the Company are reviewed at the relevant risk committees as well as by a dedicated scenario design forum. The scenarios used within the Company 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 Company's level across a broad range of markets, products and asset classes.

VaR, stress testing and sensitivity analysis are fundamental elements of the Company's risk control framework. Their results are used in risk appetite discussions and strategic business planning, and support the Company'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

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

CSSEL 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.

CSSEL 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. CSSEL 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.

CSSEL 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. CSSEL actively monitors external incidents and threats and assesses and responds accordingly to any potential vulnerabilities that this may reveal. CSSEL 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.

CSSEL 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 CSSEL Board as well as the CSSEL risk management committee are given updates on the broader technology risk exposure.

Senior management, including the CSSEL 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') Policy sets out the principles and components for managing non-financial risk in CSSEL. The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across CSSEL 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 Appetite

Non-financial risk appetite is based on self-imposed constraints which define the level of risk (considering all controls in place) CSSEL is willing to take in pursuit of the Bank's business activities. It includes the drivers for taking, accepting or avoiding certain types of risks, products or exposures

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 CSSEL and CS group

Key Controls

The Non-financial Key Controls ERCF 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. CSSEL 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.

Incident Data

Incidents describes the process in which CSSEL systematically collect, analyse and report data on non-financial risk incidents to ensure that it understand the reasons why they occurred and how controls can be improved to reduce the risk of future incidents. CSSEL 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 collect and utilize 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 CSSEL's operational risk capital models and other analytics.

Risk and Control Assessments

RCSAs are comprehensive, bottom-up assessments of the key operational and compliance risks in each business and corporate function. The process of preparing RCSAs comprises a self-assessment of the relevant business line 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 the CS group's Audit Committee and the CSSEL Board of Directors.

Key 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

CSSEL 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.

CSSEL 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 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

Reviews will differ in terms of approach, scope and extent of procedures depending upon a number of factors, such as: impact and/or exposure to the identified risk and corresponding objective(s) to mitigate re-occurrence and/or exposure.

Reputational Risk

Overview

CSSEL 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 Company's approach to Conduct and Ethics.

CSSEL 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.

CSSEL 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, CSSEL accepts reputational risk only where the Company can justify at the time decisions are taken that:
- The activity is in line with the stated Code of Conduct, and Conduct and Ethics Standards
- Informed judgment is exercised in line with the internal sector policies and thematic guidelines, including region specific concerns or mitigation, where applicable.

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

CSSEL 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 CSSEL'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 CSSEL Senior Manager in the relevant division, and assuming they are supportive of the proposal are then subsequently referred to the CSSEL's 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 RRC is comprised of senior Company 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 CSSEL 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 CSSEL 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 CSSEL is managed primarily by Treasury and the Global Liquidity Group and independently overseen by Treasury and Liquidity Risk Management.
UK IB Management as per the Regulators instruction are working to make Credit Suisse Securities (Europe) Limited ('CSSEL') a non-Material Legal Entity ('MLE'). Non-MLE status is proposed to be measured against the Bank of England internal Minimum Requirement for own debt and Eligible Liabilities ('MREL') definition.

Risk Appetite

The Board defines CSSEL'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 CSSEL 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 control framework.

The Adequacy of Liquidity Risk Management

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

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 CSSEL 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 CSSEL'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 CSSEL Liquidity Risk Management team has a direct reporting line to the Global Head of Treasury & Liquidity Risk and a dotted line to UK IB Chief Risk Officer.

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 entity liquidity risk requirements are fulfilled.

The entity liquidity management functions have dual reporting lines to the entity 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

LMR (Liquidity Measurement and Reporting) 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 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 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.

Processes for Hedging and Mitigating the 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. The PRA 110 and the NSFR produced weekly and monthly respectively.

Under this framework, Treasury also has 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.

