

# 2021 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 2021. It should be read in conjunction with CSUK's 2021 Annual Report which can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

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

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 2021 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 2021 Annual Report.

## Basis of Consolidation

These Pillar 3 disclosures are prepared on a stand-alone basis, as are 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 2021') on the Credit Suisse website at [www.credit-suisse.com](http://www.credit-suisse.com).

# Capital Management

## Overview

Capital risk is the risk that the Bank does not maintain adequate capital to support its activities and maintain the minimum capital requirements. The CS group considers a strong and efficient capital position to be a priority. Consistent with this, Capital risk is measured and monitored by CSUK through regular capital adequacy reporting produced by the Basel Measurement & Reporting team ('BMR'). Internal Capital Reports are distributed to management including period-on-period variance analysis to ensure the drivers of movements in capital adequacy are identified and understood. 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. 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. 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 ('SREP') conducted by the PRA when assessing the Bank's minimum level of regulatory capital.

Each quarter, the Asset and Liability Management Capital Allocation and Risk Management Committee ('ALM CARMC') reviews the current capital adequacy position as well as a forecast position to identify any potential adverse movements in the CET1 and Total Capital ratios that could require management action. The Chief Risk Officer ('CRO') has established a risk appetite for capital risk and this is monitored quarterly by the ALM CARMC and Risk Committee. Annually, the ICAAP assesses the adequacy of capital in both benign and during a range of plausible, adverse stress scenarios. The ICAAP informs management of what reasonable actions may be necessary to restore the capital position, if required, during times of economic stress.

## 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 following tables, together with a reconciliation to CSUK's 2021 IFRS Statement of Financial Position. No amount shown in 'Own Funds' is subject to CRD IV transitional provisions. CSUK did not apply the transitional arrangements specified in Article 473a for IFRS 9 and the own funds, capital and leverage ratios already reflect the full impact of IFRS 9.

### Capital Composition (£000s)

As at 31 December		2021	2021		2020
		Own Funds	Statement of Financial Position <sup>(1)</sup>	Difference	Own Funds
	Note	(a)	(b)	(a) - (b)	
<b>Tier 1 (and CET1) Capital</b>					
Ordinary shares		245,230	245,230	—	245,230
Share premium		11,200	11,200	—	11,200
Retained earnings		37,298	37,298	—	27,243
Capital contribution reserve		57,500	57,500	—	57,500
<b>Tier 1 (and CET1) before regulatory deductions</b>		<b>351,228</b>	<b>351,228</b>	<b>—</b>	<b>341,173</b>
<b>Prudential filters and regulatory adjustments</b>					
Intangible assets	(2)	(14,044)			(26,427)
Deferred tax assets on non-temporary differences	(3)	(995)			(1,054)
Prudent Valuation Adjustment	(4)	(16)			—
<b>Total Tier 1 (and CET1) Capital</b>	(5)	<b>336,172</b>	<b>351,228</b>	<b>(15,056)</b>	<b>313,692</b>
<b>Tier 2 Capital</b>					
Subordinated loan		55,000	55,000	—	55,000
<b>Total Tier 2 Capital</b>		<b>55,000</b>	<b>55,000</b>	<b>—</b>	<b>55,000</b>
<b>Total Capital ('Own Funds')</b>		<b>391,172</b>	<b>406,228</b>	<b>(15,056)</b>	<b>368,692</b>

### Capital Ratios

As at 31 December	2021	2020
Common Equity Tier 1	25.09%	23.45%
Tier 1	25.09%	23.45%
<b>Total Capital</b>	<b>29.19%</b>	<b>27.56%</b>

Notes:

- (1) 2021 Statement of Financial Position for (i) Total Equity and (ii) Subordinated Debt values are prepared under IFRS.
- (2) Intangible assets do not qualify as capital for regulatory purposes under CRD IV [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.
- (4) A prudent valuation adjustment is applied in respect of fair valued instruments as required under CRD IV regulatory capital rules [CRR Articles 34, 105].
- (5) 2020 is restated to include audited profits for the year ended 31 December 2020.

The CSUK Total Capital Requirement (the sum of Pillar 1 and Pillar 2A) is 14.24% as set out in PRA notification relating to Policy Statement PS15/20 Pillar 2A: Reconciling capital requirements and macro-prudential buffers ('PS15/20').

## 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	2021	2021	2020	2020
	RWAs	Capital Requirement	RWAs	Capital Requirement
<b>Credit and counterparty risk</b>				
<i>Standardised Approach</i>				
Institutions	28,229	2,258	22,920	1,834
Corporates	95,572	7,646	80,230	6,418
Retail	17,466	1,397	14,875	1,190
Secured by mortgages on immovable property	635,010	50,801	618,676	49,494
Exposure in Default	175,179	14,014	199,338	15,947
Items associated with particularly high risk (speculative immovable property financing)	—	—	27,824	2,226
Other items	155,809	12,465	132,864	10,629
<b>Total Standardised Approach</b>	<b>(1) 1,107,266</b>	<b>88,581</b>	<b>1,096,727</b>	<b>87,738</b>
<i>Credit Valuation Adjustment (CVA)</i>				
CVA - Standardised Method	2,167	173	1,167	93
<b>Total CVA</b>	<b>2,167</b>	<b>173</b>	<b>1,167</b>	<b>93</b>
<b>(i) Total credit and counterparty credit risk</b>	<b>1,109,433</b>	<b>88,755</b>	<b>1,097,895</b>	<b>87,832</b>
<b>Market risk (PRA Standard Rules)</b>				
Foreign exchange	—	—	—	—
<b>(ii) Total market risk</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other risks</b>				
Settlement or delivery risk	—	—	—	—
Operational risk - Basic Indicator Approach	<b>(2) 230,434</b>	18,435	239,911	19,193
<b>(iii) Total other risks</b>	<b>230,434</b>	<b>18,435</b>	<b>239,911</b>	<b>19,193</b>
<b>Grand total RWA and capital requirements (i) - (iii)</b>	<b>1,339,867</b>	<b>107,189</b>	<b>1,337,806</b>	<b>107,024</b>

Notes:

(1) The increase in credit risk RWA is due to the increase in exposure secured by mortgages, Lombard credit and overdrafts offset by decrease in defaulted exposures.

(2) Operational risk RWA is as per the Basic Indicator Approach ('BIA') and is calculated as the average of the previous 3 years audited net revenues (years-ended 2018, 2019 and 2020).

## Linkages between Financial Statements and Regulatory Exposures

The following table LI1 shows the differences between the scope of accounting consolidation and the scope of regulatory consolidation.

### LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

<b>Balance sheet</b>	<b>col. a</b>	<b>col. b</b>	<b>col. c</b>	<b>col. d</b>	<b>col. e</b>	<b>col. f</b>	<b>col. g</b>
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation <sup>1</sup>	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction of capital <sup>2</sup>
			Carrying values of items:				
<b>Assets (£000s)</b>							
Cash and due from banks	408,064	408,064	408,064	—	—	—	—
Interest-bearing deposits with banks	—	—	—	—	—	—	—
Securities purchased under resale agreements	1,048,198	1,048,198	—	1,048,198	—	1,048,198	—
Trading financial assets mandatorily at fair value through profit or loss	14,526	14,526	—	14,526	—	14,526	—
Loans and Advances	2,041,139	2,041,139	2,057,972	—	—	—	(16,834)
Other assets	48,352	48,352	48,352	—	—	—	—
Deferred tax assets	5,041	5,041	4,046	—	—	—	995
Intangible assets	14,044	14,044	—	—	—	—	14,044
Goodwill	—	—	—	—	—	—	—
<b>Total assets</b>	<b>3,579,364</b>	<b>3,579,364</b>	<b>2,518,434</b>	<b>1,062,724</b>	<b>—</b>	<b>1,062,724</b>	<b>(1,795)</b>
<b>Liabilities (£000s)</b>							
Deposits	3,118,581	3,118,581	381,320	—	—	—	2,737,261
Trading financial liabilities at fair value through profit or loss	14,217	14,217	—	14,217	—	14,217	—
Current Income tax liability	4,747	4,747	—	—	—	—	4,747
Other liabilities	32,882	32,882	—	2,488	—	2,488	30,394
Provisions	2,709	2,709	—	—	—	—	2,709
Long term debt	55,000	55,000	—	—	—	—	55,000
<b>Total liabilities</b>	<b>3,228,136</b>	<b>3,228,136</b>	<b>381,320</b>	<b>16,705</b>	<b>—</b>	<b>16,705</b>	<b>2,830,111</b>

Notes:

(1) As of 2021 there is no difference between the carrying values reported in financial statements and those under the scope of regulatory consolidation.

(2) Column 'g' asset values on Deferred tax and Intangible represents the items subject to regulatory deduction from capital. These are also explained by notes (2) and (3) in the Capital Composition table.

The table LI2 below shows the main sources of differences between the financial statements' carrying value amounts and the exposure amounts used for regulatory purposes.



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

Amounts in £000s	Items subject to				
	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
	col. a	col. b	col. c	col. d	col. e
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	3,581,158	2,518,434	—	1,062,724	1,062,724
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	398,025	381,320	—	16,705	16,705
Total net amount under regulatory scope of consolidation	3,183,134	2,137,114	—	1,046,020	1,046,020
Off-balance sheet amounts	73,710	73,710	—	—	—
Derivative transactions - Differences due to application of Standard Rules (SR)	29,487	—	—	29,487	—
SFT - differences due to application of Standard Rules (SR)	(1,048,198)	—	—	(1,048,198)	—
Other Differences not classified above	—	(10,308)	—	—	(1,046,020)
<b>Exposure amounts considered for regulatory purposes</b>	<b>2,238,132</b>	<b>2,200,516</b>	<b>—</b>	<b>27,308</b>	<b>—</b>

Notes:

(1) Column (a) is not necessarily equal to the sum of columns (b) to (e) due to assets being risk-weighted more than once.

## Countercyclical Capital Buffer ('CCyB')

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

The UK CCyB rate has remained unchanged since the FPC reduced the rate to 0% in 2020. CCyB rates have also been set by Bulgaria, Czech Republic, Hong Kong, Luxembourg, Norway and Slovakia and apply to exposures to those countries. All other EEA member states had their CCyB rate set at 0%. No further disclosures are made on CCyB on the basis of materiality.

