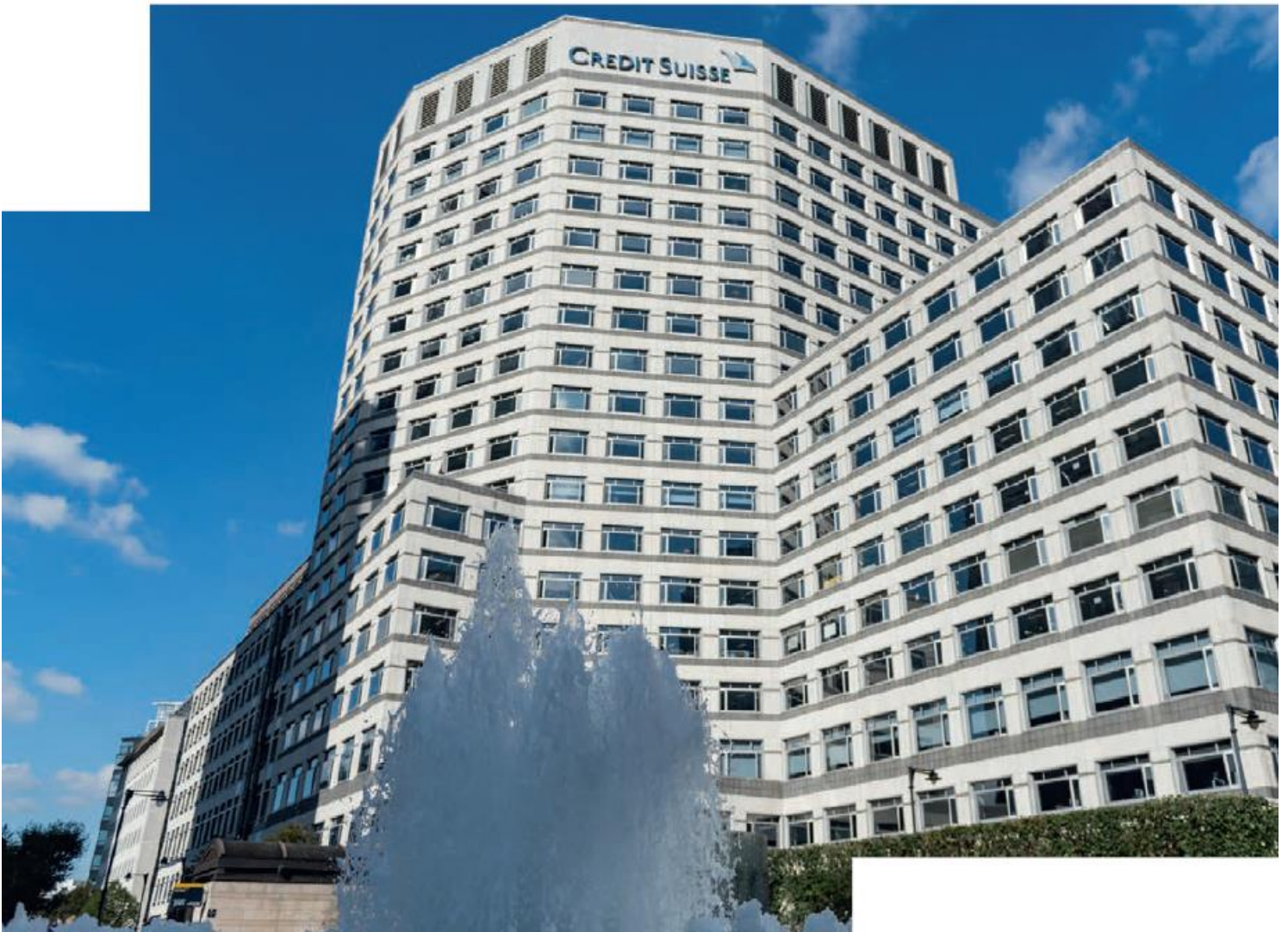


Credit Suisse (UK) Limited



Basel III 2019 Pillar 3 Disclosures



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Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse (UK) Limited ('CSUK' or 'the Bank') as at 31 December 2019. It should be read in conjunction with CSUK's 2019 Annual Report which can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

The Basel II Framework was updated by the introduction of Basel III and the amended regime was implemented in the EU from 1 January 2014 by means of a Directive and a Regulation, collectively known as 'CRD IV'. These Pillar 3 disclosures are prepared to meet the regulatory requirements set out in Part Eight of the Capital Requirements Regulation ('CRR'). Pillar 3 aims to promote market discipline and transparency through the publication of key information on capital adequacy, risk management and remuneration.

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

Basis and Frequency of Disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, materiality, or being proprietary in nature, this is indicated. Pillar 3 disclosures are published annually and concurrently with the annual report.

The annual report is prepared under International Financial Reporting Standards ('IFRS') and accordingly, certain information in the Pillar 3 disclosures may not be directly comparable. A reconciliation of regulatory 'own funds' calculated under CRD IV with CSUK's 2019 Statement of Financial Position is presented in the Capital Management section.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSUK's external auditors. However, it includes information that is contained within the audited financial statements as reported in the 2019 Annual Report.

Basis of Consolidation

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

Remuneration Disclosures

The remuneration disclosures required by CRR Art 450 can be found in a separate document ('Pillar 3 – UK Remuneration Disclosures 2019') on the Credit Suisse website at www.credit-suisse.com.

Capital Management

Overview

The Credit Suisse group ('CS Group') considers a strong and efficient capital position to be a priority. Consistent with this, CSUK closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework.

Multi-year business forecasts and capital plans are prepared by CSUK, taking into account the business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests, reflecting both macroeconomic and specific risk scenarios as part of the Internal Capital Adequacy Assessment Process ('ICAAP'). Within these stress tests, potential management actions are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for the Supervisory Review and Evaluation Process conducted by the PRA when assessing the Bank's minimum level of regulatory capital.

Capital Resources

Article 437 of the CRR requires disclosure of the main features of any Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Tier 2 instruments that make up an institution's regulatory own funds (or capital resources).

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

CSUK's capital composition and principal capital ratios are presented in the tables below, together with a reconciliation to CSUK's 2019 IFRS Statement of Financial Position. No amount shown in 'Own Funds' is subject to CRDIV transitional provisions.

Capital Composition (£000s)

As at 31 December	2019	2019		2018
	Own Funds	Statement of Financial Position ⁽¹⁾	Difference	Own Funds
Note	(a)	(b)	(a) - (b)	
Tier 1 (and CET1) Capital				
Ordinary shares	245,230	245,230	-	245,230
Share premium	11,200	11,200	-	11,200
Accumulated losses	8,862	8,862	-	(16,640)
Capital contribution reserve	57,500	57,500	-	57,500
Tier 1 (and CET1) before regulatory deductions	322,792	322,792	-	297,290
Prudential filters and regulatory adjustments				
Intangible assets	(2) (20,513)	-	-	(17,948)
Deferred tax assets on non-temporary differences	(3) (2,103)	-	-	(3,683)
Total Tier 1 (and CET1) Capital	300,176	322,792	(22,616)	275,659
Tier 2 Capital				
Subordinated loan	55,000	55,000	-	55,000
Total Tier 2 Capital	55,000	55,000	-	55,000
Total Capital ('Own Funds')	355,176	377,792	(22,616)	330,659

Capital Ratios

As at 31 December	2019	2018
Common Equity Tier 1	21.9%	22.5%
Tier 1	21.9%	22.5%
Total Capital	25.9%	27.0%

Notes

- (1) 2019 Statement of Financial Position for (i) Total Equity and (ii) Subordinated Debt values are prepared under IFRS.
- (2) Intangible assets and goodwill do not qualify as capital for regulatory purposes under CRDIV [CRR Article(s) 36(1)(b), 37].
- (3) 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.

The CSUK Total Capital Requirement (the sum of Pillar 1 and Pillar 2A) as set by the PRA is 14.66%.