LCR Disclosure Template

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

LIQ1: LCR

	Total unweighted value (average)				Total weighted value (average)			
Scope of consolidation – CSIUK consolidated								
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					11,722	11,371	11,213	10,971
Total high-quality liquid assets (HQLA)								
CASH – OUTFLOWS								
Retail deposits and deposits from small business customers,	–	–	–	–	–	–	–	–
of which stable deposits	–	–	–	–	–	–	–	–
of which less stable deposits	–	–	–	–	–	–	–	–
Unsecured wholesale funding	1,472	1,168	903	792	1,472	1,168	903	792
Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–
Non-operational deposits (all counterparties)	1,472	1,168	903	792	1,472	1,168	903	792
Unsecured debt	–	–	–	–	–	–	–	–
Secured wholesale funding					11,332	10,489	9,409	8,396
Additional requirements	2,192	2,363	2,516	2,598	2,118	2,284	2,461	2,568
Outflows related to derivative exposures and other collateral requirements	2,192	2,363	2,516	2,598	2,118	2,284	2,461	2,568
Outflows related to lossof funding on debt products	–	–	–	–	–	–	–	–
Credit and liquidity facilities	–	–	–	–	–	–	–	–
Other contractual funding obligations	13,405	12,336	11,562	10,710	4,747	4,135	3,564	2,760
Other contingent funding obligations	308	369	407	419	219	266	311	325
TOTAL CASH OUTFLOWS					**19,888**	**18,342**	**16,648**	**14,841**
CASH – INFLOWS								
Secured lending (e.g. reverse repos)	63,612	60,450	55,701	51,329	14,755	13,368	11,689	9,774
Inflows from fully performing exposures	2,309	2,321	2,422	2,500	2,309	2,321	2,422	2,500
Other cash inflows	220	137	135	72	94	84	83	72
(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)					–	–	–	–
(Excess inflows from a related specialised credit institution)					–	–	–	–
TOTAL CASH INFLOWS	**66,141**	**62,908**	**58,258**	**53,901**	**17,158**	**15,773**	**14,194**	**12,346**
Fully exempt inflows	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Inflows subject to 90% cap	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Inflows subject to 75% cap	**34,503**	**33,638**	**32,218**	**30,762**	**17,158**	**15,774**	**14,194**	**12,345**

LIQ1: LCR

Scope of consolidation – CSIUK consolidated	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	**11,722**	**11,371**	**11,213**	**10,971**
Total net cash outflows	**4,989**	**4,608**	**4,185**	**3,810**
Liquidity coverage ratio (%)	**235%**	**250%**	**275%**	**295%**

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, 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 CSSEL's assets are funded and CSSEL's liquidity obligations are met as they fall due in times of stress, whether caused by market events and/or CSSEL 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. CSSEL's liquidity risk parameters reflect various liquidity stress assumptions calibrated as such that in the event CSSEL is unable to access unsecured funding, CSSEL 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

CSSEL holds a mix of term unsecured funding supplied by CS AG London Branch, which mitigates its short-term funding risk. 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 CSSEL'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 CSSEL 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 internal barometer and the NSFR, to monitor CSSEL's structural liquidity position and to plan funding. The internal Barometer is also used to manage liquidity to internal targets and as a basis to model both the CSSEL 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 CSSEL 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

CSSEL manages the interest rate risk in the Banking Book which includes monitoring the potential impact of changes in interest rates. CSSEL'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 CSSEL 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 (e.g. 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.

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

Monitoring and Review

The economic impacts of adverse parallel 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 CSSEL'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	(0.0)	0.0	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	(12.8)	0.5	1.0	0	0.1	(11.2)
100	(3.8)	0.2	0.5	0	0.1	(3.1)
-100	(1.3)	(0.1)	(0.5)	(0)	(0.1)	(2.1)
-200	(7.9)	(0.1)	(1.0)	(0)	(0.2)	(9.3)

Leverage

Overview

CSSEL 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 CSIUK group'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 CSIUK continues to meet external and internal expectations. The CSIUK group'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 considered as part of the ICAAP.

Factors impacting the Leverage Ratio during the Period

CSIUK group's leverage ratio increased to 8.24% by 31 December 2020 from 5.74% at 31 December 2019. CSIUK's balance sheet decreased in size materially during the course of 2020 due to the CSSEL Ramp Down Project, a material subsidiary of CSIUK, the objective of which is to reduce CSSEL to a scale where it is no longer a Material Legal Entity. This reduction also resulted in a significant reduction in leverage exposure, most notably in secured financing transactions.

Table LRCom: Leverage ratio common disclosure

	end of 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)	29,207
2	(Asset amounts deducted in determining Tier 1 capital)	(145)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**29,062**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,170
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4,697
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)	–
9	Adjusted effective notional amount of written credit derivatives	378
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**6,245**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	30,583
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,490)
14	Counterparty credit risk exposure for SFT assets	2,357
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)**	**30,450**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	5,540
18	(Adjustments for conversion to credit equivalent amounts)	–
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**5,540**
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**	**5,876**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**71,297**
Leverage ratio		
22	**Leverage ratio**	**8.24%**
Capital and total exposures		
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 of 2020 (USD million)	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	29,207
EU-2	Trading book exposures	15,228
EU-3	Banking book exposures, of which:	13,979
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	67
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	–
EU-7	Institutions	9,382
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	–
EU-10	Corporate	4,523
EU-11	Exposures in default	–
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	7

Asset Encumbrance

Overview

The main source of asset encumbrance within the CSIUK group 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 (e.g. 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 the CSIUK group in excess of the minimum requirement, and collateral owed by the CSIUK group 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 / intercompany 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, 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 subcomponents will not necessarily add up.