## Economic and Regulatory Environment

CSUK is impacted by a range of political, macroeconomic, regulatory and accounting developments. The operating environment continues to evolve rapidly resulting in the need for CSUK to continue evaluating, assessing and adapting its strategy. The COVID-19 pandemic has had, and continues to have, a material impact on operating conditions on businesses around the world and the economic environments in which they operate. The emergence of new COVID-19 variants during 2021 (Delta, Omicron) continued these impacts whilst the roll out of vaccination programmes across the world helped to constrain the impacts of the pandemic and facilitate the re-opening of the world's economies.

### 2021 Events

Credit Suisse International ('CSi'), a fellow group subsidiary, incurred significant losses in 2021 in respect of the failure by Archegos Capital Management to meet its margin commitments. CSUK was not directly impacted by this event.

Beginning in the fourth quarter of 2021, CS group introduced a fee waiver program for clients with direct Supply Chain Finance Funds ('SCFF') holdings wherein certain commissions and fees arising from current and future business transactions may be reimbursed on a quarterly basis, provided certain conditions are met. CSUK had limited direct exposure and has booked a provision of £117k for fee reimbursements to clients with direct holdings in SCFF.



### **Basel 3 Reforms**

The PRA and FCA had previously revised the target date for the implementation of the remaining Basel 3 reforms in the UK. During 2021, PRA proposed new requirements to implement some of the remaining Basel III standards and to make rules that restate elements of the CRR and related onshored EU level 2 regulations made under the CRR ('CRR2'). In October 2021, PRA published the final rules and the UK leverage ratio framework through a new PRA CRR rule instrument. These come into force from 1st January, 2022. CSUK is implementing the changes under CRR2 as applicable, notably the standardised approach for measuring counterparty risk and amendments to the large exposures rules among other changes.

# Principal Risks and Uncertainties

## Material Risks

CSUK has established a risk framework designed to manage the full range of risks inherent in its business strategy. Within that framework, two of the most material risks for the Bank are credit risk and operational (or non-financial) risk, including conduct risk, financial crime risk and technology and cyber risk, and they attract the majority of our regulatory capital requirements. The other material risks for CSUK are business risk, capital risk, climate risk, market risk, reputational risk, and treasury and liquidity risk. All of the material risks are covered in Appendix 2 and further risk drivers deemed to be significant in 2021 are covered below. As part of the Risk Appetite framework, the Bank manages and monitors its risks through specific risk appetites.

## Key Risk Drivers

### Replacement of interbank offered rates

A major structural change in global financial markets is in progress with respect to the replacement of certain IBOR benchmarks with alternative reference rates ('ARR'). There are significant risks associated with the transition, including financial, legal, tax, operational and conduct risks and the risk of an untimely transition due to a lack of client or market readiness. At the end of 2021 a major industry milestone was reached: the publication of most non-USD and select USD LIBOR rates has been discontinued and CSUK completed the transition of its exposures to appropriate ARR. Global policies and controls have been updated to reflect the latest developments and the Group's IBOR transition program team continues to work with our businesses and clients to ensure timely mitigation of the residual risks.

### Disruption due to COVID-19

The COVID-19 pandemic continued to affect the economic environment throughout 2021. Infection rates ebbed and flowed across countries during the course of 2021, including in countries where Credit Suisse has a significant presence. Vaccination programs during the year continued to significantly reduce the correlation between COVID-19 infection and serious illness, although booster shots were increasingly required to sustain a high level of protection. In addition, in the fourth quarter of 2021 an additional challenge arose with the emergence of the COVID Omicron variant, which is more transmissible than previous variants. However, in January 2022 there were signs in Europe that the Omicron infection wave was peaking and that governments would relatively soon be able to ease social and economic restrictions. We continue to monitor closely the COVID-19 pandemic and its effects on our operations and businesses, including the potential effects of the withdrawal of government support regarding testing and in other areas.

### Climate change

The relevance of climate-related risks continues to grow, driven by a potential acceleration of transition policies and manifesting physical impacts. Credit Suisse has made significant progress in analysing climate-related risks and developing solutions addressing local regulatory initiatives, while engaging with industry peers and other stakeholders with the aim to set best practices in this field. To manage transition risks, Credit Suisse has adopted several initiatives, including becoming a founding member of the Net-Zero Banking Alliance convened by the UN Environment Program Finance Initiative, and also committed to the Science Based Targets initiative ('SBTi'). With regard to indirect physical risks, we assessed climate-related risks by applying physical models to our portfolios, we are expanding our capabilities to identify and monitor climate-related risks at the Group-wide level and we extended the sectorial coverage of client energy transition frameworks ('CETFs') which are designed to assist clients in developing and executing plans to decarbonize.

## Russia's invasion of Ukraine

In late February 2022, the Russian government launched a military attack on Ukraine. In response to Russia's military attack, the US, EU, UK, Switzerland and other countries across the world imposed severe sanctions against Russia's financial system and on Russian government officials and Russian business leaders. The sanctions included limitations on the ability of Russian banks to access the SWIFT financial messaging service and restrictions on transactions with the Russian central bank. The Russian government has also imposed certain countermeasures, which include restrictions relating to foreign currency accounts and security transactions. These measures followed earlier sanctions that had already been imposed by the US, EU and UK in 2021 in response to alleged Russian activities related to Syria, cyber security, electoral interference and other matters.

CSUK has assessed the impact of the sanctions already imposed, and potential future escalations, on its exposures and client relationships. As of 21 April 2022, CSUK had no credit exposure to Russian sanctioned parties. CSUK notes a potential impact on its financial performance, including credit loss estimates if the sanctions expand in scope, particularly in relation to potential restrictions on deposits in the UK, implementation of EU dealing restrictions and deposit restrictions on clients who book into CSAG in Switzerland. At this early stage, it is not possible to provide estimates of the potential impacts.

## Inflation Concerns

Annual inflation rates increased in 2021 across all major economies. The prospect that supply chain disruptions could be prolonged and the surge in natural gas prices in late 2021 also indicated that annual inflation rates would likely remain high far into 2022. The outlook of annual inflation remaining high for a longer period of time forced major central banks to accelerate the withdrawal of emergency monetary policies and liquidity supports put in place to underpin the markets during the earlier stages of the COVID-19 crisis. In the fourth quarter of 2021 and in early 2022, the US Federal Reserve ('FED') started to reduce its asset purchase program and indicated to the markets that it would raise the Federal Funds Rate and start to reduce its balance sheet during the course of 2022. Other major central banks, including the Bank of England, also started to withdraw their emergency monetary policies in late 2021 and short-term interest rates are on the rise in the major developed economies. Government bond yields increased across durations and were more volatile. The rise in US government bond yields also lifted sovereign bond yields in other developed market economies, including the UK, and led to a stronger US dollar. Investors were concerned that an accelerated withdrawal of support, as well as higher and more volatile government bond yields would have potentially adverse impacts on major global equity and credit markets as well as on certain emerging market countries.

# Risk Management

## Overview

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 and the interests of clients, stakeholders and employees, 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 principal risks and uncertainties.

Capital risk is the risk that we do not have adequate capital to support our activities and maintain the minimum capital requirements. For CSUK, the primary drivers of capital risk are credit risk and operational risk and these components are identified, monitored and managed as detailed below. Under the Basel framework, we are required to maintain a robust and comprehensive framework for assessing capital adequacy and ensuring that capital is consistent with our overall risk profile and the current operating environment. The Bank's capital management framework is designed to ensure that we meet all regulatory capital requirements and the CSUK ALM CARMC reviews the current capital adequacy position as well as a forecast position to identify any potential adverse movements which could require management action.

## Board of Directors

The Board of Directors is 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 Board is also responsible for ensuring the business is managed within the agreed Risk Appetite, which 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 non-financial risk 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 Nominations Committee which evaluate the balance of skills, knowledge and experience of the Board of Directors by reference to the requirements of the Bank, and similarly to consider the skills, knowledge and experience of individual candidates for appointment 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. The Board in 2021 exceeded its target of at least 25 per cent female representation achieving 45% female representation on the Board and will continue to monitor the composition in 2022 through periodic reviews of structure, size and performance of the Board. Details of the number of directorships held by Board Members are shown in Appendix 3.

The Board supports the Whistleblowers' Champion to review and assess the integrity, independence, effectiveness and autonomy of the Bank's policies and procedures on whistleblowing.

## Risk Appetite

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 financial 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 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 Risk Committee ('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 Appendix 2, with additional disclosures on CSUK's risk management framework detailed in its 2021 Annual Report.

## Risk Governance

The Board of Directors is responsible for the overall risk management framework 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 Individual Liquidity Adequacy Assessment Process ('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.

