

Credit Suisse (UK) Limited

CREDIT SUISSE 

Annual Report 2021



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Credit Suisse (UK) Limited

Annual Report 2021

Board of Directors as at 22 April 2022

Maureen Erasmus (Independent Non-Executive Chair)

Alexandra Kinney (Independent Non-Executive)

Richard Metcalf (Independent Non-Executive)

Stefanie Blättler (Non-Executive)

Philippe Theytaz (Non-Executive)

Christian Berchem (Chief Executive Officer)

Ian Hale (Chief Risk Officer)

Simon Politzer (Chief Operating Officer)

Caroline Waddington (Chief Financial Officer) subject to regulatory approval

Company Secretary

Paul Hare

Registered Office

Five Cabot Square
London, E14 4QR
United Kingdom

Company Registration Number

02009520

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Strategic Report

Credit Suisse (UK) Limited at a glance

Business Model

Entity Structure

Credit Suisse (UK) Limited (the 'Bank' and 'CSUK') is a private company limited by shares, a wholly owned subsidiary of Credit Suisse AG ('CSAG') and an indirect subsidiary of Credit Suisse Group AG ('CSG'). CSUK is authorised in the United Kingdom ('UK') by the Prudential Regulation Authority ('PRA') and is regulated by the Financial Conduct Authority ('FCA') and the PRA. CSUK is a bank domiciled in the United Kingdom ('UK').

CSG, a company domiciled in Switzerland, is a leading wealth manager with strong investment banking capabilities. Founded in 1856, CSG has a global reach today, with operations in over 50 countries and a team of more than 50,000 employees from approximately 150 different nations. It is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group'). CSG prepares financial statements under US Generally Accepted Accounting Principles ('US GAAP'). These accounts are publicly available and can be found at <https://www.credit-suisse.com/about-us/en/investor-relations/financial-regulatory-disclosures/annual-interim-reports.html>

As a leading financial services provider, CS group is committed to delivering its combined financial experience and expertise to high-net-worth individuals, corporate, institutional and government clients worldwide, as well as to retail clients in Switzerland. On 4 November 2021, CSG announced that the Board of Directors had agreed on a long-term strategic direction for the CSG and approved the introduction of a global business and regional matrix structure. A series of structural improvements were implemented, which are intended to improve effectiveness, drive efficiencies and capture future growth opportunities.

Effective 1 January, 2022, the CS group is organised into four divisions – Wealth Management ('WM'), Investment Bank ('IB'), Swiss Bank ('SB') and Asset Management ('AM') and four geographic regions – Switzerland, Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) and Americas. The Wealth Management division integrates the former International Wealth Management division with the high-net-worth ('HNW') and external asset manager client segments in the former Swiss Universal Bank division as well as the private banking business in the former Asia Pacific division. The Investment Bank division integrates the advisory and capital markets businesses of the former Asia Pacific and Swiss Universal Bank divisions with the existing Investment Bank division to create a single global franchise across all four regions.

In addition, CS group reintegrated parts of the Sustainability, Research & Investment Solutions ('SRI') function into the global business divisions, namely Investment Solutions & Products ('IS&P') into Wealth Management and Securities Research into the Investment Bank. Sustainability remains a core priority of the CS group, and CS group remain committed to its sustainability objectives.

CSUK is a Wealth Management business within the WM Division. CSUK offers comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers in the UK, Continental Europe, the Middle East and Africa, and Emerging Europe. CSUK has access to the broad spectrum of CS group global resources and capabilities as well as a wide range of products and services. The UK has been identified as a growth market for Wealth Management.

Financial Statements

The CSUK Financial Statements are presented in Great British Pounds ('GBP' and '£') which is the functional currency of the Bank. They have been prepared in accordance with UK-adopted international accounting standards ('UK-adopted IFRSs') in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. The Directors present their Strategic Report, Directors' Report and the Financial Statements for the year ended 31 December 2021. The Financial Statements were authorised for issue by the Directors on 22 April 2022.

Strategy

CSUK maintains its objective to be the wealth manager of choice to High Net Worth and Ultra High Net Worth individuals whilst keeping to its core principles to grow the business in a sustainable and compliant way. CSUK remains committed to build on the collaboration with the Investment Bank, leveraging the Bank's capabilities to service sophisticated clients. CSUK continues to focus on growing the business through a number of strategic priorities, including:

- **Fulfilling and delivering client value:** CSUK is focused on holistic client engagement in order to better understand, and deliver to, clients' needs. To support this, CSUK leverages on its team of experienced Relationship Managers ('RMs') and investment specialists. Owing to their knowledge of CSUK's capabilities, and their ability to work with their clients to help identify and satisfy their long-term plans and needs, they can create differentiated client value.
- **Continued focus on mandate sales:** 2021's strong discretionary mandate performance has set solid foundations for the year ahead and for clients to deploy their capital with CSUK. The investment themes of "Protect, Grow and Yield", together with an enhanced Wealth Management offering, provide a comprehensive solution for new and existing clients. In addition, further product launches are planned throughout 2022 aligned to clients' objectives.
- **Meeting clients' lending needs through a range of products including Lombard loans and mortgages:** CSUK plans to grow its lending book, primarily through offering mortgages into a robust UK market, and maintain the focus on lending against properties in prime central London locations. CSUK is well capitalised for both base and high growth scenarios thus allowing the entity to meet its clients' varied and sophisticated needs.
- **Offering sustainable client solutions:** Sustainable investing is a rapid area of growth in financial services, with increasing expectations from clients for this offering. CSUK remains committed to creating and facilitating investments that result in positive social and environmental change whilst generating attractive financial returns for our clients. In the last 24 months, a range of thematic investment products were introduced to CSUK's offering, linked to the UN Sustainable Development Goals (SDGs). These are distributed across the risk spectrum to enable clients to tailor portfolios to both risk appetite and sustainable preferences.

CSUK undertakes its operations with heightened attention to ensuring compliant business conduct focused on generating growth through active and disciplined risk management.

The effects of COVID-19 continued to impact the UK throughout the year with a new lockdown imposed at the beginning of 2021 and restrictions on international travel remaining for most of the year. Nonetheless, the resilience and ability to adapt shown by CSUK staff have been key to ensure the entity continues to meet its targets and service levels remain consistent.

Looking ahead, CSUK's continued ability to offer tailored solutions to respond to sophisticated clients' needs, along with its well-established core advisory, discretionary and lending services ensures the business is well positioned to achieve its strategic objectives.

Operating Environment

CSUK is impacted by a range of political, macroeconomic, social, environmental, 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.

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.

Political and Economic Environment

2021

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.

The Bank of England ('BOE') Monetary Policy Committee ('MPC') sets monetary policy with the aim of meeting the 2% inflation target, to help sustain growth and employment. The inflation rate at the end of 2021 was 5.4% and in December, to control inflation, the MPC voted to increase the Bank rate by 0.15% to 0.25% (31 December 2020: 0.1%).

The GBP exchange rate against the USD ended the year at 135.03, a decrease of 0.2% since 31 December 2020. Nominal gross domestic product (GDP) rose by 1.5% in Quarter 4 (Oct to Dec) 2021. UK-weighted world GDP rose by 1.2% in Q3 2021 and by 0.8% in Q4 2021. The weaker near-term outlook mainly reflects the impact of supply constraints, both domestic and global.

The Financial Times Stock Exchange 100 ('FTSE 100') index of top UK-listed shares closed at 7,384 points for 31 December 2021, an increase of 14.3% since 31 December 2020. Standard and Poor's 500 index closed at 4,766 points increasing by 27% since the same period last year.

Looking forward

The International Monetary Fund ('IMF') have forecasted the global economy to grow by 4.4% in 2022 and 3.8% in 2023. The BoE MPC have increased interest rates twice since 31 December 2021 from 0.25% to 0.75%. The recovery in the UK and globally will continue with weaker near term outlook impacted by the unwind of fiscal stimulus and supply-chain constraints.

The scale and longevity of the global inflation increases were not anticipated and are bringing forward the start of global monetary policy normalisation. These measures should help reduce the upward pressure on inflation as global demand rebalances due to fiscal stimulus unwind. However, the recent Russian attack on Ukraine has pushed the oil and natural gas prices higher. The prospect that supply chain disruptions could be prolonged together with the recent surge in oil and natural gas prices indicates that annual inflation rates would likely remain high far into 2022.

With respect to the Russian government's attack on Ukraine, various countries imposed sanctions on Russia who then imposed certain countermeasures. These actions are having significant impacts on the global markets and market conditions are expected to remain volatile for an extended period of time in 2022. For further details, refer to Note 34, Subsequent events.

CSUK will continue to monitor developments in this dynamic operating environment.

Regulatory Environment**Replacement of Interbank Offered Rates ('IBOR')**

Global financial markets have undergone a major structural change with respect to the replacement of IBOR benchmarks. In the UK, the FCA mandated that firms must take appropriate action to transition to Alternative Reference Rates ("ARR") by the end of 2021.

CSUK has in the past issued mortgage and Lombard loans with London IBOR ('LIBOR') referenced interest rates and in 2020 launched a suite of non-LIBOR, ARR-referenced, lending products. CSUK ceased its LIBOR offering for new loans in Q4 2020.

CSUK successfully executed its transition strategy for legacy LIBOR referencing loans and by the end of 2021 CSUK had legally transitioned all existing lending clients onto ARR referenced products.

CSUK assessed all other areas of the business linked to IBOR-referenced products to ensure it was fully compliant with the regulatory deadlines for transition. For further details, refer to Note 29, Financial instruments risk position.

Other

The Bank continues to monitor and adapt to ongoing changes in the regulatory environment, in particular it is working to address:

- The renewed focus on EU regulations by UK supervisory authorities following the UK's departure from the EU,
- Managing the financial risks from climate change to ensure that climate risk is established in business strategies, decision-making, risk management frameworks and risk-taking.

There are a number of significant regulatory priorities due to go live in early 2022 including:

- The PRA published its final policy and Supervisory Statements on outsourcing and third-party risk management in March 2021 setting out their expectations for robust oversight of services provided by third-parties including the use of the cloud and other technologies. The Bank will continue to enhance the controls and governance over outsourcing arrangements,
- The Central Securities Depositories Regulation (CSDR) which will improve securities settlement in Europe and drive standardisation across depositories,
- Operational Resilience of the financial sector is a strategic priority for the regulators and there is a particular focus on managing cyber risk and identifying, mapping and setting impact tolerances for important business services along with a programme of scenario testing to improve the ability of the Bank's critical business services to withstand, adapt and recover from operational disruptions.

Performance

Key Performance Indicators ('KPIs')

The Bank uses a range of KPIs that are critical to the successful management of its business and the achievement of its objectives. The KPIs incorporate both financial and non-financial measures and can be mapped to each of the Bank's strategic priorities.

	2021	2020
Earnings and Profitability		
Profit before tax (£ m)	10.9	25.2
Provision for Expected Credit Losses ('ECL') (£ m)	8.8	11.4
Cost-to-Income Ratio	90 %	78 %
Capital		
Risk Weighted Assets ('RWA') (£ m)	1,340	1,338
Tier 1 and Common Equity Tier 1 ('CET1') Capital (£ m)	336	314
Tier 1 and CET1 Capital Ratio ¹	25.09 %	23.45 %
Liquidity		
Liquidity Buffer ² (£ m)	1,077	935
Business volumes		
Net New Assets ('NNA') (£ m)	1,782	(386)
Assets under Management ('AuM') (£ m)	12,985	10,770
Credit Volume ³ (£ m)	3,947	4,015
Non-financial		
Number of Relationship Managers ⁴	49	56
Mandate Penetration ⁵ (%)	37	40
Female representation in leadership team (%)	40	40

¹ 2020 CET1 ratio has been updated to include the audited profits for the year-ended 2020.

² Liquidity Buffer as at the end of the reporting period is based on the High-quality Liquid Assets ('HQLA').

³ Credit Volume includes gross loans (mainly Mortgage and Lombard loans) managed by CSUK Relationship Managers.

⁴ Number of Relationship Managers as at the end of the reporting period. The average number of employees can be found in Note 25.

⁵ Represents the percentage of AuM that is in a discretionary or advisory mandate.

Earnings and Profitability

CSUK reported profit before tax of £10.9m for the year ended 31 December 2021, down 57% compared to 2020 after fully impairing the goodwill balance of £13.8m.

Overall net CSUK revenues are £107.9m in 2021 versus £112.9m in 2020. Net interest income decreased versus the prior year due to the combination of lower interest rate margins on a deleveraged loan portfolio. Net commission and fee income increased versus the prior year mainly driven by higher advisory and management fees. During the year, CSUK continued to leverage the capabilities of the CS group with £11.0m of commission and fee income from other IWM businesses across the CS group (2020: £11.6m) and £5.5m from collaboration with the investment bank (2020: £5.3m).

Operating expenses in 2021 are £97.0m versus £87.8m in 2020 after the goodwill impairment. Underlying operating expenses are £83.2m versus £87.8m in 2020 primarily due to lower costs associated with compensation and benefits.

The Bank's total ECL provision as at 31 December 2021 is £8.8m (2020: £11.4m) against £2.1bn (2020: £2.0bn) of loans. The ECL on credit impaired Stage 3 loans is £7.2m (2020: £8.8m) on total loans of £177.5m (2020: £189.3m), a coverage ratio of 4.1% (2020: 4.6%). This reflects the low credit risk of the underlying loan book, due to the strength of the collateral and the low Loan to Value ratios across the portfolio.

For further details of the Bank's approach to calculation of ECL please refer to :

- Note 3, Critical accounting estimates and judgements in applying accounting policies;
- Note 21, Expected Credit Losses Measurement; and
- Note 29, Financial instruments risk position.

The Bank incurred the following taxes in the UK during 2021: Bank Levy of £0.6m (2020: £1.4m), Employer's Social Security of £5.0m (2020: £5.6m) and irrecoverable UK Value Added Tax of £2.1m (2020: £1.7m). CSUK received corporation tax refund of £1.1m in 2021 (2020: tax paid £10.7m).

Capital

The CET1 ratio as at 31 December 2021 of 25.09% remains well in excess of minimum requirements. RWAs remained flat year on year. The Bank's leverage ratio as at 31 December 2021 is 9.30% (2020: 8.57%), well in excess of minimum requirements. 2020 leverage ratio is restated to include audited profits for the year ended 2020.

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the PRA. The Bank has in place robust processes and controls to monitor and manage the Bank's capital adequacy. In addition, CSUK has an established risk appetite for capital approved by the Board that ensures a suitable buffer is maintained over and above the minimum regulatory requirements at all times.

An Internal Capital Adequacy Assessment Process ('ICAAP') is undertaken to assess the adequacy of the Bank's capitalisation in respect of its principal risks, and this process includes stress testing using a number of challenging scenarios, reverse stress testing and scenario analysis. The results of the ICAAP are approved by the Board.

The Bank's capital structure during 2021 is set out in Note 20 - Share Capital and Share Premium. Pillar 3 disclosures required under Capital Requirement Regulation ('CRR') for CSUK can be found separately at www.credit-suisse.com.

Liquidity

The Bank's liquidity position is monitored and managed in accordance with a variety of liquidity risk metrics. The Bank ensures it meets the requirements of the Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ratio ('NSFR'), which have liquidity horizons up to 30 and 365 days, respectively. These regulatory minimum requirements are supplemented by an internal liquidity risk model, which establishes internal liquidity requirements at various time horizons.

Overall, the liquidity pool of 'cash and due from banks' and 'securities purchased under resale agreements' increased year-on-year from £0.9bn to £1bn. HQLA increased to £1.1bn as at 31 December 2021 and cash placements decreased to £24m. The Bank's average NSFR as at 31 December 2021 is 122.0% (2020: 114.4%). The Bank's average LCR as at 31 December 2021 was 216% (2020: 268%).

Liquidity risk management and the Bank's funding are assessed through the annual Internal Liquidity Adequacy Assessment Process ('ILAAP'). The purpose of the ILAAP is to identify and measure liquidity and funding risks across different time horizons and stress scenarios, including an assessment of the adequacy of contingent funding arrangements, consistent with the risk appetite established by CSUK's management and approved by the Board.

CSUK maintains a strong liquidity position and also has a letter of support from CSAG committing to ensuring CSUK meets its debt obligations and maintaining a sound financial position over the foreseeable future.

Business volumes

Assets under Management (AuM) increased by £2.2bn largely due to the positive NNA of £1.8bn in 2021 supported by favourable markets. The decrease in credit volume is primarily due to mortgage repayments.

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, treasury and liquidity risk. All of the material risks are covered in the following table and further risk drivers deemed to be significant in 2021 are covered in the second table. As part of the Risk Appetite framework, the Bank manages and monitors its risks through specific risk appetites.

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 Asset Liability Management Capital Adequacy and Risk Management Committee ('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. Further details are provided in Note 29, Financial instruments risk position and additional detail on capital management is provided in the Pillar 3 disclosures, for CSUK these can be found separately at www.credit-suisse.com.

Material Risks

RISK AREA	HOW RISKS ARE MANAGED
Business Risk The risk that an appropriate business strategy does not deliver on anticipated financial benefits.	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.
Capital Risk The risk that the Bank does not maintain adequate capital to support its activities and meet minimum capital requirements.	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 & 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.

RISK AREA	HOW RISKS ARE MANAGED
<p>Climate Risk</p> <p>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.</p>	<p>CSUK has put in place a framework to manage climate risk:</p> <p><i>Governance:</i> 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.</p> <p><i>Risk management:</i> 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').</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p><i>Scenario analysis:</i> 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.</p> <p><i>Disclosure:</i> 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.</p> <p>For more information on CS group approach to climate related financial disclosure, see www.credit-suisse.com/climateas put in place arrangements to manage climate risk.</p>
<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>

RISK AREA	HOW RISKS ARE MANAGED
<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 ('DVO1') and Economic value scenario analysis.</p>
<p>Non-Financial Risk (NFR)</p> <p>The risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to technology risk, cyber risk, compliance risk, regulatory risk, legal risk, financial crime risk, outsourcing risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways.</p>	<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 & Regulations, People, Process, Cyber & Systems, Clients & 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>
<p>NFR Conduct Risk</p> <p>The risk that improper behavior or judgement by our employees results in negative financial, non-financial, or reputational impact to our clients, employees, the Bank, and the integrity of the markets.</p>	<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>

RISK AREA	HOW RISKS ARE MANAGED
<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 & 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>
<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>
<p>NFR Systems & Cyber Risk</p> <p>The risk of not operating with systems that are secure, resilient and fit our products and processes.</p>	<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>

RISK AREA	HOW RISKS ARE MANAGED
<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>
<p>Treasury & Liquidity Risk</p> <p>The risk that a Bank is running large structural interest rate ('IRRBB'), FX and other ALM & 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>

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. These are described on page 10.

Risk Governance

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.

Effective risk governance sets a solid foundation for comprehensive risk management discipline. The Bank's risk governance framework is based on a "three lines of defence" governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks. Further information is provided in the Corporate Governance section:

- 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 Chief Operating Officer ('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 monitoring and assessing compliance with regulatory and internal standards. The second line of defence is separate from the front office and its independent control functions are also 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 internal audit, which monitors the effectiveness of controls across various functions and operations, including risk management, compliance and governance practices.

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.

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

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

Risk Appetite

The Bank's financial risk management objectives and policies and the exposure of the CSUK to credit risk, liquidity risk market risk and capital risk are outlined in Note 29 – Financial Instruments Risk Position.

The Bank maintains a comprehensive risk appetite framework, which is governed by a global policy, providing a robust foundation for risk appetite setting and management. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the Bank's financial and capital plans. The framework also

encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain our overall risk profile.

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.

Corporate Responsibility

Overview

CSG publishes a comprehensive Sustainability Report which can be found on CS group's website at www.credit-suisse.com/sustainabilityreport. The Sustainability Report describes how CS group including CSUK, assumes its various responsibilities towards society and the environment.

Environmental matters

Sustainability

CSUK assesses risks to the environment, people and society through the Bank-wide Sustainability Risk Review process which informs the Reputational Risk Review Process. In CSUK, decisions regarding reputational risks are made by a Reputational Risk Approver, or escalated to the Divisional Client Risk Committee ('DCRC'). If necessary, decisions can be further escalated to the Global Client Risk Committee.

As a global financial institution, CS group recognises the important role that banks play in combating climate change through support of the transition to a low-carbon and climate-resilient global economy. In December 2020, Credit Suisse announced its 2050 net zero emission ambition and committed to develop interim 2030 science-based reduction goals for key sectors.

To open up sources of capital for the development of future markets, CSUK also offers clients a broad range of investment products and services with a focus on environmental and social themes. CS group has a goal to provide at least CHF 300 billion of sustainable financing by 2030.

Financial regulators globally are increasingly recognising the potential for climate change, environmental degradation and social risks to create financial risks for companies and markets on one hand, and the role of sustainable finance in mobilising capital to meet the goals of the Paris Agreement and Sustainable Development Goals on the other hand.

In April 2019, the Prudential Regulatory Authority issued a Supervisory Statement setting out its expectations of how firms manage the financial risks associated with climate change. The supervisory statement drives firms to take a more strategic approach, in particular, by embedding consideration of the financial risks from climate change in their governance, risk management, scenario analysis and disclosure.

Further information:

Sustainability Report: www.credit-suisse.com/sustainability

Risk Management and Sustainability: www.credit-suisse.com/riskmanagement

Climate Change: www.credit-suisse.com/climate

Environmental Management: www.credit-suisse.com/environmentalmanagement

Streamlined Energy and Carbon Reporting ('SECR')

CSUK as part of CS group is committed to enabling a more environmentally sustainable economy and recognises climate change as one of the most significant risks facing the planet. Climate and sustainability objectives are predominantly set at CS group level and CSUK contributes to these objectives. Sustainability initiatives are designed and implemented for CS group operations, including CSUK, and supply chains globally including carbon foot printing, environmental and energy reporting and energy efficiency programmes.

In December 2020, CS group announced its 2050 net zero emission ambition and committed to develop interim 2030 science-based reduction goals for key sectors. The first of these sector climate strategies has been set in 2021, with the remainder expected by the end of 2022. CS group will continue its commitment to achieve net zero ambitions by aligning with the Science Based Targets initiative ('SBTi') and the Net Zero Banking Alliance ('NZBA') guidelines. More details can be found at: www.credit-suisse.com/sustainabilityreport.

CS group recognises its share of responsibilities in combating climate change by supporting the transition to a low-carbon and climate-resilient global economy. In 2021, CS group articulated its framework and approach to tackle climate change in their internal Global Climate Change Policy.

Carbon Footprint Methodology

CS group follows the World Resources Institute ('WRI') and the World Business Council for Sustainable Development ('WBCSD') in the GHG Protocol Corporate Accounting and Reporting Standard ('GHG Protocol Corporate Standard'). For emissions from purchased or acquired electricity ('scope 2 emissions'), CS group follows the GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard. For scope 3 emissions, CS group adheres to WRI/WBCSD's Corporate Value Chain ('scope 3') Accounting and Reporting Standard (GHG Protocol Scope 3 Standard).

Scope 1 emissions include natural gas, diesel fuel and heating oil from building energy consumption and gasoline/diesel from its fleet. Scope 2 emissions include purchased electricity. Scope 3 emissions include fuel used in rental cars and personal cars on business use.

2020 GHG emissions are restated because CS group implemented several changes to their GHG estimation approach to improve data quality and completeness and align with the GHG Protocol and RE100 criteria. CS group aligned group reporting to meet the SECR mandatory requirements for large unquoted companies.