Capital Resources Requirement

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

RWA and Capital Requirements (£000s)				
As at 31 December	2019	2019	2018	2018
	RWA	Capital Requirements	RWA	Capital Requirements
Credit and Counterparty Credit Risk				
<i>Standardised Approach</i>				
Institutions	40,030	3,202	19,926	1,594
Corporates	81,305	6,504	71,254	5,700
Retail	10,972	878	16,696	1,336
Secured by mortgages on immovable property	723,128	57,850	691,981	55,358
Exposure in Default	96,236	7,699	56,364	4,509
Speculative immovable property financing	16,341	1,307	14,060	1,125
Other items	182,896	14,632	155,809	12,465
Total Standardised Approach	1,150,908	92,073	1,026,089	82,087
<i>Credit Valuation Adjustment (CVA)</i>				
CVA - Standardised Method	2,976	238	661	53
Total CVA	2,976	238	661	53
(i) Total Credit and Counterparty Credit Risk	1,153,884	92,311	1,026,751	82,140
Market Risk (PRA Standard Rules)				
Foreign exchange	-	-	3,291	263
(ii) Total Market Risk	-	-	3,291	263
Other Risks				
Settlement risk	493	39	-	-
Operational risk - Basic Indicator Approach	216,641	17,331	195,176	15,614
(iii) Total Other Risks	217,134	17,371	195,176	15,614
Total RWA and Capital Requirements (i) - (iii)	1,371,018	109,681	1,225,217	98,017

Countercyclical Capital Buffer ('CCB')

The Financial Policy Committee ('FPC') of the Bank of England is responsible for setting the UK Countercyclical Capital Buffer ('CCB') rate, i.e. the CCB rate that applies to UK exposures of banks, building societies and large investment firms incorporated in the UK. In setting the CCB, the FPC considers a number of core indicators such as credit to GDP ratios. CRD IV, as implemented in the UK, includes a transitional period, during which the FPC is responsible for deciding whether CCB rates set by EEA States should be recognised and for taking certain decisions about third country rates, including whether a higher rate should be set for the purposes of UK institutions calculating their CCBs. CCBs can be applied at a CS Group, sub-consolidated or legal entity basis. CRD IV also includes the potential for a Systemic Risk Buffer, which could be similarly applied.

The FPC set a CCB rate of 1.0% on 28 November 2018 and remained unchanged in 2019. The start of 2020 has seen the coronavirus ('COVID-19') outbreak replace trade as the major global concern. In the wake of short-term economic disruption, the Bank of England has put in place measures to respond to the economic shock from COVID-19. The FPC has reduced the UK CCB rate to 0% with immediate effect. The rate was due to reach 2% by December 2020, however FPC expects to maintain the 0% rate for at least 12 months, so that any subsequent increase would not take effect until March 2022 at the earliest.

CCB rates have also been set by Bulgaria, Czech Republic, Denmark, France, Hong Kong, Iceland, Ireland, Lithuania, Slovakia Norway and Sweden for 2019 that apply to exposures to those countries. No further disclosures are made on CCB on the basis of materiality.

Subsequent Events

The rapid spread of COVID-19 into the EU and the US during the first quarter of 2020 has led to the introduction of tight government controls on movement and travel that have quickly closed down activity in large parts of the world's economy. Global markets have been impacted negatively, with the travel and tourism and the transportation sectors being the worst affected.

The deterioration in risk appetite and in the UK growth outlook have resulted in a significant reduction in asset and commodity prices and government bond yields during March 2020. In response to this, the Bank of England announcing on 11 March 2020 a series

of measures to respond to the economic shock from COVID-19. This included with immediate effect a reduction in the UK countercyclical capital buffer rate to 0% of banks' exposures to UK borrowers. The UK's Monetary Policy Committee also voted unanimously to reduce the base rate by 50 basis points to 0.25% and then voted subsequently to reduce the base rate further to 0.10%. The UK government also announced on 11 March 2020 its intention to maintain the UK corporation tax rate at 19% and to repeal the previously enacted legislation to reduce the tax rate to 17% with effect from 1 April 2020. This tax rate increase is expected to be substantively enacted in 2020. If this tax rate increase had been substantively enacted as at 31 December 2019, it would have had the impact of increasing the deferred tax asset recorded by approximately £0.5mn.

The health and safety of CSUK's employees and clients is its top priority. In response to the COVID-19 outbreak, CSUK via the CS group Crisis Management Team has been monitoring the situation very closely and implemented additional health and safety measures in its offices that are consistent with the guidance and recommendations from both the national and international health authorities, as well as regulatory authorities. The advice CSUK is giving to clients and invitees to Credit Suisse events is aligned with the guidance from the World Health Organisation, plus national governments and regulators. Through its contingency plans, CSUK has ensured that employees are provided with the means to work remotely to comply with the social distancing measures introduced in the UK during March 2020. CSUK remains committed to providing seamless service and support to all clients during this challenging time and has moved in person meetings to calls or online interactions, where possible.

Risk Management

Overview

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

Board of Directors

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

The Risk Appetite Statement is formally reviewed and approved at least once a year by the Board. Key risks are also formally reviewed and assessed on a quarterly basis by the Board Risk Committee and the Board as required. In addition, key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of policies and processes such as credit and market risk limits and other operational metrics, including authorisation limits, and segregation of duties. The Board receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are well-established business planning procedures in place and reports are presented regularly to the Board detailing the performance of CSUK, variances against budget, prior year and other performance data.

Recruitment to CSUK's Board of Directors is governed by a nominations policy that is applied consistently to all subsidiaries within CS Group. At a local level, this policy is implemented by a Remuneration and Nominations Committee that evaluates the balance of skills, knowledge and experience of the Board of Directors by reference to the requirements of the Bank, and similarly to consider the skills, knowledge and experience of individual candidates for appointment to the Board. As the Bank is an Equal Opportunities Employer, recruitment at all levels is based on consideration of a diverse range of candidates without discrimination or targets on the basis of any protected category. In addition, the Board has adopted a Diversity Policy, setting out the approach to diversity, including consideration of differences in skills, regional and industry experience, background, race, gender and other distinctions between Directors. Details of the number of directorships held by Board Members are shown in Appendix 3.

The Audit Committee supports the Whistle-Blowing Champion to review and assess the integrity, independence, effectiveness and autonomy of the Bank's policies and procedures on whistleblowing.

Risk Profile associated with Business Strategy

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

- Risk thresholds are identified for all key risks identified by the risk management process. This will determine the specific maximum or residual risk, as appropriate, that CSUK is willing to accept for each risk category;

- Risk adjusted returns are used to establish the optimal level of risk that CSUK wishes to take with respect to a specific business objective or strategy and reflect a target rate of return and CSUK's capacity to manage the marginal risk arising; and
- Risk thresholds may be established to monitor the actual risk against limits or guidelines, with any breaches triggering appropriate review and corrective actions, if required.

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

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

Key risk categories, their mitigation and associated metrics are discussed further in Annex 2, with additional disclosures on CSUK's risk management framework detailed in its 2019 Annual Report.

