

Credit Suisse Investments (UK)

Basel III 2023 Pillar 3 Disclosures

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

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

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

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Cautionary Statement regarding Forward-looking Information

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

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

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

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

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets in 2023 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on

regulatory capital, leverage exposure threshold, risk-weighted assets threshold, and other targets and ambitions;

- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalisation or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyber-attacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organisation, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

We caution you that the foregoing list of important factors is not exclusive. When evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, including the information set forth in our Annual Report 2023.

Introduction

This document comprises the Pillar 3 disclosures for the consolidated situation of Credit Suisse Investments (UK) ('CSIUK') as at 31 December 2023. It should be read in conjunction with CSIUK's 2023 Annual Report which is available from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

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

Basis and Frequency of Disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, immateriality, or being proprietary in nature, this is indicated. Pillar 3 disclosures are published annually, although key capital adequacy ratios are disclosed more frequently and may be found on the Credit Suisse website at: www.credit-suisse.com

The Annual Report is prepared under International Financial Reporting Standards ('IFRS') and accordingly, certain information in the Pillar 3 disclosures may not be directly comparable.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSIUK's external auditors.

Basis of Consolidation

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

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

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

CSIUK prepares its IFRS financial statements on a consolidated basis ('CSIUK group'), including a number of subsidiaries that do not fall within the regulatory scope of consolidation per the CRR.

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

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

Remuneration Disclosures

The remuneration disclosures required by CRR Article 450 can be found in a separate document ('Pillar 3 – UK Remuneration Disclosures 2023') on the Credit Suisse website at: www.credit-suisse.com.

Capital Management

Overview

On 12 June 2023, UBS Group AG (UBS group) acquired CS group, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of CS group. Consequently, CSIUK group has now become a part of the UBS group. The CSIUK group closely monitors its capital adequacy position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework.

Multi-year business forecasts and capital plans are prepared by the CSIUK group, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests as part of the Internal Capital Adequacy Assessment Process ('ICAAP'). Within these stress

tests, potential management actions, that are consistent with both the market conditions implied by the stress test and the stress test outcome, are identified. The results of these stress tests and associated management actions are updated, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP is used for the Supervisory Review and Evaluation Process ('SREP') that the PRA conducts when assessing an institution's level of regulatory capital.

Key Metrics

Article 447 of the CRR requires disclosure of the new key metrics table which consist of the composition of their own funds and their own funds requirements, the total risk exposure amounts, the buffer requirement, leverage ratio, liquidity coverage ratio and NSFR. The table is presented below:

KM1 – Key metrics template

end 2023 (USD million)

Q4 2023

Q4 2022

Available own funds (amounts)

Common Equity Tier 1 (CET1) capital	1,343	2,264
Tier 1 capital	1,343	2,264
Total capital	1,343	2,264

Risk-weighted exposure amounts

Total risk-weighted exposure amount	2,589	3,912
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Capital ratios (as a percentage of risk-weighted exposure amount)

Common Equity Tier 1 ratio (%)	51.9%	57.9%
Tier 1 ratio (%)	51.9%	57.9%
Total capital ratio (%)	51.9%	57.9%

Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)

Additional CET1 SREP requirements (%)	7.1%	5.9%
Additional AT1 SREP requirements (%)	2.4%	2.0%
Additional T2 SREP requirements (%)	3.1%	2.6%
Total SREP own funds requirements (%)	20.6%	18.4%

Combined buffer requirement (as a percentage of risk-weighted exposure amount)

Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%
Institution specific countercyclical capital buffer (%)	0.6%	0.2%
Systemic risk buffer (%)	0.0%	0.0%
Global Systemically Important Institution buffer (%)	0.0%	0.0%
Other Systemically Important Institution buffer	0.0%	0.0%
Combined buffer requirement (%)	3.1%	2.7%
Overall capital requirements (%)	23.6%	21.2%
CET1 available after meeting the total SREP own funds requirements (%)	0.0%	0.0%

Leverage ratio

Leverage ratio total exposure measure	4,792	5,604
Leverage ratio	28.0%	40.4%

Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)

Overall leverage ratio requirements (%)	3.25%	3.00%
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Liquidity Coverage Ratio

Total high-quality liquid assets (HQLA) (Weighted value -average)	1,638	4,741
Cash outflows – Total weighted value	717	1,832
Cash inflows – Total weighted value	418	812
Total net cash outflows (adjusted value)	331	1,023
Liquidity coverage ratio (%)	844.6%	562.7%

Net Stable Funding Ratio

Total available stable funding	2,428	4,516
Total required stable funding	1,514	3,067
NSFR ratio (%)	160.1%	170.4%

Own Funds

Article 437 of the CRR requires disclosure of the main features of Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Tier 2 instruments. CSIUK's CET1 comprises permanent share

capital of ordinary shares and reserves. The ordinary shares carry voting rights and the right to receive dividends. CSIUK has no AT1 capital and the terms of its Tier 2 capital instruments are disclosed in Appendix 2.

CC1 – Composition of regulatory own funds

end of 2023 (USD million)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	194	
Retained earnings	1,382	
Accumulated other comprehensive income (and other reserves)	(147)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,429	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	(45)	
Intangible assets (net of related tax liability) (negative amount)	(2)	
Negative amounts resulting from the calculation of expected loss amounts	(4)	
Losses for the current financial year (negative amount)	(84)	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(136)	
Common Equity Tier 1 (CET1) capital	1,293	

CC1 – Composition of regulatory own funds (continued)

end of 2023 (USD million)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 1 capital (T1 = CET1 + AT1)	1,293	
Total Risk exposure amount	2,556	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	50.60%	
Tier 1 (as a percentage of total risk exposure amount)	50.60%	
Total capital (as a percentage of total risk exposure amount)	50.60%	
Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	14.67%	
of which: capital conservation buffer requirement	2.50%	
of which: countercyclical buffer requirement	0.57%	
Amounts below the thresholds for deduction (before risk weighting)		
Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	1	
Applicable caps on the inclusion of provisions in Tier 2		
Cap on inclusion of credit risk adjustments in T2 under standardised approach	6	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	5	

CC2 – reconciliation of regulatory own funds to balance sheet in the audited financial statements

end of 2023 (USD million)	Balance sheet as in published financial statements	Reference from CC1
Assets – Breakdown by asset class according to the balance sheet in the published financial statements		
Cash and due from banks	339	
Interest-bearing deposits with banks	259	
Securities purchased under resale agreements and securities borrowing transactions	1,495	
Trading financial assets mandatorily at fair value through profit or loss	1,899	
Non-trading financial assets mandatorily at fair value through profit or loss	541	
Current Tax Assets	20	
Deferred Tax Assets	2	
Other assets	1,009	
Property and equipment	10	
Intangible Fixed Assets	2	
Insurance contract assets	457	
Total assets	6,033	
Liabilities – Breakdown by liability class according to the balance sheet in the published financial statements		
Securities sold under repurchase agreements and securities lending transactions	699	
Trading financial liabilities mandatorily at fair value through profit or loss	1,988	
Financial liabilities designated at fair value through profit or loss	9	
Borrowings	642	
Current Tax Liabilities	10	
Other liabilities	726	
Provisions	1	
Debt in issuance	450	
Reinsurance contract liability	120	
Total liabilities	4,645	
Shareholders' Equity		
Share Capital	10	
Capital Contribution	175	
Retained earnings	1,524	
Accumulated other comprehensive income/(loss)	(322)	
Total shareholders' equity	1,387	

Note: There is no difference between accounting and regulatory scope of consolidation. For this reason, only balances under financial statements are disclosed.

Countercyclical Capital Buffer

The Financial Policy Committee ('FPC') of the Bank of England is responsible for setting the UK Countercyclical Capital Buffer ('CCyB') rate, i.e. the CCyB rate that applies to UK exposures of banks, building societies and large investment firms incorporated in the UK. In setting the CCyB, the FPC considers a number of core indicators such as credit to GDP ratios. CRD IV, as implemented in the UK, includes a transitional period, during which the FPC is responsible for deciding whether CCyB rates set by EEA States should be recognised and for taking certain decisions

about third country rates, including whether a higher rate should be set for the purposes of UK institutions calculating their CCyBs. CCyBs can be applied at a CS group, sub-consolidated or legal entity basis. CRD IV also includes the potential for a Systemic Risk Buffer which could be similarly applied.

No disclosures are made on the following two CCyB tables on the basis of materiality:

- CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Basel 3 reforms

In November 2022, the PRA published consultation paper CP16/22 setting out its proposed rules and expectations that cover the parts of the Basel III standards that remain to be implemented in the UK. The PRA refers to them as 'the Basel 3.1 standards'. In December 2023, The PRA published the near-final policy statement ('PS') which provides feedback to responses to a number of specific chapters of CP16/22 as well as contains the near-final policy material relevant to those chapters. In addition, following the consultation on an implementation date of 1 January 2025, with a five-year transitional period, the PRA has decided to move the implementation date by six month to 1 July 2025.

Furthermore, the PRA intends to publish a second near-final PS to provide feedback to responses to the remaining chapters of CP16/22 in Q2 2024.

Capital Resources Requirement

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

OV1 – Overview of risk weighted exposure amounts

end of	2023	2022*	Total own funds requirements 2023
USD million			
Credit risk (excluding CCR)	1,207	1,245	97
Of which the standardised approach	361	255	29
Of which equities under the simple risk weighted approach	3	6	–
Of which the advanced IRB (AIRB) approach	688	888	55
Counterparty credit risk – CCR	591	631	47
Of which the standardised approach	107	128	9
Of which internal model method (IMM)	53	89	4
Of which credit valuation adjustment – CVA	409	369	33
Of which other CCR	22	46	2
Position, foreign exchange and commodities risks (Market risk)	259	439	20
Of which the standardised approach	81	99	6
Of which IMA	178	340	14
Large exposures	–	318	–
Operational risk	532	1,279	43
Of which basic indicator approach	532	1,279	43
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	3	93	–
Total	2,589	3,912	207

Note:

* Pillar 1 buffers are included in Credit Risk in order to align the numbers with the reporting instructions. In addition, 2022 RWA numbers have been restated to align with Dec'22 COREP final submission numbers.

RWA decreased driven by the decrease in the entity's balance sheet as it winds down.

Risk Management

Overview

CSIUK group has a distinct risk management framework for its regulated subsidiary CSS(E)L, as detailed below. The CSIUK group relies upon the individual subsidiary's risk management framework.

CSS(E)L's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in CSS(E)L's business planning process and is strongly supported by senior management and the Board of Directors. The primary objectives of risk management are to protect CSS(E)L's financial strength and reputation, while ensuring that capital is well deployed to support business activities and increase shareholder value. CSS(E)L has implemented risk management processes and control systems and it works to limit the impact of negative developments by monitoring all relevant risks including credit, market, liquidity, operational and reputational as well as managing concentrations of risks.

Board of Directors

The Directors are responsible for reviewing the effectiveness of CSS(E)L'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.

In addition, the Board of Directors has established a Board Risk Committee, as discussed below. Ordinary meetings of the Board Risk Committee are required to take place at least four times each year.

In 2021, Management and the Board Risk Committee had identified several gaps in the risk management control infrastructure which hampered its overall effectiveness. A holistic Risk Enhancement Plan was established to address the gaps identified and has been materially delivered with regular updates provided to the Board Risk Committee.

Recruitment to CSS(E)L's Board of Directors is governed by a nominations policy that is applied consistently to all subsidiaries within the CS group. At local level, this policy is implemented by a nominations committee that is required to evaluate the balance of skills, knowledge and experience of the CSS(E)L Board of Directors by reference to CSS(E)L's requirements, and similarly to consider the skills, knowledge and experience of individual candidates for appointment. Consistent with the fact that CSS(E)L is an Equal Opportunities Employer, recruitment at all levels is based on consideration of a diverse range of candidates without discrimination or targets on the basis of any protected category. In addition, the CSS(E)L Board has adopted a Diversity Policy, setting out the approach to diversity, including consideration of differences in skills, regional and industry experience, background, race, gender and other distinctions between Directors. The Board

maintains its initial target of at least 20% female representation on the Board in 2022 and will continue to monitor the composition in 2023 through periodic reviews of structure, size and performance of the Board. Details of CSS(E)L directorships held by Board Members are shown in Appendix 3.