Key methodology changes include:

- CS group formerly used the Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten e.V. ('VfU') GHG emissions calculator tool, which was developed for the financial sector in Germany, Austria and Switzerland ('DACH region'). For the 2021 GHG Inventory, CS group used a custom GHG emissions calculation tool that enables selection of more up-to-date and geographically relevant emissions factors that better align with the GHG Protocol. In future years, GHG emissions calculations will be automated using Schneider Electric's Resource Advisor tool;
- CS group modified its approach to applying renewable energy credits ('RECs') to align with RE100 for its scope 2 market-based GHG emissions;
- CS group switched from using full-time equivalent ('FTE') employee numbers for extrapolating missing data for building energy consumption to using occupied square footage. Applying a building intensity ratio by square foot provides a more representative estimation of actual energy consumption occupancy rates.

UK SECR Disclosure 2021

Disclosures	2021 ²		2020 revised ¹	
	UK	CSUK	UK	CSUK
Energy consumption used to calculate emissions (kWh)	94,993,798	6,641,190	78,949,319	5,610,388
Facility Energy Use (kWh)	94,893,515	6,634,179	78,773,651	5,597,904
Transport Energy Use (kWh)	100,283	7,011	175,668	12,484
Emissions from stationary combustion of gas (Scope 1)	504	35	281	20
Emissions from combustion of fuel for transport purposes (Scope 1)	—	—	—	—
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	40	3	44	3
Emissions from purchased electricity (Scope 2, location-based)	20,066	1,403	16,251	1,155
Emissions from purchased electricity (Scope 2, market-based)	1,625	114	490	35
Total gross location-based CO ₂ e based on above	20,610	1,441	16,576	1,178
Total gross market-based CO ₂ e based on above	2,169	152	815	58
GHG Intensity (tCO ₂ e gross location-based GHG emissions/FTE)	6	6	4	4

¹2020 GHG emissions are restated because (1) Credit Suisse implemented several changes to our GHG estimation approach to improve data quality and completeness and align with the GHG Protocol and RE100 criteria; and (2) We aligned our reporting to meet the SECR mandatory requirements for large unquoted companies.

²Increased occupancy levels in 2021 following the relaxation of some COVID-19 restrictions have driven higher energy consumption.

UK Energy Efficient Action

The sites CSUK occupies at One Cabot Square and Twenty Columbus Courtyard have completed several energy efficiency initiatives and received independent third party assessment of the sustainability performance of these buildings using BREEAM (Building Research Establishment Environmental Assessment Method) certification. At these two offices, CSUK conducted seasonal commissioning to validate control system operation against expected design targets, including temperature control of cooling units, fan performance and daylight lighting performance. A new management system was installed to improve the operation and efficiency of lifts, reducing lift traffic and thereby energy consumption. In addition, energy efficient motor drives were installed for the firefighting and goods lifts along with the redesign of the Lift Motor Room cooling, right-sizing for the reduced design loads, and upgrading cooling in the Electrical Sub Station Cooling. A power monitoring system, allowing for visualisation of electrical loads, was also deployed during the year.

Economy and Society

The primary function of CS group is to be a reliable and professional partner to the clients around the world, offering them a range of financial products and services to meet their individual needs. In this context, CS group performs functions that are viewed as systemically relevant, including deposit-taking and lending. CS group plays an important role as a financial intermediary, bringing together borrowers and lenders of capital globally, from companies and public sector bodies to private individuals and institutions. CS group supplies businesses with the capital resources they need to expand their activities and finance innovation, thus helping to drive economic growth and job creation.

In addition to its core banking activities, CS group including CSUK is committed to acting as a reliable partner and to making a targeted contribution to economic and social development in the regions where CS group operate. CS group, together with the Credit Suisse EMEA Foundation, recognise Financial Inclusion, Financial Education and Future Skills as effective tools to promote economic growth and social change and as a means of helping people to help themselves. The Credit Suisse EMEA Foundation supports organisations that address barriers to education or employment and/or equip disadvantaged young -people with the knowledge, skills and attitudes required to respond to the demands of evolving employment markets or create opportunities through their own entrepreneurial initiative. The Credit Suisse EMEA Foundation also support organisations that help these young people make informed decisions and take effective actions regarding their current and future use and management of money so they can fulfil their potential in their adult lives. Two directors of CSUK are trustees of the Foundation. CS group works notably with organisations to develop, pilot

or strengthen innovative models that have demonstrated their impact on the education and/or skills sectors or show real potential to bring sustainable change.

More details can be found at www.credit-suisse.com/responsibility/society.

Employee Matters

CSUK business performance is dependent on the skills, experience and conduct of highly skilled individuals and teams. It's supported by a global purpose and values framework, and has initiatives to support the well-being, work-life balance and career goals of its employees because its continued ability to build lasting value by serving its clients with care and entrepreneurial spirit, depends on the ability to attract, retain and motivate highly talented and diverse employees.

Culture

Credit Suisse established a revised culture framework in early 2021 and the implementation and embedding of this is an ongoing program of work. The framework contains both a purpose statement and a set of cultural values, and these are important pillars in defining the identity of our company. They enable our employees to have a common understanding as well as providing consistency about our expectations at Credit Suisse with regards to culture and conduct, and as such, are also key drivers on how we shape our future.

Our purpose "We build lasting value by serving our clients with care and entrepreneurial spirit" is at the core of everything we do. It underpins the value we create, and has powered progress at a group level for more than 165 years. Our values are to serve as our ultimate guide as to 'how' we act every day. They inform decision-making in the moments that matter. The IMPACT values build on the Conduct & Ethics Standards which had been in place for the past four years, and express the commitment to the crucial principles of Inclusion, Meritocracy, Partnership, Accountability, Client Focus and Trust ('IMPACT').

The values have been embedded in our core HR processes, training, our compliance policies and processes and our revised Code of Conduct has also been published in early 2021.

The challenges Credit Suisse Group encountered in 2021 highlighted a need to assess where we stand in relation to our values. A third-party vendor was engaged to conduct an anonymous Group-wide survey to engage all employees and measure how we are performing in relation to our cultural values. Based on feedback from the survey, several key areas that require further attention were identified. This has resulted in a coordinated program of work for 2022 and beyond.

Diversity and Inclusion

CSUK is an equal opportunity employer and is committed to fostering an inclusive and equitable culture as well as being a responsible partner in society. This commitment shows in the programs and employee networks in place across all UK businesses, which are an essential element of the working culture.

CSUK adopts CS group policies which ensure we are providing equal employment opportunities to all employees and applicants in every facet of our operations, and that all employment-related decisions are made on the basis of the individual's job, qualifications and job performance, or on any other legitimate business considerations provided for in the applicable law. There will be no regard to ethnicity, nationality, gender, sexual orientation, gender identity, religion, age, disability, civil partnership, marital or family status, pregnancy, or any other status that are protected as a matter of local law. CSUK will also consider all requests either during a recruitment process or from existing employees, for additional equipment, adjustments to facilities and training procedures that would assist someone with a disabling condition in the performance of their duties.

As one of our core values, "Inclusion" is embedded in our daily operations to ensure sustainable change, our performance evaluations, recognition systems and promotion criteria – all reflect our objectives to advance a culture of inclusion. In 2021, CS group reinforced commitments to further advance diversity and inclusion in the company, sector and society, and made progress on a range of commitments in this field.

We recognise inclusion relies on the actions of all our colleagues, so senior leaders within CSUK have been participating in skill building sessions aimed at increasing inclusive leadership competencies. CS group also launched an "Advancing Inclusion" curriculum, a multi-media online learning program for all employees. Mandatory learning on "Working with Respect", was updated to include a new learning module on micro aggressions in 2021, noted in our global policy for equal employment opportunity and dignity at work, and this continues to serve as a baseline for all employees. In further support of embedding an inclusive work environment, CSUK also ran a series of workshops hosted by trained senior

managers, focussed on 'Listening Up'. The sessions highlighted the importance of creating an environment of 'psychological safety' for employees to encourage open communication and feelings of belonging.

CS group set targets to double the amount of Black Talent at senior levels, and increase overall black talent representation by 50% throughout the organisation by 2024. These targets rely on improvements in the hiring, promotion and retention of black talent. To this end, in 2021 CS group enhanced its investments in early careers, recognising the importance of access to opportunities, and as part of that initiative CSUK engaged in a pilot school leaver Apprenticeship programme aimed at increasing entry level opportunities.

According to the Credit Suisse Research Institute and our Gender 3000 report published in 2021, there is a strong and positive correlation between increased gender diversity and increased returns on capital, ESG and stock performance. Therefore, we believe increasing female representation in leadership supports our business strategy. We design, offer and run multiple programs to foster the development of female professionals throughout our organisation to support our goal to do this.

In recognition of Credit Suisse's commitment to gender pay equity, the Bank was awarded the quality label from the Social Partnership Centre for Equal Pay in the Banking Industry and has been certified with the "Fair-Pay" label. CSUK continues to be a signatory of the 'Women in Finance Charter' – a pledge to support the progression of women into senior roles, and exceeded the minimum target of 35% female representation in the leadership team by 5%. Additionally, Credit Suisse was recognised in the UK as a Times Top 50 Employer for Women in 2021.

Credit Suisse takes pride in our dedication to and support of the LGBTQ+ community. Our LGBTQ+ employees and ally community have advocated for and championed LGBTQ+ equality for 20 years.

Employee Networks are a long-established component of our culture at Credit Suisse and have been extremely influential in advocating for our employee communities, lending their voice to courageous conversations and bringing fresh insights to achieve business goals. They serve as a platform for the exchange of knowledge and experience, thus fostering mutual understanding and respect, helping to strengthen our corporate culture. Led by employees on a voluntary basis, our networks are multi-dimensional – dedicated to women, families, LGBTQ+, people with disabilities, veterans, as well as different races and ethnicities, and cultural diversity. They support and advocate for underrepresented talent at the Bank, and influence our Diversity and Inclusion strategy and initiatives.

Wellbeing & Benefits

CS group in the UK has an established Wellbeing Programme framework focused on our employees' financial, physical and mental wellbeing. During 2021 there has been a continued focus on supporting employee wellbeing through the global pandemic, in addition to financial and physical health. The wide range of events made available to all staff included focus on topics such as sleep, resilience, nutrition, cancer awareness, will & mortgage seminars, relationships and mental health etc. There is an active wellbeing and care network and over 100 people trained as mental health first aiders across the UK to give peer support.

In 2021, our extensive benefits package introduced three new elements: electric car leasing, employer-funded health assessments every two years & employer-funded emergency in-home dependant (adult & child) care. CS group also recognises many of its workforce balance their career with caring responsibilities outside of the workplace and has introduced a range of different options to help support this balance including enhanced emergency childcare options, elder care and provisions to take time out of the office to perform caregiver duties.

CSUK offers a range of flexible benefits including medical, critical illness, life assurance and also income protection benefits for employees who, whether temporarily or permanently, are unable to work due to disability.

Career Development

CSUK provides opportunities for individuals starting careers post-school or graduation via the school leaver Apprenticeship programme, and via the Private Banking MBA hiring programme. CSUK also actively supports employees who wish to take up new roles within the organisation, with ~30% of open roles being filled with internal candidates during 2021.

Communication

CS group and CSUK are committed to keeping employees informed of changes within the organisation, including but not limited to, financial and economic factors affecting the performance of the CS group and CSUK. This is achieved through a number of different channels, including regular town hall meetings and Q&A sessions, with senior leaders,

divisional and functional line management meetings, webcasts, intranet updates, email bulletins focused on specific issues, and via our active employee networks. In addition to formal consultation processes (where required), employee feedback is frequently sought and is actively encouraged. For example, the previously mentioned global employee IMPACT survey on culture. In addition, CSUK employees were asked to provide feedback on their IT set-up, their preferences with regards to future ways of working, and their return to office experiences. These all provided input in to the approach and future solutions as we adapt to a more hybrid working environment.

Employees are encouraged to be invested in the company's performance as at certain levels in the organisation, select personnel receive a portion of their annual compensation in the form of deferred compensation linked to the overall performance of Credit Suisse.

Flexible Working

CSUK encourages discussions between employees and managers around potential flexible working arrangements. The pandemic has proven that flexible working can work well with benefits to both productivity and work-life balance, but offices also provide a better environment for collaboration, innovation, mentoring, training and development. CSUK has targeted an average return to office for 60% of the working week. This provides flexibility to work remotely, while ensuring employees remain connected and oversight can be maintained more easily.

Reportable Concerns

Employees have a duty to report concerns of potential legal, regulatory or ethical misconduct to their line managers or to Financial Crime Compliance and Regulatory Affairs. The Bank is committed to enabling an environment where people feel encouraged and therefore do speak up and communicate openly. Employees worldwide, including those in the UK, also have the option of calling a CS group Integrity Hotline, where they can report such issues anonymously, where anonymity is permitted by local law. In addition UK employees have access to the Reportable Concerns Office where concerns are promptly allocated for investigation and are treated in confidence.

Respect for Human Rights

CS group strives to assume responsibilities in the area of human rights in accordance with the International Bill of Human Rights as well as the corresponding principles on human and labour rights set out in the UN Global Compact. These principles are reflected in the policies and business activities of both CS group and CSUK. The "Statement on Human Rights" describes the foundations of our responsibility to respect human rights and the approaches, processes and tools we use to implement it. Equally, CS group expects its business partners to recognise and uphold human rights.

Further information on the topic of human rights, including the CS group's Modern Slavery and Human Trafficking Transparency Statement, can be found at: www.credit-suisse.com/humanrights.

Anti-Corruption and Bribery Matters

CS group including CSUK, strives to prevent the improper use of products and service by third parties. As part of the efforts to fulfil its due diligence requirements, CS group uses strict internal control policies which govern topics such as business relations with politically exposed persons, the prevention of money laundering and terrorist financing, and adherence to applicable economic and trade sanctions laws. Furthermore, the CS group is actively involved in the development and implementation of industry standards to combat money laundering and corruption.

Employees are required to regularly complete mandatory online training courses on topics ranging from the prevention of money laundering, terrorist financing and corruption to compliance with economic sanctions.

Corporate Governance

Members of the Board and Board Committees

The CSUK Board of Directors ('Board') is responsible for governance arrangements that ensure effective and prudent management of CSUK, including the segregation of duties and the prevention of conflicts of interest. The Board approves and oversees the implementation of strategic objectives, risk strategy and internal governance; ensures the integrity of the accounting and financial reporting systems; oversees disclosure and communications processes; provides effective oversight of senior management; and assesses the effectiveness of governance arrangements.

As at 22 April 2022:

	Board member since	Independence	Audit Committee	Risk Committee	Remuneration Committee	Nominations Committee
Maureen Erasmus, Chair	2017	Independent	Member	Member	Member	Chair
Alexandra Kinney	2017	Independent	Chair	Member	Chair	Member
Richard Metcalf	2020	Independent	Member	Chair	Member	Member
Stefanie Blättler	2020	—	—	—	—	—
Philippe Theytaz	2020	—	—	Member	Member	—
Christian Berchem, CEO	2017	—	—	—	—	—
Ian Hale, CRO	2014	—	—	—	—	—
Simon Politzer, COO	2021	—	—	—	—	—
Caroline Waddington, CFO*	2022	—	—	—	—	—

*subject to regulatory approval

Board and Management

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

As required by the PRA and FCA, the Senior Managers and Certification Regime ('SMCR') has been in operation since Q1 2016. The SMCR aims to reduce harm to clients and to strengthen market integrity by making individuals more accountable for their conduct and competence.

Internal Control and Financial Reporting

CSUK has reviewed the principles of corporate governance contained in the Wates Corporate Governance Principles ("Wates") issued by the Financial Reporting Council in December 2018. The Bank observes the principles of Wates where practical and relevant.

Board Responsibility

The Directors are ultimately responsible for the effectiveness of internal control at CSUK. Procedures have been designed for safeguarding assets, for maintaining proper accounting records; and for assuring the reliability of financial information used within the business, and provided to regulators and external users. Such procedures are designed to mitigate and manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

The key procedures that have been established are designed to provide effective internal control within the Bank. Such procedures for the ongoing identification, evaluation and management of the significant risks faced by the Bank have been in place throughout the year and up to the date of approval of the CSUK Annual Report for 2021.

The Risk Appetite Statement is formally reviewed and approved at least once a year by the Board. Key risks are also formally reviewed and assessed on a quarterly basis by the Board Risk Committee and the Board as required. In addition, key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of policies and processes such as credit and market risk limits and other operational metrics, including authorisation limits, and segregation of duties.

The Board receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are well-established business planning procedures in place and reports are presented regularly to the Board detailing the performance of CSUK, variances against budget, prior year and other performance data.

The Board's duties relate to Strategy and Management; Conduct, Ethics and Culture; Risk Management; and Financial Reporting and Internal Control as set out in the Board Terms of Reference. During 2021 the Board has taken decisions in line with its duties and the Board objectives, including the review and approval of the Strategy and Financial Plan; the Risk Appetite Statements and Limits; the ILAAP; the ICAAP; the Compliance Risk Assessment and Plan; the Financial Crime Compliance Risk Assessment; the Authorised Signatories; the Financial Statements and Pillar 3 Disclosures; the Modern Slavery Statement; Board Director Resignations and Appointment and Board and Committee Objectives. The Board has delegated execution of certain duties to the Board Committees and escalated significant issues to CS AG as required.

Board Evaluation

Each year, the Board undertakes a formal evaluation of the performance and effectiveness of the Board and its Board Committees against the responsibilities listed in the respective terms of reference and objectives. An outcome of the evaluation is the decision on the Board's future objectives and focus topics, in light of the CSG strategy, and to identify internal briefings/training required by individual Directors. The Evaluation also assists the Nominations Committee to assess the composition and performance of the Board and Board Committees, and knowledge, skills, experience and diversity of Board members and Board succession planning.

From time to time, the Board will mandate an external advisor to facilitate the evaluation; usually the evaluation is internal for two years and external for every third year. Given the Board changes during 2021 and in early 2022, the external evaluation has been deferred for another year. At the beginning of 2022 the Board performed a self-evaluation of its own performance in 2021. The self-assessment concluded that the Board and Board Committees are operating effectively. The Board reviews and approves the Board and Board Committee objectives annually.

Board Training

In addition to an initial Board evaluation and Board induction provided to Directors, the Board undertakes internal briefings and training that are tailored to CSUK business strategy, Board objectives and decisions. Individual Directors undertake other external courses for professional development, as necessary.

Board Diversity Policy

CSUK recognises and embraces the benefits of building a diverse and inclusive culture and having a diverse board. A diverse Board will include and make good use of differences in the skills, regional and industry experience, independence and knowledge, background, race, gender and other distinctions between Directors. The Nominations Committee will consider these attributes in determining the optimum composition of the Board and when possible will be balanced appropriately. 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.

Board Meetings

Nine Board meetings were held in 2021, including scheduled and ad hoc Board meetings. All members of the Board are expected to spend the necessary time outside of these meetings needed to discharge their responsibilities appropriately. The Chair calls the meetings with sufficient notice and prepares an agenda for each meeting. Minutes are kept of the Board proceedings. The Chair has the discretion to invite members of management or others to attend the meetings. The Board also holds separate private sessions without management present. The Board and Committees also hold separate private deep dive reviews on priority matters including Cyber, CASS (Client Money requirements), ILAAP and ICAAP, as well as briefings on provisioning, budget and financial plan and year end disclosures.

Meeting attendance

	Board of Directors ¹	Audit Committee ²	Risk Committee ³	Advisory Remuneration Committee ⁴	Nominations Committee ⁵
in 2021					
Total number of meetings held	9	6	5	5	2
Number of members who missed no meetings	9	3	4	4	3
Number of members who missed one meeting	—	—	—	—	—
Number of members who missed two or more meetings	—	—	—	—	—
Meeting attendance, in %	100	100	100	100	100

1. The Board consisted of nine members at the beginning of the year and eight members at the end of the year, with two members resigning and one being appointed.

2. The Audit Committee consisted of three members during the year

3. The Risk Committee consisted of four members during the year

4. The Advisory Remuneration Committee consisted four members during the year.

5. The Nomination Committee consisted of three members during the year.

Section 172(1) statement

The Board complies with the Companies Act Section 172 general duty to act in the way they consider, in good faith, would be most likely to promote the success of the Bank for the benefit of its shareholders as a whole and having regard to the consequences of decisions and the interests of employees and stakeholders. The Strategic Report includes disclosures to illustrate how the Board has discharged its duty under Section 172 of the Companies Act 2006 and how it has engaged and addressed the interests of its stakeholders including shareholders clients, employees, suppliers and others and how this has informed the Board's decision making.

The Board's approach to its s172 duty and engagement with stakeholders

CSUK businesses work on the basis that long-term success depends to a significant extent on the ability to inspire confidence in CSUK stakeholders. In the current challenging environment, and in view of the developments in the area of financial market policy, it is essential that steps are taken to safeguard and maintain trust in the Bank.

CSUK directly and via CSG regularly engages in dialogue with stakeholders including clients and employees as well as regulators, policymakers and the community. This dialogue, combined with the insights gained through its involvement in initiatives, business associations, and forums, as well as through surveys, strengthens the Bank's understanding of the different, and sometimes conflicting perspectives of its stakeholders.

Clients

Client engagement is key to the success of the CSUK's objective to be the private bank of choice to High Net Worth and Ultra High Net Worth individuals. The Directors will routinely review management information on the frequency of client engagement. A Client Outcomes dashboard is operational and key messages are being presented to the Board. For more information please refer to Strategy section in the Strategic Report.

Employees

The success of CSUK has a significant dependency on the skills, experience and conducts of its employees and the Bank is committed to keeping employees informed of changes within the organisation using many different approaches. For more information please refer to Employee Matters and the Corporate Employee Policy in the Strategic Report.

Regulators

Credit Suisse works together with its regulators to help reduce risk in the industry and to provide a more sustainable banking landscape over the long term. CSUK has an open and regular engagement with its regulators, ensuring clarity and transparency, and sharing views and expectations of CSUK.

Community

CSUK cultivates constructive relationships with local organisations and institutions and supports charitable projects through financial contributions, employee volunteering and expertise sharing. For more information please refer to Economy and Society section in the Strategic Report.

Environment

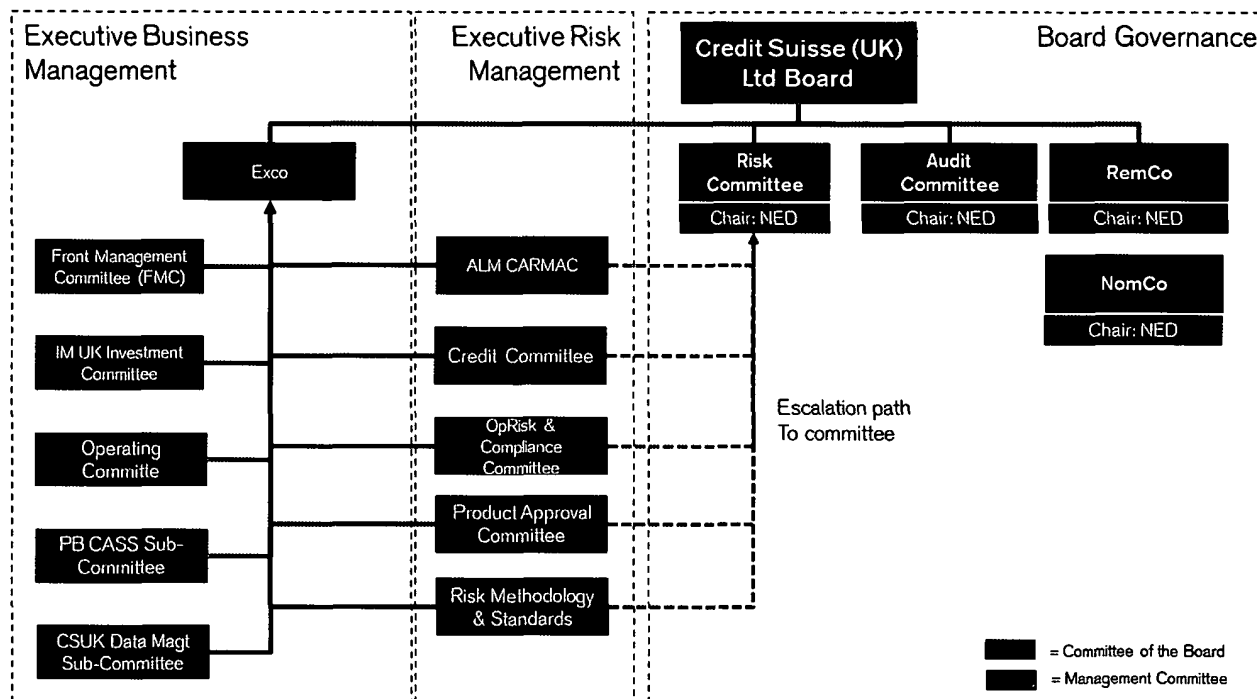
It is in the interests of both the Bank and its clients to develop and support measures that contribute to a more environmentally sustainable economy. The Credit Suisse "Statement on Sustainability" explains the aims relating to the balancing of economic, environmental and social issues when performing activities as a bank. For more information please refer to Environmental Matters in the Strategic Report.