Template A – Encumbered and unencumbered assets

end of 2020	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
USD million				
Assets of the reporting institution	10,867		78,861	
Equity instruments	6,208		3,688	
Debt securities	1,381	1,381	1,553	1,553
of which: covered bonds	0	0	4	4
of which: asset-backed securities	0	0	4	4
of which: issued by general governments	128	128	239	239
of which: issued by financial corporations	392	392	272	272
of which: issued by non-financial corporations	852	852	684	684
Other assets	2,937		72,483	
of which: Cash collateral on derivative instruments	2,829		0	
of which: Securities purchased under resale agreements and securities borrowing transactions	–		42,950	

Template B-Collateral received

end of 2020	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
USD million		
Collateral received by the reporting institution	82,865	18,069
Loans on demand	–	–
Equity instruments	22,250	8,472
Debt securities	60,615	10,475
of which: covered bonds	196	31
of which: asset-backed securities	324	885
of which: issued by general governments	45,017	6,549
of which: issued by financial corporations	5,011	1,054
of which: issued by non-financial corporations	10,197	2,923
Loans and advances other than loans on demand	–	–
Other collateral received	–	–
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	**94,542**	

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	34,380	37,230
of which: Repurchase agreements	32,579	35,428

Appendix 1: CSSEL

Overview

CSSEL is a wholly-owned indirect subsidiary of CSIUK. As a significant subsidiary of CS group, certain additional disclosures in respect of CSSEL are reported in this Appendix.

The CSIUK regulatory consolidation group contains CSIUK, its subsidiary CSIHUK, its indirect subsidiary CSSEL. Accordingly, the vast majority of risk and associated capital requirements arise from the activity of CSSEL. For example, at 31 December 2020, CSSEL's minimum capital requirement was USD 1,887m compared to USD 1,979m for the CSIUK group.

Accordingly, the quantitative Pillar 3 disclosures for CSSEL are presented only where they differ materially from the disclosures of the CSIUK group at 31 December 2020 and are shown in the following tables:
- Capital composition;
- RWA and capital requirements; and
- Leverage ratio.

Capital composition

end of			2020		2019
	Note	Own funds	Statement of Financial Position (1)	Difference	Own funds
USD million					
Tier 1 (and CET1) capital					
Ordinary shares	–	3,859	3,859		3,859
Share premium and capital contribution	–	175	175		156
Retained earnings	–	3,349	3,349		3,397
Accumulated other comprehensive income	–	(341)	(341)		(347)
Tier 1 (and CET1) before prudential filters and regulatory adjustments		**7,042**	**7,042**	**–**	**7,065**
Prudential filters and regulatory adjustments					
Prudent valuation adjustments	(2)	(113)			(118)
Intangible assets	(3)	(1)			(2)
DTA on non temporary differences	(4)	–			–
Excess of expected losses over credit risk adjustments	(5)	(26)			(28)
Defined benefit pension fund	(6)	–			–
Free Deliveries	(7)	(5)			(7)
Total Tier 1 (and CET1) capital		**6,897**	**7,038**	**(145)**	**6,910**
Tier 2 capital					
Subordinated loans	(8)	1,250	1,250		1,250
SA General credit risk adjustments	(9)	–	–		4
Total Tier 2 capital		**1,250**	**1,250**	**–**	**1,254**
Total capital ('own funds')		**8,147**	**8,288**	**(145)**	**8,164**
Total risk weighted assets	**(10)**	**24,328**			**27,252**

Capital ratios

end of	2020	2019
Common Equity Tier 1	28.3%	25.4%
Tier 1	28.3%	25.4%
Total Capital	**33.5%**	**30.0%**
Institution specific buffer requirement		
of which: capital conservation buffer requirement	2.5%	2.7%
of which: countercyclical buffer requirement	2.5%	2.5%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.0%	0.2%
	23.8%	20.9%

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)	195	178
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)	48	43

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)	–	4
Cap on inclusion of credit risk adjustments in T2 under standardised approach	19	25
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	42	47

Notes:

(1) 2020 Statement of Financial Position for (i) Total equity and (ii) Subordinated debt values prepared under IFRS.

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

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

(4) 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.

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

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

(7) Free deliveries are subject to a 1,250% risk weight after 5 days post second contractual payment or delivery leg until the extinction of the transaction, according to the own funds requirements for settlement risk. [CRR Articles 36(1) point k) (iii) and 379(3)]

(8) Subordinated debt is either accrual accounted or fair valued under IFRS (eg. including accrued interest) whereas 'own funds' recognises it at nominal value.