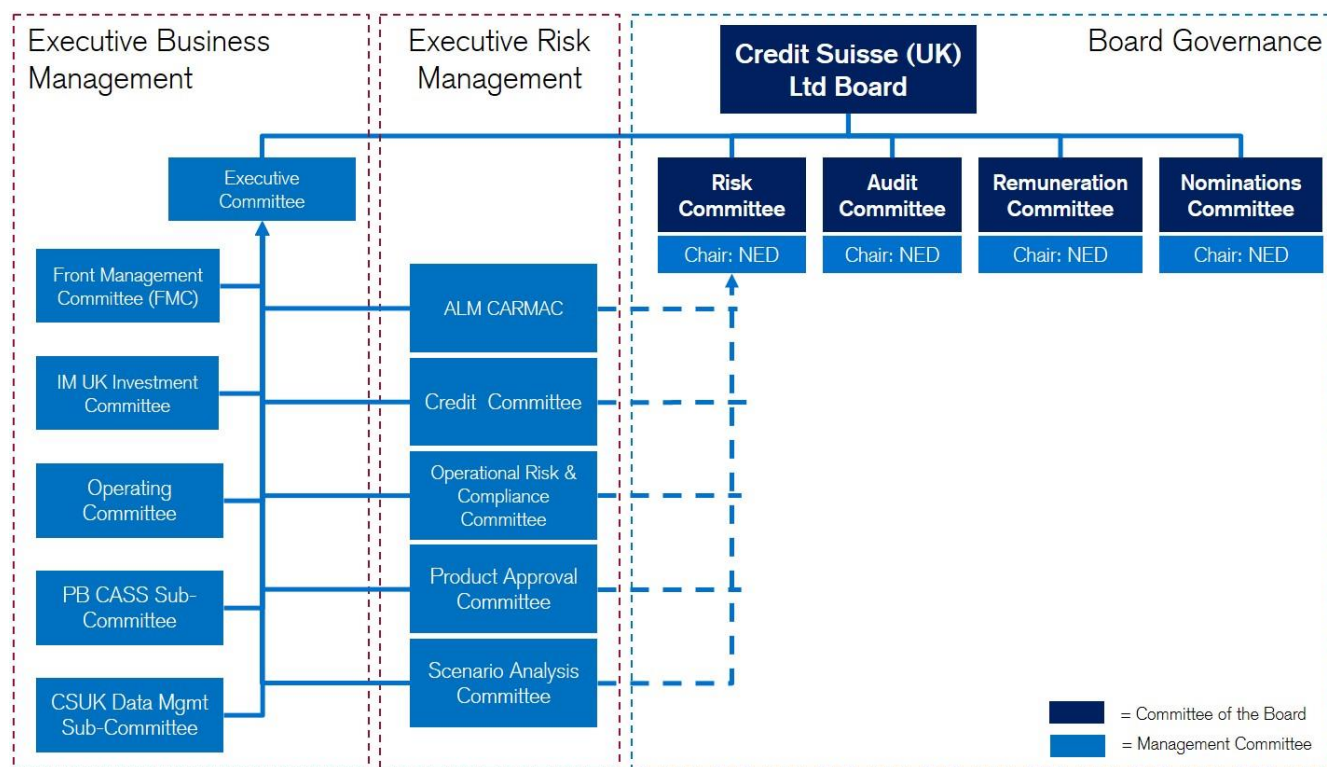
Risk Governance

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

- ensure that proper standards for risk oversight and management are established;
- define and implement a risk appetite framework covering, inter alia, credit, operational and market risks and make recommendations to the Board of Directors on risk appetite;
- review and approve the Risk Appetite Statement (including specific risk thresholds for each risk metric, monitoring and escalation process / authority), ICAAP and ILAAP;
- establish risk thresholds for individual businesses within authorities delegated by the Board of Directors; and
- review the risk portfolio, recommend and approve risk thresholds and other appropriate controls to monitor and manage the risk portfolio for the Bank.

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

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



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

Board Committees Overview

Certain responsibilities are delegated to Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management. Each Board Committee has Terms of Reference, recording the scope of delegated authority and the committee's responsibilities. The Chair of each Board Committee reports to the Board on the matters discussed at Committee meetings.

- **Audit Committee:** The Audit Committee provides oversight of the integrity and adequacy of the financial reporting process, the internal audit process, internal controls and accounting and risk management systems, as defined by applicable law and regulations, articles of association and internal regulations. The Audit Committee is responsible for contributing to the process of the selection and recommendation of the appointment of the External Auditors, including monitoring their qualifications, independence, performance and the suitability of the provision (if any) of non-audit services to the Bank.
- **Risk Committee:** The Risk Committee advises the Board on the risk appetite and provides oversight of the integrity and adequacy of risk management responsibilities including processes and organisational frameworks, as defined by applicable law and regulation, articles of association and internal regulations. In particular, the committee reviews and assesses the identification, measurement and management of the various risks within the entity, as presented in the ICAAP and ILAAP.
- **Remuneration Committee:** Advises and makes recommendations to the Group Compensation Committee on matters relating to remuneration for employees of CSUK including members of the CSUK Executive Committee ('CSUK ExCo'), senior officers in Risk and Compliance and other Code Staff, as well as on the compliance of the Group Compensation Policy with all relevant UK compensation regulations.
- **Nominations Committee:** For nominations purposes, the committee is responsible for the identification and recommendation for approval, by CS Group, candidates to fill vacancies on the Board of CSUK, making recommendations to the Board concerning the role of Chair and membership of the Board Committees, in consultation with the Chairs of those committees, and periodically leading a Board evaluation process.

Executive Risk Management Committees Overview

Management Committees support the CEO and Executive Directors in the implementation of strategy as set by the Board. The principal Management Committee is the CSUK Executive Committee ('CSUK ExCo'), chaired by the CEO of CSUK, and is ultimately responsible for the management of the CSUK business and the execution of the strategy set by the Board. As a decision making forum, it may receive proposals escalated from other executive committees or from business unit managers.

- **Credit Risk Committee:** The members of the Credit Risk Committee consist of senior management. It meets to discuss issues and risks relating to the credit exposures arising from the Bank's business activities. The Committee is responsible for approving, monitoring and controlling all credit exposures of CSUK and managing the risks associated with the loan portfolio, including reviewing, and monitoring adherence to, CSUK's Credit Policies and Credit Risk Appetite Framework.
- **ALM Capital Allocation and Risk Management Committee ('ALM CARMC'):** The CSUK ALM CARMC is chaired by the CSUK CFO. It is responsible for the management of Asset and Liability Management ('ALM') risks, including: the CSUK capital and liquidity position vs. internal and external limits; current, future and stressed liquidity and capital positions of CSUK; and, the impact of current and future regulatory changes on the capital and liquidity position. ALM CARMC advises the CSUK Board RC in respect of capital and liquidity stress testing, capital and liquidity buffers and the setting of risk thresholds, and has oversight of the ICAAP and ILAAP processes.
- **Operational Risk ('OpRisk') and Compliance Committee:** Is chaired by the Head of Operational Risk Management and is responsible for maintaining sound and robust controls by acting as a central business governance committee to discuss, understand, measure and assess key operational and compliance risks to the Business and to assist EXCO in the management of these risks. The committee recommends risk appetite controls for OpRisk, monitors Key Risk Indicators ('KRIs') and Key Control Indicators ('KCI's'), periodically assesses the effectiveness of the Operational Risk Framework to ensure ongoing compliance with internal requirements and regulations, and serves as a forum for discussing and escalating emerging risks.
- **Product Approval Committee ('PAC'):** Is chaired by the Head of A&S UK and is responsible for reviewing, identifying and considering all matters relating to new investment products and services developed and/or offered for sale by CSUK as well as managing the risks associated with the CSUK product platform such as conduct risk, business risk and operational risk.
- **Scenario Analysis Committee (SAC):** The purpose of SAC is to review and approve stress testing model design, scenarios, methodology and results as per the entity's stress testing model. The committee also reviews independent model validations for CSUK stress testing.

Risk Organisation

The prudent taking of risk in line with the Bank's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the Bank seeks to continuously strengthen the risk function, which is independent of but closely interacts with the businesses.

Risk Functions

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

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

The risk function is responsible for providing oversight and establishing a framework to monitor and manage all risk matters.

To manage the principal risks, the CRO function comprises of:

- Credit Risk Management;
- Liquidity Risk Management;
- Operational Risk Management;
- Reputational Risk Management; and
- Market Risk Management;

Furthermore, an Enterprise Risk Management function is responsible for covering cross-business and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels. The CRO is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions:

- Credit Risk Management is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios;
- Treasury and Liquidity Risk Management is responsible for assessing and monitoring the market and liquidity risk profiles of the Bank and recommends corrective action, where necessary;
- Operational Risk Management is responsible for the identification, assessment and monitoring of operational risks relating to systems, people and processes and external events including cyber, conduct and regulatory risks; and
- Reputational Risk Management is key to identifying both internal and external incidents which may result in damage to the Bank's reputation.
- Market Risk Management is responsible for managing FX and interest rate exposures to specific risk thresholds;

These areas form part of a matrix management structure with reporting lines into both the CRO and the relevant IWM Risk Head.

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

CS Group Committee support: While local committees are implemented at a senior management level to support risk management for the entity, CSUK get further support from CS Group committees. For example, CS Group's Reputational Risk and Sustainability Committee sets policies and reviews processes and significant cases relating to reputational risks. CS Group Risk Processes and Standards Committee ('RPSC') is responsible for establishing and approving standards regarding risk management and risk measurement, including methodology and parameters across CS Group. Finally, CS Group Credit Portfolio and Provisions Review Committee review the quality of the credit portfolio with a focus on the development of impaired assets and the assessment of related provisions and valuation allowances.

Compliance Function

The Bank's Compliance Function is headed by the CSUK Chief Compliance Officer (CCO) and is responsible for providing compliance monitoring, advice and support in respect of all activities of CSUK and for providing effective and robust challenge as it assists senior management in effectively managing compliance risks. It advises on Compliance rules and regulations, including informing management and employees of relevant developments to enable them to comply with their regulatory obligations.

The CSUK Compliance Function fulfils its responsibilities by establishing relevant policies and procedures, delivery of training and education programmes, providing day to day compliance advice, overseeing the implementation of an adequate monitoring, surveillance, and testing programme, and escalating potential compliance and/or control issues. The CSUK Compliance coverage team provides advice and support to senior management in managing and mitigating compliance-related risks faced by CSUK.