Suppliers

The Bank relies upon services provided by third parties and other subsidiaries of the CS group. The Bank has established governance arrangements, including use of the CS group IPRM framework, across all outsourced services to ensure an efficient and effective provision and governance of those services. This includes effective communication between service providers and receivers.

Committees

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



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.

CSUK Audit Committee

The Audit Committee provides oversight of the integrity and adequacy of the financial reporting process, the internal audit process, internal controls and accounting and risk management systems, as defined by applicable law and regulations, articles of association and internal regulations. The Audit Committee is responsible for contributing to the 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.

In reviewing the CSUK 2021 Annual Report, the Audit Committee considered critical accounting estimates and judgements including the appropriateness of provision levels and the impact of changes in accounting standards. The Audit Committee additionally considered the projected capital and the liquidity requirements in the next 12 months and, in this context, the adequacy of the Bank's capital and liquidity resources. Over the course of the year, the Audit Committee held private meetings with the External Auditors, the Chief Financial Officer and the Head of Internal Audit.

CSUK Risk Committee

The Risk Committee advises the Board on the risk appetite and provides oversight of the integrity and adequacy of risk management responsibilities including processes and organisational frameworks, as defined by applicable law and regulation, articles of association and internal regulations. In particular, the committee reviews and assesses the identification, measurement and management of the various risks within the entity, as presented in the ICAAP and ILAAP.

CSUK Advisory Remuneration Committee

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.

CSUK Nominations Committee

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.

Management Committees Overview

Management Committees support the CEO and Executive Directors in the implementation of strategy as set by the Board. The principal Management Committee is the CSUK ExCo. Chaired by the CEO, it 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.

The CSUK ExCo has delegated a number of functions and responsibilities to the following management committees:

Executive Business Management Committees

- Front Management Committee: Chaired by the Head of Advisory & Sales ('A&S') UK as delegated by the CEO, is responsible for reviewing front office activities, and escalating necessary actions and changes to the ExCo for final decision making. Activities include reviewing financial performance, reviewing the impact of regulatory changes, oversight of sales and client engagement activities and reviewing pricing.
- Investment Management ('IM') UK Investment Committee: Chaired by the Head of IM UK, is responsible for oversight and management of the discretionary mandates in the UK. This includes the implementation of the strategic and tactical asset allocation and security selection for all discretionary mandates across each type of investment profile, offered by CSUK, in light of our capital market assumptions and prevailing market conditions.
- Operating Committee: Chaired by the COO, is responsible for monitoring delivery of key projects within the business, including reviewing the impact of regulatory change, business improvement initiatives, the performance of the Corporate Functions, reviewing platform procedures and operational policies.
- PB UK Client Assets and Money ('CASS') Sub-Committee (delegated responsibility from the Operating Committee): Chaired by the COO, is responsible for monitoring compliance with the CASS rules and sets the strategic direction for ongoing compliance with the CASS regime.
- CSUK Data Management Sub-Committee (delegated responsibility from the Operating Committee): Chaired by the COO, this committee is responsible for ensuring adequate oversight over data management matters including, but not limited to, adequate ownership and control around front-to-back data, compliance with data governance policies and visibility over data quality issues.

Executive Risk Management Committees

- Credit Committee: Chaired by the Chief Risk Officer ('CRO'), 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.
- Asset and Liability Management Capital Allocation and Risk Management Committee ('ALM CARMC'): Chaired by the Chief Financial Officer. It is responsible for the management of Asset and Liability Management ('ALM') risks, including: the CSUK capital and liquidity position versus 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 & 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: Chaired by the Head of A&S UK, is responsible for the initial and ongoing 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 Methodologies & Standards Committee: Chaired by the CRO, discusses, reviews and approves 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.

On behalf of the Board



Paul Hare
Company Secretary

Five Cabot Square
London, E14 4QR
22 April 2022

Directors' Report for the year ended 31 December 2021

International Financial Reporting Standards

CSUK's 2021 financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

The financial statements were authorised for issue by the Directors on 22 April 2022.

Dividends

No dividends were paid or are proposed for the year ended 31 December 2021 (2020: Nil).

Directors

The names of the Directors as at the date of this report are set out on page 2. Changes in the Directorate since 31 December 2021 are set out on page 26. None of the Directors who held office at the end of the financial year were beneficially interested, at any time during the year, in the shares of CSUK. The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

The Board has made an assessment of the ability of CSUK to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue. Based on this assessment, the Board is satisfied that CSUK has adequate resources to continue in operation for this period, and it therefore continues to adopt the going concern basis in preparing the financial statements.

Going concern is detailed in Note 2 – Significant Accounting Policies.

Risk and Capital

The way in which risks are managed is detailed in the Strategic Report, and the risks are detailed in Note 29 - Financial Instruments Risk Position. Details of capital are set out in Note 20 - Share Capital and Share Premium.

Political Donations

There were no political donations made or political expenditure incurred during the 2021 financial year (2020: Nil).

Future Developments and Employees

Further developments impacting the Bank and information in relation to employees is detailed in the Strategic Report.

Streamlined Energy and Carbon Reporting ('SECR')

The SECR disclosures have been disclosed in the Strategic Report.

Research and Development

In the ordinary course of business, the Bank develops new products and services in each of its business divisions. However, more details on intangible assets arising from the internal development of software for the Bank's own use can be found in Note 15 - Intangible Assets.

Employees

Information in relation to employees is detailed within the Employee Matters section of the Strategic Report.

Branches and Representative Offices

The Bank does not have branches or representative offices outside the UK.

Statement on Employee Engagement

Information in relation to the engagement with employees can be found in the s172(1) statement in the Strategic Report.

Statement on Directors' relationships with clients, suppliers and others

Information in relation to the engagement with clients, suppliers and other stakeholders can be found in the s172(1) statement in the Strategic Report.

Auditors

The Audit Committee is responsible for the oversight of the external auditors. The external auditors reports directly to the Audit Committee and the Board with respect to their audit of the CSUK financial statements and is ultimately accountable to the shareholders. The Audit Committee considers and, where appropriate pre-approves the retention of, and fees paid to, the external auditors for all audit and non-audit services. For further details, refer to the Committees section of the Strategic Report.

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office as external auditors.

Subsequent events**Sanctions risk in Russia**

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.

Corporation Tax Surcharge

In the UK budget announcement of 27 October 2021, the UK government advised that the corporate bank surcharge will be reduced from 8% to 3% to apply from 1 April 2023. This was substantively enacted on 2 February 2022. The reduction in the corporation bank surcharge will decrease in the company's net deferred tax asset as at 31 December 2021 by £0.6m.

Litigation

In April 2022, CSUK agreed to settle a legacy litigation matter for an amount within the provision.

On behalf of the Board



Christian Berchem
Director

Five Cabot Square
London, E14 4QR
22 April 2022

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Credit Suisse (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2021; the statement of income, statement of changes in equity and statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment.

Key audit matters

- Determination of allowance for Expected Credit Losses (ECL) for stage 3 mortgage lending.

Materiality

- Overall materiality: £1,400,000 (2020: £1,600,000) based on 5% of the three year average of profit before tax after adjusting for the impairment of goodwill.
- Performance materiality: £1,050,000 (2020: £1,200,000).

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The effect of COVID-19 on the audit of the financial statements, which was a key audit matter last year, is no longer included because our consideration of the impact in the current year is captured by our key audit matter on the determination of allowance for Expected Credit Losses (ECL) for stage 3 mortgage lending and it no longer represents an area of increased audit attention in its own right.

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

Key audit matter	How our audit addressed the key audit matter
<p>Determination of allowance for Expected Credit Losses (ECL) for stage 3 mortgage lending.</p> <p>As at 31 December 2021 the gross carrying value of stage 3 loans was £177m, with an associated allowance for ECL of £7m.</p> <p>The determination of the allowance for ECL is subjective and judgemental. The most significant judgements and assumptions relate to the individually assessed provisions (stage 3 exposures) calculated by Recovery Management International, specifically the determination of expected cash flows, which are based on the realisation of property collateral, derived from periodic expert valuations or management indexing.</p> <p>Relevant references: Note 3, Critical accounting estimates and judgements in applying accounting policies; Note 21, Expected credit loss measurement; and Note 29, Financial instruments risk position.</p>	<p>We understood management's process and tested the operating effectiveness of the key controls over the determination of the allowance for Expected Credit Losses (ECL), including controls relating to:</p> <ul style="list-style-type: none"> • Review and approval of external valuation vendors; and • Review and approval of discounted cash flows that support the individual impairment assessments performed on stage 3 exposures. <p>Our substantive procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the basis on which the allowances were determined for all stage 3 exposures and assessed the evidence supporting the calculations performed by management; • Independently challenged and re-performed management's provision calculation, critically assessing the reasonableness of the key inputs including expected future cash flows, discount rates, valuations of collateral, appropriateness of forward-looking scenarios and the weightings applied to scenario outcomes; and • Engaged property valuation specialists to support the audit team in the performance of these audit procedures, by providing an independent view of the appropriateness of the collateral valuations relied on by management by assessing the key valuation inputs and the competency and objectivity of management's expert valuers and/or reviewing management's indexing. <p>Based on the above procedures performed, and the evidence obtained, we concluded that the allowance for ECL for stage 3 mortgage lending was reasonable.</p> <p>We also assessed the disclosures in note 3 and note 21, regarding the critical estimates and judgements related to the allowance for ECL and found them to be appropriate.</p>

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company provides a variety of financial services to wealth management clients worldwide mainly through its operations in the UK. There are a number of centralised functions operated by the ultimate parent company, Credit Suisse Group AG, in Switzerland or in group shared service centres in other locations that are relevant to the audit of the company. We determined the scope of the work required in each of these locations and issued instructions to supporting auditors in the PwC network. We interacted regularly with the firms responsible for the work throughout the course of the audit. This included reviewing key working papers and discussing and challenging the results of their work. We concluded that the procedures performed on our behalf were sufficient for the purposes of issuing our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£1,400,000 (2020: £1,600,000).
<i>How we determined it</i>	5% of the three year average of profit before tax after adjusting for the impairment of goodwill.
<i>Rationale for benchmark applied</i>	The ultimate parent company, management, certain creditors and the company's regulators are the primary users of the financial statements. A key area of focus for these users is the profitability of the company, and is a generally accepted auditing benchmark. We have used a three year average to reflect the significant impact Covid-19 has had on performance in 2020 and 2021. We believe that profit before tax adjusted for the impairment of goodwill is an appropriate measure as it eliminates the impact of this one-off non-recurring charge.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £1,050,000 (2021: £1,200,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £70,000 (2020: £80,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of external risks including Covid-19 and climate change;

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

- Evaluating the company's forecast financial performance, capital and liquidity position over the going concern period including taking into account the ability of the CS Group to provide support given the company's longer-term reliance on funding from Credit Suisse AG;
- A number of other audit procedures were also performed to test management's conclusions, such as management inquiries, substantiation of financial resources at the balance sheet date, review of the most recent ICAAP and ILAAP submitted to the PRA and a review of regulatory correspondence; and
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to those determined by the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing key correspondence with regulatory authorities including the FCA and the PRA;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular those related to the allowance for Expected Credit Losses;
- Reviewing the minutes of the Board of Directors and other relevant Committee minutes to identify any significant or unusual transactions or other matters that could require further investigation; and
- Identifying and testing journal entries, including those posted which met our risk criteria, these included those relating to particular dates or with other unusual characteristics.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' Report to the Members of Credit Suisse (UK) Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

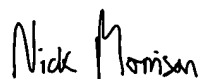
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 9 April 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2020 to 31 December 2021.



Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 April 2022

Financial Statements

for the year ended 31 December 2021

Statement of Income for the Year ended 31 December 2021

	Note	2021 £000	2020 £000
Interest income		56,275	74,605
- of which interest income from instruments at amortised cost		56,275	74,605
Interest expense		(5,122)	(10,829)
- of which interest expense from instruments at amortised cost		(5,122)	(10,829)
Net interest income	4	51,153	63,776
Commission and fee income		55,219	52,104
Commission and fee expense		(1,068)	(1,593)
Net commission and fee income	5	54,151	50,511
Release/(allowance) for expected credit losses		2,571	(2,441)
Net gain from financial assets/liabilities at fair value through profit or loss		195	200
Other revenue and foreign exchange fluctuations		(196)	873
Net revenue		107,874	112,919
Compensation and benefits	7	(41,686)	(47,982)
General and administrative expenses	8	(41,529)	(39,770)
Impairment on goodwill	15	(13,752)	—
Total operating expenses		(96,967)	(87,752)
Profit before tax		10,907	25,167
Income tax expense	9	(852)	(5,506)
Profit after tax		10,055	19,661

There were no items of other comprehensive income during the year (2020: Nil).

The accompanying notes on pages 48 to 111 form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2021

	Note	2021 £000	2020 £000
Assets			
Cash and due from banks		408,064	483,710
Interest-bearing deposits with banks		—	187,482
Securities purchased under resale agreements	10	1,048,198	880,396
Trading financial assets mandatorily at fair value through profit or loss		14,333	35,146
<i>of which positive market value from derivative instruments</i>		<i>14,333</i>	<i>35,146</i>
Loans and advances	11	2,041,139	1,990,006
Other assets	13	48,352	46,609
Deferred tax assets	14	5,041	4,919
Intangible assets	15	14,044	12,675
Goodwill	15	—	13,752
Total assets		3,579,171	3,654,695
Liabilities			
Deposits	16	3,118,581	3,183,065
Trading financial liabilities mandatorily at fair value through profit or loss		14,023	34,940
<i>of which negative market value from derivative instruments</i>		<i>14,023</i>	<i>34,940</i>
Current income tax liability		4,747	2,267
Other liabilities	17	32,883	36,824
Provisions	18	2,709	1,426
Long term debt	19	55,000	55,000
Total liabilities		3,227,943	3,313,522
Shareholders' equity			
Share capital	20	245,230	245,230
Share premium	20	11,200	11,200
Capital contribution		57,500	57,500
Retained earnings		37,298	27,243
Total shareholders' equity		351,228	341,173
Total liabilities and shareholders' equity		3,579,171	3,654,695

The financial statements on pages 43 to 111 were approved by the Board of Directors on 22 April 2022 and signed on its behalf by:



Christian Berchem
Director

Company Registration Number: 02009520

The accompanying notes on pages 48 to 111 form an integral part of these financial statements.

Statement of Changes in Equity for the Year ended 31 December 2021

	Share Capital	Share Premium	Capital Contribution	Retained Earnings	Total Share- holders' Equity
	£000	£000	£000	£000	£000
2021 Statement of changes in equity					
Balance as at 1 January 2021	245,230	11,200	57,500	27,243	341,173
Profit for the year	—	—	—	10,055	10,055
Total comprehensive profit recognised for the year	—	—	—	10,055	10,055
Balance as at 31 December 2021	245,230	11,200	57,500	37,298	351,228
2020 Statement of changes in equity					
Balance as at 1 January 2020	245,230	11,200	57,500	7,582	321,512
Profit for the year	—	—	—	19,661	19,661
Total comprehensive profit recognised for the year	—	—	—	19,661	19,661
Balance as at 31 December 2020	245,230	11,200	57,500	27,243	341,173

The accompanying notes on pages 48 to 111 form an integral part of these financial statements.

Statement of Cash Flows for the Year Ended 31 December 2021

		2021	2020
	Note	£000	£000
Cash flows from operating activities			
Profit before tax for the year		10,907	25,167
Adjustments to reconcile net profit to net cash generated from operating activities			
Non-cash items included in profit before tax and other adjustments:			
Amortisation and impairment of intangible assets	15	1,852	952
Impairment on goodwill	15	13,752	—
Accrued interest on long term debt	24	1,635	1,794
Foreign exchange gain		(1,339)	(6,037)
(Reversal)/allowance for expected credit losses		(2,571)	2,441
Cash generated before changes in operating assets and liabilities		24,236	24,317
Net (increase)/decrease in operating assets			
Securities purchased under resale agreements	10	(167,802)	(70,352)
Trading financial assets mandatorily at fair value ('FV') through profit or loss		20,813	(26,837)
Loans and advances	11	(48,586)	134,342
Interest bearing deposits with banks		187,491	(147,539)
Other assets ²	13	(1,141)	(13,605)
Net increase in operating assets		(9,225)	(123,991)
Net increase/(decrease) in operating liabilities:			
Deposits	16	(64,484)	142,463
Trading financial liabilities mandatorily at fair value through profit or loss		(20,917)	26,867
Other liabilities and provisions	17,18	(2,672)	(4,447)
Net (decrease)/increase in operating liabilities		(88,073)	164,883
Income tax refunded/(paid)		1,101	(10,662)
Group relief received/(paid)		406	(8,186)
Net cash flow (used in)/generated from operating activities		(71,555)	46,361
Cash flows from investing activities			
Capital expenditures for intangible assets during the year	15	(3,799)	(6,867)
Net cash flow used in investing activities		(3,799)	(6,867)
Cash flows from financing activities			
Interest paid on long term debt	19	(1,620)	(1,843)
Net cash flow used in financing activities		(1,620)	(1,843)
Net (decrease)/ increase in cash and cash equivalents		(76,974)	37,651
Cash and cash equivalents at the beginning of the year ¹		483,717	440,029
Effect of exchange rate fluctuations on cash and cash equivalents		1,339	6,037
Cash and cash equivalents at the end of the year¹		408,082	483,717

¹ The cash and cash equivalents as at 31 December 2021 of £408m (2020: £484m)

- includes a mandatory deposit of £2.7m (2020: £4.4m) at a central bank which is not available for use by the Bank, and
- does not include allowance for credit losses of £18k (2020: £7k).

² Other assets includes £578k relating to intangible assets which has been reclassified to intercompany receivables.

The accompanying notes on pages 48 to 111 form an integral part of these financial statements.

Notes to the financial statements for the Year ended 31 December 2021

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Notes to the financial statements for the Year ended 31 December 2021**1. General**

CSUK is a bank incorporated and domiciled in the UK. The address of the Bank's registered office is Five Cabot Square, London, E14 4QR. The financial statements were authorised for issue by the Directors on 22 April 2022.

2. Significant accounting policies**a) Statement of compliance**

These financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

The Bank is authorised in the United Kingdom by the Prudential Regulation Authority ('PRA') and is regulated by the Financial Conduct Authority ('FCA') and the PRA. Its principal activities are the provision of advice relating to advisory and discretionary investment services, banking services including secured lending facilities and financial planning advice. The product offering includes cash solutions, bond and equity products, advisory and discretionary hedge fund portfolios, structured products, tax efficient products, treasury, credit and other investment consulting solutions.

CSUK is a wholly-owned subsidiary of CSAG and an indirect subsidiary of CSG. CSG, a company domiciled in Switzerland, is the ultimate parent of a worldwide group of companies (collectively referred to as the 'CS group').

b) Basis of preparation

The financial statements are presented in GBP, rounded to the nearest thousand. They are prepared on the historical cost basis except for trading financial assets and liabilities that are stated at their fair value through profit or loss.

The preparation of financial statements in conformity with UK-adopted international accounting standards ('UK-adopted IFRSs') requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgements applied to these financial statements are set out in Note 3 - Critical accounting estimates and judgements in applying accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision has a significant effect on both current and future periods. Accounting policies have been applied consistently by the Bank.

Going Concern

The Board has made an assessment of the ability of CSUK to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue. Based on this assessment, the Board is satisfied that CSUK has adequate resources to continue in operation for this period, and it therefore continues to adopt the going concern basis in preparing the financial statements.

In considering going concern, the directors have reviewed the capital, liquidity and financial position of CSUK including future capital, liquidity and financial plans. The directors have also considered the regulatory, economic and political environment including COVID-19 and Russia's invasion of Ukraine.

CSUK has reviewed its financial forecasts and is currently on track to remain profitable in 2022 as well as continuing to be profitable over the planning horizon of the next three years.

CSUK is reliant on funding from CS AG and has received a letter of intent to ensure CSUK can meet its debt obligations for the next 18 months.

All these measures support the going concern of CSUK.

Notes to the financial statements for the Year ended 31 December 2021**Standards and Interpretations effective in the current period**

The Bank has adopted the following new standards and amendments in the current year:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2: In August 2020, IASB Issued 'Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform- Phase 2' in order to address financial reporting issues arising from the replacement of interbank offered rates (IBORs). The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The Bank adopted the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on 1 January 2021. The adoption had no material impact to the Bank's financial position, results of operation or cash flows.

c) Basis of consolidation

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Bank has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The Bank also determines whether another entity with decision-making rights is acting as an agent for the Bank. An agent is a party primarily engaged to act on behalf of and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the following factors, in determining whether it is an agent:

- The scope of its decision making authority over the entity;
- The rights held by other parties;
- The remuneration to which it is entitled; and
- The decision maker's exposure to variability of returns from other interests that it holds in the entity.

The Bank makes significant judgements and assumptions when determining if it has control of another entity. The Bank may control an entity even though it holds less than half of the voting rights of that entity, for example if the Bank has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the Bank may not control an entity even though it holds more than half of the voting rights of that entity, for example where the Bank holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control commences until the date on which control ceases.

The Bank is exempt from preparing and delivering group financial statements as the Bank is a wholly-owned indirect subsidiary of CSG, incorporated in Switzerland, which prepares consolidated financial statements. Details of the undertakings of both subsidiaries are given in Note 12 – Investments in subsidiaries.

d) Foreign currency

The Bank's functional and presentation currency is GBP. Transactions denominated in currencies other than its functional currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to GBP at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the Statement of Income. Non-monetary assets and liabilities denominated in foreign currencies at the reporting date are not revalued for movements in foreign exchange rates.

e) Cash and due from banks

For the purpose of preparation and presentation of the Statement of Cash Flows, cash and cash equivalents comprise the components of 'Cash and due from banks' that are short term, highly-liquid instruments with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value and that are held or utilised for the purpose of cash management.

Where cash is received or deposited as collateral, the obligation to repay or the right to receive that collateral is recorded in other assets or other liabilities.

Cash and cash equivalents are measured at amortised cost and are subject to impairment (refer section j of Note 2).