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

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

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

OV1 – Overview of RWA

end of	RWA 2020	RWA 2019*	Minimum capital requirements 2020
USD million			
Credit risk (excluding CCR)	2,586	2,682	207
Of which the standardised approach	804	913	64
Of which the foundation IRB (FIRB) approach	–	–	–
Of which the advanced IRB (AIRB) approach	1,749	1,666	140
Of which equity IRB under the simple risk-weighted approach or the IMA	33	103	3
CCR	6,641	8,093	531
Of which mark to market	5,899	7,040	472
Of which original exposure	–	–	–
Of which the standardised approach	–	–	–
Of which internal model method (IMM)	38	16	3
Of which risk exposure amount for contributions to the default fund of a CCP	56	22	4
Of which CVA	648	1,015	52
Settlement risk	116	51	9
Securitisation exposures in the banking book (after the cap)	–	–	–
Of which IRB approach	–	–	–
Of which Rating based approach	–	–	–
Of which internal assessment approach (IAA)	–	–	–
Of which standardised approach	–	–	–
Market risk	7,774	6,162	622
Of which the standardised approach	696	615	56
Of which IMA	7,078	5,547	566
Large exposures	3,854	6,597	308
Operational risk	2,501	2,641	200
Of which basic indicator approach	2,501	2,641	200
Of which standardised approach	–	–	–
Of which advanced measurement approach	–	–	–
Amounts below the thresholds for deduction (subject to 250% risk weight)	122	108	10
Floor adjustment	–	–	–
Total	**23,594**	**26,334**	**1,887**

*The 2019 numbers have been restated to exclude Pillar 1 buffers in line with the 2020 basis of preparation.

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

	end of 2020 (USD million)	Applicable Amounts
1	Total assets as per published financial statements	64,375
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(17)
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	(139)
5	Adjustments for securities financing transactions "SFTs"	9,180
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,540
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	(7,642)
8	**Total leverage ratio exposure**	**71,297**

Table LRCom: Leverage ratio common disclosure

	end of 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)	29,207
2	(Asset amounts deducted in determining Tier 1 capital)	(145)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**29,062**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,170
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4,697
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)	–
9	Adjusted effective notional amount of written credit derivatives	378
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	**Total derivative exposures (sum of lines 4 to 10)**	**6,245**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	30,583
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,490)
14	Counterparty credit risk exposure for SFT assets	2,357
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)**	**30,450**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	5,540
18	(Adjustments for conversion to credit equivalent amounts)	–
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**5,540**
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**	**6,893**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**71,297**
Leverage ratio		
22	**Leverage ratio**	**9.67%**
Capital and total exposures		
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 of 2020 (USD million)	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	29,207
EU-2	Trading book exposures	15,228
EU-3	Banking book exposures, of which:	13,979
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	67
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	–
EU-7	Institutions	9,382
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	–
EU-10	Corporate	4,523
EU-11	Exposures in default	–
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	7

CSSEL's leverage ratio increase to 9.67% as at 31 December 2020 from 6.61% at 31 December 2019. This is due to the CSSEL Ramp Down Project materially reducing the size of the balance sheet over the course of 2020.

Appendix 2: Capital Instruments' Main Features

Credit Suisse Investments (UK) – Capital Instruments' Main Features

No.	Term			Capital Instruments
1	Issuer	Credit Suisse Investments (UK)	DLJ UK Holding	DLJ UK Investment Holdings Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
3	Governing law(s) of the instrument	English	English	English
Regulatory treatment				
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Consolidated	Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common Shares	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	$3,044.7	$500.0	$686.7
9	Nominal amount of instrument	$3,044.7	$500.0	$2,000.0
9a	Issue price	Par	Par	Par
9b	Redemption price	Par	Par	Par
10	Accounting classification	Shareholders Equity	Liability -amortised cost	Liability -amortised cost
11	Original date of issuance	26.02.99	15.04.14	27.09.18
12	Perpeptual or dated	Perpetual	Dated	Dated
13	Original maturity date	No Maturity	15.04.26	19.09.22
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	Subject to prior PRA approval (from 15 April 2019, tax and regulatory calls)	Optional, not before 27 September 2023, subject to prior PRA approval
16	Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons / dividends				
17	Fixed or floating dividend/coupon	N/A	Floating	Floating
18	Coupon rate and any related index	N/A	£ 3-month Libor + 310bps	£ 3-month Libor + 265bps
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Noncumulative or cumulative	Non-Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 1	Unsecured, ranking pari passu with the claims of other subordinated holders	Unsecured and subordinated to the claims of unsubordinated creditors
36	Non-compliant transitioned features	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A

Appendix 3: Directorships

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

CSIUK Directorships

	Gender	Independent	Appointment Date [1]	Total Number of Directorships
P Hare	M		07.07.10	1
C Horne	M		31.12.14	1
J Houghton	M		25.11.11	1
C Waddington	F		05.04.17	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.

CSSEL 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 4: 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.

Term	Definition
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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