The CSUK compliance function is supported by other Compliance functions including but not limited to: the Financial Crime Compliance ('FCC') function, which reports to the CSUK Money Laundering Reporting Officer ('MLRO') and Compliance Core Services (including monitoring, testing, trade surveillance and anti-fraud), and CCO Investigations.

FCC responsibilities include (but are not limited to) oversight and implementation of the UK legislation with regards to financial crime (POCA, UK Bribery Act, etc), researching and providing advice in relation to high risk client types including Politically Exposed Persons (PEP) relationships and those with heightened FCC reputational risk.

- FCC fulfils its responsibilities by ensuring that there are appropriate and proportionate risk management systems and controls in place to counter the risk that the entity might be used to further financial crime, overseeing the implementation of an adequate monitoring, surveillance and testing programme, specific to Anti-Money Laundering (AML), Sanctions, Anti-Bribery and Corruption (ABC) and Financial Crime prevention, and providing guidance and training to CSUK employees in relation to financial crime matters. FCC receive disclosures under the UK legislation with regards to suspicions and assessing whether they need to be reported to the appropriate external authorities.

Risk Culture

The Bank bases its business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

- We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
- Our risk management and compliance policies set out authorities and responsibilities for taking and managing risks;
- We actively monitor risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analysed and escalated, and large, repeated or unauthorized exceptions may lead to terminations, adverse adjustments to compensation or other disciplinary action; and
- We seek to establish resilient risk constraints that promote multiple perspectives on risk and reduce the reliance on single risk measures.

The Bank actively promotes a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behaviour and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees.

The Bank seeks to promote responsible behaviour through the Group's Code of Conduct, which provides a clear statement on the conduct standards and ethical values that we expect of our employees and members of the Board, so that we maintain and strengthen our reputation for integrity, fair dealing and measured risk-taking. In addition, our six conduct and ethics standards, which include client focus, meritocracy, stakeholder management, accountability, partner and transparency, are a key part of our effort to embed our core ethical values into our business strategy and the fabric of our organization.

The conduct and ethics standards are designed to encourage employees to act with responsibility, respect, honesty and compliance to secure the trust of our stakeholders. Initiatives in this area have provided employees with practical guidance on careful and considered behaviour and the importance of acting ethically and learning from mistakes. Our employee performance assessment and compensation processes are linked to the conduct and ethics standards and the Group's Code of Conduct.

Risk Management Framework

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

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

■ First Line of Defence

The first line of defence is the front office and business units, who are responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of CSUK. Its primary responsibility is to ensure compliance with relevant legal and regulatory requirements and maintain effective internal controls.

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

■ Second Line of Defence

The second line of defence includes functions such as risk, compliance and legal. It articulates standards and expectations for the effective management of risk and controls, including advising on applicable legal and regulatory requirements and publishing related policies, and monitors and assesses compliance with regulatory and internal standards. The second line of defence is separate

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from the front office and includes independent control functions responsible for reviewing, measuring and challenging front office activities and producing independent assessments and risk management reporting for senior management and regulatory authorities.

■ Third Line of Defence

The third line of defence is the internal audit function, which monitors the effectiveness of controls across various functions and operations, including risk management and governance practices.

Credit Risk

Overview

Credit risk is the possibility of loss incurred as a result of a borrower or counterparty failing to meet its financial obligations. In the event of a default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor. Credit risk exists within lending products, commitments, and results from counterparty exposure arising from foreign exchange derivative and other transactions.

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

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

Concentration risk is managed via limits setting and sub-participation to CS Group branches.

Credit Limits, Approval and Reviews

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

This CSUK Credit Risk Management Framework is regularly refined and covers all business areas that are exposed to credit risk. The Framework is designed to cover all of the credit exposures in the business and comprises seven core components:

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

Credit risk is evaluated through a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. Experienced credit officers analyse credit requests and assign internal ratings based on their analysis and evaluation of the client's creditworthiness and the type of credit transaction.

Senior credit managers make credit decisions on a transaction-by-transaction basis, at authority levels reflecting the size and complexity of the transactions and the overall exposures to counterparties and their related entities. These approval authority levels are set both at a group functional and a legal entity level.

A system of credit limits is used to manage individual counterparty credit risk. Other limits are also established to address concentration issues in the portfolio and limits for certain products. Credit exposures to individual counterparties or product groupings and adherence to the related limits are monitored by credit officers and other relevant specialists.

In addition, credit risk is regularly reviewed by the Credit Risk Committee taking current market conditions and trend analysis into consideration. The committee regularly analyses diversification and concentrations in selected areas as well as emerging risks in lending sectors. A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include current and projected business and economic conditions, historical experience, regulatory requirements and concentrations of credit by product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

Regular watch-list meetings are used to determine whether certain positions should be transferred to, and managed by Recovery Management International ('RMI'), an independent function that is responsible for setting the strategy and determining provision levels for impaired facilities. A systematic provisioning methodology is used to identify potential credit risk-related losses and impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure. Such provision levels are reviewed on an ongoing basis by RMI with any proposed changes advised to CSUK. The credit provisions review committee ('CPRC'), provide a high level review of the quarterly credit provisions and confirm the appropriateness of the Allowance for Loan Losses. In addition, trends and outlook are discussed.

Credit Risk Mitigation and Collateral

The Bank regularly agrees upon collateral in the lending contracts to be received from borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default.

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

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

Collateral securing loan transactions primarily includes physical collateral (real estate mortgages) and financial collateral (securities, guarantees).

Real Estate Collateral

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

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

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

The criteria used for the analysis includes the following:

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

Lombard Collateral

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

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

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

Netting

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

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

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

Regulatory Risk Weighting Approach

CSUK applies the Standardised Approach in determining the risk weights applied for the calculation of regulatory capital requirements for credit and counterparty risk under Pillar 1. Under this approach, ratings published by External Credit Assessment Institutions ('ECAIs') are mapped to Credit Quality Steps ('CQS') according to mapping tables laid down by the European Banking Authority ('EBA'). The CQS value is then mapped to a risk weight percentage. The ECAI used by CSUK for all types of exposures is Standard & Poor's.

Credit Exposures under the Standardised Approach

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

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

	Credit quality step						Unrated	Total	Deduction from capital resources
	1	2	3	4	5	6			
As at 31 December 2019									
Standardised Approach - credit exposures									
Central governments and central banks	4,325	-	-	-	-	-	-	4,325	-
Institutions	-	34,324	-	-	-	-	40,064	74,387	-
Corporates	-	-	-	-	-	-	127,200	127,200	-
Retail	-	-	-	-	-	-	30,575	30,575	-
Secured by mortgages on immovable property	-	-	-	-	-	-	1,763,811	1,763,811	-
Exposure in Default	-	-	-	-	-	-	96,293	96,293	-
Speculative immovable property financing	-	-	-	-	-	-	12,071	12,071	-
Other items	-	-	-	-	-	-	250,645	250,645	-
Total	4,325	34,324	-	-	-	-	2,320,660	2,359,309	-

Credit Quality Step Analysis of post-CRM Exposure and Capital Deductions under the Standardised Approach (£000s)

	Credit Quality Step						Unrated	Total	Deduction from Capital Resources
	1	2	3	4	5	6			
As at 31 December 2019									
Standardised Approach - Credit Exposures									
Central governments and central banks	4,325	-	-	-	-	-	-	4,325	-
Institutions	-	34,324	-	-	-	-	40,064	74,387	-
Corporates	-	-	-	-	-	-	81,305	81,305	-
Retail	-	-	-	-	-	-	14,629	14,629	-
Secured by mortgages on immovable property	-	-	-	-	-	-	1,753,876	1,753,876	-
Exposure in Default	-	-	-	-	-	-	96,293	96,293	-
Speculative immovable property financing	-	-	-	-	-	-	12,071	12,071	-
Other items	-	-	-	-	-	-	177,922	177,922	-
Total	4,325	34,324	-	-	-	-	2,176,161	2,214,809	-

Credit Exposures, Risk-Weighted Assets and Capital Requirements

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

Credit Exposures and RWA by Exposure Classes (£000s)