Notes to the financial statements for the Year ended 31 December 2021
f) Interest-bearing deposits with banks

For the purpose of preparation and presentation of the Statement of Financial Position, interest-bearing deposits with banks comprise of cash placed with other CS group entities for a fixed tenure for the purpose of liquidity management. These are accounted at amortised cost and have original maturities of more than three months.

g) Securities purchased under resale agreements

Securities purchased under resale agreements ('reverse repurchase agreements') do not constitute economic sales and are therefore treated as collateralised financing transactions. In reverse repurchase agreements, the cash advanced, including accrued interest, is recognised on an effective yield basis as an asset on the Statement of Financial Position.

Securities received under reverse repurchase agreements are not recognised or derecognised unless all or substantially all the risks and rewards are obtained or relinquished. The Bank monitors the market value of the securities received or delivered on a daily basis and provides or requests additional collateral in accordance with the underlying agreements.

Interest earned on reverse repurchase agreements is recognised and recorded as interest income.

h) Financial assets and liabilities

The Bank's financial assets are classified on the basis of two criteria: 1) the business model of why the financial assets are held and how they are managed and 2) the contractual cash flow characteristics of the financial asset. These factors determine whether the financial assets are measured at Amortised Cost, Fair value through Other Comprehensive Income ('FVOCI') or Fair value through Profit & Loss ('FVTPL'). The accounting for financial liabilities is largely the same as financial assets except for those financial liabilities designated at FVTPL, where the gains and losses arising from changes in credit risk are presented in OCI rather than profit or loss.

Business model assessments are performed by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management. The assessment is made at the level at which the group of financial assets are managed and are based on reasonable expectations. All relevant and objective evidence is considered while performing the business model assessments, for example:

- How the performance of the financial assets are evaluated and reported to key management personnel;
- The risks that affect the performance of the financial assets and how those risks are managed;
- How managers of the business are compensated.

The 'Hold to Collect' business model is a model with the objective to hold a financial asset to collect contractual cash flows. Sales are incidental to the objective of this model. The 'Hold to Collect and Sell' business model is a model with the objective to both hold financial assets to collect contractual cash flows and to sell financial assets. This model has a greater frequency of sales than a 'Hold to Collect' business model. The Bank does not have any financial assets which are under the 'Hold to Collect and Sell' business model.

The financial assets which are not classified under the 'Hold to Collect' and 'Hold to Collect and Sell' business model are measured at FVTPL.

For both the 'Hold to Collect' and 'Hold to Collect and Sell' business models, the Bank makes an assessment whether the contractual cash flows of the financial assets are solely payments of principal and interest. For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A 'Hold to Collect' financial asset is subsequently measured at amortised cost and is subject to impairment losses, recorded through profit and loss. A 'Hold to Collect and Sell' debt instrument is measured at FVOCI, with interest income, foreign currency gains and losses and impairment losses recorded through profit or loss, whilst all other gains and losses are reported in OCI.

Notes to the financial statements for the Year ended 31 December 2021

Trading financial assets and liabilities mandatorily at Fair Value through Profit or Loss

The Bank's trading financial assets and financial liabilities include only derivative instruments. These assets and liabilities are included as part of the trading portfolio based on management's intention to sell the assets or repurchase the liabilities in the near term, and are carried at fair value.

Related realised and unrealised gains and losses are included in 'Net gains/(losses) from financial assets/liabilities at fair value through profit or loss'.

i) Recognition and derecognition

Recognition

The Bank recognises financial instruments on its Statement of Financial Position when the Bank becomes a party to the contractual provisions of the instrument.

Regular-way securities transactions

A regular-way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. The Bank recognises regular-way purchases or sales of trading financial assets at the settlement date, unless the instrument is a derivative, and unrealised gains/losses between trade and settlement date are recognised in P&L.

Derecognition

The Bank enters into transactions where it transfers assets, recognised on its Statement of Financial Position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, the transferred assets are not derecognised from the Statement of Financial Position. In transactions where the Bank neither retains nor transfers substantially all risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Where the Bank has a financial liability and a financial instrument is exchanged for a new financial instrument with the same counterparty, which is substantially different, or when an existing financial instrument classified as a financial liability is substantially modified, the old financial instrument is deemed to be extinguished and a new financial liability is recognised. Any gain or loss due to derecognition of the extinguished instrument is recorded in the Statement of Income.

j) Impairment of financial assets, loan commitments and financial guarantees

The Bank assesses on a forward-looking basis the ECL associated with its instruments carried at amortised cost, certain loan commitments and financial guarantee contracts including: Cash, interest-bearing deposits, loans and advances, reverse repurchase agreements and brokerage receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial instruments that include both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component, the ECL on the loan commitment is recognised together with the loss allowance for the financial asset. To the extent that the combined ECL exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

All financial assets attract a 12-month ECL on origination (Stage 1) except for financial assets that are credit impaired upon purchase or origination. When the credit risk has increased significantly since initial recognition of the financial instrument, the impairment measurement is changed from a 12-month ECL (Stage 1) to a lifetime ECL (Stage 2). The assessment of a significant increase in credit risk since initial recognition is based on different quantitative and qualitative factors that are relevant to the particular financial instrument in scope. A financial asset moves into Stage 3

Notes to the financial statements for the Year ended 31 December 2021

when it becomes credit-impaired. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date (Stage 1 or Stage 2), apply the present value of all cash shortfalls - i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive. The Bank applies a PD/LGD approach under which term structures of point-in-time probability of defaults ('PDs'), point-in-time loss given defaults ('LGDs') and exposure at defaults ('EADs') are estimated;
- Financial assets that are credit-impaired at the reporting date (Stage 3), apply the difference between the gross carrying amount and the present value of estimated future cash flows. Stage 3 provisions represent individually-assessed allowances for impairment with consideration of multiple forward-looking and probability-weighted scenarios;
- Undrawn loan commitments apply the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts apply the present value of the expected payments to reimburse the guarantee holder less any amounts that the Bank expects to recover.

Definition of default

The definition of default is aligned with the current regulatory definition of default, which is defined as a client that is 90 days past due and unlikely to pay a material obligation.

The Bank considers the following indicators in assessing whether a borrower is in default:

- Qualitative: e.g. breaches of covenants;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same client to the Bank; and
- Based on data developed internally and that obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Forward-looking information

The estimation and application of forward-looking information requires significant judgment. The Bank's estimation of ECL is based on a discounted probability-weighted estimate that considers three future macroeconomic scenarios to capture the point of non-linearity of losses: a base scenario, an upside scenario and a downside scenario. The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. Currently, the other scenarios represent more optimistic and more pessimistic outcomes with the downside scenario being more severe than the upside scenario.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financial asset whose terms have been modified may be derecognised and the renegotiated financial asset recognised as a new financial asset at fair value.

Notes to the financial statements for the Year ended 31 December 2021

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects the comparison of:

- The remaining lifetime risk of a default at the reporting date, based on the modified terms; with
- The remaining lifetime risk of a default based on data on initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to support clients, maximise collection opportunities and to minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis: if the client is currently in default on its obligation or if there is a high risk of default, the Bank would seek evidence that the client has made all reasonable efforts to pay under the original contractual terms and that the client is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank's Credit Risk Committee reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of the client's PD reflects whether the modification has improved or restored the Bank's ability to collect principal and interest and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the client's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a client needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default.

The Bank's COVID forbearance policy adheres to the guidance issued by the FCA. For the purpose of the ECL calculation, clients subject to COVID forbearance would be classified as stage 1 (performing) unless their circumstances are considered to represent a significant increase in credit risk. If a significant increase in credit risk is identified, a client would be classified as stage 2 and the ECL would be calculated on a lifetime basis until such time that the situation has improved.

Significant increases in credit risk ('SICR')

The measurement of ECLs for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The Bank has established a framework to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. This framework aligns with Bank's internal credit risk management process and the criteria for determining SICR will vary by portfolio.

The assessment of SICR is based generally on the same qualitative and quantitative information used as part of the credit watch list process.

The rebuttable presumption of more than 30 days past due has not been used because financial instruments are considered credit impaired and therefore transferred into Stage 3 earlier than 30 days past due, unless credit risk management determines the default to be operational in nature and it is rectified in a short period of time (normally within a week).

The Bank monitors the effectiveness of the criteria used to identify SICR by regular reviews to confirm that:

- the criteria are capable of identifying SICR before an exposure is in default;
- the average time between the identification of a SICR and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

A financial instrument in scope is transferred from Stage 2 to Stage 1, if it no longer meets the stage transition criteria. The stage transition criteria consider a probation period, either by the idiosyncratic nature of PDs or by the watchlist process.

Notes to the financial statements for the Year ended 31 December 2021

A financial instrument in scope is transferred from Stage 3 to Stage 2 or 1 after a probation period in line with the Bank's credit risk management practices. If the financial instrument has not met the criteria to be considered credit-impaired for a minimum number of months, it will be returned to either Stage 2 or Stage 1 depending on the characteristics of the financial instrument.

The SICR process does not have any effect on reverse repurchase agreements due to the risk management practices adopted, including regular margin calls. ECL on these positions is expected to be low. If margin calls are not satisfied, the position will be closed out immediately with any shortfall generally classified as a stage 3 position.

Expected life

The maximum period to consider when measuring ECLs is the maximum contractual period (including borrower-only extension options) over which the Bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

There is an exemption from this limit for certain revolving credit facilities. For these financial instruments, the Bank measures ECLs over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. Determining the instruments in scope for this exemption and estimating the appropriate remaining life requires significant judgment.

Grouping financial assets measured on a collective basis

For Stage 1 and Stage 2 ECLs, financial assets are grouped based on shared credit risk characteristics, e.g. product type and geographic location. However, an ECL is calculated based on the PD/LGD approach for each financial asset within the grouping. Financial assets are grouped as follows:

- Lombard loans;
- Residential mortgages;
- Financial institutions; and
- Other, representing Commercial real estate loans and overdrafts.

For residential mortgages, SICR is assessed on a collective basis because forward-looking information is not included in the PD/LGD parameters used for the ECL approach. The Bank would assess ECL on an individual basis for all Stage 3 assets, regardless of the class of financial assets.

Write-off of loans

A loan and any associated allowance is written off when it is considered certain that there is no reasonable prospect of recovery and all collateral has been realised or transferred to the Bank. If the amount of loss on write-off is greater than the accumulated loss allowance, the difference results in an additional impairment loss, which is first recognised as an addition to the allowance that is then applied against the gross carrying amount. Any repossessed collateral is initially measured at fair value. The subsequent measurement depends on the nature of the collateral.

k) Loans and advances

Loans and advances are recognised when cash is advanced to borrowers and are measured at amortised cost (refer note h).

When calculating the effective interest on loans measured at amortised cost, the Bank estimates cash flows considering all contractual terms of the financial instruments including premiums, discounts, fees and transactions costs but not ECL. For detailed impairment guidance please refer to note j.

Notes to the financial statements for the Year ended 31 December 2021**Purchase or origination of credit-impaired financial assets**

For financial assets that are credit-impaired on purchase or origination, the Bank recognises the assets at their purchase price and makes no allowances for loan losses carried over or established concurrently with the purchase. Subsequently, the Bank compares the undiscounted expected cash flows to the purchase price to determine the appropriate yield that is to be recognised using the effective interest rate method over the contractual life of the loan. When there are subsequent decreases in expected future cash flows from events arising after the purchase date, an allowance for loan losses would be determined.

l) Netting

The Bank only offsets financial assets and liabilities and presents the net amount in the Statement of Financial Position where it:

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

In many instances, the Bank's net position on multiple bilateral Over the Counter ('OTC') derivative 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. However, if the transactions themselves neither intended to be settled net, nor simultaneously, it is not permissible under IAS 32 (Financial Instruments: Presentation) to offset transactions falling under Master Netting Agreements.

m) Income taxes

Income tax recognised in the Statement of Income and the Statement of Other Comprehensive Income for the year comprises current and deferred taxes. Income tax is recognised in the Statement of Income unless it relates to items recognised in the Statement of Other Comprehensive Income or directly in equity, in which case the income tax is recognised in the Statement of Other Comprehensive Income or directly in equity respectively. For items initially recognised in equity and subsequently recognised in the Statement of Income, the related income tax initially recognised in equity is also subsequently recognised in the Statement of Income.

Current tax is the expected tax payable on the taxable income for the year and includes any adjustment to tax payable in respect of previous years. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date.

Withholding taxes are also treated as income taxes.

For UK corporation tax purposes, the Bank may surrender or claim certain losses from another CS group company within the UK. The surrendering company will be compensated in full for the value of the tax losses surrendered to the claimant company. The surrendering entity will show a benefit received for the losses surrendered which will be recorded as a reduction to current tax expense and taxes payable whereas the claimant entity will have an increase in current tax expense and taxes payable respectively.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax-base. The amount of deferred tax provided is based on the amount at which it is expected to recover or settle the carrying amount of assets and liabilities in the Statement of Financial Position, using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Notes to the financial statements for the Year ended 31 December 2021

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend arises. Information as to the calculation of income tax recognised in the Statement on Income for the periods presented is included in Note 9 – Income Tax.

Tax contingencies

Significant judgement is required in the determination and evaluation of certain tax positions. The Bank may accrue for tax contingencies that may be adjusted due to changing facts and circumstances, such as case law, progress of tax authority audits or when an event occurs that requires a change to the tax contingency accruals. Management regularly assesses the appropriateness of provisions for income taxes and believes that it has appropriately accrued for any contingent tax liabilities as at the reporting date.

n) Intangible assets

Intangible assets consist of a customer list and internally-developed software. The capitalised cost of the customer list is the fair value at the date of acquisition. Expenditure on internally-developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development, can use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally-developed software include all costs directly attributable to developing the software.

Intangible assets are stated at cost less accumulated amortisation and are amortised over an estimated useful life. Internally developed software is amortised on a straight-line basis over a maximum useful life of seven years. The customer list is amortised over an estimated useful life of five years using the straight-line method and has been fully-amortised at the reporting date. The amortisation of the intangible assets is included in the 'Other expenses' line item in the Statement of Income.

The carrying amounts of the Bank's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in Statement of Income.

o) Goodwill

Goodwill represents the amount by which the purchase price exceeds the fair value of identifiable assets of an acquired business on the date of acquisition. It is measured as the excess of the fair value of the consideration transferred, over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. Acquisition-related costs are expensed as incurred.

For the purpose of calculating goodwill, fair values of assets acquired and liabilities assumed are calculated using quoted market prices, if available, or by applying appropriate valuation techniques.

Goodwill on the acquisition of a business is capitalised and reviewed for impairment each year or more frequently if there are indications that impairment may have occurred. For the purpose of impairment testing, goodwill is allocated to cash-generating units ('CGUs') based on the level at which goodwill is monitored for internal management purposes.

The Bank considers its business to be a single CGU. An impairment loss is recognised if the carrying amount of a CGU exceeds its recoverable amount, which is the greater of its value in use and its fair value less cost to sell. During the year an impairment loss has been recognised and the Goodwill asset has been fully impaired. Please refer Note 15 - Intangible assets for more details.

Notes to the financial statements for the Year ended 31 December 2021

If goodwill has been allocated to a CGU or a group of CGUs and an operation within that unit is disposed of, the attributable goodwill is included within the carrying amount of the operation when determining the gain or loss on disposal.

p) Retirement benefit costs

The Bank has a defined contribution pension plan and a legacy defined benefit scheme, which is closed to new participants. The defined benefit plan is a CS group scheme and the Bank is not the sponsoring entity.

In accordance with the provisions of IAS 19 'Employee Benefits' for defined benefit plans that share risks between various entities under common control, no retirement benefit obligation is recognised in the Statement of Financial Position of the Bank. In this instance, defined contribution accounting is applied as the Bank has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost.

The Bank's share of the defined benefit obligation is instead recognised in the Statement of Financial Position of the sponsoring entity, Credit Suisse International ('CSI'), which is external to the Bank but is a related party due to both entities being owned by CSG.

Obligations for contributions to the defined contribution pension plans are recognised as an expense in the Statement of Income as incurred.

q) Share-based payments

The Bank accounts for share-based transactions with its employees as cash-settled share-based payment transactions, as the Bank has the legal obligation to settle the arrangement by delivering an asset that is not its own equity instrument. This entails the recognition of a liability, incurred and related to share-based payments, over the service period and in proportion to the service delivered at fair value. If the employee is eligible for normal or early retirement, the award is expensed over that shorter required service period. If an award consists of individual tranches that vest in installments (i.e. graded vesting), each tranche of the award is expensed separately over its individual service period.

The fair value of the liability is remeasured until the liability is settled and the changes in fair value are recognised in the Statement of Income.

r) Other compensation plans

The Bank has deferred compensation plans that can be in the form of fixed or variable deferred cash compensation. The expense for these awards is recognised over the service period, which is the period the employee is obligated to work in order to become entitled to the cash compensation. Fixed deferred cash compensation is generally awarded in the form of sign-on bonuses and employee forgivable loans. Variable deferred cash compensations are awards where the final cash pay-out is determined by the performance of certain assets, a division or the CS group as a whole. The awards are expensed over the required service period and accruals are adjusted for changes to the expected final pay-out.

s) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or are present obligations where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation, cannot be measured with sufficient reliability. A contingent liability is not recognised as a liability but rather is disclosed, except for those acquired under business combinations, which are recognised at fair value.

Notes to the financial statements for the Year ended 31 December 2021**t) Provisions**

Provisions are recognised for present obligations as a result of past events which can be reliably measured, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as of the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. The expense recognised when provisions are established is recorded in 'Other expenses' in the Statement of Income.

u) Interest income and expense

Interest income and expense include the interest income on the Bank's lending activities, interest bearing deposits and reverse repurchase agreements and the expenses on the Bank's deposits and long-term borrowings. Interest income and expense do not include interest flows on the Bank's trading derivatives. Interest income and expense are accrued and any related net deferred premiums, discounts, origination fees or costs are amortised as an adjustment to the yield over the life of the related asset or liability. When the financial assets become credit-impaired, interest income should be calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

v) Commissions and fees

Commissions and fees revenue is measured based on the consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. The Bank recognises revenue when it satisfies a contractual performance obligation. Variable consideration is only included in the transaction price once it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the amount of variable consideration is subsequently resolved. Generally no significant judgement is required with respect to recording variable consideration.

If a fee is a fixed percentage of a variable account value at contract inception, recognition of the fee revenue is constrained as the contractual consideration is highly susceptible to change due to factors outside of the Bank's influence. However, at each performance measurement period (e.g. daily, monthly, quarterly), recognition of the cumulative amount of the consideration to which the Bank is entitled is no longer constrained because it is calculated based on a known account value and the fee revenue is no longer variable. Further information on revenue from contract with customers is included in Note 6 - Revenue from contract with customers.

w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. Critical accounting estimates and judgements in applying accounting policies

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006 and to do so management is required to make critical judgements. Management also makes certain accounting estimates to ascertain the value of assets and liabilities and determine the impact to the Statement of Income. Judgements and estimates are based upon the information available at the time and actual results may differ materially. The following critical judgements and estimations, where applicable, have the most significant effect on the amounts recognised in the financial statements.

In the course of preparing the financial statements, no critical accounting judgements have been made in the process of applying the accounting policies, other than those noted below. However, a number of estimates have been made that have had a significant effect on the amounts recognised in the financial statements.

The spread of COVID-19 has resulted in significant uncertainty. In light of this uncertainty, the Bank complies with the requirements of IFRS 9 when determining ECL, applying judgement particularly when assessing future macroeconomic scenarios and significant increase in credit risk.

Notes to the financial statements for the Year ended 31 December 2021

The following critical judgements and estimations, where applicable, have the most significant effect on the amounts recognised in the financial statements.

Litigation contingencies

The Bank is involved in a variety of legal, regulatory and arbitration matters in connection with the conduct of its businesses.

Key Estimates

It is inherently difficult to predict the outcome of many of these matters, particularly those cases in which the matters are brought on behalf of various classes of claimants, which seek damages of unspecified or indeterminate amounts or questionable legal claims. In presenting the financial statements, management makes critical accounting estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to the Statement of Income when losses with respect to such matters are probable and can be reasonably estimated, net of any reimbursements and settlement discounts available. Charges are not established for matters when losses cannot be reasonably estimated. Estimates, by their nature, are based on judgement and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, the Bank's defences and experience in similar cases or proceedings. Please see Note 18 – Provisions for more information.

Allowance and impairment losses on financial instruments subject to ECL model

Judgement is required in the measurement of ECL across all categories of financial assets and in the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered key accounting judgements include but are not limited to:

- The Bank's quantitative and qualitative criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a lifetime ECL basis;
- The determination of the associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Bank's policy to regularly review its models for actual loss experience and adjust when necessary.

Please see Note 21 - Expected Credit Loss Measurement for more information.

Notes to the financial statements for the Year ended 31 December 2021
4. Net interest income

The following table sets forth the details of net interest income:

	2021	2020
	£000	£000
Interest income on loans	55,175	69,237
Interest income on securities purchased under resale agreement	1	1,541
Interest income on interest bearing deposits	1,099	3,827
Total interest income	56,275	74,605
Interest expense on deposits	(2,301)	(7,805)
Interest expense on securities purchased under resale agreement	(1,186)	(1,230)
Interest expense on long term debt	(1,635)	(1,794)
Total interest expense	(5,122)	(10,829)
Net interest income	51,153	63,776
of which Interest income of financial assets measured at amortised cost	56,275	74,605
of which Interest expense of financial liabilities measured at amortised cost	(5,122)	(10,829)

5. Net commission and fee income

The following table sets forth the details of net commission and fee income:

	2021	2020
	£000	£000
Investment and portfolio management fees	15,784	13,376
Commission income for other securities business	24,971	25,961
Fees for other customer services	14,464	12,767
Commission and fee income	55,219	52,104
Commission expense for other securities business	(1,068)	(1,593)
Commission and fee expense	(1,068)	(1,593)
Net commission and fee income	54,151	50,511

The following table sets forth the breakdown of net fee income from financial Instruments at amortised cost:

	2021	2020
	£000	£000
Origination fees	34	151
Total fee income	34	151

6. Revenue from contracts with customers
Nature of services

The following is a description of the principal activities from which the CSUK generates its revenues from contracts with customers.

Performance obligations are typically satisfied as the services in the contract are rendered. Contract terms are such that they do not result in any contract assets or contract liabilities. The contracts generally do not include a significant financing component or obligations for refunds or other similar obligations. Any variable consideration included in the transaction price is recognised only when the uncertainty of the amount is resolved and it is probable that a significant reversal of cumulative revenue recognised will not occur.

CSUK is a wealth management business that provides comprehensive advisory services and tailored investment and financing solutions to wealthy private clients and external asset managers through the following core service offerings:

Notes to the financial statements for the Year ended 31 December 2021
Investment and portfolio management (including other services)

Credit Suisse Invest is a discretionary mandate offering that is supported by a dedicated team of investment professionals at Credit Suisse. Typically, CSUK earns an ongoing fee covering portfolio management, safe keeping, transaction and the purchase/redemption of investments. Fees are calculated based on the average value of the client's portfolio and charged quarterly in arrears. CSUK recognises receivables as it fulfills its performance obligations.

Credit Suisse Invest Expert is an advisory mandate offering that covers a variety of tailor-made services and technical expertise in wealth planning, investment consulting, alternative investments and trading. Typically, CSUK earns ongoing advisory fees and ongoing safekeeping fees that are calculated based on the average value of the client's portfolio and charged quarterly in arrears. Both fees are billable regardless of whether the client acts on any investment advice provided by CSUK. CSUK typically earns transaction/brokerage fees on execution of client trade orders (advised and non-advised trades).

The Market Insights service is designed for research-driven investors who are looking for proactive engagement with Credit Suisse, access to house research views and customised trade ideas. Typically, CSUK receives a fixed quarterly fee regardless of client trading activity along with transaction/brokerage fees at the point of execution and on-going safe keeping fees that are calculated based on the average value of the client's portfolio and charged quarterly in arrears.