Risk Organisation and Governance

Risks arise in all of the CSS(E)L business activities and are monitored and managed through its risk management framework. The CSS(E)L risk management organisation reflects the specific nature of the various risks in order to ensure that risks are taken within limits set in a transparent and timely manner.

The CSS(E)L independent risk management function is headed by the CSS(E)L Chief Risk Office ('CRO'), who reports to the CSS(E)L CEO in respect of matters relating to CSS(E)L. The CSS(E)L CRO also has a function reporting line to the CS group CRO. The CSS(E)L CRO is responsible for overseeing the CSS(E)L risk profile across all risk types and for ensuring that there is an adequate independent risk management function. The CSS(E)L CRO provides a dedicated focus on the risk at the Company level whilst appropriately leveraging the global risk management processes applied by CS group.

The CSS(E)L CRO is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions:

- Market Risk Management ('MRM') is responsible for assessing, monitoring and managing the market risk profiles of the Company and recommends corrective action where necessary;
- CS Treasury & Risk and Control ('TRC') is responsible for assessing, monitoring and managing the liquidity risk profiles of the Company, market risk in Treasury and recommending corrective action where necessary;
- Credit Risk is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances;
- Strategic Risk Management ('SRM') is responsible for providing holistic risk coverage focusing on cross-functional and cross-divisional risk governance, frameworks, best practice, policies and processes. It drives risk reporting and analysis and provides risk coverage for enterprise, model and CRO relevant regulatory risk management; and
- NFRM is responsible for the identification, recording, assessment, monitoring, prevention and mitigation of non-financial risks, as well as timely management reporting.

The CRO additionally relies on the following teams within the UBS Group Risk Control ('GRC') function:

- **CRO NCL:** This comprises of (i) market risk NCL function which is responsible for assessing, monitoring, and managing the firm's risk due to changes in market conditions across divisions, regions, and legal entities, (ii) credit risk NCL function

which is responsible for managing overall credit risk for NCL and monitoring counterparty exposures and (iii) global credit recovery which manages troubled or impaired credit exposures for the bank's non-core business with the goal of maximizing loan and derivative recoveries in restructuring and work-out situations, expeditiously supporting the release of capital for exit positions, improving the velocity of capital from managed positions, protecting the bank's reputation, minimizing potential litigation risks, and promoting best practice in impaired loan and credit provision recognition.

- **Quantitative Risk Modelling:** Responsible for Credit Risk Methodology, Market Risk Methodology & Backtesting, Political & Country Risk, Stress Methodology & Scenario Analysis, Credit Corporate Risk Models, Market Risk Models, Scenarios & Risk Appetite, QRM Platforms & Tools and Firmwide Stress Testing Models, amongst others.
- **Treasury Risk Control:** Responsible for providing an independent check (as the Bank's second line of defense) on Group Treasury's risk-taking activities in order to safeguard the integrity of the risk process.
- **Chief Model Risk Officer:** Responsible for providing model risk management globally, including for the UK legal entities. This includes model governance, infrastructure, operations and reporting.
- **Risk COO:** Services from the Risk COO function includes Risk Reporting & Analysis, GRC Framework & Policies, GRC

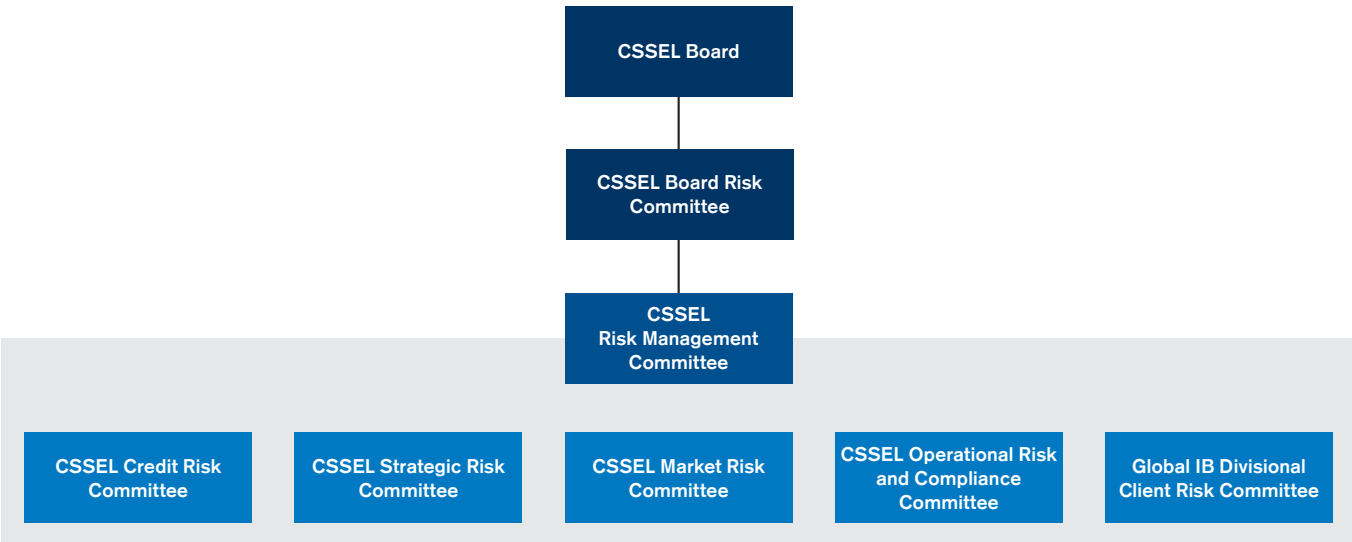
Initiative & Change Management, GRC Financials, Risk data as well as GRC Integration (CS/UBS).

Support is also provided by General Counsel for legal, policy and regulatory advice.

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

- **The CSS(E)L Board of Directors:** responsible to shareholders for the strategic direction, supervision and control of the entity and for defining the overall tolerance for risk;
- **The CSS(E)L Board Risk Committee:** responsible for assisting the Board of Directors in fulfilling their oversight responsibilities by providing guidance regarding risk governance and the monitoring of the risk profile and capital adequacy, including the regular review of major risk exposures and recommending approval by the Board of overall risk appetite limits; and
- **The CSS(E)L Executive Committee:** this is the primary management committee of CSS(E)L and is charged with managing all aspects including strategy, culture, revenue, risk and control, costs and employees.

Committee Hierarchy



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

- Ensure that proper standards as well as practices and controls for risk management are established for CSS(E)L;

- Define, implement and review the risk appetite framework for CSS(E)L covering material risk types;
- Review and set/approve limits and other appropriate measures to monitor and manage the risk portfolio and risk of the individual businesses that contribute to CSS(E)L;
- Review the ICAAP and the Individual Liquidity Adequacy Assessment Process ('ILAAP') for CSS(E)L;

- Review and consider any matters to escalate to the CSS(E)L Executive Committee;
- Review and recommend all limit applications subject to approval by the CSS(E)L Board/Board Risk Committee;
- Review and implement appropriate controls over remote booking risk relating to CSS(E)L;
- Review and consider material new business proposals; and
- Review the design and execution of stress testing scenarios and results.

In addition to this, and aligned with the organisation structure, CSS(E)L's CRO has implemented several sub-committees of the RMC:

- **The CSS(E)L Credit Risk Committee:** chaired by the CSS(E)L Chief Credit Officer, defines and implements the CSS(E)L Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the UK IB credit portfolio including counterparty, sector, and concentration. This process is supported by the Credit Risk Non-Core and Legacy department, which is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances;
- **The CSS(E)L Market Risk Committee:** chaired by the CSS(E)L Head of Market Risk, defines and implements the CSS(E)L Market Risk Framework. It is responsible for reviewing emerging risks and assessing any issues that impact on the CSS(E)L market risk profile. This process is supported by the Market Risk Management department ('MRM') which is responsible for assessing and monitoring the market and liquidity risk profile of the Company and recommends corrective action where necessary;
- **The CSS(E)L Liquidity and Treasury Risk Committee: was established in 2022 and is chaired by the Head of CS Treasury Risk.** The committee establishes more granular Liquidity and Treasury risk limits within the bounds of CSi/CSSEL's overall risk limits and risk appetite and provides independent decision making on topics related to Liquidity Risk and Treasury Risk impacting the legal entity. This process is supported by the Treasury Risk Control UK-('TRC') department which is responsible for managing liquidity risk at the local level and to regulatory and senior management requirements.
- **The UK IB Operational Risk & Compliance Committee:** co-chaired by the UK IB Head of NFR with the CSS(E)L Chief Compliance Officer, is responsible for overseeing the operational, conduct and compliance risks for the divisions and corporate functions that comprise CSS(E)L, including monitoring the effective implementation of the Non-Financial Risk Framework (formerly, Enterprise Risk and Control Framework). Reviewing the business's first line of defence ('1LOD') processes to manage risk in accordance with the respective frameworks. Provide independent review and challenge of the risk profile to ensure that risks are managed within appetite using second line of defence ('2LOD') processes. This process is supported by the NFR department which is responsible

for the identification, assessment, and monitoring of non-financial risks;

- **The CSS(E)L Strategic Risk Committee ('SRC'):** chaired by the CSS(E)L Head of Strategic Risk Management, is responsible for developing and maintaining scenario processes appropriate for CSS(E)L, based on material risk factors identified. Reviewing and monitoring the SRM risk appetite metrics and data quality issues. This process is supported by the SRM department which is responsible for covering cross-divisional and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels;
- **The IB EMEA Divisional Client Risk Committee:** co-chaired by the CSS(E)L CRO, and CSS(E)L Chief Compliance Officer reputation To review, assess and decide current and potential client onboarding and transactional approval applying a holistic risk assessment including feedback from all relevant subject matter experts (Reputational Risk, Compliance, General Counsel, Credit Risk, Sustainability Risk and Business). Transactions and cases are escalated to DCRC pursuant to the applicable DCRC escalation criteria. This process is supported by the Reputational Risk Office which is responsible for assessing actions or transactions which may pose a reputational risk to the Company's reputation as escalated by both the First and Second Lines of Defence, providing independent appraisal and facilitating the calibration of such risk.

Risk Appetite

Risk appetite represents the aggregate level and types of risk CSS(E)L is willing to assume to achieve the strategic objectives and business plan. The Risk Appetite Framework is the overall approach including policies, processes and controls through which risk appetite is established, communicated and monitored. This includes, but is not limited to:

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

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

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

The Risk Appetite is approved by the Board of Directors on an annual basis as part of the strategic planning process. The Risk Appetite is expressed through both qualitative statements and quantitative measures. During 2023 these were underpinned by the following Strategic Risk Objectives:

- **Capital Adequacy:** Sufficient capital must be held to meet or exceed capital ratios and minimum leverage ratio-based capital requirements in line with both the minimum regulatory and stressed capital requirements;
- **Stability of Earnings:** Minimize earnings volatility from identified and accepted risks (including stress events) to support ability to achieve stated financial objectives and limit our potential losses;
- **Funding and Liquidity Adequacy:** Manage liquidity and funding risk and hold liquid assets sufficient to meet all contractual, contingent and regulatory obligations on both a business-as-usual basis and in periods of liquidity stress, while maintaining a prudent funding profile.
- **Operational and Business Integrity:** Maintain integrity of business activities with operations and systems that safeguards the Company from being exposed to risk of significant losses and where employees make decisions and conduct business in line with the bank's values
- **Concentration Risk:** Proactively control concentrations within position risk or business lines which pose a material risk to Firm-wide capital adequacy and earnings stability
- **Sustainability and Climate:** Create sustainable value for stakeholders and conduct business with a long-term view to support environmental and social sustainability, by managing environmental and social risks and impacts in line with our sustainability principles and commitments.
- **Intercompany:** Proactively control risks, which originate from CS group intercompany positions and have a potential impact on CSSEL's capital adequacy, liquidity risk and concentration risk.