As at 31 December 2019					
Credit Exposures by Regulatory Approach:	Exposure at Default (pre-CRM)		RWA		Capital Requirements
	Average Exposure for Year	Year-end Exposure	Average for Year	Year-end	Year-end
<i>Standardised Approach</i>					
Central governments and central banks	4,473	4,325	-	-	-
Institutions	52,546	74,387	27,232	40,030	3,202
Corporates	143,189	127,200	87,599	81,305	6,504
Retail	31,494	30,575	12,370	10,972	878
Secured by mortgages on immovable property	1,766,435	1,763,811	703,751	723,128	57,850
Exposure in Default	97,019	96,293	97,312	96,236	7,699
Speculative immovable property financing	12,053	12,071	15,396	16,341	1,307
Other items	240,103	250,645	146,699	182,896	14,632
Total Standardised Approach	2,347,313	2,359,309	1,090,359	1,150,908	92,073
Total	2,347,313	2,359,309	1,090,359	1,150,908	92,073

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

Credit exposures - Analysed by Geographical Region (£000s)

As at 31 December 2019						
Credit Exposures by Regulatory Approach:	UK	Other Europe	Americas*	Middle East and Africa	Asia Pacific	Total
<i>Standardised Approach</i>						
Central governments and central banks	4,325	-	-	-	-	4,325
Institutions	4,845	66,325	1,228	3	1,987	74,387
Corporates	34,231	67,981	17,726	4,411	2,851	127,200
Retail	27,544	1,597	1	748	686	30,575
Secured by mortgages on immovable property	658,707	377,058	420,838	126,020	181,187	1,763,811
Exposures in Default	39,516	21,352	28,089	7,337	-	96,293
Speculative immovable property financing	-	12,071	-	-	-	12,071
Other items	210,905	16,669	60	16,932	6,078	250,645
Total Standardised Approach	980,073	563,054	467,942	155,451	192,789	2,359,309
Total	980,073	563,054	467,942	155,451	192,789	2,359,309

*includes exposure to counterparties domiciled in British Virgin Islands, Panama, Bahamas and Cayman Islands

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

Credit Exposures - Analysed by Industry (£000s)

As at 31 December 2019					
Credit Exposures by Regulatory Approach:	Financial	Commercial	Consumer	Public Authorities	Total
<i>Standardised Approach</i>					
Central governments and central banks	-	-	-	4,325	4,325
Institutions	72,214	2,173	-	-	74,387
Corporates	81,808	44,728	664	-	127,200
Retail	373	-	30,202	-	30,575
Secured by mortgages on immovable property	304,405	438,747	1,020,660	-	1,763,811
Exposure in Default	1,480	48,119	46,694	-	96,293
Speculative immovable property financing	-	12,071	-	-	12,071
Other items	13,988	2,059	234,599	-	250,645
Total	474,268	547,898	1,332,818	4,325	2,359,309

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

Credit Exposures - Analysed by Residual Maturity (£000s)

As at 31 December 2019				
Credit Exposures by Regulatory Approach:	Up to 12 months	1 - 5 years	Greater than 5 years	Total
<i>Standardised Approach</i>				
Central governments and central banks	4,325	-	-	4,325
Institutions	74,387	-	-	74,387
Corporates	127,200	-	-	127,200
Retail	30,575	-	-	30,575
Secured by mortgages on immovable property	241,359	1,430,953	91,500	1,763,811
Exposures in Default	54,613	41,680	-	96,293
Speculative immovable property financing	-	12,071	-	12,071
Other items	250,645	-	-	250,645
Total Standardised Approach	783,105	1,484,704	91,500	2,359,309
Total	783,105	1,484,704	91,500	2,359,309

Impaired and Past Due Exposures, Credit Risk Adjustments and Specific and General Credit Risk Adjustments

CSUK's accounting policies relating to impairment can be found in the 2019 Annual Report, Note 2, along with the definition for accounting purposes of 'impaired'. Information on impairment losses can be found in Note 16.

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

Industry Distribution of Allowances and Impaired Loans (£000s)

As at 31 December 2019						
Industry	Specific allowances	Inherent credit loss allowances	Total allowances	Loans with specific allowances	Loans with inherent credit loss allowances	Total impaired loans
Financial	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Consumer	6,739	-	6,739	39,449	-	39,449
Public Authorities	-	-	-	-	-	-
Total	6,739	-	6,739	39,449	-	39,449

Geographic Distribution of Allowances and Impaired Loans (£000s)

As at 31 December 2019						
Geography	Specific allowances	Inherent credit loss allowances	Total allowances	Loans with specific allowances	Loans with inherent credit loss allowances	Total impaired loans
UK	3,429	-	3,429	22,014	-	22,014
Other Europe	3,310	-	3,310	17,435	-	17,435
Middle East and Africa	-	-	-	-	-	-
Americas	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-
Total	6,739	-	6,739	39,449	-	39,449

Changes in allowances for impaired loans (£000s)

As at 31 December 2019			
	Specific allowances	Inherent credit loss allowances	Total allowances
Balance at beginning of period	1,375	-	1,375
Net additions / (releases) charged to income statement	2,702	-	2,702
<i>Gross write-offs</i>	-	-	-
<i>Recoveries</i>	-	-	-
Net write-offs	-	-	-
Provisions for interest	2,662	-	2,662
Foreign currency translation impact and other adjustments, net	-	-	-
Balance at end of period	6,739	-	6,739

Effect of a Credit Rating Downgrade

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

Counterparty Credit Risk

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

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

Net Derivatives Credit Exposure (£000s)

As at 31 December 2019					
	Gross positive fair value of contracts ⁽ⁱ⁾	Netting benefits	Netted current credit exposure	Collateral held	Net derivatives credit exposure
CCR Mark-to-market Method	55,014	(4,142)	50,871	-	50,871
Internal Model Method	-	-	-	-	-
Total	55,014	(4,142)	50,871	-	50,871

(i) including Gross PFCE

Exposures covered by Credit Risk Mitigation

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

Analysis of Credit Exposures covered by Funded Credit Protection (£000s)

As at 31 December 2019

Credit exposures by regulatory approach:	Financial Collateral
Standardised Approach	
Institutions	-
Corporates	45,895
Secured by mortgages on immovable property	9,935
Retail	15,946
Other items	72,723
Total Standardised Approach	144,499
Total	144,499

CSUK has no exposures covered by unfunded credit risk mitigation.

Liquidity Risk

Liquidity risk is the risk that a bank is unable to fund assets and meet obligations as they fall due under both normal and stressed market conditions.

CSUK manages liquidity risk using CS Group's global liquidity risk framework, which takes into consideration the liquidity time horizon up to 30 days (including any low points within the 30-day period) and 90 days. The framework ensures CSUK's compliance with group liquidity risk standards and promotes consistent liquidity risk management across CS Group entities. Adherence to this metric is monitored regularly to ensure CSUK's compliance with the Board's agreed risk appetite.

In addition, auxiliary metrics are risk managed, such as currency coverage ratios – measuring liquidity risk on a single currency level – as well as the reliance CSUK places on other legal entities within Credit Suisse. Liquidity risks are assessed annually as part of the Individual Liquidity Adequacy Assessment Process ('ILAAP')

CSUK also complies with the regulatory Liquidity Coverage Ratio (LCR) requirements by maintaining an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted easily and immediately into cash to meet its liquidity needs for a 30 calendar day liquidity stress scenario.

Liquidity Coverage Ratio (LCR) (£ million)

Quarter ending on	Total Adjusted Value			
	31/03/2019	30/06/2019	30/09/2019	31/12/2019
Number of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	840	900	1,049	1,010
Total Net Cash Outflows	516	532	550	462
Liquidity Coverage Ratio (%)	163%	172%	191%	246%

Market Risk

Overview

Market risk is the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant market parameters, such as market volatilities. CS Group defines its market risk as potential changes in fair values of financial instruments in response to market movements. A typical transaction may be exposed to a number of different market risks.

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

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

Exposure to Market Risk

At the CSUK level, the Bank has a policy of not taking proprietary market risk positions. Trading transactions are generally entered into on either an agency or back-to-back basis with other CS Group entities. Therefore CSUK's exposure to market risk typically arises from three sources:

- Structural interest rate and structural FX risk arise primarily from the loan and deposit books (a core value proposition and service offering). CSUK will avoid carrying material open interest or FX rate positions;
- FX risk arising from trades undertaken on behalf of clients. CSUK will aim to ensure net FX risks are 'flat' or matched currency positions resulting in minimal net daily profit and loss; and
- Exposure to settlement risk arising from trades executed on behalf of clients on a Delivery Versus Payment ('DVP') basis. CSUK's aggregate risk appetite for market risk arising from DVP services is subject to gross notional (oneway) and Value at risk ('VaR') thresholds, which are quantified in the Risk Appetite and monitored on a daily basis.