Other securities business

The Direct Access Client ('DAC') service is tailored for experienced absolute return-oriented investors looking for direct access to market specialists who can provide timely market intelligence, opportunistic trade ideas and trade execution across multiple asset classes. Typically, CSUK will earn transaction/brokerage fees at the point the trade is executed and ongoing safe keeping fees that are calculated based on the average value of the client's portfolio and charged quarterly in arrears.

In addition, CSUK may earn a margin on Foreign Exchange ('FX') transactions in connection to providing these services. These fees are recognised at the point the FX trade is executed.

CSUK offers its clients the full capabilities of Credit Suisse through its collaboration across the CS group, regardless of divisional and regional boundaries. When CSUK is involved in Transfer Pricing Arrangements ('TPA') and Revenue Share Agreements ('RSA'), revenues and expenses resulting from these arrangements are generally reported on a gross basis in the financial statements. This follows the requirements of IFRS 15 for the presentation of certain costs that were previously offset against revenue.

The intercompany collaboration allows CSUK to earn a share of client revenues through RSAs. These revenues are recognised when CSUK completes its obligations under the agreement and are reflected in the line item 'Other Securities business' in the following table.

Contract with customers and disaggregation of revenue

	2021	2020
	£000	£000
Investment and portfolio management	15,784	13,376
Other securities business	24,938	25,810
Other services	14,464	12,767
Total	55,186	51,953

The table above differs from note 5 - Net commission and fee income as it includes only those contracts with customers that are in scope of IFRS 15.

No impairment losses were recognised on contract receivables during the reporting period.

Notes to the financial statements for the Year ended 31 December 2021
Contract Balances

	2021	2020
	£000	£000
Contract receivables	5,696	4,186

The Bank did not recognise any revenues in the reporting period from performance obligations satisfied in previous periods.

No impairment losses were recognised on revenue during the reporting period.

Capitalised costs

The Bank has not incurred costs in obtaining a contract nor costs to fulfill a contract that are eligible for capitalisation.

Remaining performance obligations

The practical expedient allows the Bank to exclude from its remaining performance obligations disclosure of any performance obligations that are part of a contract with an original expected duration of one year or less. Additionally, any variable consideration for which it is probable that a significant reversal in the amount of cumulative revenue recognised will occur, when the uncertainty associated with the variable consideration is subsequently resolved, is not subject to the remaining performance obligations disclosure because such variable consideration is not included in the transaction price (e.g. investment management fees). Upon review, the Bank determined that no material remaining performance obligations are in scope of the remaining performance obligations disclosure.

7. Compensation and benefits

The following table sets out the details of compensation and benefits:

	2021	2020
	£000	£000
Salaries and bonuses	(32,841)	(38,566)
Social security	(5,021)	(5,642)
Pension cost	(2,784)	(2,754)
Restructuring costs	16	(435)
Other	(1,056)	(585)
Compensation and benefits	(41,686)	(47,982)

Notes to the financial statements for the Year ended 31 December 2021
8. General and administrative expenses

The following table sets out the details of other expenses:

	2021	2020
	£000	£000
Litigation	(4,217)	(1,330)
Other provisions and losses	(820)	(1,323)
Professional services ¹	(16,980)	(15,927)
Occupancy expenses ²	(7,417)	(6,148)
Depreciation and amortisation ³	(1,738)	(952)
Travel and entertainment	(367)	(490)
Market Information	(1,001)	(1,194)
UK Bank Levy	(611)	(1,435)
Non income taxes	(2,088)	(1,721)
Dues and fees	(774)	(988)
Auditors' remuneration	(881)	(152)
IT costs	(1,536)	(1,976)
Expenses charged by other CS group companies	(2,319)	(5,403)
Other expenses	(780)	(731)
General and administrative expenses	(41,529)	(39,770)

¹ represents outsourcing, contractor and other professional services.

² represents an allocation of charges from fellow CS group companies

³ £114k recharged to other group companies.

Auditors' remuneration

Auditors' remuneration to PricewaterhouseCoopers LLP in relation to the statutory audit amounted to £220k of which £35k relates to additional fees for 2020 paid in 2021 (2020: £100k). Audit related services amounted to £471k, of this £460k relates to CASS of which £174k relates to additional fees for 2020 paid in 2021 (2020: £52k). Other permissible assurance services amounted to £190k (2020: nil).

9. Income tax

	2021	2020
	£000	£000
Current tax		
Current tax on profits for the period	(2,449)	(5,557)
Adjustments in respect of previous periods	1,475	496
Total current tax expense	(974)	(5,061)
Deferred tax		
Origination and reversal of temporary differences	(875)	(1,107)
Adjustments in respect of previous periods	135	176
Effect of changes in tax rate or the imposition of new taxes	862	486
Total deferred tax expense	122	(445)
Income tax expense	(852)	(5,506)

During 2021, the UK government enacted legislation to increase the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. In the UK budget announcement of 27 October 2021, the UK government advised that the corporate tax bank surcharge will be reduced from 8% to 3% to apply from 1 April 2023. Legislation to effect this change was substantively enacted on 2 February 2022 (please refer to the Note 34 Subsequent events for further details).

Notes to the financial statements for the Year ended 31 December 2021

The income tax expense for the year can be reconciled to the profit per the Statement of Income as follows:

	2021	2020
	£000	£000
Profit before tax	10,907	25,167
Income tax expense computed at the statutory rate of 19% (2020: 19%)	(2,072)	(4,782)
Impact of UK bank corporation tax surcharge	(948)	(1,595)
Other permanent differences	(178)	(309)
Adjustments to current tax in respect of previous periods	1,475	496
Adjustments to deferred tax in respect of previous periods	135	176
Effect on deferred tax resulting from changes to tax rates	862	486
Differential in movement in deferred taxes to that at statutory tax rate	(126)	22
Income tax expense	(852)	(5,506)

10. Securities purchased under resale agreements

	2021	2020
	£000	£000
Securities purchased under resale agreements	1,048,198	880,396
Total	1,048,198	880,396

This represents the collateralised resale agreement with CSI, used to earn net interest income as well as to optimise the regulatory liquidity ratios. These are collateralised principally by government securities and the maturities of the transactions are based on the options for period of settlement provided for in the Global Master Repurchase Agreement.

The Bank monitors the fair value of securities received and requests additional securities or the return of a portion of the cash disbursed when appropriate in response to a decline in the market value of the securities received. Similarly, the return of excess securities or additional cash is requested by CSI, when appropriate, in response to an increase in the market value of securities sold under the repurchase agreement.

11. Loans and advances

The following table sets forth details of the domestic (United Kingdom) and foreign loan portfolios by borrowers:

	2021	2020*
	£000	£000
Commercial	8,891	7,683
Consumer	940,312	813,774
United Kingdom	949,203	821,457
Commercial	14,577	14,772
Consumer	1,093,926	1,174,800
Foreign	1,108,503	1,189,572
Allowance for credit losses (refer note 21)	(8,834)	(11,381)
Deferred fee income	(7,733)	(9,642)
Total Loans and advances	2,041,139	1,990,006
Gross Impaired loans	177,499	191,569

*Prior period has been restated to appropriately reflect loans and advances industry classification, for United Kingdom and foreign loans categories, based on a look-through approach to the ultimate beneficiary. This has resulted in a reclassification of £160m and £686m from Commercial loans category to Consumer loans for United Kingdom and foreign loan categories respectively.

Notes to the financial statements for the Year ended 31 December 2021
12. Investments in subsidiaries

The Bank has two subsidiaries, Buckmore Nominees Limited and Credit Suisse London Nominees Limited. Pursuant to section 401 of the UK Companies Act 2006, the Bank is exempt from preparing and delivering group financial statements as the Bank is a wholly-owned indirect subsidiary of CSG, incorporated in Switzerland, which prepares consolidated financial statements.

In accordance with Section 409 of UK Companies Act 2006, a list of CSUK's subsidiaries, their country of incorporation and effective percentage of equity owned at 31 December 2021 is disclosed.

Buckmore Nominees Limited

The wholly-owned company is incorporated and operates in the United Kingdom and has £1 of ordinary shares. As at 31 December 2021 the net worth of the entity is £2 (2020: £2).

Credit Suisse London Nominees Limited

The wholly-owned company is incorporated and operates in the United Kingdom and has £1 of ordinary shares. As at 31 December 2021 the net worth of the entity is £100 (2020: £100).

CSUK and CSG is the immediate and ultimate parent, respectively, for the above subsidiaries.

Subsidiaries	Country	Registered Office
Buckmore Nominees Limited	United Kingdom	Compliance Department, Credit Suisse, Private Banking, 16th Floor, Five Cabot Square, London E14 4QR, United Kingdom
Credit Suisse London Nominees Limited	United Kingdom	C/o Credit Suisse Private Banking, Compliance Department, Five Cabot Square, London E14 4QR, United Kingdom

Restrictions

The Bank and its subsidiaries have certain restrictions that may limit the ability of the Bank to access or use the assets and settle the liabilities of the Bank. These restrictions may be statutory, contractual or regulatory in nature.

The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements set out in the EU Capital Requirements Regulation ('CRR') and as laid down by the PRA. The Bank has processes and controls to monitor and manage its capital adequacy. For more information regarding the Bank's capital adequacy and how the capital resources are managed and monitored please refer to Note 31 – Capital Adequacy.

The Bank must maintain a cash reserve deposit of £2.7m (2020: £4.4m) with the Bank of England, which is treated as an encumbered asset.

The Bank has placed cash collateral of £18.8m (2020: £18.6m) with Credit Suisse Switzerland Ltd. for client trading of exchange traded derivatives.

Under the European Market Infrastructure Regulation, the Bank is required to exchange margin with CSAG for client trading OTC FX derivatives. The Bank has received £2.5m of margin from CSAG (2020: the Bank placed £11.1m of margin with CSAG).

13. Other assets

	2021	2020
	£000	£000
Interest and fees receivable ¹	10,604	9,850
Amounts owed by Credit Suisse group undertakings	36,814	35,233
Other ²	959	1,576
Total	48,377	46,659
Allowance for credit losses	(25)	(50)
Total other assets	48,352	46,609

¹Interest and fees receivable includes interest income of £5m (2020: £5.7m) and fees receivable of £5.6m (2020: £4.1m).

²Other includes mainly prepaid expenses.

Notes to the financial statements for the Year ended 31 December 2021
14. Deferred taxes

Deferred tax assets are recognised on deductible temporary differences and tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The Bank had estimated tax losses of £5.2m (2020: £5.5m) and estimated temporary differences of £12.3m (2020: £14.4m) as at 31 December 2021. The deferred tax asset recognised on the carried-forward tax losses is £1m (2020: £1m) and on temporary differences is £4m (2020: £3.9m). The benefit of these losses and temporary differences has been recognised in the financial statements in full after evaluating positive and negative evidence supporting the recoverability of deferred tax assets. These losses and temporary differences do not have an expiry date.

The movement for the year on the deferred tax position is analysed as follows:

	2021	2020
	£000	£000
Deferred tax assets	5,137	5,011
Deferred tax liabilities	(96)	(92)
Net Position	5,041	4,919
	2021	2020
	£000	£000
Balance at 1 January	4,919	5,364
Debit to Statement of Income for the year	(875)	(1,107)
Adjustments in respect of previous periods	135	176
Effect of change in tax rate	862	486
At end of the year	5,041	4,919

Deferred tax assets and liabilities are attributable to the following items:

	2021	2020
	£000	£000
Components of net deferred tax assets		
Employee compensation and benefits	3,098	2,928
Decelerated tax depreciation	1,044	1,042
Deferred tax impact on losses carried forward	995	1,041
Deferred tax assets netted against deferred tax liabilities	(96)	(92)
At end of the year	5,041	4,919

	2021	2020
	£000	£000
Components of net deferred tax liabilities		
Derivatives	(96)	(92)
Deferred tax liabilities netted against deferred tax assets	96	92
At the beginning of the year	—	—

The deferred tax benefit/(expense) in the Statement of Income comprises the following temporary differences:

	2021	2020
	£000	£000
Employee compensation and benefits	170	746
Decelerated tax depreciation	2	(135)
Derivatives	(4)	5
Deferred tax impact on losses carried forward	(46)	(1,061)
Total deferred tax expense in the statement of income	122	(445)

Notes to the financial statements for the Year ended 31 December 2021

Deferred taxes are calculated on all temporary differences under the liability method using a recoverable tax rate of 33% (2020: 27%), which includes the impact of the UK banking surcharge. Deferred taxes are calculated on carry-forward tax losses using an effective tax rates of 25% (2020: 19%).

15. Intangible assets

31 December 2021	Customer list¹	Internally developed software	Capital work in progress	Goodwill	Total Intangible assets
	£000	£000	£000	£000	£000
Cost					
As at 1 January	15,840	11,855	7,555	13,752	49,002
Additions	—	—	3,799	—	3,799
Disposals	—	(578)	—	—	(578)
Reclassification	—	5,594	(5,594)	—	—
As at 31 December	15,840	16,871	5,760	13,752	52,223
Accumulated amortisation and impairment					
As at 1 January	(15,840)	(6,735)	—	—	(22,575)
Amortisation for the year	—	(1,841)	—	—	(1,841)
Impairment	—	(6)	(5)	(13,752)	(13,763)
As at 31 December	(15,840)	(8,582)	(5)	(13,752)	(38,179)
Net book value as at 31 December	—	8,289	5,755	—	14,044

31 December 2020	Customer list	Internally developed software	Capital work in progress	Goodwill	Total Intangible assets
	£000	£000	£000	£000	£000
Cost					
As at 1 January	15,840	8,623	3,920	13,752	42,135
Additions	—	—	6,867	—	6,867
Reclassification	—	3,232	(3,232)	—	—
As at 31 December	15,840	11,855	7,555	13,752	49,002
Accumulated amortisation and impairment					
As at 1 January	(15,840)	(5,783)	—	—	(21,623)
Amortisation for the year	—	(952)	—	—	(952)
Impairment	—	—	—	—	—
As at 31 December	(15,840)	(6,735)	—	—	(22,575)
Net book value as at 31 December	—	5,120	7,555	13,752	26,427

¹As part of the acquisition of the UK private wealth management business of Morgan Stanley, the Bank identified goodwill representing the residual value of purchase price over the identifiable tangible and intangible assets and includes the assembled workforce that moved to the Bank.

For the purpose of testing goodwill for impairment, the whole Bank is taken as a single cash generating unit ('CGU') as it is the lowest level at which goodwill is monitored for internal management purposes. A discount cash flow model is used to determine the value in use and fair value less costs to sell of the CGU. This model considers the business plan of the Bank over the next five years and uses a discount factor derived from the average cost of capital for several UK banks, with a risk premium applied to reflect the Bank's different business model and the risk that the Bank does not achieve its financial plans. A growth rate is assumed in the model that is based on the growth in pre-tax income per the financial plan for the Bank. In 2021, the test resulted in full impairment of the £13.8m goodwill balance (2020: Nil).

Notes to the financial statements for the Year ended 31 December 2021
16. Deposits

	2021	2020
	£000	£000
Demand deposits	1,441,647	1,706,276
Savings deposits	6,534	4,187
Time deposits	1,670,400	1,472,602
Total deposits	3,118,581	3,183,065

17. Other liabilities

	2021	2020
	£000	£000
Amounts owed to CS group undertakings	14,523	11,811
Employee benefits – cash bonus	6,500	11,069
Share award obligations	7,384	9,045
ECL on off-balance sheet credit exposures	6	7
Bank Levy	209	926
Clients' unclaimed amounts	1,081	1,047
Accruals	2,057	1,531
Interest payable	273	257
Commission expense payable	—	51
Other	850	1,080
Total other liabilities	32,883	36,824

18. Provisions

	Banking	Litigation	Total 2021	Total 2020
	£000	£000	£000	£000
Balance as at beginning of the year	625	801	1,426	1,903
Provision recognised during the year	151	4,362	4,513	1,946
Released during the year	(63)	(145)	(208)	(259)
Utilised during the year	(375)	(2,620)	(2,995)	(2,161)
Changes in foreign exchange rates	—	(27)	(27)	(3)
Balance as at 31 December	338	2,371	2,709	1,426

Banking provisions relate to all provisions recognised in accordance with IAS 37 that arise from the normal operations of the Bank, other than those disclosed separately in the financial statements as litigation provisions.

Litigation provisions

Litigation provisions relate to the estimated liability exposure for cases that the Bank is defending or expects to defend. CSUK accrues litigation provisions (including fees and expenses of external lawyers and other service providers) in connection with certain judicial, regulatory and arbitration proceedings when reasonably possible losses, additional losses or ranges of loss are more likely than not and can be reliably estimated. General Counsel in consultation with the business reviews the Bank's judicial, regulatory and arbitration proceedings each quarter to determine the adequacy of its litigation provisions and may increase or release provisions based on management's judgement and the advice of counsel.

The anticipated utilisation of these litigation provisions typically ranges from a six to eighteen months period, however certain litigation provisions are anticipated to extend beyond this period. Further provisions or releases of litigation provisions may be necessary in the future as developments in such litigation, claims or proceedings warrant. CSUK has established provisions in line with the above process for all cases but believes that disclosure of the specific facts of such

Notes to the financial statements for the Year ended 31 December 2021

cases would violate confidentiality obligations to which CSUK is subject to or prejudice seriously CSUK's management of the matters. The exact timing of outflow of economic benefits cannot be ascertained at 31 December 2021.

19. Long-term debt

In 2006, a £40m subordinated debt facility for 20 years was put in place with Credit Suisse First Boston Finance B.V. In 2011, the facility was drawn to the extent of £25m for a tenure of 20 years. During 2018, an additional £30m in the form of a subordinated loan was put in place with Credit Suisse AG, Zurich. There was no further drawdown during the year 2021 (2020: Nil). In advance of the cessation of IBOR the floating rate component of subordinated debt interest calculations was updated to reference ARR Sterling Overnight Index Average ('SONIA') instead of 3 month London Interbank Offered Rate ('LIBOR').

Pursuant to IAS 7 Cash Flow Statement, the reconciliation of liabilities arising from financing activities is shown in the following table:

2021	Cash Flows		Non cash Changes		Closing Balance
	Opening balance	Issuance	Repayment	FX and FV Movement	
	£000	£000	£000	£000	£000
Long-term debt	55,000	—	—	—	55,000
Interest on long-term debt	193	—	(1,620)	—	208
Total liabilities from financing activities	55,193	—	(1,620)	—	55,208

2020	Cash Flows		Non cash Changes		Closing Balance
	Opening balance	Issuance	Repayment	FX and FV Movement	
	£000	£000	£000	£000	£000
Long-term debt	55,000	—	—	—	55,000
Interest on long term-debt	242	—	(1,843)	—	193
Total liabilities from financing activities	55,242	—	(1,843)	—	55,193

20. Share capital and share premium

	2021		2020	
	No. of shares issued and fully paid-up	£000	No. of shares issued and fully paid-up	£000
Share capital				
Ordinary voting shares @ £1.00 each	245,229,922	245,230	245,229,922	245,230
Total fully called-up share capital		245,230		245,230
Share premium				
Share premium @ £0.27 each	41,479,922	11,200	41,479,922	11,200
Total share premium		11,200		11,200

The ordinary shares carry voting rights and the right to receive dividends.

21. Expected Credit Loss Measurement

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as well as a reconciliation of the gross carrying amount. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2(j).

Notes to the financial statements for the Year ended 31 December 2021

Loans

	Not Credit Impaired				Credit Impaired				Total	
	12 Month ECL		Lifetime ECL		Lifetime ECL (excluding purchased/ originated credit impaired)		Lifetime ECL - purchased/originated credit impaired			
	Stage 1		Stage 2		Stage 3		Purchased/originated credit impaired			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
2021	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	1,728,925	(2,020)	90,535	(345)	189,291	(8,832)	2,278	(184)	2,011,029	(11,381)
Transfer to 12 month ECL	32,683	11	(32,683)	(11)	—	—	—	—	—	—
Transfer to Lifetime ECL not credit Impaired	(136,905)	112	144,698	(112)	(7,793)	—	—	—	—	—
Transfer to Lifetime ECL credit impaired financial assets	—	—	(87,938)	220	87,938	(220)	—	—	—	—
New financial assets originated or purchased	413,773	(225)	—	—	—	—	—	—	413,773	(225)
Financial assets that have been derecognised (including write-offs)	(303,383)	40	(15,524)	11	(61,627)	3	(2,130)	171	(382,664)	225
Other changes	91,167	—	(44,123)	—	(30,166)	—	—	—	16,878	—
Net remeasurement of loss allowance	—	731	—	(9)	—	1,812	—	—	—	2,534
Foreign exchange	(1,017)	—	—	—	(145)	—	(148)	13	(1,310)	13
Closing balance	1,825,243	(1,351)	54,965	(246)	177,498	(7,237)	—	—	2,057,706	(8,834)

Notes to the financial statements for the Year ended 31 December 2021

Loans

	Not Credit Impaired				Credit Impaired				Total	
	12 Month ECL		Lifetime ECL		Lifetime ECL (excluding purchased/ originated credit impaired)		Lifetime ECL - purchased/originated credit impaired			
	Stage 1		Stage 2		Stage 3		Purchased/originated credit impaired			
	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
2020	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	1,969,084	(1,941)	80,766	(243)	95,916	(6,647)	2,116	(132)	2,147,882	(8,963)
Transfer to 12 month ECL	7,258	(32)	(7,258)	32	—	—	—	—	—	—
Transfer to Lifetime ECL not credit Impaired	(191,896)	670	196,054	(670)	(4,158)	—	—	—	—	—
Transfer to Lifetime ECL credit impaired financial assets	—	—	(125,771)	1,692	125,771	(1,692)	—	—	—	—
New financial assets originated or purchased	314,342	(168)	—	—	—	—	—	—	314,342	(168)
Financial assets that have been derecognised (including write-offs)	(381,690)	(281)	(49,718)	(1,003)	(29,363)	2,027	—	—	(460,771)	743
Other changes	12,900	—	(3,538)	—	1,112	—	52	—	10,526	—
Net remeasurement of loss allowance	—	(268)	—	(153)	—	(2,520)	—	(45)	—	(2,986)
Foreign exchange	(1,073)	—	—	—	13	—	110	(7)	(950)	(7)
Closing balance	1,728,925	(2,020)	90,535	(345)	189,291	(8,832)	2,278	(184)	2,011,029	(11,381)

Notes to the financial statements for the Year ended 31 December 2021

Irrevocable loan commitments

	Not Credit Impaired				Credit Impaired		Total	
	12 Month ECL		Lifetime ECL		Lifetime ECL (excluding purchased/originated credit impaired)			
	Stage 1		Stage 2		Stage 3			
Particulars	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
2021	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	36,301	(8)	2,650	—	—	—	38,951	(8)
Transfer to Lifetime ECL not credit impaired	(15,220)	1	15,220	(1)	—	—	—	—
New financial assets originated or purchased	30,311	(2)	—	—	—	—	30,311	(2)
Financial assets that have been derecognised (including write-offs)	(8,656)	3	(738)	—	—	—	(9,394)	3
Other changes	2,845	—	(1,913)	—	—	—	932	—
Net remeasurement of loss allowance	—	4	—	(3)	—	—	—	1
Foreign exchange	—	—	—	—	—	—	—	—
Closing balance	45,581	(2)	15,219	(4)	—	—	60,800	(6)
2020								
Opening balance	97,420	—	1,903	—	940	—	100,263	—
New financial assets originated or purchased	24,817	(2)	—	—	—	—	24,817	(2)
Financial assets that have been derecognised (including write-offs)	(41,130)	—	(1,903)	—	—	—	(43,033)	—
Other changes	(44,806)	24	2,650	—	(978)	—	(43,134)	24
Net remeasurement of loss allowance	—	(30)	—	—	—	—	—	(30)
Foreign exchange	—	—	—	—	38	—	38	—
Closing balance	36,301	(8)	2,650	—	—	—	38,951	(8)

Notes to the financial statements for the Year ended 31 December 2021

The following table shows reconciliations from opening to the closing balance of the allowance for credit losses by class of financial instrument:

	2021	2020
	£000	£000
Cash and due from banks		
Opening balance	7	11
Net remeasurement of loss allowance	11	(4)
Foreign exchange	—	—
Closing balance	18	7
Interest-bearing deposits with banks	£000	£000
Opening balance	9	11
Net remeasurement of loss allowance	(9)	(2)
Foreign exchange	—	—
Closing balance	—	9
Other assets	£000	£000
Opening balance	50	28
Net remeasurement of loss allowance	(25)	20
Foreign exchange	—	2
Closing balance	25	50

Allowance for credit losses on Financial Guarantees is immaterial for the current and previous year.