Risk Limits

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

- Enterprise risk limits are based on portfolio level measures (RWA, etc.) and are calibrated for both normal and stressed conditions. The overall risk limit calibration is recommended by the Head of SRM who has responsibility for development and calibration of the full suite of enterprise risk limits;
- Market risk limits are based on a variety of sensitivity, portfolio and stress measures including, for example, Value at Risk

(‘VaR’) and portfolio stress loss metrics. The overall market risk limit calibration is recommended by the Head of Market Risk who has responsibility for development and calibration of the full suite of market risk limits;

- Credit risk limits are based on a variety of exposure and stress measures including, for example, counterparty exposure and portfolio stress loss metrics. The overall credit risk limit calibration is recommended by CSS(E)L's Chief Credit Officer and is designed to control overall credit quality and mitigate concentration risks (such as single name and industry type) within the portfolio;
- Non-financial risk constraints comprise of core risk metrics designed to identify areas of excessive risk exposure and drive excess responses which may include remediation or business constraint to reduce non-financial risk. These constraints are set as either loss tolerance, inherent risk appetite statement (defining un-acceptable level of inherent risk) and qualitative tolerances; and
- Liquidity risk limits are based on regulatory and internal requirements for monitoring funding under a range of conditions. The overall liquidity risk limit calibration is recommended by the Head of CS Treasury Risk UK who has responsibility for development and calibration of the full suite of liquidity risk limits.

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

CSS(E)L's risk management objectives and policies and the exposure of CSS(E)L to market risk, credit risk, non-financial risk, liquidity risk and currency risk are also considered in the 2023 Annual Report, Note 32 – ‘Financial Risk Management’.

Stress Testing

These individual risk type limits are supplemented by enterprise-wide stress testing which is designed to provide an aggregate view of CSS(E)L's financial risks. The enterprise-wide stress testing process begins with a scenario setting process, with the choice of scenarios being approved by the Strategic Risk Committee. The scenarios are designed to be severe, but plausible, and relevant to CSS(E)L's business. The stress test process is based on both models and expert judgement. These stress test results are reported to the Board Risk Committee and form a key input to the ICAAP. Separately liquidity stress testing scenarios developed by Group Treasury Risk & Control are reported to the Board Risk committee as well forming a key part of the ILAAP.

Current and Emerging Risks

Current and emerging risks are described in sections “Principal risks and uncertainties” in the 2023 Annual Report.

Subsequent events

During Q1 2024, CSS(E)L Group agreed to sell its advisory business in its Korean Branch to a UBS Group company for USD 27 million.

During Q1 2024 the NCL business has sold substantially all of its US Lives portfolio to third parties.

These transactions are aligned to CSS(E)L Group's strategy to wind down its business operations.

Linkages between Financial Statements and Regulatory Exposures

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

end of 2023 (USD million)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items			
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and due from banks	339	339	339	–	–	–
Interest-bearing deposits with banks	259	259	259	–	–	–
Securities purchased under resale agreements and securities borrowing transactions	1,495	1,495	–	1,495	1,495	–
Trading financial assets mandatorily at fair value through profit or loss	1,899	1,899	0	1,890	1,899	–
Non-trading financial assets mandatorily at fair value through profit or loss	541	541	536	5	0	–
Current Tax Assets	20	20	20	–	–	–
Deferred Tax Assets	2	2	1	–	–	–
Other assets	1,009	1,009	361	647	1	1
Property and equipment	10	10	10	–	–	–
Intangible Fixed Assets	2	2	–	–	–	2
Insurance contract assets	457	457	457	–	–	–
Total assets	6,033	6,033	1,984	4,037	3,395	3
Liabilities						
Securities sold under repurchase agreements and securities lending transactions	699	699	–	699	699	–
Trading financial liabilities mandatorily at fair value through profit or loss	1,988	1,988	–	1,987	1,869	–
Financial liabilities designated at fair value through profit or loss	9	9	–	0	0	9
Borrowings	642	642	–	–	–	642
Current Tax Liabilities	10	10	–	–	–	10
Other liabilities	726	726	–	413	20	314
Provisions	1	1	–	–	–	1
Debt in issuance	450	450	260	–	–	190
Reinsurance contract liability	120	120	–	–	–	120
Total liabilities	4,645	4,645	260	3,099	2,588	1,286

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

end of 2023 (USD million)	Total	Items subject to		
		Credit risk framework	CCR framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	6,030	1,984	4,037	3,395
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	3,359	260	3,099	2,588
Total net amount under regulatory scope of consolidation	2,671	1,724	939	807
Off-balance sheet amounts	304	304	–	–
Derivative transactions – Differences due to application of internal model method (IMM) / Standardized Approach to Counterparty Credit Risk (SA-CCR)	109	–	109	–
SFT – differences due to application of Master Netting Agreement Method	(744)	–	(744)	–
Other Differences not classified above	–	(364)	–	(807)
Exposure amounts considered for regulatory purposes	2,340	1,664	304	–

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

- (1) Notional for sold CDS trades are off balance sheet items as per accounting rules, however for regulatory purposes, sold CDS trades in the regulatory Banking book are considered as regulatory exposures for credit risk;
- (2) The accounting balance sheet only records the default fund deposited with central counterparties, whereas for regulatory

purposes, RWA is calculated in line with the prescribed regulatory default fund calculation.

- (3) The 'other differences' are due to the how longevity swaps are treated for accounting versus regulatory purposes. The accounting treatment under IFRS 17 results in these being treated as insurance contracts, whilst the regulatory rules result in the trades being included in a derivative-style calculation.

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

PV1: Prudent valuation adjustments (PVA)

end of 2023 (USD million)	Risk category		Total category level post-diversification	
	Credit		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Category level AVA				
Market price uncertainty	76	38	1	37
Model risk	4	2	–	2
Operational risk	4	4	–	4
Total Additional Valuation Adjustments (AVAs)	–	45	2	43

Credit Risk

Overview

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

The majority of Pillar 1 credit and counterparty risk capital requirements are calculated using the AIRB approach to risk weights with certain exposure classes treated under the Standardised Approach to risk weights.

Credit risk in CSS(E)L is managed by the CSS(E)L Chief Credit Officer ('CSS(E)L CCO'), who reports to the CSS(E)L Chief Risk Officer, with support from the Credit Risk NCL function. Credit Risk NCL is a part of the UBS Group Risk Control function, and is an independent function with responsibility for approving credit limits, monitoring and managing individual exposures and assessing and managing the quality of the segment and business areas' credit portfolios and allowances. CSS(E)L Credit Risk processes and policies cover credit risk arising from exposures to borrowers and counterparty credit risk. Counterparty credit risk arises from OTC and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities. The related credit risk exposures depend on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature. CSS(E)L enters into derivative contracts in the normal course of business principally for market-making and positioning purposes, as well as for risk management needs, including mitigation of interest rate, foreign currency, credit and other risks.

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment.

Credit limits are used to manage concentration to individual counterparties. A system of limits is also established to address concentration risk in the portfolio, including country limits, industry limits and limits for certain products. In addition, credit risk concentration is regularly supervised by credit and risk management committees, taking current market conditions and trend analysis into consideration.

A primary responsibility of CSS(E)L Credit Risk Management is to monitor the exposure to and creditworthiness of a counterparty, both at the initiation of the relationship and on an ongoing basis. Part of the review and approval process is an analysis and discussion to understand the motivation of the client and to identify the directional nature of the trading in which the client is engaged. Credit limits are agreed in line with CSS(E)L's Risk Appetite Framework, taking into account the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g. level

of collateral). All credit exposure is approved, either by approval of an individual transaction or facility (e.g. lending facilities), or under a system of credit limits (e.g. OTC derivatives). Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. These credit limits are set on a potential exposure basis. Potential exposure means the possible future value that of the portfolio upon default of the counterparty on a particular future date, and is taken as a high percentile of a distribution of possible exposures computed by CSS(E)L's internal exposure models. Secondary debt inventory positions are subject to separate limits that are set at the issuer level.

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

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

Credit Hedges and Risk Mitigation

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

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

The receipt of financial collateral is a key risk management tool for securities financing transactions, derivatives, FX, other OTC products and share-backed financing. Subject to legally enforceable agreements, collateral may be accepted in many different currencies and jurisdictions, and the collateral process creates potentially significant legal, tax, credit, regulatory and operational issues. In addition, there may be liquidity issues in running a large portfolio of collateral assets and liabilities. CSS(E)L's strategy with respect to collateral is subject to a robust collateral policy, which details standards of acceptable collateral (including collateral type, liquidity, quality and jurisdiction), valuation frequency, haircuts and agreement type (most agreements are two-way arrangements, meaning CSS(E)L may post as well as receive collateral). Additionally, limits and thresholds are established for the management of collateral concentrations to ensure there is no significant build-up of specific collateral types on a portfolio basis.

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

The policies and processes for collateral valuation and management are driven by a legal document framework that is bilaterally agreed with clients, and a collateral management risk framework enforcing transparency through self-assessment and management reporting. For portfolios collateralised by marketable securities, the valuation is performed daily. Exceptions are governed by the calculation frequency described in the legal documentation. The mark-to-market prices used for valuing collateral are a combination of internally-modelled and market prices sourced from trading platforms and service providers, where appropriate. The management of collateral is standardised and centralised to ensure complete coverage of traded products.

Wrong-way Exposures

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

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

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

Credit Risk Reporting and Measurement

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

CSS(E)L's credit exposures are captured in the risk management system, where exposures are calculated from various inputs including trade data, mark-to-market valuations, economic sensitivities, legal documentation and jurisdiction, collateral and other forms of risk mitigation. The Quantitative Risk Modelling group is responsible for the development and maintenance of exposure calculation methodologies.

Effect of a Credit Rating Downgrade

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

Netting

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

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

Reverse repurchase and repurchase agreements are generally covered by Global Master Repurchase Agreements ('GMRA') with netting terms similar to ISDA master agreements. In addition, securities lending and borrowing transactions are generally executed under Global Master Securities Lending Agreements ('GMSLA'), with netting terms also similar to ISDA master agreements. In certain situations, for example in the event of default, all contracts under the agreements are terminated and are settled in one single net payment.

Equity Type Exposures in the Banking Book

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

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

eligibility. In the context of business objectives and trading activity, the Banking Book positions are indistinguishable from FLP instruments that fall within the regulatory Trading Book category, and the positions are actively traded and risk-managed.

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

Standardised Approach to Risk Weights

Under the Standardised Approach to risk weights, ratings published by External Credit Assessment Institutions ('ECAIs') are mapped to Credit Quality Steps ('CQS') according to mapping tables laid down by the PRA. The CQS value is then mapped to a risk weight percentage.

The ECAIs used by CSIUK are Standard & Poor's, Moody's and Fitch.

Internal Ratings Based Approach

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

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

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

Rating Models

The majority of the credit rating models used by CSS(E)L are developed internally by Core Credit Models, a specialised unit within the Quantitative Risk Modelling department in CRO. These models are independently validated by Model Risk Management

prior to use in the regulatory capital calculation and thereafter on a regular basis (see below). CSS(E)L also uses models purchased from recognised data and model providers (e.g. credit rating agencies).

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

Model Development

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

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

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

Model Validation

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

New models and significant changes to existing models must be validated and approved before 'go-live'. A waiver is required to

allow for use of an unapproved model including unapproved significant changes to an existing model.

Existing models are subject to a regular review process which requires each model to be periodically revalidated and its performance to be monitored. The frequency of the periodic reviews and of the ongoing performance monitoring depends on the model tier.

Each validation review is a comprehensive quantitative and qualitative assessment aiming:

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

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

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

Descriptions of the Rating Processes

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

Counterparty and Transaction Rating Process

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

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

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

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

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

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

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

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

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

Credit Quality of Assets

The EBA Guidelines for Definition of Default in accordance with Article 178 CRR have been implemented for CSSEL and are covered in CS policies and procedures. Counterparty exposures are classified as 'impaired' on the occurrence of non-payment of principal or interest absent any grace period and does not require a trigger of >90days. Further counterparty exposures where there are indications of unlikelihood to pay are also classified as impaired. Additionally, the determination of Specific Credit Risk Adjustment ('SCRA') is based on a valuation methodology which depends on whether exposure is Fair Value accounted or Accrual Accounted. There is no separate definition used for definition of a restructured exposure.