Typically CSUK's loan book is GBP denominated, whilst the deposit book is spread across a number of currencies. FX risk arising from this currency mismatch in the Banking Book is managed for CSUK by CS Global Treasury. The mandate given to CS Global Treasury is to run a matched currency book. Currency positions for CSUK are aggregated with currency positions of other CS Group entities and, where possible, internally matched before any hedging with external counterparties are undertaken.

Criteria for Inclusion in the Trading Book

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

The criteria for Trading Book classification are, broadly, that the position must be a transferable or hedgeable financial instrument; that there must be trading intent or a hedging relationship with another Trading Book item; and that daily fair value methodology must be applied for regulatory and risk management purposes.

Interest Rate Risk in the Banking Book

The interest rate risk exposures in the non-trading positions (synonymously used to the term "Banking Book") mainly arise from retail banking, and related funding activities, with the majority of interest rate risk centrally managed by Treasury centrally on a portfolio basis within approved limits using appropriate hedging instruments.

Management monitors and manages interest rate risk in the Banking Book by established systems, processes and controls. Risk sensitivity figures are provided to estimate the impact of changes in interest rates, which is one of the primary ways in which these risks are assessed for risk management purposes. In addition, CSUK confirms that the economic impacts of adverse shifts in interest rates, including a 200 basis points parallel shift in the yield curve and non parallel shifts, are significantly below the regulatory capital threshold used by regulators to identify excessive levels of non-trading interest rate risk. This risk is not therefore capitalised within the Pillar 1 regime: rather, it is analysed within the ICAAP and addressed in the PRA's determination of the CSUK's Pillar 2 capital requirements.

Credit Suisse Group AG's Board of Directors defines interest rate risk appetite for the Group and its subsidiaries, including CSUK, on an annual basis. Within those limits, the ALM CARMC and CSUK Board of Directors define a risk control cascade.

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 present 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 present 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.
- Value-at-Risk (VaR): 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. For risk management purposes, the Group uses a VaR measure based on a one-day holding period with a 98% confidence level where the considered historical values are time-weighted using a weighting scheme that assigns lower weights to observations further in the past.
- Economic value scenario analysis: Expresses the impact of a pre-defined scenario (e.g. instantaneous changes in interest rates) on a portfolio's fair value. This metric does not rely on statistical inference.

Monitoring and Review

The limits and flags defined by books, collections of books, businesses or legal entities relating to interest rate risk in the Banking Book are monitored by Treasury and Liquidity Risk Management (TLRM) at least on a monthly basis (if deemed necessary or suitable, the monitoring may be as frequent as daily), by using the metrics and methodologies outlined above. In case of breaches, this is escalated to the limit-setting body. The Group assesses compliance with regulatory requirements regarding appropriate levels of non-trading interest rate risk by estimating the economic impact of a range of adverse shifts in yield curves and then relating those impacts to the total eligible regulatory capital. Consistent with regulatory requirements, TLRM ensures that the economic value impact of this analysis is below the regulatory threshold to ensure there are no requirements to hold additional capital. This analysis is performed for the CSUK on a monthly basis.

Fair Value Impact of Change in Interest Rates on Non-Trading Positions (£ million equivalent)

As at 31 December 2019						
Basis points movement + / (-)	USD	GBP	EUR	CHF	Other	Total
200	(506.0)	(595.6)	(107.0)	(7.2)	1.2	(1,214.6)
(200)	506.0	595.6	107.0	7.2	(1.2)	1,214.6

Leverage Ratio

Overview

CSUK 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 November 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 CSUK's capital and risk management governance processes. Similar to CS Group level, internal targets (including the setting of internal management buffers where required) are developed and monitored and this process is flexible, reflecting changing regulatory expectations.

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

Factors impacting on Leverage Ratio during the Period

CSUK's leverage ratio increased to 8.47% as at 31 December 2019 from 7.83% as at 31 December 2018.

Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures (£000s)

As at 31 December 2019

Total assets as per published financial statements	3,483,980
Adjustments for derivative financial instruments	42,123
Adjustment for off-balance sheet items	41,263
Other adjustments	(22,614)
(i) Total On-balance Sheet Exposures (excluding Derivatives and SFTs)	3,544,752

Leverage Ratio Common Disclosure (£000s)

As at 31 December 2019

<i>On-balance sheet exposures</i>	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,665,188
Asset amounts deducted in determining Tier 1 capital	(22,614)
(i) Total On-balance Sheet Exposures (excluding Derivatives and SFTs)	2,642,574
<i>Derivative exposures</i>	
Replacement cost associated with all derivatives transactions	9,031
Add-on amounts for PFE associated with all derivatives transactions	41,840
(ii) Total Derivative Exposures	50,871
<i>Securities financing transaction exposures</i>	
Gross SFT assets, after adjusting for sales accounting transactions	810,044
(iii) Total Securities Financing Transaction Exposures	810,044
<i>Off-balance sheet exposures</i>	
Off-balance sheet exposures at gross notional amount	88,590
Adjustments for conversion to credit equivalent amounts	(47,327)
(iv) Total Off-balance Sheet Exposures	41,263
Tier 1 Capital	300,176
Total Exposures ((i) - (iv))	3,544,752
Leverage Ratio	8.47%

Split of On-Balance Sheet Exposures by Banking and Trading Book (Excluding Derivatives and SFTs) (£000s)

As at 31 December 2019	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,665,188
Trading Book exposures	-
Banking Book exposures, of which:	2,665,188
Exposures treated as sovereigns	4,325
Institutions	494,596
Secured by mortgages of immovable properties	1,685,762
Retail exposures	30,575
Corporate	121,819
Exposures in default	95,354
Items associated with particularly high risk	12,071
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	220,686

Scenario Analysis

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

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

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

Asset Encumbrance

Overview

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

Assets - Encumbered and Unencumbered Asset Analysis (£000s)

As at 31 December 2019				
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	13,041		3,505,653	
Equity instruments	-		-	
Debt securities	-	-	-	-
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	-	-
of which: issued by financial corporations	-	-	-	-
of which: issued by non-financial corporations	-	-	-	-
Other assets	13,041		3,505,653	
of which: Cash collateral	8,668		-	
of which: Securities purchased	-		898,723	
of which: Net loans	-		1,777,669	

Collateral Received (£000s)

As at 31 December 2019		
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	952,786
Loans on demand	-	-
Equity instruments	-	-
Debt securities	-	952,786
of which: covered bonds	-	-
of which: asset-backed securities	-	-
of which: issued by general governments	-	952,786
of which: issued by financial corporations	-	-
of which: issued by non-financial corporations	-	-
Loans and advances other than loans on demand	-	-
Other collateral received	-	-
of which:	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	-	-

Appendix 1: Capital Instruments' Main Features

Issuer	Credit Suisse (UK) Limited	Credit Suisse (UK) Limited	Credit Suisse (UK) Limited
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
Governing law(s) of the instrument	English	English	English
<i>Regulatory treatment</i>			
Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
Eligible at solo / (sub-)consolidated / solo & (sub-) consolidated	Solo	Solo	Consolidated
Instrument type (types to be specified by each jurisdiction)	Common Shares	Subordinated Debt	Subordinated Debt
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£245.23	£25.00	£30.00
Nominal amount of instrument	£245.23	£25.00	£30.00
Issue price	Par	Par	Par
Redemption price	Par	Par	Par
Accounting classification	Shareholders Equity	Liability -amortised cost	Liability -amortised cost
Original date of issuance	26-Mar-1997	07-Jan-2011	27-Sep-2018
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	No Maturity	31-May-2031	27-Sep-2028
Issuer call subject to prior supervisory approval	N/A	Yes	Yes
Optional call date, contingent call dates, and redemption amount	N/A	Optional, not before 7 January 2016, subject to prior PRA approval	Optional, not before 27 September 2023, subject to prior PRA approval
Fixed or floating dividend/coupon	N/A	Floating	Floating
Coupon rate and any related index	N/A	£3-month Libor + 310bps	£3-month Libor + 265bps
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	N/A	No	No
Noncumulative or cumulative	Non-Cumulative	Cumulative	Cumulative
Convertible or non-convertible	N/A	Non-convertible	Non-convertible
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 1	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A
		https://www.credit-suisse.com/corporate/en/investor-relations/financial-and-regulatory-disclosures/regulatory-disclosures/capital-instruments.html	https://www.credit-suisse.com/corporate/en/investor-relations/financial-and-regulatory-disclosures/regulatory-disclosures/capital-instruments.html