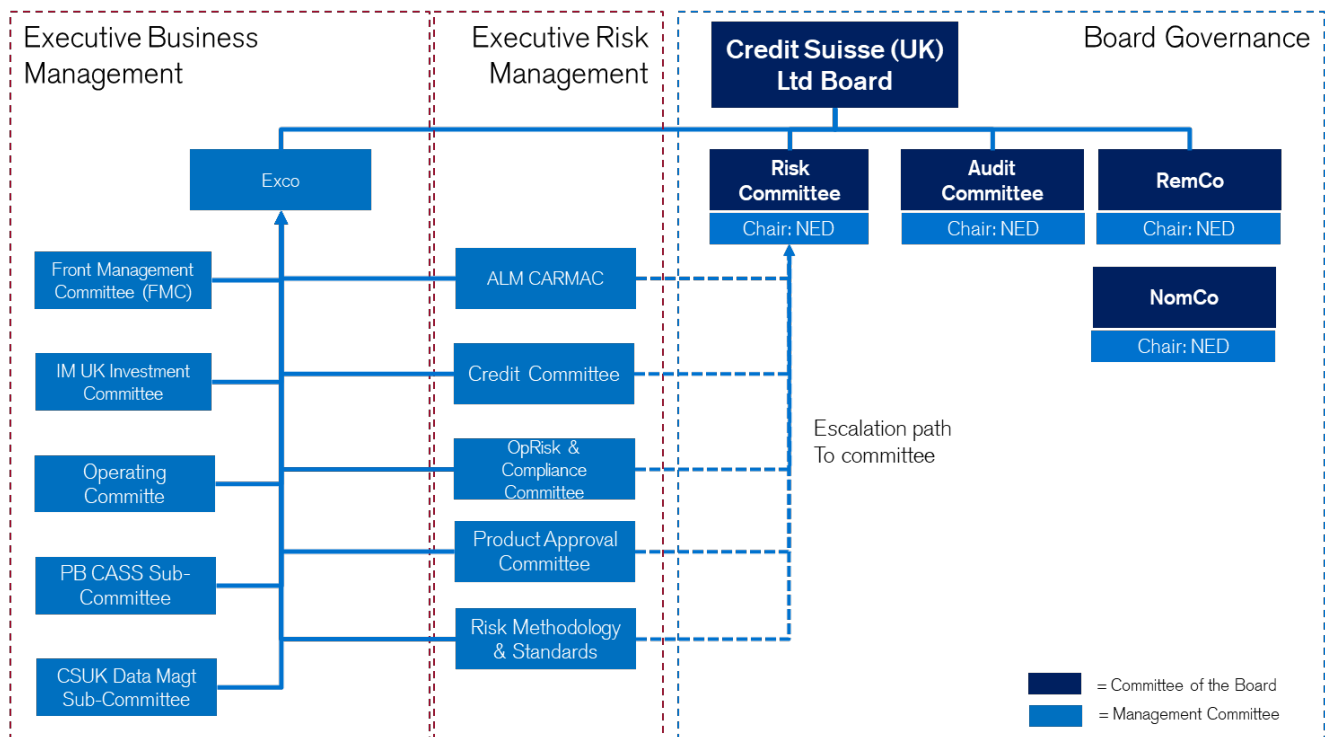
CSUK's corporate governance policies and procedures are aligned with the CS group policies. Other relevant corporate governance documents include the CSUK Articles of Association, Organisational Guidelines and Regulations, the Charters of the Board of Directors, the Terms of Reference of each CSUK committee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

### Three Lines of Defence

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.

- 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 responsibilities are to ensure compliance with relevant legal and regulatory requirements, to maintain effective internal controls and to manage risk within the agreed risk appetites. 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 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 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.
- The third line of defence is the internal audit function, which monitors the effectiveness of controls across various functions and operations, including risk management, compliance and governance practices.

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.

- 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.
- 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 group 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. The Audit Committee also reviews and assesses the independence, integrity, adequacy of resourcing and performance, of CSUK Internal Audit. The Audit Committee is authorised to have direct access to, and receive regular reports from, the External and Internal Auditors as well as CSUK's management and employees.
- The Advisory 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.
- The Nominations Committee is responsible for the identification and recommendation for approval, by CSG/ Credit Suisse AG, 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 leading a Board evaluation process.

## Executive Risk Management Committees Overview

Management Committees support the Chief Executive Officer ('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 Committee:** The Credit Committee is chaired by the CRO and members 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 Chief Financial Officer ('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. In addition, the CSUK Funding Execution Committee is formed on activation of the CSUK crisis management plans and is responsible for ensuring that the CSUK adopts an appropriate response to significant liquidity and funding issues impacting the UK entities during periods of stress.
- **Operational Risk and Compliance Committee:** Co-chaired by the CRO and the Chief Compliance Officer ('CCO') is responsible for maintaining sound and robust operational risk management across CSUK by acting as a central business governance committee to discuss, understand, measure, and access key operational and compliance risks to the Bank.
- **Product Approval Committee ('PAC'):** Chaired by the Head of A&S UK, is responsible for the review and approval of relevant products and services (including service propositions) that are developed, offered for sale and/or made available by the Bank to clients or prospective clients. In addition, the PAC is responsible for monitoring compliance with all relevant market requirements.
- **Risk Methodology Standard Committee ('RMSC'):** The purpose of RMSC, chaired by the CRO, 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 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 are a key part of our effort to embed our core ethical values into our business strategy and the fabric of our organisation.

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 material and significant risks.

## 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 limits, policies and internal control environment to the Bank's agreed risk appetite. 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.

The Bank's second line of defence is led by the Chief Risk Office ('CRO') and the Chief Compliance Office ('CCO'), who report to the Bank's CEO and, respectively, to CS Group Wealth Management Chief Risk Office ('WM CRO') and Chief Compliance Office ('WM CCO') management.

The CCO is responsible for monitoring and setting risk appetite for conduct risk and regulatory risk and financial crime risk via the Money Laundering Reporting Officer ('MLRO'). The CRO is responsible for overseeing the Bank's risk profile across all other risk types. In combination, the CRO and CCO are responsible for providing oversight and establishing a framework and policies to monitor and manage all risk matters.

#### Chief Risk Office ('CRO')

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

- Credit Risk Management is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios;
- Market Risk Management is responsible for managing FX and interest rate exposures to specific risk thresholds.
- Non-Financial Risk Management ('NFRM') is responsible for the identification, assessment and monitoring of operational risks relating to systems, people and processes and external events including but not limited to technology risk, cyber risk, compliance risk, regulatory risk, legal risk, financial crime risk, outsourcing risk and conduct risk;
- Reputational Risk Management is key to identifying both internal and external incidents which may result in damage to the Bank's reputation; and
- Treasury & Liquidity Risk Management is responsible for assessing and monitoring the non-traded market and liquidity risk profiles of the Bank and recommending corrective action, where necessary;

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

Furthermore, an Enterprise Risk Management (ERM) 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 ERM function is also responsible for coverage of material risks without a dedicated risk management function such as Capital Risk Management.

The CRO on behalf of the Board is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions. In addition, the Bank's CRO Function leverages support from central Group Risk functions to assist with the management of model risk (relating primarily to the use of models in the ICAAP, ILAAP and in the estimation of ECL) and cyber and technology risk.

#### Chief Compliance Office ('CCO')

The Bank's Compliance function is headed by the CSUK Chief Compliance Officer 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 and conduct 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 fulfills 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 CCO function is responsible for providing independent oversight and control over the compliance, regulatory and conduct risks. Prescribed regulatory compliance responsibility encompasses, but is not limited to, the following scope:

- Anti-fraud
- Markets in Financial Instruments Directive ('MiFID') / Markets in Financial Instruments Regulation ('MiFIR') compliance
- Client tax compliance
- Inside information and conflicts of interest
- Cross-border business
- Employee compliance matters, including outside interests and personal account trading and other employee related surveillance activities
- Marketing materials and financial promotions
- Suitability and appropriateness
- Client Lifecycle (e.g client onboarding, change in client circumstances)
- Regulatory Shareholder Reporting
- Market abuse

In relation to its responsibilities to oversee and report on conduct risks, the CCO function chairs the Conduct Review Panel, attended by representatives from CRO, FLDS and HR. This forum considers conduct risk matters raised to it and makes suggestions for further actions. CCO is responsible for ensuring matters are progressed through the internal conduct review process where appropriate and where necessary refers to the UK Conduct and Ethics Review Panel for further determination. The CCO function will determine when it is necessary to refer matters to the Compliance Investigations team for formal investigation.

The CCO function monitors key risk indicators contained within the CSUK Conduct Risk Appetite and reports any breaches of agreed tolerances to the CSUK Board Risk Committee.

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 MLRO, 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, Proceeds of Crime Act ('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 fulfills 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.

## 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 (RRSC) 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.

# Credit Risk

## Overview

Credit risk is the risk of financial loss arising as a result of a borrower or counterparty failing to meet its financial obligations or as a result of deterioration in the credit quality of the borrower or counterparty.

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 AG via its Guernsey Branch.

## Credit Risk Management Approach

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 and a disciplined approach to recognising credit impairment and pursuing recoveries.

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

- an individual client rating system;
- a transaction rating system;
- a client credit limit system;
- country, regional, sector and client rating concentration limits;
- 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.

CS group has developed a set of credit rating models tailored for different client segments (e.g. international corporates, financial institutions, asset finance, Small and Medium Enterprises, commodity traders and residential mortgages) for the purpose of internally rating counterparties to whom CS group is exposed to credit risk as the contractual party to a loan, loan commitment or exchange-traded/over-the-counter derivative contract. The models are built from statistical data and then subject to a thorough business review before implementation. Each credit rating model is validated independently prior to implementation and on a regular basis. At the time of initial credit approval and review, relevant quantitative data (e.g. financial statements and financial projections) as well as qualitative factors relating to the counterparty are used in the models and result in the assignment of a credit rating or probability of default ('PD'), which measures the counterparty's risk of default over a one-year period.

To ensure that ratings are consistent and comparable across all businesses, CS group has used an internal rating scale which is benchmarked to the external rating agencies, using the historical PD associated with external ratings. The

relationship between the PD and external agency ratings is reviewed on a regular basis and adjustments are made to calibrate the internal rating classification to the assumed PD in the external ratings.

Additionally, an estimate of expected loss in the event of a counterparty default is assigned based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty.

## CSUK Credit approval process and provisioning

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.

## 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 for mortgages) – mainly residential, but also multi-family buildings, and commercial properties (office, retail units, serviced apartments and student housing); and
- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities), and bank guarantees from other Credit Suisse legal entities.