Use of Internal Ratings

Internal ratings play an essential role in the decision-making and credit approval processes. CSS(E)L's internal counterparty ratings system has a 22-grade ratings scale. Ratings are reviewed regularly (at least annually), and consideration is given to external

credit ratings during the review process. The portfolio credit quality is set in terms of the proportion of investment and non-investment grade exposures. Investment or non-investment grade is determined by the internal rating assigned to a counterparty.

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

The internal ratings are also integrated into CSS(E)L's risk management reporting infrastructure and are reviewed in senior risk management committees.

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

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

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

Credit Exposures RWA and Capital Requirements

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

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

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

'Past due' and 'Impaired' are described in "Notes to the consolidated financial statements" (Note 2 – Significant Accounting Policies) of the 2023 Annual Report.

CR1: Performing and non-performing exposures and related provisions

end of 2023 (USD million)	Gross carrying amount/nominal amount		
	Performing exposures	Collateral and financial guarantees received	
		Of which stage 1	On performing exposures
Cash balances at central banks and other demand deposits	339	339	
Loans and advances	2,945	2,329	1,496
Credit institutions	2,117	2,077	1,486
Other financial corporations	828	252	10
Off-balance-sheet exposures	131	131	131
Credit institutions	131	131	131
Total	3,415	2,799	1,627

CR1-A: Maturity of exposures

end of 2023 (USD million)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
Net exposure value					
Loans and advances	571	1,754	40	580	2,945
Total	571	1,754	40	580	2,945

CR2: Changes in the stock of non-performing loans and advances – Nil disclosure

CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries – No applicable disclosure

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

General Credit Risk Adjustments: The movement on provision of loans those classified Stage 1 and Stage 2 as per IFRS 9 categorisation is reported under general credit risk adjustments.

CSIUK had no general credit risk adjustments as at the end of 2022.

CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

end of 2023 (USD million)	Unsecured carrying amount	Secured carrying amount	
		Of which secured by collateral	
Loans and advances	1,788	1,496	1,496
Total	1,788	1,496	1,496

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

securities financing transactions and off-balance sheet exposures.

CR4 – standardised approach – Credit risk exposure and CRM effects

end of 2023 (USD million, except where indicated)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
Exposure classes						
Central governments or central banks	6	–	6	–	6	100%
Institutions	38	–	38	–	8	20%
Corporates	464	29	464	29	347	71%
Total	507	29	507	29	361	67%

CR5 – standardised approach

2023 (USD million)	Risk weight			Total	Of which unrated
	20%	50%	100%		
Exposure classes					
Central governments or central banks	–	–	6	6	6
Institutions	38	–	–	38	1
Corporates	149	52	292	493	327
Total	187	52	297	536	334

CR6-A – Scope of the use of IRB and SA approaches

end of 2023 (USD million)	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
Central governments or central banks	6	6	–	100%	–
Institutions	2,821	593	–	53%	47%
Corporates	996	1,476	–	99%	1%
Equity	1	0	100%	–	–
Other non-credit obligation assets	10	4	100%	–	–
Total	3,837	2,079	0%	86%	14%

CR6 – IRB approach – Credit risk exposures by exposure class and PD range

A-IRB	On-balance sheet exposures	Off-balance sheet exposures pre CCF	Exposure weighted average CCF
end of 2023 (USD million, except where indicated)			
CENTRAL GOVERNMENTS & CENTRAL BANKS			
0.00 to <0.15	8	–	–
0.00 to <0.10	8	–	–
0.75 to <2.50	1	–	–
0.75 to <1.75	1	–	–
Sub-total	9	–	–
INSTITUTION			
0.00 to <0.15	372	–	–
0.00 to <0.10	372	–	–
0.10 to <0.15	–	–	–
Sub-total	372	–	–
CORPORATES			
0.00 to <0.15	678	117	1.00
0.00 to <0.10	666	114	1.00
0.10 to <0.15	12	4	1.00
0.15 to <0.25	9	133	1.00
0.25 to <0.50	4	1	1.00
0.50 to <0.75	–	–	–
0.75 to <2.50	–	–	–
0.75 to <1.75	–	–	–
1.75 to <2.5	–	–	–
2.50 to <10.00	6	–	–
2.5 to <5	–	–	–
5 to <10	6	–	–
10.00 to <100.00	12	24	1.00
10 to <20	12	24	1.00
20 to <30	–	–	–
30.00 to <100.00	–	–	–
100.00 (Default)	–	–	–
Sub-total	710	275	1.00
Total (all portfolios)	1,091	275	1.00

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

AIRB coverage is 61% of the total credit and counterparty credit risk RWA.

Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWA after supporting factors	Density of RWA	Expected loss amount
8	0%	1	52%	1	1	11%	-
8	0%	1	52%	1	1	11%	-
1	1%	1	56%	1	3	250%	-
1	1%	1	56%	1	3	250%	-
9	0%	2	53%	1	4	48%	-
372	0%	16	17%	1	23	6%	-
372	0%	15	17%	1	23	6%	-
-	0%	1	56%	1	-	40%	-
372	0%	16	17%	1	23	6%	-
795	0%	60	69%	3	406	51%	-
780	0%	50	69%	3	396	51%	-
15	0%	10	70%	3	10	66%	-
142	0%	3	56%	4	108	76%	-
5	0%	4	93%	1	6	110%	-
-	0%	-	0%	0	-	0%	-
-	1%	2	100%	1	1	229%	-
-	1%	1	100%	1	1	229%	-
-	2%	1	100%	1	-	275%	-
6	6%	4	56%	5	17	290%	-
-	0%	-	0%	0	-	0%	-
6	6%	4	56%	5	17	290%	-
36	16%	1	56%	4	114	312%	3
36	16%	1	56%	4	114	312%	3
-	0%	-	0%	0	-	0%	-
-	0%	-	0%	0	-	0%	-
-	0%	-	0%	0	-	0%	-
985	1%	74	67%	18	651	66%	4
1,366	0%	1	136%	20	678	0%	4

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

end of 2023 (USD million)	Pre-credit derivatives RWA	Actual RWA
Exposures under AIRB	678	678
Central governments and central banks	4	4
Institutions	23	23
Corporates	651	651
TOTAL (including FIRB exposures and AIRB exposures)	678	678

Includes RWA under AIRB and simple risk weight approaches.

CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

end of 2023 (USD million, except where indicated)	Total exposures	Credit risk Mitigation techniques	Credit risk Mitigation methods in the calculation of RWAs	
		Funded credit Protection (FCP)	RWA post all CRM assigned to the obligor exposure class	RWA with substitution effects
	Part of exposures covered by Financial Collaterals (%)			
Exposure classes				
Central governments and central banks	9	–	4	4
Institutions	372	70.01%	23	23
Corporates	985	–	651	651
Of which Corporates – Other	985	–	651	651
Total	1,365	19.05%	678	678

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

end of 2023 (USD million)	Risk weighted exposure amount
Risk weighted exposure amount as at the end of the previous reporting period	888
Asset size	(38)
Asset quality	(54)
Model updates	(107)
Risk weighted exposure amount as at the end of the reporting period	688

Includes RWA under AIRB and simple risk weight approaches.

CR9 – IRB approach – Back-testing of PD per exposure class (fixed PD scale)

A-IRB end of 2023	Number of obligors at the end of previous year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
PD range (%)					
CENTRAL GOVERNMENTS & CENTRAL BANKS					
0.00 to <0.15	1	0.0%	0.0%	0.0%	0.0%
0.00 to <0.10	1	0.0%	0.0%	0.0%	0.0%
0.75 to <2.50	1	0.0%	1.1%	1.1%	0.0%
0.75 to <1.75	1	0.0%	1.1%	1.1%	0.0%
2.50 to <10.00	1	0.0%	0.0%	3.3%	0.0%
2.5 to <5	1	0.0%	0.0%	3.3%	0.0%
INSTITUTIONS					
0.00 to <0.15	48	0.0%	0.1%	0.1%	0.0%
0.00 to <0.10	36	0.0%	0.1%	0.1%	0.0%
0.10 to <0.15	12	0.0%	0.1%	0.1%	0.0%
0.15 to <0.25	2	0.0%	0.0%	0.2%	0.0%
0.25 to <0.50	–	0.0%	0.0%	0.0%	0.0%
0.50 to <0.75	1	0.0%	0.0%	0.6%	0.0%
0.75 to <2.50	3	0.0%	0.0%	1.6%	0.0%
0.75 to <1.75	1	0.0%	0.0%	1.1%	0.0%
1.75 to <2.5	2	0.0%	0.0%	1.9%	0.0%
2.50 to <10.00	2	0.0%	0.0%	5.6%	0.0%
2.5 to <5	–	0.0%	0.0%	0.0%	0.0%
5 to <10	2	0.0%	0.0%	5.6%	0.0%
CORPORATES					
0.00 to <0.15	45	0.0%	0.1%	0.1%	0.0%
0.00 to <0.10	39	0.0%	0.1%	0.1%	0.0%
0.10 to <0.15	6	0.0%	0.1%	0.1%	0.0%
0.15 to <0.25	1	0.0%	0.2%	0.2%	0.0%
0.25 to <0.50	4	0.0%	0.4%	0.4%	0.0%
0.50 to <0.75	–	0.0%	0.0%	0.0%	0.0%
0.75 to <2.50	1	0.0%	1.1%	1.1%	0.0%
0.75 to <1.75	1	0.0%	1.1%	1.1%	0.0%
1.75 to <2.5	–	0.0%	1.9%	0.0%	0.0%
2.50 to <10.00	3	0.0%	5.6%	4.8%	0.0%
2.5 to <5	1	0.0%	0.0%	3.3%	0.0%
5 to <10	2	0.0%	5.6%	5.6%	0.0%
10.00 to <100.00	2	0.0%	16.4%	22.3%	0.0%
10 to <20	1	0.0%	16.4%	16.4%	0.0%
20 to <30	1	0.0%	0.0%	28.2%	0.0%

This is a qualitative disclosure for defaulted obligors, and due to materiality the average annual rate is not reported. In the year 2023, there were no new defaulted obligor.

**CR9.1 – IRB approach – Back-testing of PD per exposure class
(only for PD estimates according to point (f) of Article 180(1) CRR)**

end of 2023 (USD million, except where indicated)	External rating equivalent	Number of obligors at the end of previous year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
PD range (%)					
CENTRAL GOVERNMENTS & CENTRAL BANKS					
0.00 to <0.15	AAA to BBB+	1	0%	0%	0%
0.75 to <2.5	BB+ to B+	1	0%	1%	0%
2.5 to <10	B+ to B-	1	0%	3%	0%
INSTITUTIONS					
0.00 to <0.15	AAA to BBB+	48	0%	0%	0%
0.15 to <0.25	BBB+ to BBB	2	0%	0%	0%
0.50 to <0.75	BB+	1	0%	1%	0%
0.75 to <2.5	BB+ to B+	3	0%	2%	0%
2.5 to <10	B+ to B-	2	0%	6%	0%
CORPORATES					
0.00 to <0.15	AAA to BBB+	45	0%	0%	0%
0.15 to <0.25	BBB+ to BBB	1	0%	0%	0%
0.25 to <0.50	BBB to BB+	4	0%	0%	0%
0.75 to <2.5	BB+ to B+	1	0%	1%	0%
10 to <100	B- to CCC	2	0%	22%	0%
2.5 to <10	B+ to B-	3	0%	5%	0%

CR10 – Specialised lending and equity exposures under the simple risk weighted approach

end of 2023 (USD million, except where indicated)	On-balance-sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount
Equity exposures under the simple risk-weighted approach				
Categories				
Exchange-traded equity exposures	1	290%	1	3
Total	1	-	1	3

CQ1: Credit quality of forborne exposures – Nil disclosure

CQ2: Quality of forbearance – No applicable disclosure

CQ3: Credit quality of performing and non-performing exposures by past due days

end of 2023 (USD million)	Gross carrying amount/nominal amount	
	Performing exposures	
	Not past due or past due ≤ 30 days	
Cash balances at central banks and other demand deposits	339	339
Loans and advances	2,945	2,945
Credit institutions	2,117	2,117
Other financial corporations	828	828
Off-balance-sheet exposures	131	131
Credit institutions	131	131
Total	3,415	3,415

CQ4: Quality of non-performing exposures by geography – Nil disclosure

CQ5: Credit quality of loans and advances to non-financial corporations by industry – Nil disclosure

CQ6: Collateral valuation – loans and advances – No applicable disclosure

CQ7: Collateral obtained by taking possession and execution processes – Nil disclosure

CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown – No applicable disclosure

Counterparty Credit Risk

Overview

Counterparty credit risk arises from OTC and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities. The related credit risk exposures depend on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature. CSS(E)L enters into derivative contracts in the normal course of business principally for market-making and positioning purposes, as well as for risk

management needs, including mitigation of interest rate, foreign currency, credit and other risks.