Appendix 2: Key Risks, Risk Mitigation and Core Metrics

As at 31 December 2019

Key Risk	Risk Description	Risk Mitigation	Indicative Core Metrics Monitored
Conduct Risk	The risk of poor conduct by CSUK and/or individuals resulting in clients not receiving a fair transaction, a lack of integrity in activities on financial markets and in the wider financial system and a lack of effective competition in the interests of clients. Conduct risk may arise from a variety of sources, including the potential unsuitability of products sold to clients due to their complexity, breaches of regulatory rules or laws by individual employees or CSUK's market conduct.	<ul style="list-style-type: none"> • Primary responsibility lies with CSUK's senior business line managers (first Line of Defence). CSUK participates in the Credit Suisse London Conduct Risk Committee (LCRC). • The LCRC will consider CSUK's adoption of compliance and other policies and training, and the use of employee training sessions to mitigate Conduct Risk. • Limit and control risk of adverse outcomes through policies, procedures and training 	<ul style="list-style-type: none"> • Market Conduct & Integrity Index • Employee Conduct Index • Regulatory Interaction Index • Client Conduct Index
Credit Risk	The risk to earnings (and potentially solvency) in the event of counterparties failing to meet their obligations and/or impairment of collateral.	<ul style="list-style-type: none"> • The credit risk management framework covers seven core components. • Collateral as security in the form of an asset or third-party obligation that either substitutes the borrower default risk or improves recoveries in the event of default. • CSUK also transacts under International Swaps and Derivatives Association ('ISDA') Master Agreements which provide for the net settlement of all transactions under the agreement. CSUK only deposits cash with other CS Group entities. • Country limits are approved annually for emerging markets. CSUK maintains capital adequacy in excess of regulatory requirements. 	<ul style="list-style-type: none"> • Sector concentration • Counterparty concentration • Unsecured facilities • Impaired loans
Liquidity Risk	The risk to earnings, capital or the conduct of business arising from the inability to meet both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank due to inability to access proper funding.	<ul style="list-style-type: none"> • Liquidity, funding and the management of FX positions are centrally managed by CS Group Treasury. Oversight provided by the ALM CARMC with ultimate responsibility of CSUK's Board of Directors. • Funding is a component of a conservative asset-liability management ('ALM') strategy aimed at maintaining a funding structure with long-term stable funding sources. • A liquidity buffer is also maintained to sustain operations for extended periods of time in the event of systemic and other crisis. • CSUK would activate its Contingency Funding Plan ('CFP') in the event of such a crisis. 	<ul style="list-style-type: none"> • Net stable funding ratio (NSFR) • Liquidity Coverage Ratio (LCR) • CS Internal Barometer 2.0 model • Currency Coverage Ratio

Key Risk	Risk Description	Risk Mitigation	Indicative Core Metrics Monitored
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<ul style="list-style-type: none"> Bank Operational Risk Oversight, the CSUK OpRisk Appetite Framework and Business Continuity Management are aligned to CS Group policies. Businesses areas take responsibility for their operational risk management and are supported by operational risk teams who are responsible for the implementation of the operational risk management framework, methodologies and reporting. CS Group-wide tools are employed including risk appetite tolerances, reporting of 'top' operational risks; utilising operational risk registers; risk and control indicators; risk and control self-assessments (RCSAs); analysis of internal operational risk incident data; review of external loss data; operational risk scenario development. 	<ul style="list-style-type: none"> Internal fraud External fraud Employment practice Clients, products and business practices Business and system disruption Damage to physical assets
Reputational Risk	The risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect CSUK's ability to maintain existing (or establish new) business relationships and continued access to sources of funding.	<ul style="list-style-type: none"> The Reputational Risk and Sustainability Committee sets policies, and reviews processes and significant cases relating to reputational risk. Business proposals are submitted to CS Group's Reputational Risk Review Process which includes submitting a proposal to CS Reputational Risk Approvers who are independent of the business division. 	<ul style="list-style-type: none"> Approved/declined applications for higher risk products / services in period Monitoring of Investor Visa clients
Market Risk	<p>Potential risk to earnings, primarily through FX positions, arising as a consequence of the lending book (FX gap risk); and intraday exposures from FX trading on behalf of clients; and settlement risk arising from DVP trades on behalf of clients.</p> <p>Potential risk to earnings arising primarily as a consequence of the Banking Book, potential MTM risk on failed client trades (FX and DVP), and to a lesser extent, other interest-rate sensitive earnings.</p>	<ul style="list-style-type: none"> CSUK has a policy of not taking proprietary market positions. Trading transactions are generally entered into on either an agency or 'back-to-back' basis. The Board of Directors sets limits on the level of exposure by single currency and in aggregate for both overnight and intra-day FX positions, which are monitored daily. The Board of Directors sets limits on the level of exposure at a client level and firm level arising from failed DVP trades, which are monitored daily. 	<ul style="list-style-type: none"> Funding gaps in the Banking Book Net open FX positions Gross notional, MTM and VaR on settlement risk arising from DVP trades Interest rate sensitivity to a +/- 200 basis point shift Model VaR and EaR on a yield curve shift
Financial Crime Risk	The risk of regulatory or legal breach, loss of reputation and the financial consequences thereof through facilitating any kind of criminal conduct relating to money or to financial services or markets.	<ul style="list-style-type: none"> Conduct business only with clients and beneficial owners whose identity and source of funds and wealth have been established, as appropriate, in accordance with local laws, rules and regulations; Subject client relationships and transactions that are deemed to have increased money laundering risk to higher scrutiny through enhanced due diligence; Monitor and, where appropriate, investigate client transactions to detect and prevent unusual or suspicious activity; and Escalate unusual or suspicious activity in accordance with local laws, rules and regulations. 	<ul style="list-style-type: none"> Proportion of higher risk (PEPs and EDD) clients Prospects declined Alerts SARs KYCs

Key Risk	Risk Description	Risk Mitigation	Indicative Core Metrics Monitored
Strategic Risk	The risk of negative outcomes which impair the ability of CSUK to execute its strategic business plans.	<ul style="list-style-type: none"> Focus on identifying, mitigating and systematically managing the risks to our strategic objectives. Monitored by Risk Committee Proactive management by the business via the ExCo to reduce barriers that would otherwise prevent CSUK from achieving its strategic objectives. Seek to be anticipatory and preventative – not reactive – in addressing Strategic Risk. 	<ul style="list-style-type: none"> Earnings at risk Focus on Risk Adjusted returns Target earnings stability (or volatility) against strategy / forecast
Pension Risk	Contingent liability arising from a Defined Benefits scheme (now closed). Market risk (which is materially hedged) and longevity risk.	<ul style="list-style-type: none"> Contingent liability arising from a Defined Benefit Scheme (now closed). The risk manifests in market risk (materially hedged) and longevity risk. Seek to manage the residual risk, maintaining adequate provisions for potential shortfalls. 	<ul style="list-style-type: none"> Monitoring potential level of provisioning for any contingent liability Tri-annual review with Plan manager
Climate Risk	Climate-related risks result from both transitional and physical effects of climate change. This may create a loss of financial (including revenues, expenditures, assets and liabilities, capital and financing), operational and reputational value to the Bank either on a direct or an indirect basis.	<ul style="list-style-type: none"> Climate-related risks are now included in the CS Group-wide risk taxonomy and Reputational Risk Review Process. CSUK's primary exposure to climate change is through the physical risks associated with its portfolio of commercial and residential real estate loans. CSUK would be able to react swiftly to emerging climate-related risks; facilities, secured against companies that are impacted by climate change can be managed by adjusting approved LTVs. Scenario analysis: At a Group-level, CS is testing approaches to scenario analysis. 	<ul style="list-style-type: none"> Risk taxonomy Reputation Risk Review Scenario analysis
Non-financial Risk	The risk of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes risks arising from the failure to comply with laws, regulations, rules or market standards that may have a negative effect on our franchise and clients we serve.	<ul style="list-style-type: none"> Effective management of non-financial risk requires a common framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of non-financial risks, as well as timely and meaningful management reporting. The Enterprise Risk and Control Framework ('ERCF') incorporates operational risk with compliance related components to provide coverage for non-financial risks, including cyber, compliance, financial crime and conduct risks. The ERCF provides a structured approach to managing operational and compliance risks. It seeks to apply consistent standards and techniques for evaluating risks across the CS Group while providing individual businesses with sufficient flexibility to tailor specific components to their own needs. 	<ul style="list-style-type: none"> ERCF review
UK's exit from the EU	The risks associated with a "no-deal" exit from the EU have reduced as the UK is likely to be leaving the EU in an orderly manner and with a withdrawal agreement.	<ul style="list-style-type: none"> CSUK is mitigating any remaining risk by continuing with the transfer of its EEA client base to other Credit Suisse locations in Europe. This transfer is substantially complete. 	<ul style="list-style-type: none"> Reviews