The transfer balance reflects the closing balance that went into the applicable Stage bucket i.e. transfers between stages are considered to take place at the start of the period and the amount transferred is based on the closing balance from the previous reporting period, which would not include any difference in measurement as a result of the change in stage or as a result of any change in ECL assumptions. The same principle applies to the gross carrying amounts. Any remeasurement of the loss allowance (e.g. from Stage 1 to Stage 2 considering the longer remaining life as well as the significant credit deterioration) is reflected in the line 'Net remeasurement of loss allowance'.

The line item 'other changes' relates to any other movement in the gross carrying amount that is not included in the above categories e.g. modifications that did not result in derecognition; any changes in the gross carrying amount from installment payments and changes in the drawn amount for revolving facilities. This line item also reflects the impact of measurement of the gross carrying amount and loss allowance for Stage 3 financial assets without impact on the Statement of Income.

The line item 'foreign exchange' includes any movements in the gross carrying amount and loss allowance that are attributable to foreign exchange movements during the period for financial instruments that are denominated in a foreign currency.

The key inputs into the measurement of ECLs (Stage 1 and Stage 2) are the term structures of the following variables:

- Probability of Default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters derive from internally-developed statistical models and historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described below to derive point-in-time, forward-looking term structures.

PD estimates are estimates at a certain date and are calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally-compiled data comprising both quantitative and qualitative factors. A change in the estimate of the associated PD arises if a counterparty or exposure migrates between rating classes. Lifelong PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

Notes to the financial statements for the Year ended 31 December 2021

LGD is the magnitude of the expected loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, geography, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the drawn and potential future amounts drawn or repaid under the contract based on historical observations. For some financial assets, the Bank determines EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

Where a relationship to macroeconomic indicators is statistically sound and in line with economic expectations, the parameters are modelled accordingly and incorporate the Bank's forward-looking forecasts. Considering the short remaining life of Lombard loans, forward-looking forecasts only have limited relevance.

For the residential mortgage portfolio, any forward-looking information will be reflected by expert credit judgement. On a quarterly basis, economic indicators that are deemed to have a significant impact on the PD and LGD for residential mortgages will be considered in the expert credit judgment approach together with the Bank's forward-looking forecast. The expert credit judgment may result in an increase or decrease of the ECL estimates produced by the residential mortgages ECL model. Note that the expert credit judgment will determine whether there is a significant increase in credit risk in the residential mortgage portfolio that will result in a transfer from Stage 1 to Stage 2. The Bank's Credit Risk Committee will govern the expert credit judgment process, which is subject to quarterly review.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

There is an exemption from this limit for residential mortgage facilities that include both a loan and an undrawn commitment component and where the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. The Bank can cancel the residential mortgage facilities with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. For these financial instruments, the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These actions include a reduction in limits or cancellation of the facility. Determining the instruments in scope for this exemption and estimating the appropriate remaining life requires significant judgment.

In addition to macro-economic factors that are taken into account when assessing PD and LGD, the Bank also applies expert credit judgement based on the idiosyncratic element of the residential mortgage portfolio. This takes into account facilities approved on a non-recourse basis (increasing the LGD), as well as where the Bank retains a large on-balance sheet exposure for a certain facility (after using sub-participation), reflecting a large capital value for a specific property held as collateral, which is likely to be less liquid (also impacting LGD).

The Bank's Credit Risk Management performed sensitivity analysis based on a range of assumed movements in the Knight Frank PCL House Price index. Historically, we have observed that it is this risk driver that has had the biggest influence on our residential mortgage ECL Macro Economic Factor overlay for Stage 1 and Stage 2 loans. The sensitivity analysis was performed using the following six assumed falls in the index across a 12 month horizon: -5% (ECL: £1.2m), -10% (ECL: £1.8m), -15% (ECL: £1.8m), -20% (ECL: £2.1m), -25% (ECL: £2.1m) and -30% (ECL: £2.4m). Using the PD and LGD triggers that have been in place since 2018, we observed a sensible correlation between the assumed falls and the resulting ECLs. Credit Risk Management performed an additional sensitivity analysis, which incorporated an assumed deterioration in staging from 1 to 2 for residential mortgages where the assumed falls in the index resulted in a dynamic Loan to value ('LTV') of 80% or higher. Again, although this resulted in higher ECLs, the correlation between the assumed falls and the resulting ECLs did not give rise for a need to change the PD and LGD triggers ranges we continue to use in our Macro Economic Factor methodology.

Notes to the financial statements for the Year ended 31 December 2021

The following tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios of the geographical segments relevant for the Bank's ECL calculations. The figures for 'Subsequent years' represent a long-term average and so are the same for each scenario.

Europe Middle East Africa - 2021

Macro-economic factors (MEF)	Function-corporates/ financial institutions	ECL scenario	Assigned probabilities	Latest data	End Period Projections					Impact on ECL from an increase in MEF	
					Dec'21	2022	2023	2024	2025		2026
					%	%	%	%	%		%
UK Real GDP Growth Rate (%YoY)										↓	
	Consumer	Downside	40	3.7	(1.5)	1.3	1.5	1.8	1.8		
	Consumer	Baseline	50	3.8	6.3	1.8	1.8	1.8	1.8		
	Consumer	Upside	10	5.6	8.3	2.1	1.9	1.8	1.8		
UK Prime Central London (PCL) House Price Index (%YoY)										↓	
	Consumer	Downside	40	0.8	(2.9)	1.4	2.3	2.8	3.0		
	Consumer	Baseline	50	1.7	0.8	2.1	2.8	2.9	3.0		
	Consumer	Upside	10	2.3	2.3	2.7	3.5	3.3	3.0		
UK 1Y Government Bond Yield (%)										↑	
	Consumer	Downside	40	0.2	0.4	1.4	2.2	2.7	3.2		
	Consumer	Baseline	50	0.3	1.0	1.6	2.2	2.7	3.2		
	Consumer	Upside	10	0.4	1.2	1.7	2.2	2.7	3.2		
MSCI World Equity Index (levels)										↓	
	Consumer	Downside	40	2,837	2,126	2,865	3,616	3,703	3,791		
	Consumer	Baseline	50	3,103	3,441	3,528	3,616	3,703	3,791		
	Consumer	Upside	10	3,208	3,600	3,623	3,616	3,703	3,791		

Notes to the financial statements for the Year ended 31 December 2021
Europe Middle East Africa - 2020

Macro-economic factors (MEF)	Function-corporates/ financial institutions	ECL scenario	Assigned probabilities	Latest data	End Period Projections					Impact on ECL from an increase in MEF	
					Dec'20	2021	2022	2023	2024		2025
					%	%	%	%	%		%
UK Real GDP Growth Rate (%YoY)										↓	
	Consumer	Downside	40	(13.2)	7.1	(2.4)	2.4	1.5	1.8		
	Consumer	Baseline	50	(12.4)	10.5	0.4	2.5	1.5	1.8		
	Consumer	Upside	10	(11.1)	15.4	0.5	2.6	1.5	1.8		
UK Prime Central London (PCL) House Price Index (%YoY)										↓	
	Consumer	Downside	40	(6.9)	(4.4)	0.6	1.6	2.7	3.0		
	Consumer	Baseline	50	(6.2)	(0.2)	1.4	2.1	2.8	3.0		
	Consumer	Upside	10	(4.3)	1.1	1.8	2.6	3.3	3.0		
UK 1Y Government Bond Yield (%)										↑	
	Consumer	Downside	40	(0.1)	0.1	0.2	0.3	0.7	0.9		
	Consumer	Baseline	50	—	0.2	0.3	0.3	0.7	0.9		
	Consumer	Upside	10	0.1	0.4	0.4	0.3	0.7	0.9		
MSCI World Equity Index (levels)										↓	
	Consumer	Downside	40	2,092	1,575	2,126	3,000	3,114	3,227		
	Consumer	Baseline	50	2,595	2,774	2,887	3,000	3,114	3,227		
	Consumer	Upside	10	2,620	2,944	2,985	3,000	3,114	3,227		

Current period estimate of ECL

The key MEFs used in each of the macroeconomic scenarios for the calculation of the ECL include, but are not limited to GDP. These MEFs have been selected based on the portfolios that are most material to the estimation of IFRS 9 ECL from a longer term perspective.

As of December 31, 2021, the forecast macroeconomic scenarios were weighted 50% for the baseline, 40% for the downside and 10% for the upside scenario unchanged from prior year. The forecast range for the increase in UK real GDP was (0.9)% to 7.8% for 2022 and 1.0% to 3.9% for 2023, which compares to an estimated real GDP growth of 7.0% in 2021. The forecast in the baseline scenario for the timing of the recovery of the quarterly series for UK real GDP to return to pre-pandemic levels (i.e. the fourth quarter of 2019) was the third quarter of 2022. The macroeconomic and market variable projections incorporate adjustments to reflect the impact of the withdrawal of COVID-19 pandemic related economic support programs provided by national governments and by central banks. While GDP is a significant input to the forecast models, a range of other inputs are also incorporated for all three scenarios to provide projections for future economic and market conditions. Given the complex nature of the forecasting process, no single economic variable is viewed in isolation or independently of other inputs.

For extreme and statistically rare events, which cannot be adequately reflected in IFRS 9 ECL models, such as the effects of the COVID-19 pandemic on the global economy, the event becomes the baseline scenario. In the current environment, model overlays are applied to address circumstances where in management's judgment the IFRS 9 ECL model outputs are overly sensitive to the effect of economic inputs that lie significantly outside of their historical range. Such overlays are based on expert judgement and are applied in response to these exceptional circumstances to consider historical stressed losses and industry and counterparty credit level reviews. Overlays are also used to capture judgment on the economic uncertainty from global or regional developments or governmental actions with severe impacts on economies, such as the lockdowns and other actions directed towards managing the pandemic. As a result of such overlays, provisions for credit losses may not be primarily derived from MEF projections.

Notes to the financial statements for the Year ended 31 December 2021
22. Employee share-based compensation and other compensation benefits

Payment of deferred compensation to employees is determined by the nature of the business, role, location and performance of the employee. Unless there is a contractual obligation, granting deferred compensation is solely at the discretion of the Compensation Committee and senior management. Special deferred compensation granted as part of a contractual obligation is typically used to compensate new senior employees for forfeited awards from previous employers upon joining the Bank. It is the Bank's policy not to make multi-year guarantees.

Compensation expense for share-based and other awards that were granted as deferred compensation is recognised in accordance with the specific terms and conditions of each respective award and is primarily recognised over the future requisite service and vesting period. This is determined by the plan, retirement eligibility of employees, two-year moratorium periods on early retirement and certain other terms. All deferred compensation plans are subject to restricted covenants that generally include non-compete and non-solicit provisions. Compensation expense for share based and other awards that were granted as deferred compensation also includes the current estimated outcome of applicable performance criteria, estimated future forfeitures and mark-to-market adjustments for certain awards that are still outstanding.

Total compensation expense for cash-settled share-based compensation plans recognised during 2021 and 2020 was £0.9m and £3.2m, respectively. The total stock award liability recorded as at 31 December 2021 was £6.2m (2020: £7.7m). The fair value used to calculate the stock award liability was the closing CSG share price as at 31 December 2021: CHF 8.872 (2020: CHF 11.40). The average weighted fair value of awards granted in 2021 was CHF 12.10 (2020: CHF 10.30). The intrinsic value of vested share-based awards outstanding as at year end was £1.7m (2020: £2.1m).

The recognition of compensation expense for the deferred compensation awards granted in February 2022 began in 2022 and thus had no impact on the 2021 financial statements.

Share Awards

Share awards granted in February 2022 are similar to those granted in February 2021. Each share award granted entitles the holder of the award to receive one CSG share, subject to service conditions. Share awards vest over three years, with one third of the share awards vesting on each of the three anniversaries of the grant date (rateable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, and are generally subject to continued employment with the Bank, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of CSG share over the ten consecutive trading days which ended on 24 February 2022. The fair value of each share award was CHF 8.61, the CSG share price on the grant date.

The majority of share awards granted include the right to receive dividend equivalents on vested shares.

Notes to the financial statements for the Year ended 31 December 2021

Movements in the number of share awards outstanding were as follows:

Number of units	2021	2020
As at 1 January	671,995	557,115
Granted	242,128	400,814
Shares transferred in/(out)	14,193	3,751
Delivered	(312,655)	(278,736)
Forfeited	(38,070)	(10,949)
As at 31 December	577,591	671,995

Performance Share Awards ("PSA")

Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions.

Performance share awards are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as at 31 December 2021, or a negative CSG Return on Equity ('ROE'), whichever results in a larger adjustment. For employees in Corporate Functions and the Asset Resolution Unit, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance shares are granted.

The number of performance share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as share awards by the average price of a CSG share over the ten consecutive trading days which ended on 24 February 2022. The fair value of each performance share award was CHF 8.61, the CSG share price on the grant date.

The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

Movements in the number of performance share awards outstanding were as follows:

Number of units	2021	2020
As at 1 January	435,167	266,988
Granted	151,010	200,627
Shares transferred in/(out)	9,142	3,432
Delivered	(59,027)	(34,452)
Forfeited	(25,124)	(1,428)
As at 31 December	511,168	435,167

Contingent Capital Awards ('CCA')

CCA were granted in February 2022, February 2021 and February 2020 to certain employees as part of the 2021, 2020 and 2019 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA are scheduled to vest on the third anniversary of the grant date, other than those granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions, where CCA vest on the fifth and seventh anniversaries of the grant date, respectively, and will be expensed over the vesting period. CCA generally provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination. CCA granted in 2022, 2021 and 2020 that vest five or seven years from the date of grant are not eligible for semi-annual cash payments of interest equivalents. CCA granted to certain regulated employees that vest over three years are not eligible for semi-annual cash payments of interest equivalents.

The following describes the interest equivalents on both USD and CHF denominated CCAs.

- CCA granted in 2022, 2021 and 2020 that are denominated in US dollars and vest three years from the date of grant receive interest equivalents at a rate of 4.18%, 3.60% and 4.08% respectively per annum plus the daily compounded (spread exclusive) US dollar Secured Overnight Financing Rate ('SOFR');

Notes to the financial statements for the Year ended 31 December 2021

- CCA granted in 2022, 2021, 2020 that are denominated in Swiss francs and vest three years from the date of grant receive interest equivalents at a rate of 3.44% 3.06% and 3.36% respectively per annum plus the daily compounded (spread exclusive) Swiss franc Swiss Average Rate Overnight ('SARON');
- The semi-annual interest equivalent cash payment calculation cycle upto February 2021, was based on the six-month US dollar London Interbank Offered Rate ("LIBOR") for CCA denominated in US dollars and the six-month Swiss franc "LIBOR" for CCA denominated in Swiss francs

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that CSG has issued. For CCA granted in February 2022, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

As CCA qualify as going-concern loss-absorbing capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority ('FINMA'). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by CSG. In the case of a cash settlement, the CCA award will be converted into the local currency of each respective employee.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero and forfeited if any of the following trigger events were to occur:

- CSG's reported Common Equity Tier 1 ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that CSG requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

Total compensation expense recognised for CCA's during the year ended 31 December 2021 was £0.8m (2020: £0.9m).

Upfront cash awards

In February 2021, certain employees were granted upfront cash awards as part of the cash component of their 2020 variable compensation. These awards are subject to repayment (clawback) by the employee in the event of voluntary resignation, termination for cause or in connection with other specified events or conditions within three years of the award grant. The amount subject to repayment is reduced in equal monthly installments during the three-year period following the grant date. The expense recognition will occur over the three-year vesting period, subject to service conditions.

Total compensation expense recognised during the year ended 31 December 2021 was £0.6 m (2020: nil).

Incentive Share Units ('ISU')

The Incentive Share Units ("ISUs") were the main form of share-based deferred compensation for all employees from 2006 to 2009. An ISU is similar to a share, but offers additional upside depending on the development of the CSG share price, compared to predetermined targets set on the grant date. For each ISU granted, the employee will receive at least one CSG share (ISU base unit) over a three-year period vesting and could receive additional shares (ISU leverage unit) at the end of the three-year vesting period. The number of ISU leverage units to be converted to additional shares is calculated by multiplying the total number of ISU base units granted, less forfeitures, by a share price multiplier. The share price multiplier is determined based on the actual increase in the weighted-average monthly share price during the contractual term of the award versus the share price at grant date. The ISU base unit vests equally on each of the three anniversaries of the grant date, whereas the ISU leverage units will only vest on the third anniversary of the grant date. Shares are delivered shortly after the ISU base units and the ISU leverage units vest.

Notes to the financial statements for the Year ended 31 December 2021

In 2013, the ISU leverage units granted for 2009 were settled but did not have a value at settlement as the CSG share price performance was below the minimum predefined target of CHF 53.71. In 2012, the ISU leverage granted for 2008 were settled with a value for each outstanding leverage unit equivalent to 0.986 CSG shares. Movements in the number of ISUs outstanding were as follows:

Number of units	2021		2020	
	Base	Leverage	Base	Leverage
As at 1 January	852	1,596	852	1,596
Granted	—	—	—	—
Share transferred in/out	—	—	—	—
Delivered	—	—	—	—
Forfeited	(852)	(1,596)	—	—
As at 31 December	—	—	852	1,596

23. Retirement benefit obligations

The Bank is one of many participants, who are all related parties under common control, to a funded, final salary defined benefit pension plan in the UK ('UK DB Plan'). The primary employer and sponsoring entity of the UK DB Plan is Credit Suisse International.

The Bank has no contractual agreement or stated policy for incurring any charges by the sponsoring employer for the net defined benefit cost, therefore it accounts for its share of the plan using defined contribution accounting. During 2021 and 2020, the Bank made no contributions to the UK DB Plan.

Defined Contribution Pension Plans

The Bank also contributes to various defined contribution pension plan primarily in the UK. The contributions in these plans during 2021 and 2020 were £2.8m.

24. Related party transactions

The Bank is indirectly wholly-owned by Credit Suisse Group AG, incorporated in Switzerland. Copies of Group financial statements of Credit Suisse Group AG and Credit Suisse AG, which are those of the largest and smallest groups in which the results of the Bank are consolidated, are available to the public and may be obtained from Credit Suisse Group AG, Paradeplatz, P.O. Box 1, 8070 Zurich, Switzerland and UK Companies House, Crown Way, Cardiff CF14 3UZ, United Kingdom.

The Bank is involved in financing and other transactions and has related party balances with subsidiaries and affiliates of CSG. The Bank has transferred loans to CS AG, which are derecognised. The Bank enters into these transactions in the ordinary course of its business on usual market terms.

Notes to the financial statements for the Year ended 31 December 2021
a) Related party assets and liabilities

	31 December 2021				31 December 2020			
	Parent	Fellow Group companies	ECL	Total	Parent	Fellow Group companies	ECL	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Assets								
Cash and due from banks	402,587	2,460	(18)	405,029	476,101	2,520	(7)	478,614
Interest-bearing deposits with banks	—	—	—	—	187,491	—	(9)	187,482
Securities purchased under resale agreements	—	1,048,198	—	1,048,198	—	880,396	—	880,396
Trading financial assets mandatorily at FVTPL	5,866	3,261	—	9,127	13,279	—	—	13,279
Other assets	4,561	25,924	(16)	30,469	15,169	20,063	(38)	35,194
Total assets	413,014	1,079,843	(34)	1,492,823	692,040	902,979	(54)	1,594,965
Liabilities								
Deposits	1,506,309	—	—	1,506,309	1,393,558	870	—	1,394,428
Trading financial liabilities mandatorily at FVTPL	2,347	2,815	—	5,162	21,831	—	—	21,831
Other liabilities	4,226	10,297	—	14,523	1,211	10,600	—	11,811
Long term debt	30,000	25,000	—	55,000	30,000	25,000	—	55,000
Total liabilities	1,542,882	38,112	—	1,580,994	1,446,600	36,470	—	1,483,070

b) Related party income statement

	2021			2020		
	Parent	Fellow Group companies	Total	Parent	Fellow Group companies	Total
	£000	£000	£000	£000	£000	£000
Interest income	1,312	4	1,316	4,076	1,700	5,776
Interest expense	(2,409)	(804)	(3,213)	(5,382)	(953)	(6,335)
Fees, commission and other*	20,660	(7,361)	13,299	(1,337)	(7,310)	(8,647)
Total	19,563	(8,161)	11,402	(2,643)	(6,563)	(9,206)

*Includes trademark fees of £650k (2020: £577k) paid to ultimate parent CS Group AG.

Notes to the financial statements for the Year ended 31 December 2021
c) Related party off balance sheet items

	31 December 2021			31 December 2020		
	Parent	Fellow Group companies	Total	Parent	Fellow Group companies	Total
	£000	£000	£000	£000	£000	£000
Derivatives notional amounts	432,553	—	432,553	730,340	—	730,340
Collateral received under securities purchased under resale agreements	—	1,110,387	1,110,387	—	934,035	934,035
Undrawn subordinated debt facility	—	15,000	15,000	—	15,000	15,000
Total	432,553	1,125,387	1,557,940	730,340	949,035	1,679,375

d) Remuneration of Directors

	2021	2020
	£000	£000
Emoluments	1,680	1,749
Long-term incentive schemes:		
Amounts paid under Deferred Cash Awards	5	27
Amounts delivered under Share-based Awards	216	293
Subtotal	1,901	2,069
Compensation for loss of office	103	12
Bank's contributions to defined contribution	32	40
Total	2,036	2,121

Emoluments include amounts paid to or receivable by the Directors. Only vested Cash Retention Awards are included in emoluments. Long-term incentive schemes consist of deferred cash awards and share-based awards and are not given to Non-Executive Directors who only receive a fixed fee. Deferred cash awards are included in the period when the amounts vest and are paid, and share-based awards are included in the period when the amounts vest and are delivered.

Where Directors perform services for a number of companies within the CS group, the total remuneration payable to each director has been apportioned to the respective entities based on a time spent per company allocation for that Director.

The aggregate of emoluments and long-term incentive scheme paid to or received by the highest paid Director was £1,068k (2020: £1,132k). The Director was also a member of a defined contribution plan and no contributions were made into the plan during the year (2020: nil). During the year, the highest paid Director also received an entitlement to shares under a long-term incentive scheme.

The amounts included in the UK Companies Act disclosures are on a different basis than the recognition requirements of IFRS 2 and IAS 37 and the disclosure requirements of IAS 24. The aggregate amount of remuneration accrued in the Bank's accounts for Directors in accordance with IFRS requirements for 2021 was £2,617k (2020: £2,821k).