For the majority of OTC derivatives, CSS(E)L calculates EAD under the Internal Model Method ('IMM'). The Standardised Approach for Counterparty Credit Risk ('SA-CCR') is used for products where there is no model permission, and the calculation takes into account potential future exposure ('PFE') and thus may generate exposures greater than the derivative net replacement values.

CCR1 – Analysis of CCR exposure by approach

end of 2023 (USD million, except where indicated)	Replacement cost (RC)	Potential future exposure	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWA
SA-CCR (for derivatives)	55	36	–	1.4	1,193	134	134	107
IMM (for derivatives and SFTs)	–	–	53	1.4	74	74	74	53
<i>Of which derivatives and long settlement transactions netting sets</i>	–	–	53	–	74	74	74	53
Financial collateral comprehensive method (for SFTs)	–	–	–	–	2,368	2,368	2,368	22
Total	55	36	53	1.4	3,635	2,575	2,575	182

Pillar 1 add-ons are not included in the replacement cost or PFCE figures in the derivative mark to market disclosure.

CCR2 – Transactions subject to own funds requirements for CVA risk

end of 2023 (USD million)	Exposure value	RWA
Total transactions subject to the Advanced method	73	33
(i) VaR component (including the 3x multiplier)	–	10
(ii) stressed VaR component (including the 3x multiplier)	–	23
Transactions subject to the Standardised method	128	376
Total transactions subject to own funds requirements for CVA risk	201	409

Pillar 1 add-ons are not included in the CVA figure.

CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

end of 2023 (USD million)	Risk weight			Total exposure value
	20%	50%	100%	
Exposure classes				
Institutions	14	27	–	44
Corporates	–	–	73	73
Total exposure value	14	27	73	117

CCR4 – IRB approach – CCR exposures by exposure class and PD scale

end of 2023 (USD million, unless otherwise indicated)	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWA	Density of risk weighted exposure amounts
PD scale							
INSTITUTIONS							
0.00% to <0.15%	2,449	0%	8	5%	–	85	3%
Sub-total	2,449	0%	8	5%	–	85	3%
CORPORATES							
0.00% to <0.15%	10	0%	6	55%	5	5	50%
0.15% to <0.25%	–	0%	1	100%	5	–	165%
0.75% to <2.50%	1	2%	1	56%	5	1	236%
100.00% (Default)	1	100%	1	56%	5	1	100%
Sub-total	12	10%	9	56%	5	8	63%
Total (all portfolios)	2,461	11%	17	60%	5	93	66%

CCR5 – Composition of collateral for CCR exposures

end of 2023 (USD million)	Collateral used in derivative transactions				Collateral used in securities financing transactions (SFTs)	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
Collateral type						
Cash	–	394	–	639	767	1,601
Debt	–	799	–	18	1,559	662
Equity	–	–	–	–	12	14
Total	–	1,193	–	658	2,337	2,277

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

CCR6 – Credit derivatives exposures

end of 2023 (USD million)	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	17	–
Total notionals	17	–

This table includes the client leg of cleared derivatives.

CCR7 – RWA flow statements of CCR exposures under the IMM

end of 2023 (USD million)	RWA
RWA as at the end of the previous reporting period	89
Asset size	(36)
RWA as at the end of the current reporting period	53

CCR8 – Exposures to CCPs

end of 2023 (USD million)	Exposure value	RWA
Exposures to QCCPs (total)		–
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	3	–
(ii) Exchange-traded derivatives	3	–

Climate Risk

Overview

Climate-related risks are the potentially adverse direct and indirect impacts on the CSS(E)L's financial metrics, operations or reputation due to transitional or physical effects of climate change. Climate-related risks could manifest themselves through existing types such as credit risk, market risk, non-financial risk, business risk or reputational risk. The CSS(E)L 2023 Annual Report further describes the Climate Risk Framework.

Securitisation

Overview

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

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

Objectives in Relation to Securitisation Activity and CSIUK's Role

Although CSS(E)L has no securitisations in the Banking Book, it has previously acted as derivative counterparty for securitisation SPEs. CSS(E)L does hold securitisation positions in its Trading Book. CSS(E)L's key objective in relation to Trading Book securitisation is to meet clients' investment and divestment needs through its market making role in securitised products across all major collateral types.

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

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

Risks Assumed and Retained

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

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

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

For re-securitisation risk, models take a 'look-through' approach where they model the behaviour of the underlying securities

based on their own collateral and then transmit that to the re-securitised position.

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

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

Management of Credit and Market Risk

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

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

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

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

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

Credit Risk Mitigation

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

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

Calculation of RWA

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

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

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

Accounting Policies

The accounting policy with respect to special purpose entities and recognition of gains on sale for securitisations is described in the Significant Accounting Policies Note of the CSS(E)L 2023 Annual Report, with further information provided in the Interests in Other Entities Note (note 28).

The accounting policy with respect to valuation of securitisation positions is described in the Financial Instruments Note (page 69) of the CSS(E)L 2023 Annual Report. The valuation of assets awaiting securitisation follows the same policies as for other assets, as described in the above Note. The assignment of those assets awaiting securitisation to the Banking or Trading Book follows the same policies as for other assets, further described in the Notes to the CSS(E)L 2023 Annual Report.

The policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support for securitised assets follow the same policies as for other provisions and financial guarantees. These policies are described in the Significant Accounting Policies Note of the CSS(E)L 2023 Annual Report.

Securitisation Exposures

There were no exposures securitised by CSIUK outstanding as at 31 December 2023 in Banking or Trading Book.

There were no losses, impairments or past due items in relation to securitisation positions in the Banking Book exposures as at 31 December 2023.

Therefore, we do not have anything to disclose for the following tables:

- SEC1 – Securitisation exposures in the non-trading book
- SEC2 – Securitisation exposures in the trading book
- SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor
- SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor
- SEC5 – Exposures securitised by the institution – Exposures in default and specific credit risk adjustments

Market Risk

Overview

Trading activity in CSS(E)L has reduced significantly with remaining risk left in the rates, related to the longevity business booked in banking book and credit and equities risks from small residual positions. Those risks reside in the NCL' division.

Market Risk Capital Requirements

The following tables detail the components of the CSS(E)L's capital requirement for market risk (Trading Book unless otherwise stated):

MR1 – Market risk under the standardised approach

end of 2023 (USD million)

Outright products

	RWAs
Foreign exchange risk	81
Total	81

MR2-A – Market risk capital requirements under IMA

Market risk capital requirement (USD million)

	2023		2022	
	RWAs	Capital requirements	RWAs	Capital requirements
1 VaR (higher of values a and b)	40	3	95	8
(a) Spot VaR	15	1	32	3
(b) Average of the daily VaR preceding 60 business days * multiplication factor	40	3	95	8
2 SVaR (higher of values a and b)	132	11	236	19
(a) Spot SVaR	48	4	68	5
(b) Average of the daily SVaR preceding 60 business days * multiplication factor	132	11	236	19
3 IRC (higher of values a and b)	6	1	9	1
(a) Spot IRC	6	1	9	1
(b) Average of the IRC number over the preceding 12 weeks	6	1	5	0
5 Other	-	-	-	-
6 Total	178	14	340	27

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

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

Market risk RWA flow statement (USD million)	VaR	SVaR	IRC	Other	Total RWAs	Total Capital
1 RWAs at YE2022	95	236	9	-	340	27
1a Regulatory adjustment	7	(18)	-	-	(10)	(1)
1b RWAs at YE2022 (spot-based)	103	218	9	-	330	26
2 Movement in risk levels	(20)	14	(3)	-	(9)	(1)
3 Model updates/changes	(35)	(78)	0	-	(112)	(9)
8a RWAs at YE2023 (spot-based)	48	154	6	-	209	17
8b Regulatory adjustment	(9)	(23)	-	-	(31)	(3)
8 RWAs at YE2023	40	132	6	-	178	14

Risk Measurement and Management

CSS(E)L has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Trading and non-trading portfolios are managed at various organisational levels, from the specific positions up to the overall risk positions at CSS(E)L's level. CSS(E)L uses market risk measurement and management methods in line with regulatory and industry standards. These include general tools capable of calculating comparable risk metrics across the CSS(E)L's many activities and focused tools that can specifically model unique characteristics of certain instruments or portfolios. The tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal portfolio measurement tools are Value-at-Risk ('VaR'), scenario analysis and sensitivity analysis, which complement each other in measuring the market risk at the Company's level. CSS(E)L regularly reviews its risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

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

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

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

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

The criteria for Trading Book classification are, principally, that the position must be a transferable or hedgeable financial instrument; that there must be trading intent or a hedging relationship with another Trading Book item; and that daily fair value methodology must be applied for regulatory and risk management purposes. The fair value methodology is itself the subject of policies, procedures and controls that exist separately as part of the overall valuation process operated across the CS group.

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

Internal Models Approach ('IMA') framework

The key components of the market risk IMA framework are VaR (intended as both regulatory VaR and stressed VaR) and

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

Within the CSS(E)L's IMA framework, risk metrics for the period are summarised as follows:

MR3 – IMA values for trading portfolios

IMA Metrics (USD million)		2023	2022
VaR (10 day 99%)			
1	Maximum value	3	5
2	Average value	1	2
3	Minimum value	1	1
4	Period end	1	3
SVaR (10 day 99%)			
5	Maximum value	7	9
6	Average value	4	5
7	Minimum value	2	3
8	Period end	4	5
IRC (99.9%)			
9	Maximum value	1	1
10	Average value	1	0
11	Minimum value	0	0
12	Period end	1	1

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

Value-at-Risk

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

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

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

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

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

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

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

Stress testing applied to the modelling parameters is performed on a periodic basis to ensure model stability and robustness against adverse market environments. For this purpose, impacts from large changes in inputs and model parameter are simulated and assessed against expected model outputs under different stressed scenarios.

Stressed Value-at-Risk

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

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

The stress period chosen is reviewed on a monthly basis and includes all possible 1-year SVaR windows from 2006 on, rolling by one month. Regulatory SVaR is maximised for the average of the preceding 60 days of actual positions for all SVaR windows within the review. The valuation approach used in selecting the maximising SVaR window is generally the same as for calculating Regulatory VaR. The only exception concerns exotic Equity derivatives positions where the Regulatory VaR calculation uses a Full Revaluation approach. Given the computational cost of calculating Full Revaluation over the period from 2006 until the present date during the SVaR window review, Full Revaluation is used for the

most recent two-year period and selected stressed periods. For all other periods, a sensitivity-based approximation is used for the identification of the maximising SVaR window. The appropriateness of this approach is monitored on a periodic basis by calculating the Full Revaluation and sensitivity-based metrics for a single portfolio date over the full set of candidate windows.

The SVaR window for the CSS(E)L as of the December 2023 month-end assessment is April 2008 – March 2009.

Data standards

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

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

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

CSS(E)L employs a range of different control processes to help ensure that the models used for market risk remain appropriate over time. As part of these control processes, a dedicated individual model owner, is appointed to approve a model, or modifications to a model, for use. A model owner will also regularly review ongoing model performance assessments.

Value-at-Risk Backtesting

Various techniques are used to assess the accuracy of the VaR model used for trading portfolios, including backtesting. In line with industry practice, CSS(E)L undertakes backtesting using both actual and hypothetical daily trading revenues. Actual and hypothetical daily trading revenues are compared with a regulatory 99% VaR calculated using a one-day holding period. A

backtesting exception occurs when the actual and hypothetical daily trading loss exceeds the daily VaR estimate.