## **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, Credit Risk Management ('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 Special Purpose Vehicle ('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 ('COS') according to mapping tables laid down by the European Banking Authority ('EBA'). The COS 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 COS and exposure class, before and after credit risk mitigation:

### Credit Quality Step Analysis of pre-Credit risk Management Exposure and Capital Deductions under the Standardised Approach (£000s)

As at 31 December 2021

	Credit quality step						Unrated	Total	Deduction from capital resources
	1	2	3	4	5	6			
Standardised Approach - credit exposures									
Central governments and central banks	-	-	-	-	-	-	2,705	2,705	-
Institutions	-	-	-	-	-	-	62,471	62,471	-
Corporates	-	-	-	-	-	-	184,861	184,861	-
Retail	-	-	-	-	-	-	45,306	45,306	-
Secured by mortgages on immovable property	-	-	-	-	-	-	1,492,076	1,492,076	-
Exposure in Default	-	-	-	-	-	-	173,771	173,771	-
Items associated with particularly high risk (speculative immovable property financing)	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	266,635	266,635	-
Total	-	-	-	-	-	-	2,227,825	2,227,825	-

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

As at 31 December 2021

	Credit quality step						Unrated	Total	Deduction from capital resources
	1	2	3	4	5	6			
Standardised Approach - credit exposures									
Central governments and central banks	-	-	-	-	-	-	2,705	2,705	-
Institutions	-	-	-	-	-	-	62,471	62,471	-
Corporates	-	-	-	-	-	-	95,572	95,572	-
Retail	-	-	-	-	-	-	23,289	23,289	-
Secured by mortgages on immovable property	-	-	-	-	-	-	1,481,476	1,481,476	-
Exposure in Default	-	-	-	-	-	-	172,859	172,859	-
Items associated with particularly high risk (speculative immovable property financing)	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	149,740	149,740	-
Total	-	-	-	-	-	-	1,988,110	1,988,110	-



## 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 2021

Credit exposures by regulatory approach:	Exposure at default (pre-CRM)		RWAs		Capital requirement
	Average exposure for year	Year-end exposure	Average for year	Year-end	Year-end
<i>Standardised Approach</i>					
Central governments and central banks	3,255	2,705	—	—	—
Institutions	63,094	62,471	26,797	28,229	2,258
Corporates	177,559	184,861	88,614	95,572	7,646
Retail	43,065	45,306	17,886	17,466	1,397
Secured by mortgages on immovable property	1,467,247	1,492,076	617,644	635,010	50,801
Exposure in Default	208,522	173,771	212,308	175,179	14,014
Items associated with particularly high risk (speculative immovable property financing)	5,097	—	7,641	—	—
Other items	219,094	266,635	132,524	155,809	12,465
<b>Total Standardised Approach</b>	<b>2,186,933</b>	<b>2,227,825</b>	<b>1,103,415</b>	<b>1,107,266</b>	<b>88,581</b>
<b>Total</b>	<b>2,186,933</b>	<b>2,227,825</b>	<b>1,103,415</b>	<b>1,107,266</b>	<b>88,581</b>

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 2021

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	2,705	—	—	—	—	2,705
Institutions	4,592	56,819	485	—	575	62,471
Corporates	79,870	48,590	50,422	5,979	—	184,861
Retail	45,986	78,541	17,787	5,460	—	147,774
Secured by mortgages on immovable property	578,251	221,911	261,991	131,792	150,357	1,344,302
Exposures in Default	33,745	57,176	64,286	12,443	6,120	173,771
Items associated with particularly high risk (speculative immovable property financing)	241,576	7,465	1,254	13,513	2,827	266,635
Other items	43,352	815	155	799	185	45,306
<b>Total Standardised Approach</b>	<b>1,030,077</b>	<b>471,317</b>	<b>396,381</b>	<b>169,987</b>	<b>160,064</b>	<b>2,227,825</b>
<b>Total</b>	<b>1,030,077</b>	<b>471,317</b>	<b>396,381</b>	<b>169,987</b>	<b>160,064</b>	<b>2,227,825</b>

\*includes exposure to counterparties domiciled in British Virgin Islands, Panama.

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 2021

Credit exposures by regulatory approach:	Financial	Commercial	Consumer	Public Authorities	Total
<i>Standardised Approach</i>					
Central governments and central banks	—	—	—	2,705	2,705
Institutions	62,471	—	—	—	62,471
Corporates	144,252	35,407	5,202	—	184,861
Retail	1,857	—	43,449	—	45,306
Secured by mortgages on immovable property	177,597	316,990	997,489	—	1,492,076
Exposure in Default	8,994	92,534	72,242	—	173,771
Items associated with particularly high risk (speculative immovable property financing)	—	—	—	—	—
Other items	7,471	1	259,164	—	266,635
<b>Total</b>	<b>402,642</b>	<b>444,932</b>	<b>1,377,545</b>	<b>2,705</b>	<b>2,227,825</b>

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 2021

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	2,705	—	—	2,705
Institutions	62,471	—	—	62,471
Corporates	184,861	—	—	184,861
Retail	45,306	—	—	45,306
Secured by mortgages on immovable property	294,714	1,154,151	43,211	1,492,076
Exposures in Default	131,461	42,310	—	173,771
Items associated with particularly high risk (speculative immovable property financing)	—	—	—	—
Other items	266,635	—	—	266,635
<b>Total Standardised Approach</b>	<b>988,152</b>	<b>1,196,461</b>	<b>43,211</b>	<b>2,227,825</b>
<b>Total</b>	<b>988,152</b>	<b>1,196,461</b>	<b>43,211</b>	<b>2,227,825</b>

## 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 2021 Annual Report, Notes 'j' to Financial Accounts, along with the definition for accounting purposes of 'impaired'. Information on impairment losses can be found in Note 16.

The following tables analyse the credit quality of performing and non-performing exposures and related provisions. There were no forbore exposures as of year-ended 2021.

### Credit quality of performing and non-performing exposures by past due days (£000s)

	Gross carrying amount/nominal amount											
	Performing exposures		Non-performing exposures									Of which defaulted
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years			
Loans and advances	3,352,896	3,338,618	14,278	177,104	129,319	18,471	2,847	26,467	—	—	—	177,104
Central banks	2,705	2,705	—	—	—	—	—	—	—	—	—	—
Credit institutions	1,472,358	1,472,358	—	—	—	—	—	—	—	—	—	—
Other financial corporations	398,135	392,223	5,912	8,473	8,473	—	—	—	—	—	—	8,473
Non-financial corporations	276,769	271,300	5,470	94,256	53,227	11,715	2,847	26,467	—	—	—	94,256
Of which SMEs	—	—	—	—	—	—	—	—	—	—	—	—
Households	1,202,929	1,200,033	2,896	74,375	67,619	6,756	—	—	—	—	—	74,375
Off-balance-sheet exposures	73,710	—	—	—	—	—	—	—	—	—	—	—
Other financial corporations	12,910	—	—	—	—	—	—	—	—	—	—	—
Non-financial corporations	30,489	—	—	—	—	—	—	—	—	—	—	—
Households	30,311	—	—	—	—	—	—	—	—	—	—	—
Total	3,426,606	3,338,618	14,278	177,104	129,319	18,471	2,847	26,467	—	—	—	177,104

**Performing and non-performing exposures and related provisions (£000s)**

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2	Of which stage 2	Of which stage 3					
Loans and advances	3,352,896	3,291,815	61,082	177,104	–	177,104	(1,603)	(1,500)	(103)	(7,259)	–	(7,259)	–	2,906,389	182,924
Central banks	2,705	2,705	–	–	–	–	–	–	–	–	–	–	–	–	–
Credit institutions	1,472,358	1,472,358	–	–	–	–	(14)	(14)	–	–	–	–	–	1,048,198	–
Other financial corporations	398,135	398,135	–	8,473	–	8,473	(218)	(218)	–	–	–	–	–	395,281	10,091
Non-financial corporations	276,769	242,844	33,926	94,256	–	94,256	(533)	(459)	(74)	(116)	–	(116)	–	276,179	91,814
Of which SMEs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Households	1,202,929	1,175,773	27,156	74,375	–	74,375	(838)	(808)	(30)	(7,143)	–	(7,143)	–	1,186,731	81,018
Off-balance-sheet exposures	73,710	58,490	15,220	–	–	–	6	2	4	–	–	–	–	73,710	–
Other financial corporations	12,910	12,910	–	–	–	–	–	–	–	–	–	–	–	12,910	–
Non-financial corporations	30,489	15,270	15,220	–	–	–	4	–	4	–	–	–	–	30,489	–
Households	30,311	30,311	–	–	–	–	2	2	–	–	–	–	–	30,311	–
<b>Total</b>	<b>3,426,606</b>	<b>3,350,305</b>	<b>76,301</b>	<b>177,104</b>	<b>–</b>	<b>177,104</b>	<b>(1,597)</b>	<b>(1,498)</b>	<b>(99)</b>	<b>(7,259)</b>	<b>–</b>	<b>(7,259)</b>	<b>–</b>	<b>2,980,099</b>	<b>182,924</b>

## 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 ('CCR') 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 Counterparty Credit Risk Mark to Market Method ('CCRMTM').

### Net Derivatives Credit Exposure (£000s)

As at 31 December 2021

	Gross positive fair value of contracts (i)	Netting benefits	Netted current credit exposure	Collateral held	Net derivatives credit exposure
CCR Mark-to-market Method	33,327	(6,019)	27,308	—	27,308
of which Long Settlement Trades	—	—	—	—	—
Internal Model Method	—	—	—	—	—
<b>Total</b>	<b>33,327</b>	<b>(6,019)</b>	<b>27,308</b>	<b>—</b>	<b>27,308</b>

(i) including gross Potential Future Credit Exposure ('PFE')

## 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 2021

Credit exposures by regulatory approach:	Financial Collateral
<b>Standardised Approach</b>	
Corporates	89,289
Secured by mortgages on immovable property	10,600
Retail	22,017
Other items	116,895
Exposure in Default	912
<b>Total Standardised Approach</b>	<b>239,714</b>
<b>Total</b>	<b>239,714</b>

CSUK has no exposures covered by unfunded credit risk mitigation.

## Liquidity Risk

The risk refers to the Bank's ability to efficiently meet both expected and unexpected current and future cash flow and collateral requirements without affecting either daily operations or the financial condition of the Bank.

### CS group-wide Management of Liquidity Risk

CSUK's liquidity is monitored and managed within the CS group wide liquidity management framework which applies these general principles:

CS adopts the Bank for International Settlements ('BIS') Principles of Sound Liquidity Risk Management ('LRM') in compliance with all regulatory liquidity risk regulations at Group and entities level. CS uses a centralised funding model, ensuring that the CS group and its local entities remain appropriately funded, both under business as usual and in the event of a liquidity stress period – as defined by both the CS and the regulatory stress testing frameworks.