Notes to the financial statements for the Year ended 31 December 2021
e) Number of Directors and Benefits

	Number of Directors	Number of Directors
	2021	2020
Retirement benefits are accruing to the following number of Directors under:		
Defined contribution schemes	4	4
Defined benefit schemes	—	—
No scheme	4	5
Both defined contribution and defined benefit	—	—
The number of Directors who exercised share options	—	—
Directors in respect of whom services were received or receivable under long term incentive schemes	4	4

f) Remuneration of Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any Director of the Bank. Key Management Personnel include Directors and the members of the CSUK Executive Committee.

The numbers disclosed in the following table are based on amounts accrued in the financial statements for all emoluments and long-term incentive schemes. Where Key Management Personnel perform services for a number of companies within the CS group, the total remuneration payable to each key management person has been apportioned to the respective companies based on a time spent per company allocation for that key management person.

	2021	2020
	£000	£000
Emoluments	2,398	2,344
Long-term incentive schemes	849	1,025
Subtotal	3,247	3,369
Compensation for loss of office	100	—
Bank's contributions to defined contribution	105	79
Total	3,452	3,448

g) CSG Shares awarded to Key Management Personnel

	2021	2020
Number of shares	289,420	159,339

The shares included above are the shares accrued in the period under the requirements of IFRS 2. These numbers differ from the share awards included in the UK Companies Act disclosures above, which are disclosed in the period in which they vest and are delivered.

h) Loans and advances to Key Management Personnel

There was no loan outstanding to Key Management Personnel of the Bank as at 31 December 2021 (2020: Nil).

Notes to the financial statements for the Year ended 31 December 2021
25. Employees

Average number of persons employed during the year was as follows:

	Number	Number
	2021	2020
Business functions	211	233
Corporate functions	55	32
Total	266	265

Average number of employees has been calculated as the average of January to December's employees employed.

26. Guarantees and commitments

The following tables set forth details of contingent liabilities associated with guarantees and commitments:

	Maturity <1 year	Maturity 1-3 years	Maturity 3-5 years	Maturity >5 years	Total amount	Collateral received
	£000	£000	£000	£000	£000	£000
31 December 2021						
Credit guarantees and similar instruments	12,910	—	—	—	12,910	12,910
Total guarantees	12,910	—	—	—	12,910	12,910
Loan commitments	16,777	18,458	25,565	—	60,800	60,800
Total other commitments	16,777	18,458	25,565	—	60,800	60,800
31 December 2020						
Credit guarantees and similar instruments	5,447	—	—	—	5,447	5,447
Total guarantees	5,447	—	—	—	5,447	5,447
Loan commitments	10,472	7,348	21,131	—	38,951	38,951
Total other commitments	10,472	7,348	21,131	—	38,951	38,951

Credit guarantees are contracts that require the Bank to make payments should a third party fail to do so under a specified existing credit obligation. For example, the Bank provides guarantees to counterparties in the form of standby letters of credit in connection with its corporate lending business and other corporate activities. These represent obligations to make payments to third parties if the counterparty fails to fulfil its obligation under a borrowing arrangement or other contractual obligation.

Loan commitments include undrawn credit facilities that cannot at any time be revoked without prior notice.

27. Financial instruments

The disclosure of the Bank's financial instruments includes the following sections:

1. Analysis of financial instruments by categories;
2. Fair value measurement (including the fair value hierarchy and qualitative disclosures of valuation techniques); and
3. Fair value of financial instruments not carried at fair value.

Notes to the financial statements for the Year ended 31 December 2021
Analysis of financial instruments by categories

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The following table sets forth the carrying amounts and fair values of the Bank's financial instruments.

	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
31 December 2021	£000	£000	£000	£000
Financial assets				
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
Trading financial assets mandatorily at FVTPL	14,333	—	14,333	14,333
Loans and advances	—	2,041,139	2,041,139	2,103,546
Other assets	—	47,394	47,394	47,394
Total financial assets	14,333	3,544,795	3,559,128	3,621,535
Financial liabilities				
Deposits	—	3,118,581	3,118,581	3,118,602
Trading financial liabilities mandatorily at FVTPL	14,023	—	14,023	14,023
Other liabilities	—	20,412	20,412	20,412
Long term debt	—	55,000	55,000	60,989
Total financial liabilities	14,023	3,193,993	3,208,016	3,214,026

	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
31 December 2020	£000	£000	£000	£000
Financial assets				
Cash and due from banks	—	483,710	483,710	483,710
Interest-bearing deposits with banks	—	187,482	187,482	187,299
Securities purchased under resale agreements	—	880,396	880,396	880,396
Trading financial assets mandatorily at FVTPL	35,146	—	35,146	35,146
Loans and advances	—	1,990,006	1,990,006	2,118,660
Other assets	—	45,032	45,032	45,032
Total financial assets	35,146	3,586,626	3,621,772	3,750,243
Financial liabilities				
Deposits	—	3,183,065	3,183,065	3,186,261
Trading financial liabilities mandatorily at FVTPL	34,940	—	34,940	34,940
Other liabilities	—	23,964	23,964	23,964
Long term debt	—	55,000	55,000	61,386
Total financial liabilities	34,940	3,262,029	3,296,969	3,306,551

Notes to the financial statements for the Year ended 31 December 2021**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. The fair value of the Bank's financial instruments is based on observable inputs. These instruments include OTC foreign exchange derivative instruments, mortgage-related loans, portfolio loans, customer deposits and debt issuance.

In addition, the Bank could hold financial instruments for which no prices are available and which have little or no observable inputs. Further deterioration of financial markets could significantly impact the value of these financial instruments and the results of operations. For these instruments, the determination of fair value requires subjective assessment and judgement, depending on liquidity, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own judgements about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The fair value of financial assets and liabilities is impacted by factors such as benchmark interest rates, prices of financial instruments issued by third parties, commodity prices, foreign exchange rates and index prices or rates. In addition, valuation adjustments are an integral part of the valuation process when market prices are not indicative of the credit quality of a counterparty and are applied to both OTC derivatives and debt instruments. The impact of changes in a counterparty's credit spread (known as credit valuation adjustments) is considered when measuring the fair value of assets and where relevant the impact of changes in the Bank's own credit spreads (known as debit valuation adjustments) is considered when measuring the fair value of its liabilities. For OTC derivatives, the impact of changes in both the Bank's and the counterparty's credit standing is considered when measuring the fair value, based on current credit default swap prices. The adjustments also take into account contractual factors designed to reduce the Bank's credit exposure to the counterparty, such as collateral held and master netting agreements.

Fair value hierarchy

The financial instruments carried at fair value are categorised under the three levels of the fair value hierarchy as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or similar liabilities in markets that are not active, that is, markets in which there are few transactions for the asset and liability, the prices are not current or price quotations vary substantially either over time or among market makers, or in which little information is publicly available; (iii) input other than quoted prices that are observable for the asset or liability; or (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs). These inputs reflect the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Bank's own data. The Bank's own data used to develop unobservable inputs is adjusted if information indicates that market participants would use different assumptions.

Notes to the financial statements for the Year ended 31 December 2021

The following table presents the carrying value of the financial instruments held at fair value across the three levels of the fair value hierarchy.

As at 31 December 2021	Level 1	Level 2	Level 3	Total at fair value
	£000	£000	£000	£000
Assets				
Derivatives	3,803	10,530	—	14,333
of which foreign exchange products	—	8,257	—	8,257
of which equity/index-related products	3,803	2,273	—	6,076
Trading financial assets mandatorily at FVTPL	3,803	10,530	—	14,333
Total assets at fair value	3,803	10,530	—	14,333
Liabilities				
Derivatives	3,803	10,220	—	14,023
of which foreign exchange products	—	7,947	—	7,947
of which equity/index-related products	3,803	2,273	—	6,076
Trading financial liabilities mandatorily at FVTPL	3,803	10,220	—	14,023
Total liabilities at fair value	3,803	10,220	—	14,023
As at 31 December 2020	Level 1	Level 2	Level 3	Total at fair value
	£000	£000	£000	£000
Assets				
Derivatives	—	35,146	—	35,146
of which foreign exchange products	—	35,146	—	35,146
Trading financial assets mandatorily at FVTPL	—	35,146	—	35,146
Total assets at fair value	—	35,146	—	35,146
Liabilities				
Derivatives	—	34,940	—	34,940
of which foreign exchange products	—	34,940	—	34,940
Trading financial liabilities mandatorily at FVTPL	—	34,940	—	34,940
Total liabilities at fair value	—	34,940	—	34,940

Qualitative disclosures of valuation techniques

The Bank follows the policies and procedures developed by the CS group that define the principles for controlling the valuation of the Bank's financial instruments. Product Control and Risk Management create, review and approve significant valuation policies and procedures.

For certain financial instruments, the fair value is estimated in full or in part using valuation techniques based on assumptions that are not supported by market observable prices, rates, or other inputs. In addition, there may be uncertainty about a valuation, which results from the choice of valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a consequence of other elements affecting the valuation technique or model. Model calibration is performed when significant new market information becomes available or at a minimum on a quarterly basis as part of the business review of significant unobservable inputs for level 3 instruments. For models that have been deemed to be significant to the overall fair value of the financial instrument, model validation is performed as part of the periodic review of the related model.

Notes to the financial statements for the Year ended 31 December 2021
Loans

Accrual-based loans for which the estimated fair value is disclosed in the table under 'Analysis of financial instruments by categories' above, consist of consumer loans relating to mortgages and loans collateralised by securities. Fair value is determined using discounted cash flow analysis. Future cash flows are discounted using risk-adjusted discount rates that are derived from observable market interest rates for applicable maturities and currencies and from counterparty-related credit spreads. The estimated fair value of accrual-accounted loans without a stated maturity approximates to the carrying amount.

Deposits

Accrual-based deposits for which the estimated fair value is disclosed in the table 'Financial assets and liabilities by categories' above are generally fair valued by using a discounted cash flow model incorporating the CS group's credit spread. The estimated fair value of accrual accounted deposits without a stated maturity approximates the carrying amount; however, this does not include an estimate of the value attributed to the long-term relationships the Bank has with its clients that in the aggregate add significant value to the Bank's stable deposit base.

Short-term financial instruments

Certain short-term financial instruments are not carried at fair value on the Statement of Financial Position and for such instruments a fair value is disclosed in the table 'Financial assets and liabilities by categories'. These instruments include: cash and due from banks, interest-bearing deposits with banks and payables and receivables arising in the ordinary course of business. For these financial instruments, the carrying value approximates to the fair value due to the relatively short period of time between their origination and expected realisation, as well as the minimal credit risk inherent in these instruments.

Long-term debt

Accrual-based long-term debt for which fair value is disclosed in the table 'Financial assets and liabilities by categories' is fair valued using the discounted cash flow model incorporating the CS group's credit spread.

Derivatives

Derivatives held for trading purposes include OTC derivatives. These derivatives are valued in the same manner as similar observable OTC derivatives and are included in level 2 of the fair value hierarchy. The determination of the fair value of many derivatives involves only a limited degree of subjectivity because the required inputs are observable in the market place, while more complex derivatives may use unobservable inputs that rely on specific proprietary modelling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the value is derived from market observable inputs are categorised as level 2 instruments.

Foreign exchange derivatives

Foreign exchange derivatives include vanilla products such as spot, forward and option contracts where the anticipated discounted future cash flows are determined from foreign exchange forward curves and industry standard optionality modelling techniques. Where applicable, exchange-traded prices are also used for futures and option prices. For more complex products inputs include, but are not limited to, prepayment rate, correlation, volatility skew and credit spread and event probability.

Equity and index-related derivatives

Equity derivatives include vanilla options and swaps. Inputs for equity derivatives can include market comparable price.

Fair value of financial instruments not carried at fair value

IFRS requires the disclosure of the fair value of financial instruments not carried at fair value in the Statement of Financial Position. The following table sets forth the fair values of these financial instruments within the fair value hierarchy:

Notes to the financial statements for the Year ended 31 December 2021

As at 31 December 2021	Level 1	Level 2	Level 3	Total at fair value
	£000	£000	£000	£000
Assets				
Cash and due from banks	403,911	4,153	—	408,064
Interest-bearing deposits with banks	—	—	—	—
Securities purchased under resale agreements	—	1,048,198	—	1,048,198
Loans and advances	—	—	2,103,546	2,103,546
Other assets	—	47,394	—	47,394
Total fair value of financial assets	403,911	1,099,745	2,103,546	3,607,202
Liabilities				
Deposits	1,448,167	1,670,435	—	3,118,602
Long-term debt	—	60,989	—	60,989
Other liabilities	—	20,412	—	20,412
Total fair value of financial liabilities	1,448,167	1,751,836	—	3,200,003

As at 31 December 2020	Level 1	Level 2	Level 3	Total at fair value
	£000	£000	£000	£000
Assets				
Cash and due from banks	477,185	6,525	—	483,710
Interest-bearing deposits with banks	—	187,299	—	187,299
Securities purchased under resale agreements	—	880,396	—	880,396
Loans and advances	—	—	2,118,660	2,118,660
Other assets	—	45,032	—	45,032
Total fair value of financial assets	477,185	1,119,252	2,118,660	3,715,097
Liabilities				
Deposits	1,710,463	1,475,798	—	3,186,261
Long-term debt	—	61,386	—	61,386
Other liabilities	—	23,964	—	23,964
Total fair value of financial liabilities	1,710,463	1,561,148	—	3,271,611

28. Assets pledged or assigned

The following table sets forth details of assets with the right to sell or repledge in case of default:

	2021	2020
	£000	£000
Fair value of collateral received with the right to sell or repledge	1,110,387	934,035
Total of fair value of collateral received with the right to sell or repledge	1,110,387	934,035

As at 31 December 2021 and 2020, collateral was received in connection with resale agreements. As at these dates, none of the collateral received by the Bank had been sold or repledged.

These transactions were generally conducted under terms that are usual and customary for standard securitised lending activities and other transactions described. The Bank, as the secured party, has the right to sell or repledge such collateral.

Notes to the financial statements for the Year ended 31 December 2021
29. Financial instruments risk position
i. 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.

Notes to the financial statements for the Year ended 31 December 2021

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.

Collateral held as security

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.

Physical collateral received (in respect of mortgages facilities) is valued at the inception of the facility and, where required for risk-weighted asset management purposes, on a triannual basis, however the Bank does have the right to re-value more frequently, if required. It is also revalued, as needed, to determine the appropriateness of provision levels. Financial collateral received (in respect of loans collateralised by securities) for the majority of cases, is valued daily, however exceptions are governed by the calculation frequency described in respective legal documentation. The mark-to-market prices used for valuing collateral are a combination of firm and market prices sourced from trading platforms

Notes to the financial statements for the Year ended 31 December 2021

and service providers, where appropriate. The management of collateral is standardised and centralised to ensure complete coverage of traded products.

Reverse repurchase agreements entered by the Bank are typically fully collateralised instruments and in the event of default, the agreement provides the Bank the right to liquidate the collateral held. These instruments are collateralised principally by government securities and money market instruments. The Bank monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained as necessary. The fair value of the collateral has been included in the following table. For further information on the collateral and credit enhancements held against reverse repurchase agreements and securities borrowing, please refer to Note 10 – Securities purchased under resale agreements.

Collateral held against financial guarantees and loan commitments typically includes securities and inward bank guarantees, as well as physical collateral for undrawn mortgage commitments. For further information about the collateral and credit enhancements held against financial guarantees and loan commitments, please refer to Note 26– Guarantees and commitments.

For further information on collateral held as security that the Bank is permitted to sell or repledge, please refer to Note 28 – Assets pledged or assigned.

Risk Mitigation

The following table presents the maximum exposure to credit risk on balance sheet and off-balance sheet financial instruments, before taking account of the fair value of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements as set out in IAS 32. For financial assets recognised on the Statement of Financial Position, the exposure to credit risk equals their carrying amount as at 31 December 2021. For financial guarantees granted and other credit-related contingencies, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees and contingencies are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities. If collateral or the credit enhancement value for a particular instrument is in excess of the maximum exposure, then the value of collateral and other credit enhancements included in the table has been limited to the maximum exposure to credit risk.

	2021			2020		
	Gross	Collateral	Net	Gross	Collateral	Net
	£000	£000	£000	£000	£000	£000
Cash and due from banks	408,064	—	408,064	483,710	—	483,710
Interest-bearing deposits with banks	—	—	—	187,482	—	187,482
Securities purchased under resale agreements	1,048,198	1,048,198	—	880,396	880,396	—
Trading financial assets mandatorily at FVTPL	14,333	2,391	11,942	35,146	21,867	13,279
Loans and advances	2,041,139	2,037,513	3,626	1,990,006	1,990,006	—
Other assets	47,394	—	47,394	45,032	—	45,032
Off balance sheet items:						
- Loan commitments	60,800	60,800	—	38,951	38,951	—
- Credit guarantees and similar instruments	12,910	12,910	—	5,447	5,447	—
Total	3,632,838	3,161,812	471,026	3,666,170	2,936,667	729,503

Notes to the financial statements for the Year ended 31 December 2021

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Credit risk exposures by rating grades

Cash and due from banks

	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Total
2021	£000	£000	£000	£000
AA+ to AA-	84	—	—	84
A+ to A-	405,054	—	—	405,054
BBB+ to BBB-	104	—	—	104
BB+ to BB-	2,840	—	—	2,840
B+ and below	—	—	—	—
Gross Carrying amount	408,082	—	—	408,082
Loss allowance	(18)	—	—	(18)
Net Carrying amount	408,064	—	—	408,064
2020				
AA+ to AA-	577	—	—	577
A+ to A-	27,939	—	—	27,939
BBB+ to BBB-	450,750	—	—	450,750
BB+ to BB-	4,451	—	—	4,451
Gross Carrying amount	483,717	—	—	483,717
Loss allowance	(7)	—	—	(7)
Net Carrying amount	483,710	—	—	483,710

The Bank held cash and cash equivalents of £408.1m at 31 December 2021 (2020: £483.7m). The cash and cash equivalents are held with other banks that are rated at least AA to BB-.

Notes to the financial statements for the Year ended 31 December 2021

Interest-bearing deposits with banks

2021				
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Total
	£000	£000	£000	£000
A+ to A-	—	—	—	—
BBB+ to BBB-	—	—	—	—
Gross carrying amount	—	—	—	—
Loss allowance	—	—	—	—
Net carrying amount	—	—	—	—
2020				
A+ to A-	—	—	—	—
BBB+ to BBB-	187,491	—	—	187,491
Gross carrying amount	187,491	—	—	187,491
Loss allowance	(9)	—	—	(9)
Net carrying amount	187,482	—	—	187,482

Loans and advances

2021					
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Purchased credit- impaired	Total
	£000	£000	£000	£000	£000
AAA	368,290	—	—	—	368,290
AA+ to AA-	51,371	—	—	—	51,371
A+ to A-	10,384	—	—	—	10,384
BBB+ to BBB-	65,445	12,660	1,595	—	79,700
BB+ to BB-	734,489	4,082	—	—	738,571
B+ and below	595,264	38,223	175,903	—	809,390
Gross carrying amount	1,825,243	54,965	177,498	—	2,057,706
Loss allowance	(1,351)	(246)	(7,237)	—	(8,834)
Net carrying amount	1,823,892	54,719	170,261	—	2,048,872

In respect of those financial assets at Stage 3 as shown in the above table, the Bank agreed upon physical collateral in the lending contracts to be received from borrowers. Physical collateral in respect of the associated mortgages facilities at Stage 3 is revalued, as needed, to determine the appropriateness of provision levels. As at 31 December 2021, the Bank had physical collateral with a value of £173.9m (2020: £182.6m) in respect of the Stage 3 financial assets.

Notes to the financial statements for the Year ended 31 December 2021

2020					
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Purchased credit- impaired	Total
	£000	£000	£000	£000	£000
AAA	258,657	—	—	—	258,657
AA+ to AA-	15,502	—	—	—	15,502
A+ to A-	6,201	—	—	—	6,201
BBB+ to BBB-	258,921	9,518	—	—	268,439
BB+ to BB-	966,773	56,457	—	—	1,023,230
B+ and below	222,871	24,560	189,291	2,278	439,000
Gross carrying amount	1,728,925	90,535	189,291	2,278	2,011,029
Loss allowance	(2,020)	(345)	(8,832)	(184)	(11,381)
Net carrying amount	1,726,905	90,190	180,459	2,094	1,999,648

Other assets

2021					
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Purchased credit- impaired	Total
	£000	£000	£000	£000	£000
AAA	204	—	—	—	204
AA+ to AA-	12	—	—	—	12
A+ to A-	18,767	—	—	—	18,767
BBB+ to BBB-	124	80	—	—	204
BB+ to BB-	7,522	4	—	—	7,526
B+ and below	20,272	328	106	—	20,706
Gross carrying amount	46,901	412	106	—	47,419
Loss allowance	(20)	(5)	—	—	(25)
Net carrying amount	46,881	407	106	—	47,394

2020					
AAA	70	—	—	—	70
AA+ to AA-	50	—	—	—	50
A+ to A-	18,564	—	—	—	18,564
BBB+ to BBB-	11,405	22	559	—	11,986
BB+ to BB-	7,486	96	—	—	7,582
B+ and below	777	4,947	1,099	7	6,830
Gross carrying amount	38,352	5,065	1,658	7	45,082
Loss allowance	(11)	(39)	—	—	(50)
Net carrying amount	38,341	5,026	1,658	7	45,032

Notes to the financial statements for the Year ended 31 December 2021

Securities purchased under resale agreement

2021				
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Total
	£000	£000	£000	£000
A+ to A-	1,043,198	—	—	1,043,198
B+ and below	5,000	—	—	5,000
Gross carrying amount	1,048,198	—	—	1,048,198
Loss allowance	—	—	—	—
Net carrying amount	1,048,198	—	—	1,048,198
2020				
BBB+ to BBB-	880,396	—	—	880,396
Gross carrying amount	880,396	—	—	880,396
Loss allowance	—	—	—	—
Net carrying amount	880,396	—	—	880,396

Financial Guarantees

2021				
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Total
	£000	£000	£000	£000
AAA	12,910	—	—	12,910
BB+ to BB-	—	—	—	—
Gross Carrying amount	12,910	—	—	12,910
Loss allowance	—	—	—	—
Net Carrying amount	12,910	—	—	12,910
2020				
AAA	4,875	—	—	4,875
BB+ to BB-	572	—	—	572
Gross Carrying amount	5,447	—	—	5,447
Loss allowance	—	—	—	—
Net Carrying amount	5,447	—	—	5,447

Notes to the financial statements for the Year ended 31 December 2021

Irrevocable Loan Commitments

2021				
	12-month ECL not credit- impaired (Stage 1)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Total
	£000	£000	£000	£000
BBB+ to BBB-	9,359	—	—	9,359
BB+ to BB-	36,222	—	—	36,222
B+ and below	—	15,219	—	15,219
Gross Carrying amount	45,581	15,219	—	60,800
Loss allowance	(2)	(4)	—	(6)
Net Carrying amount	45,579	15,215	—	60,794
2020				
BBB+ to BBB-	922	2,650	—	3,572
BB+ to BB-	20,159	—	—	20,159
B+ and below	15,220	—	—	15,220
Gross Carrying amount	36,301	2,650	—	38,951
Loss allowance	(8)	—	—	(8)
Net Carrying amount	36,293	2,650	—	38,943

Notes to the financial statements for the Year ended 31 December 2021

The following table represents credit risk by sector and by geographic location for loans, loan commitments and credit guarantees. The country shown in the following table is the country of incorporation of non-financial and other financial corporations and the country of residence for retail customers:

31 December 2021

Country / Sector	Non- Financial Corporation	Other Financial Corporation	Retail Customers	Total
	£000	£000	£000	£000
Loans and advances				
Great Britain	346	8,519	940,310	949,175
British Virgin Islands	12,250	—	300,874	313,124
Jersey	—	—	106,619	106,619
Hong Kong	—	—	62,875	62,875
Monaco	—	—	61,127	61,127
Saudi Arabia	—	—	57,979	57,979
Switzerland	—	—	46,690	46,690
Isle of Man	2,353	—	35,857	38,210
Panama	—	—	36,425	36,425
United Arab Emirates	—	—	32,742	32,742
Russian Federation*	—	—	32,306	32,306
Guernsey	—	—	30,926	30,926
Malta	—	—	29,855	29,855
Singapore	—	—	28,884	28,884
Luxembourg	—	—	25,947	25,947
Malaysia	—	—	21,597	21,597
Others	—	1	183,224	183,225
Total	14,949	8,520	2,034,237	2,057,706
Loan commitments and credit guarantees:				
Great Britain	—	—	46,237	46,237
Jersey	3,265	—	—	3,265
British Virgin Islands	—	—	15,220	15,220
Others	—	—	8,988	8,988
Total	3,265	—	70,445	73,710

*As of 21 April 2022, CSUK had no credit exposure to Russian sanctioned parties.