For capital purposes, a backtesting addend is added for every backtesting exception over four in the prior rolling 12-month period. This is calculated using the higher number of exceptions under either actual or hypothetical daily trading revenues. The backtesting addend is to zero as the number of backtesting exception was two in 2023 (2022: three).

MR4 – Comparison of VaR estimates with gains/losses

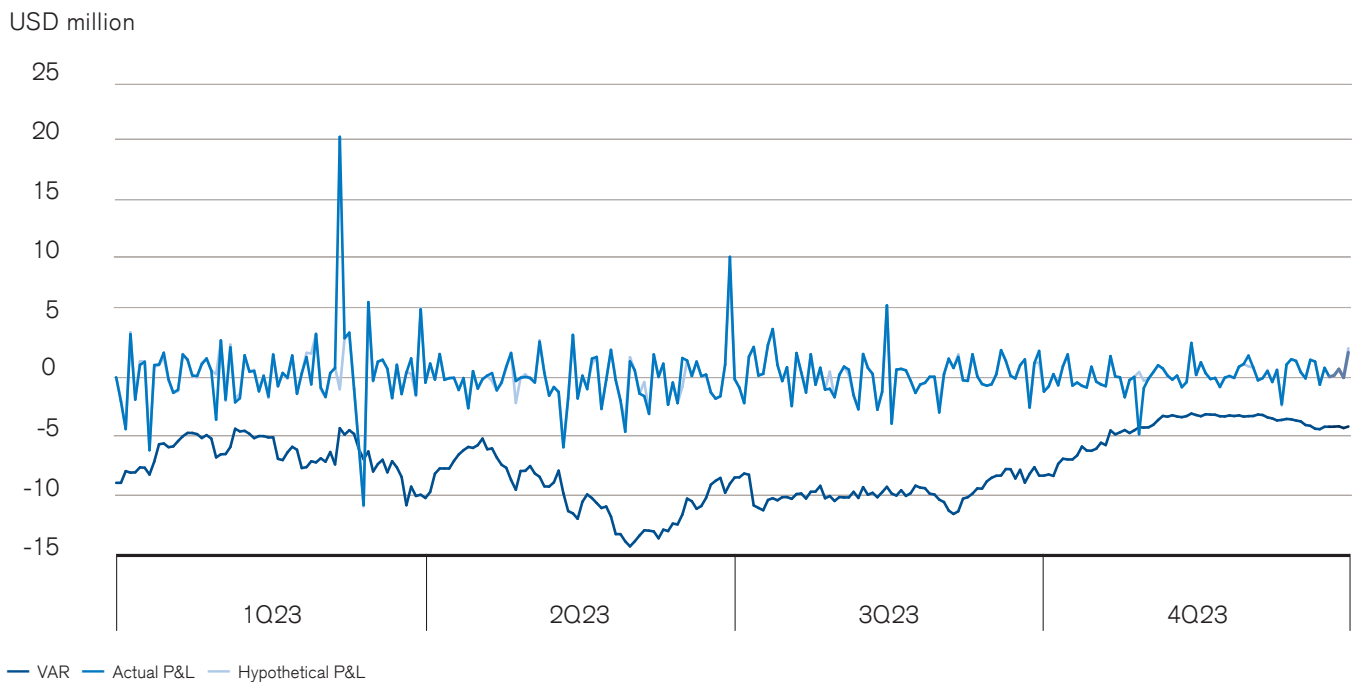


Fig. 2

Date	Actual P&L	Hypothetical P&L	VaR	Exception Category	Exception Summary
All figures in USD millions					
30.10.23	-0.5	0	0.4	Actual P&L	The Actual P&L exception is driven from the Valuation Adjustments in NCL Credit Trading business from mark-down of an unlisted equity position from existing level of \$0.75 to \$0
15.03.23	-1.1	-1.1	0.7	Hypothetical P&L Actual P&L	Hypothetical and Actual negative exception is mainly driven by losses in the Counterparty Portfolio Management business within the Investment Bank division. USD -1.1 mn PnL is primarily driven from markets volatility after all the news around SVB in the beginning of the week. USD rates, SOFR/FF and SOFR/LIBOR basis hit records on the short end of the curve.

Incremental Risk Charge

IRC capitalises issuer default and migration risk in the trading book, such as bonds or credit default swaps, but excludes securitisations and correlation trading. CSS(E)L has received PRA approval to use the IRC model within the Specific Risk Capital Framework for the Company. CSS(E)L continues to seek regulatory approval for ongoing enhancements to the IRC methodology, and the IRC model is subject to regular reviews by the PRA.

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

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

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

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

To achieve the IRB soundness standard, CSS(E)L uses IRC parameters that are either based on the AIRB reference data sets (e.g. corporate PDs, loan LGDs, LGD correlation and volatility), or parameters based on other internal or external data covering more than ten years of history and including periods of stress (e.g. sovereign PDs and all transformation matrices, bond LGDs, asset correlations, etc.)

Scenario Analysis

Stress testing complements other risk measures by quantifying the potential losses arising from moves across financial markets in response to plausible external events. The majority of scenario analysis calculations performed are specifically tailored toward

the risk profile of particular businesses and limits may be established for some of them. In addition, to identify areas of risk concentration and potential vulnerability to stress events at the Company's level, a set of scenarios is consistently applied across all businesses to assess the impact of significant, simultaneous movements across a broad range of markets and asset classes. Additionally, scenarios targeted at a specific market, product or risk type are used to better understand the risk profiles and concentrations, to monitor and control the exposure.

Scenarios can be defined with reference to historic events or based on forward-looking, hypothetical events that could impact the CSS(E)L's positions, capital, or profitability. The scenarios used within the Company are reviewed at the relevant risk committees. The scenarios used within the Company continuously evolve to reflect changes in market conditions and any change in business strategy.

Sensitivity analysis

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

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

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

Non-Financial Risk

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

Conduct Risk

CSS(E)L defines 'conduct risk' as the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system or impairs effective competition to the detriment of consumers.

The Non-Financial Risk Framework (NFR) provides requirements for the identification, management, assessment and mitigation of operational, compliance and conduct risks. Conduct risk is classified as a root cause across the NFR Framework, and the NFR Framework standards and processes are leveraged to aid its identification. A distinct UBS Conduct Risk Framework with specific governance and process requirements enables comprehensive management of conduct risk.

Identifying actual or potential conduct risks is the responsibility of every UBS employee, and all parts of the firm should execute this responsibility as part of their day-to-day management process by applying the principles that we: differentiate employee-, market- and client-related conduct, and have processes and controls in place to manage each; ensure transparency of employee and firm conduct and produce and review backward- and forward-looking management information covering employee, market and client-related conduct; have clearly defined roles and responsibilities; and have robust governance in place.

Our Code of Conduct Ethics sets out that we are committed to maintaining a culture based on high ethical standards and accountability. We are committed to balancing sustainable performance and appropriate risk-taking, including sound conduct and risk-management practices. In line with stakeholder expectations, this balanced approach protects our capital and reputation and enhances the quality of our financial results. We apply compensation principles reflecting a pay-for performance approach. Evaluation of individual performance reflects both the what (contribution) and the how (behavior). We also factor in adherence with laws, rules, regulations, the Code, policies, or procedures.

Technology Risk

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

Technology risk is the risk that technology system-related failures, such as service outages or information security incidents, may disrupt business activities. Technology risk is inherent not only in the Company's IT assets, but also in the people and processes that interact with them including through dependency on third-party

suppliers and the worldwide telecommunications infrastructure. CS AG seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. CS AG requires the Company's critical IT systems to be identified, secure, resilient and available to support its ongoing operations, decision-making, communications and reporting. CSS(E)L systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of its customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject us to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share. Technology risks are managed through the Company's technology risk management program, business continuity management plan and business continuity and resiliency plans. Technology risks are included as part of the Company's overall enterprise risk and control assessment based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood.

Cyber Risk

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

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

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

CSS(E)L regularly assesses the effectiveness of our key controls and conducts ongoing employee training and awareness activities, including for key management personnel, in order to embed a strong cyber risk culture. As part of the Enterprise and Risk

Control Framework, the CSS(E)L Board as well as the CSS(E)L risk management committee are given updates on the broader technology risk exposure.

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

Evaluation and management of non-financial risks

We aim to maintain the integrity of our business, operations and reputation as a core principle guiding the management and oversight of non-financial risks by ensuring that our day-to-day operations are sustainable and resilient, do not expose us to significant losses and enable our employees to make decisions and conduct business in line with our values and desired reputation as a firm.

Each business area and function is responsible for its risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated second line of defence functions responsible for independent risk and compliance oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise. Businesses and relevant control functions meet regularly to discuss risk issues and identify required actions to mitigate risks.

The Non-Financial Risk function oversees the established NFRF, providing a consistent and unified approach to evaluating and monitoring the Bank's non-financial risks. Non-financial risk appetites are established and monitored under the CS AG risk appetite framework, aligned with the NFRF which sets common minimum standards for non-financial risk and control processes and review and challenge activities. Risk and control assessments are in place for the Bank, consisting of the risk and control self-assessments and compliance risk assessment. Key non-financial risks are identified annually and represent the most significant risks requiring senior management attention. Where appropriate, remediation plans are put in place with ownership by senior management and ongoing oversight by relevant committees.

Governance of non-financial risks

Effective governance processes establish clear roles and responsibilities for managing non-financial risks and define appropriate escalation processes for outcomes that are outside expected levels. We utilise a comprehensive set of policies and procedures that set out how employees are expected to conduct their activities, including clearly defined roles for each of the three lines of defence to achieve appropriate segregation of duties.

Non-Financial Risk is responsible for setting minimum standards for managing non-financial risks at the CS AG level. This includes ensuring the cohesiveness of policies and procedures, tools and practices throughout CS AG, particularly with regard to the identification, evaluation, mitigation, monitoring and reporting of these risks. Other second line of defence oversight functions are responsible for setting supplemental policies and procedures where applicable.

Non-financial risk exposures, metrics, issues and remediation efforts are discussed in various risk management committees across the organisation, including in the Non-Financial Risk and Resilience Committee ('NFRRC') which escalates to the ExB RMC, and in divisional risk management committees and relevant thematic risk committees which escalate to the NFRRC. Key, significant and trending non-financial risk themes are discussed in governance forums where appropriate, including risk themes that may emerge due to significant internal or external events and any corresponding tactical or strategic control enhancements that may be required in order to maintain adequate internal controls in response to such events.

For conduct risk, periodic monitoring of metrics is based on thresholds set by severity level, with material trends identified and escalated as appropriate to senior management.

bottom-up process collating the main themes arising from the RCSA and compliance risk assessment processes. Where appropriate, remediation plans are put in place with ownership by senior management.

Stress Testing, Scenarios and Capital Modelling

CSS(E)L uses the Basic Indicator Approach to determine its Pillar 1 capital requirement in respect of operational risk.

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

For Pillar 2A, a capital adequacy assessment is conducted by combining both historical loss incidents, scenarios and business expert judgment. Historical operational risk loss benchmarks (internal and external) and operational risk scenarios are used to determine the respective exposure under a qualitative framework.

CSS(E)L uses its operational risk models and the qualitative framework for regulatory capital calculations, operational loss projections, external financial disclosures, and other purposes. It is therefore necessary that each operational risk model and qualitative framework is subject to comprehensive, rigorous and consistent development within a modelling framework. This mitigates model risk, ensuring that models function according to the

intended purpose and are compliant to all applicable regulatory requirements.

Scenarios are developed and leveraged for the operational risk capital adequacy assessment process within a rigorous framework.