The Group liquidity and funding strategy is approved by the Group Capital Allocation and Risk Management Committee ('CARMC') and overseen by the Group Board of Directors. The implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to the funding policy and the efficient coordination of the secured funding desks.

This approach enhances the ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet stress situations. The Group liquidity and funding profile is regularly reported to Group CARMC and the Group Board of Directors. There is also an independent risk management function that proposes the risk threshold, and monitors the liquidity risk, of our businesses that reports directly to the Risk Management Committee. The Group Board of Directors is responsible for defining the overall threshold for risk in the form of a risk appetite statement.

The liquidity and funding profile reflects the strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding profile has been adapted to reflect lessons learned from the financial crisis and more recent market stresses, the subsequent changes in the business strategy and regulatory developments. Credit Suisse has been an active participant in regulatory and industry forums to promote best practice standards on quantitative and qualitative liquidity management.

The funding sourced by CS group is part of an Asset-Liability Management ('ALM') strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. CS primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short-term liquidity needs, a portfolio of highly-liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted funding profile is designed to enable CS to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measures used to monitor the liquidity position of the Bank are the regulatory metric Liquidity Coverage Ratio ('LCR') and internal liquidity metric ('Barometer') both 30-day short-term stress metrics. The Barometer requires CS to manage the liquidity position over a pre-defined time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, CS would activate its Contingency Funding Plan ('CFP'), which focuses on the specific actions that would be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The CFP would be activated by the Funding Execution Committee, which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This committee would meet frequently throughout the crisis to ensure that the plan is executed.

The Basel Committee on Banking Supervision ('BCBS') issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a LCR and Net Stable Funding Ratio ('NSFR'). Both metrics are incorporated into the overall LRM framework of CS as mentioned above. The BCBS has stated that it will

review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR aims to ensure that banks have a stock of unencumbered HQLA available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an ongoing PRA minimum requirement of 100%.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding. From January 2022, the NSFR became a PRA regulatory requirement, set at a level of 100%.

### **Legal Entity Management of Liquidity Risk**

The liquidity risk of the Bank is managed as part of the overall CS group global liquidity risk management framework. The Bank manages a series of regulatory legal entity liquidity metrics including LCR and Net Stable Funding Ratio (NSFR). Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance ('ILG') which results in the Bank holding a local liquid asset buffer of qualifying securities and cash.

The Bank has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to effectively measure, monitor and manage liquidity risk.

Key characteristics determining the Bank's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk thresholds;
- Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- Internal stress testing of the liquidity profile
- Independent risk management function
- Liquidity limits and monitoring; and
- The liquidity value of assets, liabilities and calibration of contingent liabilities being aligned with the CS global liquidity risk methodologies.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of the Bank's liquidity risk management framework, are proposed via the CSUK ALM CARMC by LRM and CRO and are approved by the Board Risk Committee, on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CFP that details specific dealing strategies, actions and responsibilities required under distinct stages of increasing severity. Treasury supports the plan with key liquidity tools, including early warning indicators. The CFP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity and daylight collateral requirements.

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 CS group. Liquidity risks are assessed annually as part of the ILAAP.

CSUK also complies with the regulatory LCR requirements by maintaining an adequate stock of unencumbered 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			
	31/03/2021	30/06/2021	30/09/2021	31/12/2021
<b>Number of data points used in the calculation of averages*</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
Liquidity Buffer	955	993	1047	1085
Total Net Cash Outflows	395	394	427	479
<b>Liquidity Coverage Ratio (%)</b>	<b>260%</b>	<b>269%</b>	<b>264%</b>	<b>230 %</b>

\*For the purpose of Pillar 3, the values are calculated as the simple average of the month-end observations over the preceding twelve months. The HQLA and LCR reported as at 31 December 2021 in CSUK Annual Report represents the spot value of 216% as of the reporting date.

# Market Risk

## Overview

Market risk arises from potential adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatilities. CS group defines its market risk as the risk to earnings or capital due to adverse changes in market factors, including equity, credit spreads, commodity prices, FX, interest rates and other factors. 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 Value at risk ('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

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 neutral 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 VaR thresholds, which are quantified in the Risk Appetite and monitored when failed trade levels breach appetite.

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 Policy

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 (interchangeably called “Banking Book”) mainly arise from retail banking, and related funding activities, with the majority of interest rate risk managed by Treasury centrally on a portfolio basis within approved limits using appropriate hedging strategies.

CSUK 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.

CS group’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.
- Economic value scenario analysis: expresses the impact of several pre-defined scenarios (e.g. instantaneous changes in interest rates) on a portfolio’s fair value. This metric does not rely on statistical inference.

The impacts of adverse shifts in interest rates on the economic value and net interest income of the Bank are significantly below the regulatory capital threshold used by regulators to identify excessive levels of non-trading interest rate risk. Therefore this risk is not capitalised within the Pillar 1 regime rather, it is analysed within the ICAAP and addressed in the PRA’s determination of the CSUK’s Pillar 2 capital requirements.

## 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 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 CS 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, CRO 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 (£000s equivalent)

As at 31 December 2021						
Basis points movement + / (-)	USD	GBP	EUR	CHF	Other	Total
200	598.3	(3,754.6)	(13.3)	(1.5)	0.0	(3,171.2)
(200)	(1,078.0)	1,582.3	1.5	0.0	0.0	505.7

# 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 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 9.30% as at 31 December 2021 from 8.57% as at 31 December 2020.

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

As at 31 December 2021	
<b>Total assets as per published financial statements</b>	3,579,364
Adjustments for derivative financial instruments	18,087
Adjustment for off-balance sheet items	38,277
Other adjustments	(20,360)
<b>Total leverage ratio exposure</b>	<b>3,615,369</b>

### Leverage Ratio Common Disclosure (£000s)

As at 31 December 2021	
<i>On-balance sheet exposures</i>	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,516,640
Asset amounts deducted in determining Tier 1 capital	(15,055)
<b>(i) Total On-balance Sheet Exposures (excluding Derivatives and SFTs)</b>	<b>2,501,585</b>
<i>Derivative exposures</i>	
Replacement cost associated with all derivatives transactions	9,221
Add-on amounts for PFE associated with all derivatives transactions	18,087
<b>(ii) Total Derivative Exposures</b>	<b>27,308</b>
<i>Securities financing transaction exposures</i>	
Gross SFT assets, after adjusting for sales accounting transactions	1,048,198
<b>(iii) Total Securities Financing Transaction Exposures</b>	<b>1,048,198</b>
<i>Off-balance sheet exposures</i>	
Off-balance sheet exposures at gross notional amount	73,710
Adjustments for conversion to credit equivalent amounts	(35,433)
<b>(iv) Total Off-balance Sheet Exposures</b>	<b>38,277</b>
<b>Tier 1 Capital</b>	<b>336,172</b>
<b>Total Exposures ((i) - (iv))</b>	<b>3,615,369</b>
<b>Leverage Ratio</b>	<b>9.30 %</b>

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

As at 31 December 2021

<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>2,516,640</b>
<b>Trading Book exposures</b>	<b>—</b>
<b>Banking Book exposures, of which:</b>	<b>2,516,640</b>
Exposures treated as sovereigns	2,705
Institutions	431,428
Secured by mortgages of immovable properties	1,431,277
Retail exposures	45,306
Corporate	179,432
Exposures in default	173,771
Items associated with particularly high risk	—
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	252,722

# Non-Financial Risk

## Overview

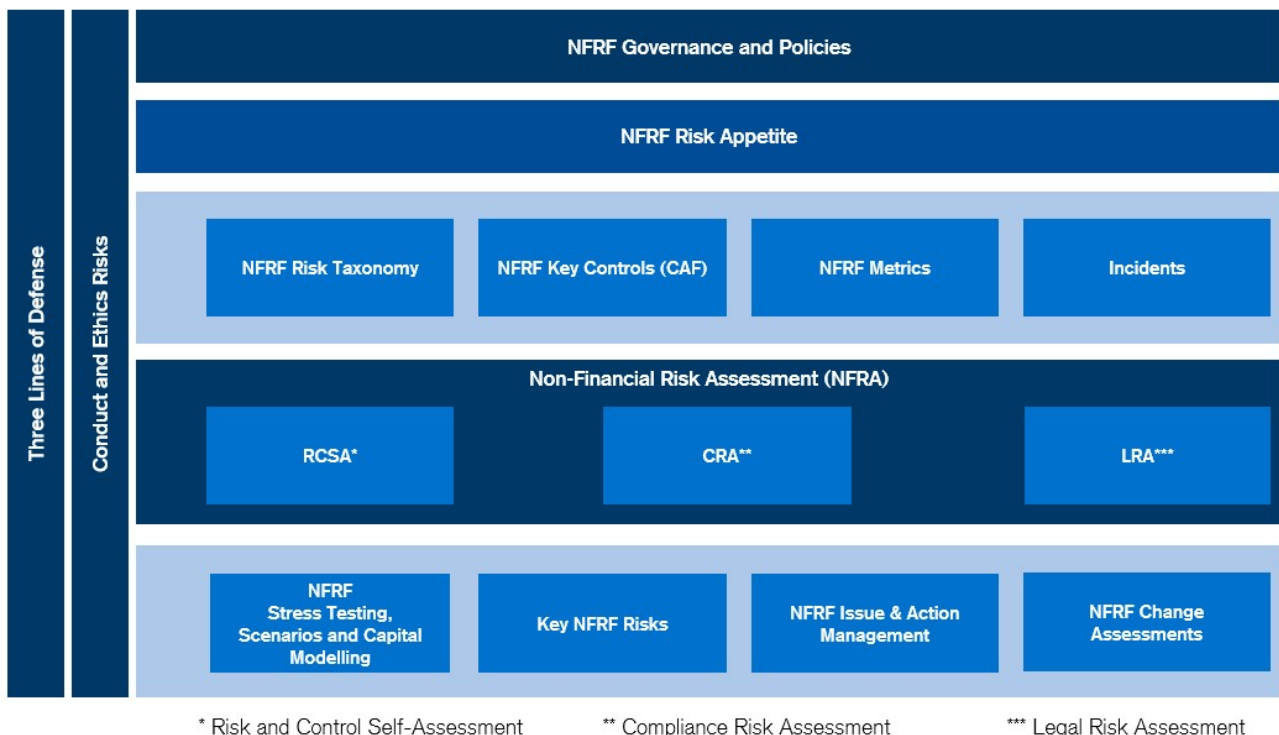
Basel 3 defines Operational Risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. This definition includes legal risk, which is the risk of loss resulting from failure to comply with laws and regulations as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of the Bank’s activities.