Notes to the financial statements for the Year ended 31 December 2021
31 December 2020*

Country / Sector	Non-Financial Corporation	Other Financial Corporation	Retail Customers	Total
	£000	£000	£000	£000
Loans and advances:				
Great Britain	244	7,438	813,775	821,457
British Virgin Islands	12,250	—	346,691	358,941
Jersey	—	—	113,163	113,163
Hong Kong	—	—	70,393	70,393
Monaco	—	—	69,904	69,904
Guernsey	—	—	63,744	63,744
Saudi Arabia	—	—	57,928	57,928
Isle of Man	2,512	—	47,599	50,111
Panama	—	—	44,669	44,669
Russian Federation	—	—	32,045	32,045
Singapore	—	—	29,611	29,611
Malta	—	—	28,575	28,575
United Arab Emirates	—	—	27,146	27,146
Luxembourg	—	—	25,947	25,947
Malaysia	—	—	21,943	21,943
Turkey	—	—	16,663	16,663
Others	10	—	178,779	178,789
Total	15,016	7,438	1,988,575	2,011,029
Loan commitments and credit guarantees:				
Great Britain	2,811	—	6,900	9,711
Jersey	—	—	4,619	4,619
British Virgin Islands	17,870	256	—	18,126
Guernsey	4,030	—	—	4,030
Isle of Man	—	—	1,978	1,978
Others	3,100	—	2,834	5,934
Total	27,811	256	16,331	44,398

*Prior period has been restated primarily due to process enhancement to reflect loans and advances industry classification based on look-through approach to the ultimate beneficiary. This has resulted in an increase of GBP 848m in the Consumer loans category, which were previously reported as Commercial loans.

Notes to the Financial Statements for the Year ended 31 December 2021

Included in the following table are the Bank's financial assets at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. Note that not all asset classes are included in this disclosure.

	On demand	< 3 months	3-12 months	1-5 years	> 5 years	No Specific Maturity	Deferred fees and costs	Allowance for impairment	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
31 December 2021									
Cash and due from banks	26,732	381,350	—	—	—	—	—	(18)	408,064
Interest-bearing deposits with banks	—	—	—	—	—	—	—	—	—
Securities purchased under resale agreements	1,048,198	—	—	—	—	—	—	—	1,048,198
Trading financial assets mandatorily at FVTPL	14,333	—	—	—	—	—	—	—	14,333
Loans and advances	212,777	351,050	305,160	1,145,541	43,178	—	(7,733)	(8,834)	2,041,139
Other assets	—	—	—	—	—	47,419	—	(25)	47,394
Total assets exposed	1,302,040	732,400	305,160	1,145,541	43,178	47,419	(7,733)	(8,877)	3,559,128
31 December 2020									
Cash and due from banks	33,035	450,682	—	—	—	—	—	(7)	483,710
Interest-bearing deposits with banks	—	187,491	—	—	—	—	—	(9)	187,482
Securities purchased under resale agreements	880,396	—	—	—	—	—	—	—	880,396
Trading financial assets mandatorily at FVTPL	35,146	—	—	—	—	—	—	—	35,146
Loans and advances	168,643	282,477	213,347	1,340,279	6,283	—	(9,642)	(11,381)	1,990,006
Other assets	—	—	—	—	—	45,082	—	(50)	45,032
Total assets exposed	1,117,220	920,650	213,347	1,340,279	6,283	45,082	(9,642)	(11,447)	3,621,772

Notes to the Financial Statements for the Year ended 31 December 2021
Collateral and other credit enhancements

In the Bank, all collateral values for loans are regularly reviewed according to the Bank's risk management policies and directives, with maximum review periods determined by collateral type, market liquidity and market transparency. For example, property values are appraised over a period of every 3 years considering the characteristics of the borrower, current developments in the relevant real estate market and the current level of credit exposure to the borrower. If the credit exposure to a borrower has changed significantly, in volatile markets or in times of increasing general market risk, collateral values may be appraised more frequently. Management judgment is applied in assessing whether markets are volatile or general market risk has increased to a degree that warrants a more frequent update of collateral values. For credit-impaired loans, the fair value of collateral is determined after the impairment was identified and regularly revalued by Bank credit risk management within the impairment review process.

At 31 December 2021, the net carrying amount of credit-impaired financial assets amounted to £177.5m (2020: £182.6m) and the value of identifiable collateral held against those financial assets amounted to £173.9m (2020: £182.6m). For each financial asset, the value of disclosed collateral is capped to the nominal amount of the financial asset that it is held against. Decrease in credit impaired financial asset is due to a decrease in credit impaired customers to 22 in 2021 vs 23 customers in 2020.

During the period, there was no change in the Bank's collateral policies.

The following table shows the distribution of LTV ratios for the Bank's gross credit impaired portfolio:

	2021
	£000
Lower than 50%	35,207
50 – 60%	30,422
60 – 70%	39,248
70 – 80%	61,588
80 – 90%	1,421
90 – 100%	1,265
Higher than 100%	8,352
Total	177,503

ii. 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

Notes to the Financial Statements for the Year ended 31 December 2021

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;

Notes to the Financial Statements for the Year ended 31 December 2021

- 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.

The following table sets out details of the cash and bank balances:

	2021	2020
	£000	£000
Balance with Central Bank	2,705	4,441
Balances with other banks	330	655
Balances with related parties	405,047	478,621
Total	408,082	483,717
ECL	(18)	(7)
Net	408,064	483,710

The above table shows that most of the cash held by the Bank is placed with related parties within the CS group. This concentration risk is managed through appropriate limit setting and daily monitoring of the net cash exposure to the CS group. Treasury monitors the cash balances with CS group at a maturity and currency level to ensure the optimal balance to meet internal and external liquidity requirements at the lowest cost to the Bank.

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The following table sets out details of the remaining contractual maturity of all financial liabilities:

31 December 2021	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
	£000	£000	£000	£000	£000	£000
Deposits	1,448,181	1,220,668	133,145	320,642	—	3,122,636
Trading financial liabilities mandatorily at FVTPL	14,023	—	—	—	—	14,023
Other liabilities	9,620	9,572	1,220	—	—	20,412
Long term debt	—	427	1,282	34,054	28,428	64,191
Total Liabilities	1,471,824	1,230,667	135,647	354,696	28,428	3,221,262

31 December 2020	On demand	< 3 months	3-12 months	1-5 years	> 5 years	Total
	£000	£000	£000	£000	£000	£000
Deposits	1,710,463	1,150,536	173,740	150,500	—	3,185,239
Trading financial liabilities mandatorily at FVTPL	34,940	—	—	—	—	34,940
Other liabilities	12,244	11,115	605	—	—	23,964
Long term debt	—	399	1,195	34,568	28,970	65,132
Total Liabilities	1,757,647	1,162,050	175,540	185,068	28,970	3,309,275

Liabilities in trading portfolios have not been analysed by contractual maturity because these liabilities are used to risk manage positions and can be closed out at very short notice. They have been classified as being 'on demand' at their fair value.

iii. 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;

Notes to the Financial Statements for the Year ended 31 December 2021

- 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 on 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.

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.

The impact of a one basis-point parallel move in yield curves on the fair value of interest rate-sensitive non-trading positions would have amounted to £12.6k as at 31 December 2021 compared to £11.6k as of 31 December 2020. Non-trading interest rate risk is assessed using other measures including the potential value change resulting from a significant change in yield curves.

As of 31 December 2021 the fair value impacts of

Notes to the Financial Statements for the Year ended 31 December 2021

- A fair value loss of £3.48m (2020: £2.3m) for a +200bps move.
- A fair value gain of £0.5m (2020: £0.6m) for a -200bps move

Replacement of Interbank Offered Rates ("IBOR")

A major milestone of the (L)IBOR transition has been passed at the end of 2021. From 1st January, 2022 most non-USD (CHF, EUR, GBP and JPY) and select USD LIBOR (1-week and 2-month) settings have ceased publication. These rates have been in use for decades and the cessation impacted millions of transactions and thousands of market participants. Certain (the 1-, 3- and 6-month) GBP and JPY LIBOR settings remain published on a synthetic, temporary and non-representative basis, primarily to facilitate the transition of any residual legacy contract that the parties were unable to address in time. However, synthetic LIBORs are not available for reference in new trading activity and as publication is temporary, remediation efforts need to continue.

Successfully executing our group transition strategy, the overwhelming majority of Credit Suisse's legacy non-USD LIBOR portfolio has been remediated, either by active transition to Alternative Reference Rates ("ARRs"), or by adding robust fallback provisions that govern the transition to ARR upon the cessation of LIBORs. Legacy derivative contracts were de-risked largely by the widespread adherence to the ISDA 2020 IBOR Fallbacks Protocol, while for cash instruments the dominant strategy was more bilateral in nature. By the end of the year the CHF, JPY, GBP and EUR (LIBOR) derivatives and cash markets have successfully transitioned to SARON, TONAR, SONIA and ESTR. As for the legacy non-USD portfolio, the Bank is fully prepared to operate fallback provisions during the first half of 2022, when most of our legacy portfolio transitions upon the expiry of the last LIBOR resets from 2021.

CSUK adopted the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 on 1 January 2021.

The transition to alternative benchmark rates did not have any material impact on the Bank's financial position.

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The following table summarises the Bank's exposure to major foreign currency exchange rate risk at 31 December 2021 and 2020.

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Euro	160,954	(160,522)	432	268,220	(269,203)	(983)
US dollar	800,315	(803,216)	(2,901)	617,380	(619,998)	(2,618)
Swiss franc	11,765	(13,024)	(1,259)	11,460	(13,265)	(1,805)

Foreign exchange risk related to accrued net income and net assets is centrally and systematically managed on a group basis with a focus on risk reduction and diversification. Risk is monitored and managed at an entity level through the levelling of accrued profit and losses that are incurred in a currency other than the entity's functional currency. Where there is active market risk taking due to a client order, the Bank will aim to eliminate any open non-GBP FX exposure as soon as possible, thus reducing currency risk.

iv. Capital Risk and Scenario Analysis

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.

Notes to the Financial Statements for the Year ended 31 December 2021

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

Each quarter, the 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.

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, a set of scenarios are used which assess the impact of significant, simultaneous movements across a broad range of markets and asset classes to identify areas of risk concentration and potential vulnerability to stress events at CSUK level.

Capital risk exposures are 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. Management of the lending pipeline would involve curtailment of new lending or amendments to underwriting standards, however, such actions would need to consider the potentially damaging consequences on the franchise. Capital injections would follow the CS group policy on the Capitalisation of Branches and Subsidiaries and would require a business plan, a strong rationale for the injection and an assessment of the required types of capital.

30. Offsetting of financial assets and financial liabilities

The disclosures set out in the following tables include derivative instruments and reverse repurchase agreements that are subject to an enforceable master netting or similar agreements.

Similar agreements include global master repurchase agreements and any related rights to financial collateral.

Financial instruments such as loans and deposits are not disclosed in the tables. They are not offset in the Statement of Financial Position.

Derivatives

The Bank transacts bilateral OTC derivatives mainly under International Swaps and Derivatives Association ('ISDA') Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default or termination under the agreement.

The ISDA Master Agreements do not meet the criteria for offsetting in the Statement of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table presents the gross amount of derivative instruments subject to enforceable master netting agreements, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the Statement of Financial Position.

Notes to the Financial Statements for the Year ended 31 December 2021
Offsetting of derivative instruments

	2021			2020		
	Gross	Offsetting	Net	Gross	Offsetting	Net
	£000	£000	£000	£000	£000	£000
Derivative assets						
Derivative instruments subject to enforceable master netting agreements	11,942	—	11,942	13,279	—	13,279
Derivative instruments not subject to enforceable master netting agreements	2,391	—	2,391	21,867	—	21,867
Total derivative instruments presented in the Statement of Financial Position	14,333	—	14,333	35,146	—	35,146
of which recorded in trading financial assets mandatorily at FVTPL	14,333	—	14,333	35,146	—	35,146
Derivative liabilities						
Derivative instruments subject to enforceable master netting agreements	8,422	—	8,422	21,831	—	21,831
Derivative instruments not subject to enforceable master netting agreements	5,601	—	5,601	13,109	—	13,109
Total derivative instruments presented in the Statement of Financial Position	14,023	—	14,023	34,940	—	34,940
of which recorded in trading financial liabilities mandatorily at FVTPL	14,023	—	14,023	34,940	—	34,940

Reverse repurchase agreements

Reverse repurchase agreements are generally covered by global master repurchase agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Global master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

Reverse repurchase agreements are collateralised principally by government securities and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the reverse repurchase agreement provides the Bank with the right to liquidate the collateral held. In certain circumstances, the access to financial collateral received may be restricted during the term of the agreement (e.g. in tri-party arrangements).

The following table presents the gross amount of securities purchased under resale agreements subject to enforceable master netting agreements, the amount of offsetting and the net amount presented in the Statement of Financial Position.

Offsetting of securities purchased under resale agreements

	2021			2020		
	Gross	Offsetting	Net	Gross	Offsetting	Net
	£000	£000	£000	£000	£000	£000
Securities purchased under resale agreements	1,048,198	—	1,048,198	880,396	—	880,396
Total subject to enforceable master netting agreements	1,048,198	—	1,048,198	880,396	—	880,396

Notes to the Financial Statements for the Year ended 31 December 2021

The following table presents the net amount presented in the Statement of Financial Position of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the Statement of Financial Position. The gross amount of financial instruments not offset in the Statement of Financial Position includes non-cash financial collateral. The table excludes derivative instruments not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

Amounts not offset in the Statement of Financial Position

	Gross	Financial	Cash	Net
	£000	instruments	collateral	exposure
	£000	£000	received/ pledged	£000
31 December 2021				
Financial assets subject to enforceable master netting agreements				
Derivative instruments	11,942	—	—	11,942
Securities purchased under resale agreements	1,048,198	(1,048,198)	—	—
Total financial assets subject to enforceable master netting agreements	1,060,140	(1,048,198)	—	11,942
Financial liabilities subject to enforceable master netting agreements				
Derivative instruments	8,422	—	—	8,422
Total financial liabilities enforceable subject to master netting agreements	8,422	—	—	8,422
31 December 2020				
Financial assets subject to enforceable master netting agreements				
Derivative instruments	13,279	—	—	13,279
Securities purchased under resale agreements	880,396	(880,396)	—	—
Total financial assets subject to enforceable master netting agreements	893,675	(880,396)	—	13,279
Financial liabilities subject to enforceable master netting agreements				
Derivative instruments	21,831	—	—	21,831
Total financial liabilities enforceable subject to master netting agreements	21,831	—	—	21,831

31. Capital adequacy

The Bank's capital adequacy is managed and monitored based on measures developed by the BCBS and implemented into EU law through the Capital Requirements Regulation ("CRR") and EU Level 2 Delegated Regulations, both of which have been onshored in the UK under statutory instruments made under the European Union (Withdrawal) Act 2018. 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.

Own Funds

Own Funds comprise a number of 'tiers'. Tier 1 capital for CSUK is entirely shareholders' equity (Common Equity Tier 1 or 'CET1'). This is supplemented by Tier 2 capital, which for CSUK consists entirely of subordinated debt instruments. Total capital equals the sum of these, with adjustments including regulatory deductions and prudential filters.

Notes to the Financial Statements for the Year ended 31 December 2021

The Bank's overall capital needs are reviewed to ensure that its own funds can appropriately support the anticipated needs of its business. The capital management framework is designed to ensure that own funds are sufficient to support underlying risks of the business activity, to meet the objectives of management and to meet the requirements of regulators, rating agencies and market participants.

Under the Basel Committee guidelines, an institution must have a ratio of total eligible capital to aggregate risk-weighted assets of at least 8%. In addition, the PRA requires a CET1 ratio of 4.5% and a Tier 1 ratio of 6.0%. The risk weighted assets of the Bank reflect the credit, market, operational and other risks of the institution calculated using methodologies set out in the CRR.

The Bank must at all times monitor and demonstrate compliance with the own funds requirements of the CRR. The Bank has put in place processes and controls to monitor and manage its own funds and no breaches occurred during the year.

The following table sets out details of the Bank's own funds at 31 December 2021 and 2020:

	2021	2020
	£000	£000
Own Funds		
Total shareholders' equity	351,228	341,173
Regulatory deductions and adjustments:		
Intangible assets and Goodwill	(14,044)	(26,427)
Deferred tax assets on non-temporary differences	(995)	(1,054)
Prudent Valuation Deductions	(16)	—
Total Tier 1 (and CET1) capital	336,172	313,692
Subordinated debt	55,000	55,000
Total Tier 2 capital	55,000	55,000
Own Funds	391,172	368,692

32. Non-current assets and liabilities

Assets and liabilities disclosed in the following table are non-current, represent long-term assets and liabilities not due for more than a year:

	2021	2020
	£000	£000
Assets		
Loans and advances	1,188,719	1,346,562
Deferred tax assets	5,041	4,919
Intangible assets	14,044	12,675
Goodwill	—	13,752
Total assets	1,207,804	1,377,908
Liabilities		
Deposits	316,887	148,578
Other liabilities	5,836	6,448
Long-term debt	55,000	55,000
Total liabilities	377,723	210,026

33. Contingent liabilities

The Bank is party to various legal proceedings as part of its normal course of business. The Directors of the Bank believe that the aggregate liabilities, if any, resulting from these proceedings will not significantly prejudice the financial position of the Bank and have been provided for in accordance with accounting policy.

Notes to the Financial Statements for the Year ended 31 December 2021

34. Subsequent events**Sanctions risk in Russia**

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.

Corporation Tax Surcharge

In the UK budget announcement of 27 October 2021, the UK government advised that the corporate bank surcharge will be reduced from 8% to 3% to apply from 1 April 2023. This was substantively enacted on 2 February 2022. The reduction in the corporation bank surcharge will decrease in the company's net deferred tax asset as at 31 December 2021 by £0.6m.

Litigation

In April 2022, CSUK agreed to settle a legacy litigation matter for an amount within the provision.

Additional information for the Year ended 31 December 2021
Country by Country reporting

Article 89 of the Capital Requirements Directive IV (Directive 2013/36/EU) requires institutions (credit institutions or investment firms, their branches, and subsidiaries) to disclose annually: their name, the nature of their activities and geographic location, number of employees, turnover, pre-tax profit or loss, taxes paid and public subsidies received, on a country-by-country basis for the year ended 2021.

All amounts for the Bank and its subsidiaries are reported in GBP (the functional currency of the Bank).

Basis of preparation

- **Country:** The geographical location of CSUK and its subsidiaries considers the country of incorporation or residence as well as the relevant tax jurisdiction. All entities are in the United Kingdom.
- **Entity details:** the name of the entity, the entity type, and the nature of activity is detailed in the following table. CSUK is a bank that provides advice relating to advisory and discretionary investment services, banking services including secured lending facilities and financial planning advice. CSUK's subsidiaries are disclosed separately.
- **Average Number of Employees:** Defined as the average number of persons employed.
- **Turnover:** Defined as net revenues and is consistent with CSUK's financial statements.
- **Pre Tax Profit/(Loss):** Definition of profit/(loss) before tax is consistent with that within CSUK's financial statements, which includes net revenues less total operating expenses.
- **Corporation Taxes Paid:** Defined as the corporation tax paid by CSUK in 2021 and does not include taxes refunded to the Bank on account of tax overpayments in prior years.
- **Public Subsidies Received:** Interpreted as direct support by the government and there were no public subsidies received by the Bank in 2021 (2020: Nil).

Country-by-Country information
Year ended 31 December 2021

Geographical Location	Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (£000)	Pre Tax Profit (£000)	Corporation Taxes Paid (£000)	Public Subsidies Received (£000)
United Kingdom	Credit Suisse (UK) Limited	Parent	Bank	266	107,874	10,907	2,144	Nil
United Kingdom	Buckmore Nominees Limited	Subsidiary	Nominee Company	Nil	Nil	Nil	Nil	Nil
United Kingdom	Credit Suisse London Nominees Limited	Subsidiary	Nominee Company	Nil	Nil	Nil	Nil	Nil
United Kingdom	Credit Suisse (UK) Limited	Consolidated	Bank	266	107,874	10,907	2,144	Nil

Additional information for the Year ended 31 December 2021
Year ended 31 December 2020

Geographical Location	Name of Entity	Parent, Subsidiary or Branch	Nature of Activity	Average Number of Employees	Turnover (£000)	Pre Tax Profit (£000)	Corporation Taxes Paid (£000)	Public Subsidies Received (£000)
United Kingdom	Credit Suisse (UK) Limited	Parent	Bank	265	112,919	25,167	10,662	Nil
United Kingdom	Buckmore Nominees Limited	Subsidiary	Nominee Company	Nil	Nil	Nil	Nil	Nil
United Kingdom	Credit Suisse London Nominees Limited	Subsidiary	Nominee Company	Nil	Nil	Nil	Nil	Nil
United Kingdom	Credit Suisse (UK) Limited	Consolidated	Bank	265	112,919	25,167	10,662	Nil

CSUK received a corporation tax refund of £1.1m in 2021 (2020: tax paid £10.7m), the Bank also incurred UK Bank Levy of £0.6m (2020: £1.4m), employer's social security of £5.0m (2020: £5.6m) and irrecoverable UK value added tax ('VAT') of £2.1m (2020: £1.7m).

Independent auditors' report to the directors of Credit Suisse (UK) Limited

Report on the audit of the country-by-country information

Opinion

In our opinion, Credit Suisse (UK) Limited's (the bank's) country-by-country information for the year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2021 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the bank in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the relevant note of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the bank's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the bank's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Country-by-Country Report, description as defined in the second paragraph of the opinion section above, other than the country-by-country information and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the country-by-country information does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the country-by-country information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the country-by-country information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the country-by-country information or a material misstatement of the other information. If, based on the

Independent auditors' report to the directors of Credit Suisse (UK) Limited

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in the Country-by-Country report, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the country-by-country information, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the bank and the industry, we identified that the principal risks of non-compliance with laws and regulations related to those determined by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as Companies Act 2006 and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to misstatements in disclosure. Audit procedures performed included:

- enquiring with management and, where appropriate, those charged with governance.
- obtaining an understanding of the relevant laws and regulations, including the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- determining whether the presentation and classification by country is in accordance with the applicable financial reporting framework; and
- obtaining client schedules and other information used to prepare country-by-country disclosures and agree to audit work performed and audit evidence.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the directors of Credit Suisse (UK) Limited

Use of this report

This report, including the opinion, has been prepared for and only for the bank's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Nick Morrison.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 April 2022



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