Key Risk	Risk Description	Risk Mitigation	Indicative Core Metrics Monitored
Technology and Cyber Risk	The risk of failure or malfunction of storage, server or other Technology assets impacting business operability and access to information, and leading to harm or loss, whether caused by: an IT failure, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.	<ul style="list-style-type: none"> Technology risks for CSUK are managed through the Bank's technology risk management programme, business continuity management plan and business contingency and resiliency plans. Technology risks are included as part of the overall ERCF assessment for CSUK, based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood. CSUK is also part of the enterprise-wide Cybersecurity Strategy to provide strategic guidance to achieve an optimised end-to-end security and risk competence that enables a secure and innovative business environment, aligned with the Bank's risk appetite. 	<ul style="list-style-type: none"> Business Continuity and Business Contingency plans review ERCF review
Credit Cycle	A credit cycle describes the expansion and contraction of access to credit by borrowers over time. When the economy passes through its peak, client assets and investments could decrease in value, or decrease in income, therefore reducing the client's ability to repay their mortgage loans. Clients may also be less motivated to use Lombard facilities against their marketable securities portfolio for fear of margin calls. With a higher risk of borrower default, banks reduce their risk appetite and raises interest rates with a contraction in the availability of credit. Entry into a contraction cycle, or a prolonged contraction cycle, may impact the Bank's credit book quality and income stream.	<ul style="list-style-type: none"> CSUK took action to reduce its risk appetite before the recent contraction in the London real estate market and implemented a reduction in maximum Loan-to-Value ('LTV') to mitigate this risk. 	<ul style="list-style-type: none"> Risk review
Replacement of interbank offered rates (IBOR)	A major structural change in global financial markets is now in progress. Global regulators are asking the market to replace certain IBORs with alternative reference rates ('ARRs') by the end of 2021. Industry Groups comprising public and private sector representatives have identified recommended replacement benchmarks, established milestones for the transition and created forums for industry participants to provide feedback and discuss best practices.	<ul style="list-style-type: none"> CSUK has identified a number of assets and liabilities linked to IBOR benchmarks that require transition to ARR and is participating in the Group-wide IBOR Transition Program to manage a smooth and orderly transition, whilst looking to minimise the impact on its clients and on the risks the Bank takes. 	<ul style="list-style-type: none"> Review transition
Disruption due to COVID-19	The ongoing UK government and Credit Suisse responses to the Covid-19 pandemic could result in disruptions to BAU activities for the Bank. The pandemic could result in significant market volatility and increase the risk of a UK recession.	<ul style="list-style-type: none"> Credit Suisse has a well-established process for Crisis Management and ensures regular communication with its employees. CSUK has invoked its business continuity plans following the UK Government's advice with employee safety paramount. In response to the COVID-19 outbreak, CSUK via the CS group Crisis Management Team has been monitoring the situation very closely 	<ul style="list-style-type: none"> WHO guidance Monitoring key metrics Business Continuity Crisis Management

Key Risk	Risk Description	Risk Mitigation	Indicative Core Metrics Monitored
	In addition, fiscal policy responses could result in adverse consequences for the Bank's businesses.	and implemented additional health and safety measures that are consistent with the guidance and recommendations from both the national and international health authorities, as well as regulatory authorities. The advice CSUK is giving to clients and invitees to Credit Suisse events is aligned with the guidance from the World Health Organisation, plus national governments and regulators. Through its contingency plans, CSUK has put in place various response measures in order to ensure the continuity of its operations and protect the health and safety of its employees, including travel restrictions, a quarantine protocol, guidelines for client meetings and employee gatherings and ensured that all employees are provided with the means to work remotely. CSUK holds buffers in accordance with the internal stress methodology as well as regulatory requirements (refer to the Risk Management section). Market events in the first quarter of 2020 have increased capital and liquidity usage and CSUK remains well in excess of all internal capital and liquidity requirements.	

Appendix 3: Directorships

CSUK's Board Members hold the following number of directorships as at 04 March 2020:

Name	Gender	Independent	Appointment Date*	Total Number of Directorships
C Berchem	M		12/09/2017	1
A Conner	M		26/06/2019	1
M Erasmus	F	Independent	24/10/2017	4
J Forrester	M		21/02/2017	1
I Hale	M		08/12/2014	1
A Kinney	F	Independent	29/11/2017	3
U Rüst	M		05/12/2019	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.

The following management and governance changes have been effected since 1 January 2019:

- Simon Politzer resigned as Chief Operating Officer ('COO') and Executive Director;
- Alistair Conner was appointed as COO and Executive Director in June 2019;
- Maura Sullivan resigned as Chief Finance Officer ('CFO') and Executive Director;
- Caroline Waddington was appointed as Interim CFO in June 2019; and
- Urs Rüst was appointed Notified Non-Executive Director ('NED') in December 2019.

The following management and governance changes have been effected since 31 December 2019:

- Michael Bussey resigned as Independent Non-Executive Director, Chair of the Board and Chair of the Remuneration & Nominations Committee in January 2020;
- Maureen Erasmus was appointed the Chair of the Board and the Chair of the Nominations Committee subject to regulatory approval and resigned as Chair of the Risk Committee;
- Sandy Kinney was appointed as Chair of the Remuneration Committee subject to regulatory approval;
- Jason Forrester was appointed as Interim Chair of the Risk Committee; and
- Caron Hughes was appointed as CFO subject to regulatory approval.

Appendix 4: List of Abbreviations and Glossary

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

Pillar 3 Disclosures 2019

Term	Definition
Master netting agreement	An agreement between two counterparties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on, or termination of any one contract.
Minimum capital requirements	The minimum amount Pillar 1 requirements to be held for credit, market and operational risk.
N	
Netting	Netting is a means to reduce on- and off- balance sheet credit risk exposures by offsetting the value of any contracts or other positions held with the same counterparty.
O	
OTC	<i>Over-the-counter</i> . A security or other financial instrument not traded on a formal exchange.
P	
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRD IV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRDIV prescribed capital, risk and remuneration disclosure requirements.
PRA	<i>Prudential Regulation Authority</i> - The UK regulator responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms
R	
Reverse repurchase agreement	An agreement that allows a borrower to use a financial security as collateral for a cash loan.
RWA	<i>Risk-weighted asset</i> : derived by assigning risk weights to an exposure value.
S	
SAR	<i>Suspicious activity report</i> . An SAR is a piece of information alerting law enforcement agencies (such as the National Crime Agency) that a certain customer activity is in some way suspicious and may indicate money laundering or terrorist financing
SFT	<i>Securities financing transaction</i> : lending or borrowing of securities (or other financial instruments), a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
SREP	<i>Supervisory Review and Evaluation Process</i> .
Stressed VaR	A market risk capital charge derived from potential market movements applied over a continuous one-year period of stress to a Trading Book portfolio.
T	
Tier 1 capital	A component of regulatory capital, comprising CET1 and Additional Tier 1 capital as defined by Basel III and the CRDIV.
Tier 1 capital ratio	The ratio of Tier 1 capital to total RWA.
Tier 2 capital	A lower quality of capital (with respect to 'loss absorbency') also known as 'gone concern' capital.
TLRM	Treasury and Liquidity Risk Management
Trading Book	Positions held with intent to trade or to hedge other items in the Trading Book.
V	
VaR	<i>Value-at-risk</i> : loss estimate from adverse market movements over a specified time horizon and confidence level.

Cautionary Statement Regarding Forward-looking Information

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

- our plans, objectives or goals;
- our future economic performance or prospects;
- the potential effect on our future performance of certain contingencies; and
- assumptions underlying any such statements.

Words such as “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets, the economic disruptions caused by pandemic COVID-19 in 2020 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold and other targets and ambitions;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyberattacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

The foregoing list of important factors is not exclusive.



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