CSUK defines Non-Financial Risk as the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk. It’s inherent in most aspects of our business, including the systems and processes that support our activities, and comprises a large number of disparate risks that can manifest in a variety of ways.

Operational Risk and Non-Financial Risk are used interchangeably.

## Operational Risk Management

At CSUK operational risk management is a continual cyclic process which includes risk assessment, risk decision making and implementation of risk controls, which results in acceptance, mitigation or avoidance of risk. The Non-Financial Risk Framework (NFRF) provides the framework for identifying, measuring and managing operational risk within CSUK. The NFRF utilises both a top down approach, by setting governance, policies and a risk appetite, as well as a bottom up approach to identify risks, controls, metrics, incident data and assessments. These responsibilities are complementary and mutually supporting within the NFRF:



## Governance and Policies

CSUK aligns to the Group’s NFRF to ensure robust and sustainable framework at a granular level and set common standards across the Group for each key component which would allow for:

- Unified approach regarding risk and control identification and assessment
- Standardised process framework

- Clear and effective policy framework

The Group Control Practices Oversight Group ('CPOG') is accountable for the development and implementation of the NFRF including its application to support strategic business priorities and fulfil regulatory commitments. The CPOG is overseen by the Group Capital Allocation and Risk Management Committee for Internal Control System ('CARMC ICS') as well as Group CRCO ExCo/ RPSC. Furthermore, CPOG reviews, prioritises and approves NFRF tools, methodology, Book of Work, budget and resourcing as well as owning the Group's NFRF Policies and Procedures.

In CSUK, Non-Financial risk is governed by the Operational Risk & Compliance Committee ('ORCC') at an executive level and the Board Risk Committee.

## Risk Appetite

The CSUK Legal Entity Risk Appetite Framework provides the overarching framework to formalise a consistent approach to risk appetite for CSUK. This is consistent with the Group Risk Appetite Framework, which incorporates the NFRF Risk Appetite as a sub-framework within this. Quantitative thresholds have been set against operational risk incidents on an aggregated and individual basis for any economic impact (loss or gain, measured on an absolute basis). These thresholds are set at both the overall entity level and for each of the NFRF Risk Appetite categories, and these are measured based on an accumulated twelve month rolling basis. The approach for qualitative NFRF risk appetite is based on the same NFRF risk categories. For each category, a set of risk and control indicators has been identified and is reported within the Operational Risk and Compliance Committee (ORCC) to inform a more qualitative assessment of where the risk profile has exceeded risk appetite. Within CSUK, the risk appetite, which is set annually, approved by the various governance forums and monitored monthly, fulfills the objective of providing the general risk principles, the key responsibilities, as well as the risk framework in order to manage risk.

## NFRF Risk Taxonomy

The CS group risk taxonomy defines over 90 operational and compliance risks inherent in business divisions and corporate functions. This comprehensive standard taxonomy allows for a holistic and consistent risk definition for conducting Risk & Control Self-Assessment (RCSA)s, Compliance Risk Assessments (CRAs) and for the identification of Key Non-Financial Risks. The taxonomy is categorised and structured along the Basel 2 event categorisation tree and under seven Qualitative Risk Appetite Tolerance Statements (Rules & Regulations, People, Process, Cyber & Systems, Clients & Markets, Governance and Outsourcing) and links back to the Risk Appetite.

The roles and responsibilities for the maintenance and update of the risk register are as follows:

Function	Roles and Responsibilities
Business (1LoD)	Requesting amendments to the Risk Register as part of annual Risk Register review or when triggered by exceptional events
	Reviewing Risk Register change request raised as part of the annual Risk Register review
2LoD Independent Risk Oversight Ownership Functions	Ensuring new risks impacting their area of responsibility are analysed for inclusion in the Risk Register
	Supporting Business Divisions / Corporate Functions / legal entities in the identification of required amendments to the Risk Register
	Reviewing Risk Register change request raised as part of the annual Risk Register review.
Control Practices Oversight Group	Owning the descriptions of their respective Risk Register items
	The Control Practices Oversight Group is the final approval authority for amendments to the Risk Register.

## NFR Monitoring

A number of NFR metrics are monitored to provide information on the level of exposure to a risk at a particular point in time. Specific approval, documentation, monitoring, and escalation standards are required for metrics linked to:

- Capital Allocation (Including for ICAAP purposes)
- Risk Appetite
- Key NFR risks which are reported to ORCC / Risk Committee. This architecture of metrics is designed to provide warning of potentially escalating threat levels. In the event that any risk threshold is breached, it is the responsibility of the CRO to escalate to the various ExCo and Board level committees



## Incidents

As part of the monitoring framework, Non-Financial Risk incidents are monitored and investigated to provide insights into the evolving risk profile of the business.

A non-financial risk incident refers to incidents driven by operational risk events which can result in a variety of impacts including financial, regulatory, reputational, client, market & competition, internal system disruption, employee or physical damage and can either be triggered by external or internal events. All internal incidents are required to be captured in MyIncidents as soon as detected and an initial booking of the P&L impact must be performed within the subsequent thirty calendar days. Internal incidents always constitute one of the three following incident types:

- Operational risk losses
- Operational risk gains
- Internal operational risk incidents with zero P&L impact including near misses

MyIncidents is the bank's primary system for capturing and managing operational risk events and Legal and Compliance matters, and serves as a platform for line managers and FLDS to document concerns brought to their attention. MyIncidents is an integrated solution featuring a variety of functionalities, including front-to-back Operational Risk ('OpRisk') record and case management, general ledger interface, as well as sensitive Legal and Compliance capture and reporting.

## Non-Financial Risk Assessments

In order to assess the operational, compliance and legal risk within the entity, CSUK focuses on three assessments:

- Risk and Control Self-Assessment Report (RCSA)
- Compliance Risk Assessment (CRA)
- Legal Risk Assessment (LRA)

RCSAs are defined as a systematic and regular business process aimed at reviewing specific inherent operational risks that CSUK is exposed to, as well as an assessment of the control landscape that is in place to mitigate these risks. Moreover, it comprises an assessment of the residual risks that persist once the mitigating effect of the control landscape to reduce the inherent risks is taken into account.

The RCSA approach comprises the following five steps:

- **Risk profiling:** This involves the determination of which risks from the NFRF Risk Taxonomy are applicable to the RCSA unit. Applicability is based on whether the risk is inherent to the unit's business or functional processes, people, systems or from external events.
- **Inherent risk assessment:** Inherent risk is defined as the risk of a loss that the RCSA unit is exposed to before taking into account the effectiveness of the control landscape. It is assessed using the inherent Risk Rating Matrix across two dimensions of financial and / or non-financial impact and likelihood
- **Control landscape assessment** - The RCSA process requires a control landscape assessment for Very High/ High and selected Medium risks based on Inherent Risk Appetite.
- **Residual risk assessment** - Residual risk rating is derived by applying the inherent risk assessment rating and the control landscape assessment rating.
- **Mitigating actions** - Actions must be documented in detail to provide for a reduction in risk and tracked through MICOS, which is a bank-wide platform built for the Management of Control Activities as well as Issue/ Action Management.

## Own Funds Requirement

### Pillar 1

Operational risk is capitalised under Pillar 1 and the regulatory method applied is the Basic Indicator Approach ('BIA'), which is calibrated to CSUK net income. As at 31 December 2021, the BIA calculation for CSUK resulted in a Pillar 1 capital charge of £18.4m. CSUK has historically interpreted 'the last three twelve-monthly observations' of revenue as stated in CRR Article 315 as the prior three year's audited revenues. So, for 2021 CSUK uses 2020, 2019 and 2018 net revenues.

#### Operational risk - Basic Indicator Approach

As at 31 December (£000s)	2018	2019	2020	Average	Pillar1 Capital Requirements @15%	RWA equivalent
Total Net Revenue	125,191	128,143	115,360	122,898	18,435	230,434

### Pillar 2

CSUK management acknowledge that the BIA calculation does not fully capture the risks for the entity and have considered this in the approach to assessing the amount of OpRisk Pillar 2A capital required.

CSUK's assessment of the operational risk capital requirement is derived by assessing a series of four benchmarks, looking at the historical loss data (since 2005) and overlaying those with a forward looking view incorporating business and control environment change to build a picture of the operational risk loss landscape. CSUK has referred to the PRA's Statement of Policy, 'The PRA's methodologies for setting Pillar 2 capital,' and has implemented two distinct approaches to assessing the OpRisk Pillar 2A capital charge.

- A. **Benchmarking:** CSUK has used CS Group derived benchmarking methodologies that use historical data to estimate potential operational losses. Operational risk events and losses are recorded in the Operational Risk incidents database (MyIncidents) in each Basel loss categories, and these form the starting point for assessing the expected operational losses over the next 12 months.
- B. **Scenarios:** CSUK has also considered forward-looking tail risk scenarios to assess potential OpRisk Losses and calibrate Pillar 2A requirements. 2020 CSUK Key Risks were taken as a starting point and scenarios were then developed in conjunction with business subject matter experts to ensure plausibility.

The Pillar 2A assessment is the higher of the average of the benchmarks (Approach A) and the scenario analysis (Approach B).

The above analysis is used for the self assessment of Operational Risks that is an input into the PRA's view of capital requirements for the firm which is currently 4.20% of RWA as at 31 December 2021.