The scenarios are a risk management tool that outline hypothetical events that may occur in relation to key or material risks

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

OR1 – Operational risk own funds requirements and risk-weighted exposure amounts

Banking activities end of 2023 (USD million)	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	2021	2022	2023		
Banking activities subject to basic indicator approach (BIA)	544	249	58	43	532
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	–	–	–	–	–
Subject to TSA:	–	–	–	–	–
Subject to ASA:	–	–	–	–	–
Banking activities subject to advanced measurement approaches AMA	–	–	–	–	–

Reputational Risk

Overview

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

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

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

In both these cases, CSS(E)L accepts reputational risk only where the Company can justify at the time decisions are taken that:

- The activity is in line with the Group's stated Code of Conduct, and Conduct and Ethics Standards
- Informed judgment is exercised in line with the internal sector policies and thematic guidelines, including region specific concerns or mitigation, where applicable;
- matters have been subject to governance review in line with relevant escalation criteria.

CSS(E)L has no appetite for engaging in activity that exposes the Company to reputational risk where these conditions are not met.

CSS(E)L has adopted the CS Global Policy on Reputational Risk ('the Policy') which states that all personnel are responsible for -assessing the potential reputational impact of any activity in which they engage, and for determining whether those activities require submission for review through the Reputational Risk Review Process ('RRRP'). From Q1 2024 the UBS Reputational Risk Management policy has incorporated and replaced the CS Reputational Risk policy. While the CS Reputational Risk policy is being decommissioned, the supporting procedures detailing roles and responsibilities and escalation process for the RRRP are being incorporated into the integrated Group policy, and continue to apply for activities in the respective CS Banking Group Entities, including CSS(E)L, until merged with UBS Banking Group Entities.

How Risks are Managed

The Reputational Risk Review Process is a senior level independent review of issues that may have an impact on the Bank's reputation. It is supported by the RRRP Tool which is a web-based tool for processing submissions. Any employee who determines that they are engaged in, or considering an activity that may put the Bank's reputation at risk must submit that activity through the RRRP for review before the Bank is committed to pursuing or executing it from a legal or relationship standpoint.

Process and Governance

The ExB RMC has oversight for Reputational Risk management and has appointed the CS Non-Financial Risk & Resilience Committee ('NFRRC') responsible for appetite, reporting, and controls, and the Group Client Risk Committee ('GCRC') and Divisional Client Risk Committees ('DCRCs') responsible for client onboarding, transactions and investment reviews. Reputational Risk Management consists of a Reputational Risk Framework function and divisional/ regional Reputational risk offices supporting the RRRP.

Reputational Risk Approvers ("RRAs") are subject matter experts and senior risk managers independent from the business. All RRA decisions in the RRRP are predicated on the relevant Divisional Approver's ('DA') review and approval. The RRA is responsible for holistically assessing whether the identified reputational risks and the mitigation presented by the business (and other support areas) is acceptable and the proposed activity is within the Bank's risk appetite for reputational risk. From a UK perspective, DAs are aligned to the appropriate Senior Manager under the UK SMR, and have a supervisory responsibility to be accountable for the business booked out of their division into the UK legal entities.

The RRA may also escalate a submission to the CS Global IB Divisional Client Risk Committee ('DCRC') or Group Client Risk Committee ('GCRC') based on the applicable DCRC / GCRC escalation criteria, or at their discretion. The DCRC is comprised of senior regional management from the divisions, corporate functions and CSS(E)L entity management. Clients deemed to carry the highest compliance and reputational risks are escalated to the GCRC. Once a submission has been escalated, the final decision cannot be taken until the escalation process has been concluded.

For an interim period, to meet legal and regulatory commitments for CS legal entities prior to full legal integration closure, until the DCRC responsibilities are transferred to the Management Team ('MT') or equivalent committee, CSS(E)L originated booked activity or transaction is subject to CS reputational risk review in the first instance, with escalation to UBS Reputational Risk MTs as required. Reputational risk cases escalated to the CS Global IB DCRC are also to be raised to the relevant UBS divisional Reputational Risk Committees to ensure appropriate approvals are obtained. The business ensure alignment with UBS counterparts prior to the DCRC meetings held and that criteria for data sharing are met.

Liquidity Risk

Overview

Liquidity and Funding ('L&F') risk is an inherent consequence of being in business. We define the principles and associated responsibilities to make sure we prudently manage L&F risk at CS, part of the UBS group.

Liquidity risk is the risk that a bank is unable to meet business-as-usual or stress cash/collateral flows and Funding risk is being unable to borrow funds to support the firm's current business and desired strategy.

Liquidity at CSS(E)L is managed primarily by Treasury, independently overseen by Treasury Risk Control.

Risk Appetite

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

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

The Adequacy of Liquidity Risk Management

CSS(E)L was in adherence with all relevant funding and liquidity constraints as of December 31, as such the adequacy of its short, medium and longer-term liquidity positions as per the current Risk Appetite and limit framework is confirmed at this point in time.

Full details of how CSS(E)L maintains liquidity and funding adequacy is comprehensively described in the Internal Liquidity Adequacy Assessment document. It sets out CSS(E)L approach to liquidity and funding and is approved by the Board.

The purpose of the document is to provide the CSSEL Board with an assessment of the liquidity risk in CSSEL under both our internal stress measure (Liquidity Barometer) and the regulatory defined stress measures Liquidity Coverage Ratio, inclusive of PRA interim Pillar 2 add-ons, and the Net Stable Funding Ratio.

The ILAAP document approved by the CSS(E)L Board must be consistent with the risk appetite set by the BoD. It also must be consistent with the Company's approach for measuring and managing liquidity and funding risks. The management body is also expected to ensure that the ILAAP is well integrated into management processes and the Company's decision-making culture.

Liquidity significant events

In March 2023, there was extraordinary turbulence in the financial markets across the globe, and Credit Suisse became the subject of commentary and speculation. This resulted in accelerated deposit outflows and a significant deterioration in liquidity. Between March 16-20, 2023, the Swiss National Bank ('SNB') granted Credit Suisse access to facilities that provided substantial additional liquidity, including an Extended Fund Facility ('EFF'), Emergency Liquidity Assistance ('ELA') and a Public Liquidity Backstop ('PLB'). These have provided liquidity support to Credit Suisse, a portion of which was supported by default guarantees provided by the Swiss government. The improved liquidity situation and the ability to transfer funding between the UBS and Credit Suisse entities have allowed Credit Suisse to continue to repay the various liquidity facilities.

Credit Suisse fully repaid the ELA+ loans as of August 10, 2023. Following a comprehensive review with UBS of the funding situation, Credit Suisse voluntarily terminated the PLB agreement with the SNB and the Swiss Federal Department of Finance as of August 11, 2023. The ELA+ facility was also fully repaid by August 10, 2023. A partial ELA payment was made on 22 March 2024.

CSS(E)L has a letter of intent from CS AG ensuring support for meeting CSS(E)L's debt obligations and maintaining a sound financial position over the next 18 months from 22 September 2023.

Strategies and Processes in the Management of the Liquidity Risk

The liquidity and funding strategy is proposed by Group Treasury and approved by the Group Asset and Liability Committee (the Group ALCO), which is a committee of the Group Executive Board (the GEB) that is overseen by the Risk Committee of the Board of Directors (the BoD).

Liquidity and funding limits and other indicators (including early-warning indicators) are set at Group and, where appropriate, at legal entity and business division levels, and are reviewed and reconfirmed at least once a year by the BoD, the GEB, the Group ALCO, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group Treasurer, taking into consideration the Group's business strategy and risk appetite. Treasury Risk Control provides independent oversight over liquidity and funding risk.

The CSSEL RMC is responsible for setting liquidity risk limits which are in place to strictly control the risk profile within the Board risk appetite. A breach of a limit requires immediate mitigating action to reduce risk below the limit. The CSS(E)L RMC is chaired by the EMEA and CSi CSSEL CRO.

The implementation and execution of the liquidity and funding strategy is managed by Treasury. Treasury ensures adherence to the funding policy and the efficient coordination of secured funding desks. Treasury is supported by the business divisions to manage the Bank's high quality liquid assets, short-term and medium-term liquidity. Treasury guides the business divisions on consumption and generation of funding and liquidity.

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

Structure and Organisation of the Liquidity Risk Management Function

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

The CSS(E)L Treasury Risk Control team has a direct reporting line to the Head of CS CRO Treasury and a dotted line to EMEA Chief Risk Officer.

The Three Lines of Defence Model is adopted by the Bank for managing liquidity risks to ensure appropriate segregation of duties between those responsible for risk constraint, independent risk management and risk assurance activities.

The liquidity risk governance model follows the three lines of defense ('3LoD') model, with the Group Board of Directors and local Boards (where applicable) set the L&F risk appetite. The Group ALCO and local ALCOs oversee L&F risk management: 1st Line of Defense ('LoD'): Business divisions and Treasury.

2nd LoD: Risk Control teams.

Third Line of Defence sits with Internal Audit.

Overview of the Group Treasury Function

Treasury is responsible, as the first line of defense, and the business divisions, for managing the group's overall liquidity risk through the Liquidity Risk Management Strategy. The mandate of Treasury is to provide funding, liquidity, and capital at favourable conditions to the group, and to manage the group's liquidity portfolio. As part of their mandate, Treasury manage day-to-day liquidity, oversee all secured and unsecured funding activities, and manage the money market funding desks.

Overview of the Group Governance Structure

Group Treasury monitors and oversees the implementation and execution of our liquidity and funding strategy and manages liquidity and funding risk within the limits and other relevant indicators, thereby adhering to the internal risk appetite and regulatory requirements. This includes close control of both our cash and collateral, including our HQLA, and centralizes the Group's access to wholesale cash markets in Group Treasury. To complement our business-as-usual management, Group Treasury maintains a Contingency Funding Plan and contributes to plans for recovery and resolution to define procedures throughout the crisis continuum. Group Treasury reports on the Group's liquidity and funding status and position, including concentration risk, at least monthly, to the Group ALCO and the Risk Committee of the BoD.

Liquidity Risk Reporting and Measurement Systems

LMR (Liquidity Measurement and Reporting) produces both regulatory reports and MI reporting, which supports EMEA Treasury in their decision-making processes. The liquidity MIS reports being produced by LMR, including commentary, are distributed on a regular basis to EMEA Treasury Regional Management, M Senior Management, and to regulators where required.

The LCR is used as one of the Company's primary tools, in parallel with the internal liquidity model (referred to as the Barometer),

PRA 110 and the NSFR, to monitor the structural liquidity position and plan funding.

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

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

The PRA110 Cash Flow Mismatch regulatory reporting requirements have been introduced in July 2019. The PRA requires the report for the monitoring of key metrics including survival days, net liquidity position, worst net liquidity position and peak cumulative net outflows. The PRA110 covers both short-term and medium term risks, cash flow mismatches and liquidity cliffs.

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

Outline of CSSEL's contingency funding plan

The CSS(E)L Contingency Funding Plan ('CFP') ensures that the entities can respond and successfully manage varying degrees of liquidity and funding stresses.

The plan specifies the processes, tools and responsibilities that we have available to effectively manage liquidity and funding through these periods. Our contingent funding sources include our HQLA portfolios and other actions available to the management.

The document outlines and describes the CFP Governance, Triggers and Trigger Levels for CFP, Liquidity and Funding Remedial options, CFP testing, Lessons learned during recent tests and live activations and provides an overview on how CS maintains its Contingency Funding Plan and Recovery.

Processes for Hedging and Mitigating the Liquidity Risk

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

The Barometer framework also allows Treasury to manage liquidity to a desired profile under stress to be able to continue to pursue activities for a period of time, without changing business plans during times of stress. The PRA110 and the NSFR are produced monthly.