## 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 Risk Methodology and Standards 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 2021

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets of the reporting institution</b>	22,134		3,735,944	
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	22,134		3,735,944	
of which: Cash collateral	18,561		—	
of which: Securities purchased	—		1,069,754	
of which: Net loans	—		1,808,442	
of which: Cash and due from banks	2,734		574,211	

**Collateral Received (£000s)**

As at 31 December 2021

	Fair value of encumbered collateral received or own debt securities issued	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	—	1,133,385
Loans on demand	—	—
Equity instruments	—	—
Debt securities	—	1,133,385
of which: covered bonds	—	—
of which: asset-backed securities	—	—
of which: issued by general governments	—	1,025,363
of which: issued by financial corporations	—	43,370
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	—	—
Own covered bonds and asset-backed securities issued and not yet pledged	—	—
<b>TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	<b>—</b>	<b>—</b>

## 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-97	07-Jan-11	27-Sep-18
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	No Maturity	31-May-31	27-Sep-28
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	ARR Sonia daily o/n rates	ARR Sonia daily o/n rates
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 hierarchy 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
		<a href="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</a>	<a href="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</a>

## Appendix 2: Material Risks, Risk Mitigation and Core Metrics

As at 31 December 2021

Material Risk	Risk Description	Risk Mitigation	Indicative Core Metrics Monitored
Business Risk	<p>Business Risk</p> <p>The risk that an appropriate business strategy does not deliver on anticipated financial benefits.</p>	<p>Business risk is identified initially through the financial and capital planning process, where the CFO reviews and challenges the proposed business strategy and articulates the financial consequences of proposed business activities and volumes. As necessary, the bank's senior management identifies overlays to the outcome of financial planning to ensure a prudent result and to reflect the execution risk associated with the Bank's strategy. Business risk is measured and monitored as part of regular financial reporting to the Executive Committee, Audit Committee and Board. Such reporting includes a number of KPIs that measure the quality of earnings (through the presentation of normalised, underlying results and metrics), trends in performance and progress against budget. Certain strategic metrics are also monitored as part of regular reporting to the Risk Committee.</p>	<ul style="list-style-type: none"> <li>• Earnings at risk ratio</li> <li>• Cost to income ratio</li> <li>• Assets at Risk</li> <li>• Target Return on AuM</li> <li>• Loan interest margin</li> </ul>
Capital Risk	<p>Capital Risk</p> <p>The risk that the Bank does not maintain adequate capital to support its activities and meet minimum capital requirements.</p>	<p>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. Capital risk is measured and monitored through regular capital adequacy reporting produced by the Basel Measurement &amp; Reporting team ('BMR') and provided to management to ensure the drivers of movements in capital adequacy are identified and understood. CSUK ALM CARMC reviews the current capital adequacy position as well as a forecast position to identify any potential adverse movements in the ratio that could require management action. Annually, the ICAAP assesses the adequacy of capital in both benign and during a range of plausible, adverse stress scenarios. The ICAAP is used to support business decision-making and informs management of what reasonable management actions may be necessary to restore the capital position, if required, during times of economic stress. Capital risk is managed through two main levers: management of the lending pipeline to reduce credit risk capital requirements; and via capital injection requests to the shareholders to increase capital resources.</p>	<ul style="list-style-type: none"> <li>• CET1 Ratio</li> <li>• Total Capital Ratio</li> <li>• Capital Surplus over Management Buffer</li> <li>• Leverage Ratio</li> </ul>

Climate Risk

Climate Risk

Climate-related risk is the risk that results due to 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 organisation either on a direct or an indirect basis.

CSUK has put in place a framework to manage climate risk: Governance: CSUK's Chief Risk Officer became the Senior Manager responsible for Climate Risk. The Board Risk Committee provide oversight on behalf of the Board for climate-related risks, the PRA's requirements and the Bank's framework to address them. Risk management: Climate-related risks are now included in the Group-wide risk taxonomy. These risks, alongside other environmental and social risks, are considered within the Group-wide Reputational Risk Review process ('RRRP'). Physical risks can arise from climate and weather-related events (e.g., heatwaves, droughts, floods, storms and sea-level rise) and can potentially result in material financial losses, impairing asset values and the creditworthiness of borrowers. CSUK's primary exposure to physical climate risk is through the property collateral for its portfolio of commercial and residential real estate loans. Transitional risks can arise from the process of adjustment towards a low carbon economy through changes in climate policy, technological developments and disruptive business models, and shifting investor and consumer sentiment. CSUK is exposed to climate transition risk through client portfolios on which we charge management and custody fees and, in some cases, against which we issue Lombard loans. CSUK would be able to react swiftly to emerging climate-related risks; mortgage lending is typically on a 5-year basis so decisions to renew loans can be made in the context of latest climate risks. The majority (99.4%) of CSUK mortgage properties sit in low or no river flood risk areas, with only 0.6% in medium risk areas. No properties are located in high river flood risk areas. The risk of flood from surface water is generally higher, but is also more geographically confined and affected by local terrain. Lombard loans secured against companies that are impacted by climate change can be managed by adjusting approved LTVs. As uncommitted facilities they can be withdrawn at relatively short notice. CSUK has set climate linked risk appetite, leveraging the Group's approach, including the Financial Stability Board's Taskforce on Climate-related Financial Disclosures ('TCFD') adoption program and the new SR&I Solutions. Scenario analysis: CSUK has used both internal tools and those developed by UN Environment Programme Finance Initiative ('UNEP-FI') to assess forward looking flood and surface risk on our portfolio. We have also developed transition risk financial scenarios which assess climate impacts on Lombard lending collateral. Disclosure: In 2018, CS group established a climate change program to address the recommendations of the TCFD. CSUK engages with the TCFD, and other industry initiatives such as the work of the United Nations Environment Program Financial Institutions working group, through the Group climate change program.

For more information on CS group approach to climate related financial disclosure, see [www.credit-suisse.com/climateas](http://www.credit-suisse.com/climateas) put in place arrangements to manage climate risk.

- % of properties in high current flood risk locations
- % of properties with EPC Energy Efficiency rating band F or worse
- % of properties with EPC CO2 rating Band F or worse
- Physical scenario: total incremental loss from flooding at 99.9% confidence - mortgage lifetime
- Physical scenario: total property valuation decline from flooding at 99.9% confidence - mortgage lifetime
- Overall ESG score on all client assets
- Overall LCT score on all client assets
- Client financed carbon emissions
- Fossil Fuel and Extractive sectors concentration
- Transition scenario: AUM/AUC volume decline over one year horizon under disorderly/delayed transition scenario



Credit Risk	<p>Credit Risk</p> <p>The risk of financial loss as a result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty.</p>	<p>Credit risk arises principally from the Bank's lending business, comprising residential and commercial mortgage products, loans secured against diversified portfolios of securities and lending. The Bank uses a credit risk management framework which provides for the consistent evaluation, measurement, and management of credit risk across the Bank. Credit risk is mitigated by conservative lending criteria, including strict affordability tests, low Loan-to-Value ('LTV') ratios and collateral held as security.</p>	<ul style="list-style-type: none"> <li>• Credit Risk Capital</li> <li>• Risk Rated Assets in Commercial Real Estate and Development Finance</li> <li>• Counterparty concentration</li> <li>• Average Portfolio Loan to Value (LTV)</li> <li>• Impaired Loans</li> <li>• Credit Stress Loss</li> </ul>
Market Risk	<p>Market Risk</p> <p>The risk to earnings or capital due to adverse changes in market factors, including equity, credit spreads, commodity prices, FX, interest rates and other factors.</p>	<p>CSUK's exposure to market risk typically arises from the following sources:</p> <p>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;</p> <p>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;</p> <p>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 VaR thresholds, which are quantified in the Risk Appetite and monitored when failed trade levels breach appetite; and</p> <p>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 strategies. 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') and Economic value scenario analysis.</p>	<ul style="list-style-type: none"> <li>• Net open FX positions (overnight, intraday)</li> <li>• Net interest sensitivity (DV01)</li> <li>• Economic Value Scenario impact (EBA &amp; PRA/BCBS scenarios)</li> <li>• Settlement Risk VaR</li> <li>• Notional Failed Trades on Balance Sheet</li> </ul>

Non-Financial Risk (NFR)	Non-Financial Risk (NFR)	<p>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.</p> <p>The CS Non-Financial Risk Framework ('NFRF') provides a structured approach to managing non-financial 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.</p> <p>Businesses areas take responsibility for their non-financial risk management and are supported by non-financial risk teams who are responsible for the implementation of the risk management framework, methodologies and reporting.</p> <p>CS group-wide tools are employed including risk appetite tolerance statements in the main areas of NFR (Rules &amp; Regulations, People, Process, Cyber &amp; Systems, Clients &amp; Markets, Governance and Outsourcing), reporting of 'top' non-financial risks; utilising non-financial risk registers; risk and control indicators; risk and control self-assessments ('RCSAs'); analysis of internal non-financial risk incident data; review of external loss data; and non-financial risk scenario development.</p>	<ul style="list-style-type: none"> <li>• 12 month rolling value of economic incidents above £20k overall</li> <li>• 12 month value of losses above £20k by tolerance statement (Rules &amp; Regulations, People, Process, Systems &amp; Cyber, Clients &amp; Markets, Governance and Outsourcing)</li> <li>• A range of KRIs are used to provide an aggregate index level of Non-Financial risks by Tolerance Statement. Example KRIs include: number of regulatory reporting issues, incidents relating to AML issues, cross border regulatory breaches, trade monitoring issues, complaints, CASS breaches and control deficiencies.</li> </ul>
NFR - Conduct Risk	NFR   Conduct Risk	<p>CSUK seeks to promote good behaviour and conduct through its Code of Conduct, which provides a clear statement of the CS group ethical values and professional standards. In addition, six Cultural Values establish group-wide requirements and further embed clear expectations of conduct and ethics in CSUK employees. The Code of Conduct and set of Cultural Values are linked to the employee performance assessment and compensation processes.</p> <p>Managing conduct risk includes consideration of the risks generated by each business, the appropriate level of risk appetite and the strength of the associated mitigating controls. Conduct risk is also assessed by reviewing and learning from past incidents within the CS group and at other firms in the financial services sector. Compliance oversees conduct risk for the CS group and CSUK. The ongoing focus and investment in a strong risk culture is fundamental to the management of conduct risk and ensuring good client outcomes.</p>	<ul style="list-style-type: none"> <li>• A range of KRIs are used to provide a aggregate index level of conduct risks. Examples metrics include number of employee conduct issues, external fraud attempts, internal fraud, trading policy breaches, client confidentiality breaches, product governance issues, client complaints and outcome issues and repeat audit findings</li> </ul>

<p>NFR - Financial Crime Risk</p>	<p>NFR   Financial Crime ('FC') Risk</p> <p>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. FC risk is further defined as the possibility of legal or regulatory actions, financial loss or damage to reputation that the Bank may suffer as a result of its failure to comply with Anti-Money Launder ('AML'), Anti-Bribery &amp; Corruption ('ABC'), fraud and sanctions laws, regulations, code of conduct and standards of good practice that are applicable to its financial services activities. Against an increasingly rigorous and complex regulatory background, CSUK is required to effectively implement systems and controls in order to guard against its business being used in the facilitation of any financial crime.</p>	<p>The Bank's front office and business units have responsibility for the management of Financial Crime risk. In addition, Financial Crime Compliance ('FCC') runs a risk-based enterprise-wide Financial Crime Compliance Programme. Financial Crime risk is assessed using a number of different factors (including political exposure, country risk and adverse news) which are tracked against annually recalibrated risk appetites as part of the broader NFR key risk indicator framework.</p> <p>Where a greater risk is identified, clients are more frequently reviewed and assessed with the highest risk clients being reviewed at least annually. FCC sets standards and policies and provides advisory support, review and challenge to the business including assessing the Bank's Financial Crime and anti-bribery risk. This work includes high risk client due diligence, quality assurance testing, screening for sanctions and adverse news, transaction monitoring, and investigations into escalations from both internal and external parties.</p>	<ul style="list-style-type: none"> <li>• A range of KRIs are used to provide a aggregate index level of Financial Crime Risks. Example KRIs include: outstanding "Know Your Client" (KYC) reviews, Issues with KYC review testing, Third Party Payments to High Risk jurisdictions, PEP client statistics and sanction issues.</li> </ul>
<p>NFR- Outsourcing Risk</p>	<p>NFR   Outsourcing Risk</p> <p>Risk of not holding external and internal providers to a standard equivalent to CS based on NFR objectives.</p>	<p>The Bank has established a Third Party Risk Management ('TPRM') process to manage third party (including external vendors and intra-group) risks through the lifecycle of in-scope relationships. In-scope relationships go through the five phases of the TPRM Framework for external vendors (planning, due diligence, contracting, ongoing monitoring and termination). Unique activities are completed by various stakeholders (for example, risk domain subject matter experts will assess the third-party control environment to establish a Control Landscape Rating) during each phase of establishing the contractual agreement.</p> <p>Similarly, intra-group agreements go through a standard lifecycle of four phases (source, engage, manage and retire) within the Intra Group Service Management (IGSM) process. An independent due diligence assessment is performed by specified Control Groups (Legal, Business Continuity and Compliance) and an approval is provided by the Outsourcing Governance Committee before an intra-group service goes live.</p> <p>While various different stakeholders such as Procurement, IGSM and risk domain experts are involved throughout the process, the ultimate risk acceptance is with the relationship owners within the business as the First Line of Defence.</p>	<ul style="list-style-type: none"> <li>• A range of KRIs are used to provide a aggregate index level of outsourcing Risks. Example KRIs include: adherence to outsourcing policies, number of critical outsourcing with high residual risk or data quality issues, critical outsourcing SLA performance review issues.</li> </ul>

NFR - Systems & Cyber Risk	NFR   Systems & Cyber Risk	<p>Systems and Cyber risks for CSUK are managed by IT, supported by 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 NFRF 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, which provides 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.</p>	<ul style="list-style-type: none"> <li>• A range of KRIs are used to provide a aggregate index level of systems and cyber risks. Example KRIs include System Availability, Data loss (internal and external), Data integrity, Third party technology and Emerging Technology.</li> </ul>
Reputational Risk	<p>Reputational Risk</p> <p>The risk that negative perception by our stakeholders may adversely impact client acquisition and damage our business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.</p>	<p>CSUK values its reputation and is committed fully to protecting it through a prudent approach to risk-taking and a responsible approach to its business activities. Reputational risk arising from proposed business transactions and client activity is assessed in the Reputational Risk Review Process ('RRRP'). The Bank's global policy on reputational risk requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the RRRP.</p>	<ul style="list-style-type: none"> <li>• A range of KRIs are used to provide a aggregate index level of reputational risks. Example KRIs include Product Governance, Conflicts management, Reputational Risk Review approvals and Complaints</li> </ul>
Treasury & Liquidity Risk	<p>Treasury &amp; Liquidity Risk</p> <p>The risk that a Bank is running large structural interest rate ('IRRBB'), FX and other ALM &amp; Treasury Risk positions that impact its earnings and / or capital strength, as well as the Bank's ability to efficiently meet both expected and unexpected current and future cash flow and collateral requirements without affecting either daily operations or the financial condition of the Bank.</p>	<p>CSUK's Liquidity risk is managed as an integral part of the overall CS group's global liquidity risk management framework, which also includes UK local regulatory compliance requirements. Such compliance requirements are measured as part of the PRA's Individual Liquidity Guidance ('ILG') resulting in requirements for CSUK to hold term-funding and a local liquidity asset buffer of qualifying HQLA and cash.</p> <p>Interest rate risk is generated by key CSUK Balance Sheet items: deposits and loans. CSUK manages mismatch between current loans and deposits through maintaining a low level of interest rate mismatches. In cases where the mismatch is larger, it is offset through intercompany repurchase agreement transactions with CS AG London Branch.</p>	<ul style="list-style-type: none"> <li>• Liquidity Coverage Ratio (LCR)</li> <li>• Net Stable Funding Ratio (NSFR)</li> <li>• Internal Liquidity Barometer (30day and 90day)</li> <li>• Currency Coverage Ratios (GBP, USD, EUR)</li> <li>• Stressed Asset Encumbrance Ratio</li> </ul>

## Appendix 3: Directorships

CSUK's Board Members hold the following number of directorships as at 11 April 2022:

Name	Gender	Independent	Appointment Date*	Total Number of Directorships
Christian Berchem	M		12/09/2017	1
Stefanie Blaettler	F		02/12/2020	1
Maureen Erasmus	F	Independent	24/10/2017	4
Ian Michael Hale	M		08/12/2014	1
Alexandra Kinney	F	Independent	29/11/2017	2
Richard Metcalf	M	Independent	09/09/2020	1
Simon Politzer	M		22/06/2021	1
Philippe Theytaz	M	Independent	14/10/2020	1
Caroline Waddington	F		subject to regulatory approval	2

\*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.

Note:

The following management and governance changes have been effected since 1 January 2021:

- Alistair Conner resigned as Chief Operating Officer ('COO') and Executive Director as of 1 February 2021
- Simon Politzer was appointed as COO and Executive Director as of 21 June 2021
- Caron Hughes resigned as Chief Financial Officer ('CFO') and Executive Director as of 19 November 2021

The following management and governance changes have been effected since 31 December 2021:

- Caroline Waddington was appointed as CFO and Executive Director, subject to regulatory approval

## Appendix 4: List of Abbreviations and Glossary

Term	Definition
<b>B</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 'CRD IV'). Basel III requirements will be fully implemented by 1 January 2019.
<b>C</b>	
CCyB	<i>Countercyclical Capital Buffer</i> : prescribed under Basel III and CRD IV and aims to ensure that capital requirements mitigate potential future losses arising from excess credit growth and hence increased system-wide risk.
CCRMTM	<i>Counterparty Credit Risk Mark to Market method</i> . A regulatory prescribed method for calculating exposure values in respect of counterparty credit 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).
CET1 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 (and 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.
<b>D</b>	
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.
<b>E</b>	
EaR	Earnings at Risk. A measure of the potential change in Net Interest Income (NII) due to an adverse interest rate movement over a predefined time horizon.
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> .
<b>F</b>	
FCA	<i>Financial Conduct Authority</i> - The UK regulator responsible for conduct of business regulation and supervision.
<b>H</b>	
Haircut	A discount applied to reflect the amount at which an asset can be realised.
HQLA	<i>High Quality Liquid Assets</i> : consists of cash or assets that can be easily converted into cash at little or no loss of value in private markets.
<b>I</b>	
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> .

ILAAP	<i>Internal Liquidity Adequacy Assessment Process</i> : involves identification, measurement, management and monitoring of liquidity required to be implemented in accordance with the provisions in Article 86 of CRD IV.
ISDA	<i>International Swaps and Derivatives Association</i> .
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.
<b>L</b>	
LCR	<i>Liquidity coverage ratio</i> : refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations.
Leverage ratio	A calculation prescribed under Basel III (and CRD IV) to measure the ratio of total exposures to available Tier 1 capital.
LGD	<i>Loss given Default</i> : the estimated ratio of loss to the amount outstanding at default (EAD) as a result of any counterparty default.
<b>K</b>	
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.
<b>M</b>	
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.
MiFID II	<i>Markets in Financial Instruments Directive</i> . MiFID II directive together with Markets in Financial Instruments Regulation (MiFIR) and commonly referred to as MiFID II is EU legislative framework to regulate financial markets in the region by creating a single market for investment services and ensure harmonised protection for investors in financial instruments.
Minimum capital requirements	The minimum amount Pillar 1 requirements to be held for credit, market and operational risk.
<b>N</b>	
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.
<b>O</b>	
OTC	<i>Over-the-counter</i> : A security or other financial instrument not traded on a formal exchange.
<b>P</b>	
PD	<i>Probability of Default</i> : is the probability of an obligor defaulting within a one-year horizon.
PFE	<i>Potential Future Credit Exposure</i> : is the maximum expected credit exposure over a specified period of time.
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRD IV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRD IV prescribed capital, risk and remuneration disclosure requirements.
PRA	<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
<b>R</b>	
RCSA	<i>Risk and Control Self Assessment</i> : is a process through which operational risks and the effectiveness of controls are assessed and examined.
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.
<b>S</b>	
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 CRD IV.
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.
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## Cautionary Statement Regarding Forward-looking Information

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

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

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

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

These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets, the economic disruptions caused by pandemic COVID-19 in 2022 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, nationalisation 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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