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

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

LCR Disclosure Template

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

LIQ1 – Quantitative information of LCR

CSIUK USD million (Quarter ending on)	Total unweighted value (average)				Total weighted value (average)			
	31.12.23	30.09.23	30.06.23	31.03.23	31.12.23	30.09.23	30.06.23	31.03.23
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					1,638	1,651	2,427	3,501
CASH – OUTFLOWS								
Unsecured wholesale funding	32	43	217	228	32	43	217	228
<i>Non-operational deposits (all counterparties)</i>	32	43	217	228	32	43	217	228
<i>Secured wholesale funding</i>					10	38	65	98
Additional requirements	543	739	951	1,112	543	739	951	1,112
<i>Outflows related to derivative exposures and other collateral requirements</i>	543	739	951	1,112	543	739	951	1,112
Other contractual funding obligations	8	10	11	9	0	0	0	0
Other contingent funding obligations	132	132	132	135	132	132	132	135
TOTAL CASH OUTFLOWS					717	952	1,364	1,573
CASH – INFLOWS								
Secured lending (e.g. reverse repos)	1,747	1,768	2,548	3,592	2	5	8	16
Inflows from fully performing exposures	416	439	503	642	416	439	503	642
Other cash inflows	0	0	0	0	0	0	0	0
TOTAL CASH INFLOWS	2,163	2,207	3,051	4,234	418	444	511	658
Fully exempt inflows	0	0	0	0	0	0	0	0
Inflows subject to 90% cap	0	0	0	0	0	0	0	0
Inflows subject to 75% cap	2,155	2,191	3,018	4,164	418	444	511	658

LIQ1: LCR

CSIUK USD million (Quarter ending on)	Total weighted value (average)			
	31.12.23	30.09.23	30.06.23	31.03.23
Number of data points used in the calculation of averages	12	12	12	12
TOTAL ADJUSTED VALUE				
Liquidity buffer	1,638	1,651	2,427	3,501
Total net cash outflows	331	521	853	919
Liquidity coverage ratio (%)	844.6%	550.4%	336.5%	474.3%

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

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

LIQ2: Net Stable Funding Ratio

end of 2023 (USD million)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding ('ASF') Items					
Capital items and instruments	1,883	–	–	–	1,883
Own funds	1,883	–	–	–	1,883
Wholesale funding:	–	1,281	0	400	400
Other wholesale funding	–	1,281	0	400	400
Other liabilities:	189	412	–	145	145
NSFR derivative liabilities	189	–	–	–	–
All other liabilities and capital instruments not included in the above categories	–	412	–	145	145
Total available stable funding (ASF)	2,072	1,693	0	545	2,428
Required stable funding ('RSF') Items					
Performing loans and securities:	–	2,423	–	542	593
Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut	–	1,704	–	–	–
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions	–	718	–	267	358
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products	–	1	–	275	235
Other assets:	–	593	–	868	914
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	14	–	–	12
NSFR derivative liabilities before deduction of variation margin posted	–	564	–	–	28
All other assets not included in the above categories	–	15	–	868	874
Off-balance sheet items	–	132	–	–	7
Total RSF	–	3,148	–	1,409	1,514
Net Stable Funding Ratio (%)					160.1%

Concentration of Funding and Liquidity Sources

CSS(E)L has the following funding related risk appetite, that is, to ensure that the Company has sufficient long-term funding to maintain franchise assets at a constant level under stressed market conditions for up to one year.

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

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

Funding Profile

CSS(E)L holds a mix of term unsecured funding supplied by CS AG London Branch, which mitigates its short-term funding risk. Treasury reviews secured funding profile changes and wider secured funding related activity. The function also works closely with business divisions to understand and forecast material changes in activity whether short, medium, or long-term and its potential impact on internal and regulatory metrics. Treasury Risk Control have also established several controls which are set at entity levels and used to highlight any material changes to the asset pool, secured funding profile, including counterparty concentrations.

Funding Concentration Framework

Group Treasury monitors our funding position, including concentration risk, aiming to ensure that we maintain a well-balanced

and diversified liability structure. It is CSS(E)L's funding strategy to maintain a prudent profile.

The established governance supports the identification of concentration risks, as well as a forward-looking approach to concentration risk management as in the tenor concentration view. Limits and/or early warning indicators are defined by Risk governance bodies or its delegated authority e.g. Head of CS Treasury Risk UK, based on the CSS(E)L Board Risk Appetite. Concentration risk exposures, where relevant, are discussed at the RMC, and Liquidity and Treasury Risk Committee meetings; mitigations are devised and escalated accordingly.

Derivative Exposures and Potential Collateral Calls

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

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

Currency Coverage

Currency coverage is monitored locally for CSS(E)L via an internal measure based on the Barometer, the Barometer by Currency. The framework places controls around potential cross currency mismatches and highlights situations where liquidity deficits are developing due to structural long and short positions in various currencies. These controls are intended to encourage management decision making and planning regarding the currency composition of funding activities.

Interest Rate Risk in the Banking Book

Overview

CSS(E)L manages the interest rate risk in the Banking Book which includes monitoring the potential impact of changes in interest rates. CSS(E)L's interest rate risk exposures in non-trading positions arise primarily from Treasury and funding activity, with the majority of interest rate risk transferred to and centrally managed by Treasury on a portfolio basis within approved limits using appropriate hedging instruments. The CSS(E)L RMC defines interest rate risk appetite on an annual basis. Furthermore, the committee set risk limits for interest rate risk the Banking book which are monitored on at least a monthly basis.

Risk Measurement

The risks associated with the non-trading interest rate-sensitive portfolios are measured using a range of tools, including the following key metrics:

- **interest rate sensitivity ('DV01')**: expresses the linear approximation of the impact on a portfolio's fair value resulting from a one basis point (0.01%) parallel shift in yield curves, where the approximation tends to be closer to the true change in the portfolio's fair value for smaller parallel shifts in the yield curve. The DV01 is a transparent and intuitive indicator of linear directional interest rate risk exposure, which does not rely on statistical inference. The interest rate sensitivity is measured and reported on a daily basis;
- **VaR**: a statistical indicator of the potential fair value loss, taking into account the observed interest rate moves across yield curve tenors and currencies. In addition, VaR takes into account yield curve risk, spread and basis risks, as well as foreign exchange and equity risk; and

- **Delta Economic Value of Equity**: expresses the impact of a pre-defined scenario (e.g. instantaneous changes in interest rates) on a portfolio's fair value. This metric does not rely on statistical inference.

These measures focus on the impact on a fair value basis, taking into account the present value of all future cash flows associated with the current positions. The metrics estimate the impact on the economic value of the current portfolio, since most non-trading books are not marked-to-market and ignore the development of the portfolio over time.

CSS(E)L's Banking Book does not include any replicated non-maturing deposits or loans with prepayment options.

Monitoring and Review

The economic impacts of adverse parallel shifts in interest rates were significantly below the threshold of 20% of eligible regulatory capital used by regulators to identify excessive levels of non-trading interest rate risk. This risk is not capitalised within the Pillar 1 regime, rather, it is analysed within the ICAAP and addressed within CSS(E)L's Pillar 2 capital requirement.

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

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

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

As at 31 December	USD	GBP	EUR	CHF	Other	Total
Fair value impact of a one-basis-point parallel increase in yield curves	(6)	5	0	–	3	2

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

As at 31 December	USD	GBP	EUR	CHF	Other	Total
Basis points movement + / (-)						
200	(8)	(0)	0	0	0	(8)
100	(2)	0	0	0	0	(2)
-100	(1)	(1)	(0)	0	(0)	(2)
-200	(5)	(2)	(0)	0	(0)	(8)

Leverage

Overview

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

In conjunction with other regulatory and capital metrics such as RWA levels, leverage ratios are actively monitored and managed within CSS(E)L's capital management and governance process. Similar to the CS group, internal requirements including an internal management buffer are developed and monitored. This process is flexible and addresses requirements from both changes in regulatory rules and internal business development to ensure CSS(E)L continues to meet external and internal capital requirements.

CSS(E)L's stress testing framework considers the impact on leverage ratios of both internal and regulator-prescribed stress tests. The impact on the leverage ratio is considered as part of the ICAAP, using the same underlying procedures and resources as applied for stressing capital ratios. The quantitative tools applied are leveraging approaches and methodologies applied for stress testing P&L and capital requirements complemented with specific approaches for off-balance sheet items where relevant. The internal objective of the ICAAP stress test for leverage ratio is to ensure CSS(E)L's leverage ratio under stress remains above its minimum regulatory requirement at all times during the stress test horizon.

The ILAAP describes how the funding mismatches risk driver captures the risk arising from longer term, structural mismatches in the current assets vs. liability maturity profile. The risk arises as the contractual or expected maturity profiles of assets differ compared to those of liabilities. In particular, if assets with long-dated

maturities are funded via liabilities which are predominantly short-term, in prolonged stress events, CSS(E)L may face liquidity shortfalls due to limited ability to raise sufficient funding to replace maturing liabilities (as well as the continued need to fund assets). For CSS(E)L, the major mechanism in place to measure, monitor, and manage long-term structural funding risk are the Barometer 2.0 365 day (and its low point) as well as the NSFR.

Asset Encumbrance ('AE') highlights the amount of the banks' assets, which are pledged or otherwise committed to counterparties to secure, collateralise or credit-enhance a transaction, such that the assets cannot be freely transferred, withdrawn, liquidated, sold or disposed. In CSS(E)L, AE is reported by Liquidity Measurement and Reporting ('LMR') under normal (BaU) and stressed conditions (contingent encumbrance). Liquidity Risk Management have set a stressed asset encumbrance metric to which Treasury Planning adhere to. The UK IB ALM CARMC receives a monthly report that outlines AE ratio and stressed AE metrics broken down by product types and credit quality.

In an event if leverage ratio requirement becomes binding constraint and stress results show increase in leverage exposure due to excessive risk, to meet the leverage ratio requirements, appropriate management actions will be executed including an injection of eligible capital or reduction in business footprint.

Factors Impacting the Leverage Ratio during the Period

CSIUK's leverage ratio decreased in the year mainly driven by the decrease in capital due to the dividend payment, partly offset by the decrease in the leverage exposure measure as the entity winds down.

LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

end 2023 (USD million)		Applicable amount
1	Total assets as per published financial statements	6,022
8	Adjustment for derivative financial instruments	(951)
9	Adjustment for securities financing transactions (SFTs)	23
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	131
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(45)
12	Other adjustments	(388)
13	Total exposure measure	4,792

LR2 – LRCOM: Leverage ratio common disclosure Leverage ratio exposures Leverage ratio exposures

	end 2023 (USD million)	Q4 2023	Q4 2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	2,255	2,791
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	13	26
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(13)	(26)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(51)	(61)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,204	2,731
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	641	687
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	126	166
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	(7)
11	Adjusted effective notional amount of written credit derivatives	172	172
13	Total derivatives exposures	939	1,019
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,496	1,680
16	Counterparty credit risk exposure for SFT assets	23	44
18	Total securities financing transaction exposures	1,518	1,724
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	131	130
22	Off-balance sheet exposures	131	130
Capital and total exposure measure			
23	Tier 1 capital (leverage)	1,343	2,264
24	Total exposure measure including claims on central banks	4,792	5,604
UK-24b	Total exposure measure excluding claims on central banks	4,792	5,604
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	28.02%	40.41%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	28.02%	40.41%
	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and UK-25b losses measured at fair value through other comprehensive income had not been applied (%)	0.00%	0.00%
UK-25c	Leverage ratio including claims on central banks (%)	28.02%	40.41%
26	Regulatory minimum leverage ratio requirement (%)	3.25%	3.00%

LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	end 2023 (USD million)	Leverage ratio exposures
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,255
UK-2	Trading book exposures	176
UK-3	Banking book exposures, of which:	2,079
UK-4	Covered bonds	–
UK-5	Exposures treated as sovereigns	6
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	–
UK-7	Institutions	593
UK-10	Corporates	1,476
UK-11	Exposures in default	–
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	4

Asset Encumbrance

Overview

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

Collateralisation Agreements entered into for Securing Liabilities

Secured lending and stock borrow/loan transactions are principally governed by GMRA and GMSLA. These agreements generally focus on the mechanism of collateral delivery, income on the collateral positions and other impacts (e.g. corporate actions occurring on collateral or failure to deliver).

Collateral

Collateral postings on derivatives transactions are principally governed by ISDA agreements, including CSA documentation. These agreements determine the asset type used to satisfy collateral obligations and any re-hypothecation restrictions related

to derivatives collateralisation. Collateral pledged to the CSIUK group in excess of the minimum requirement, and collateral owed by the CSIUK group to counterparties which has not yet been called is considered as part of the internal monitoring procedures for the management of asset encumbrance.

Encumbered Assets

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

Unencumbered Assets

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

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

AE1 – Encumbered and unencumbered assets

end of 2023 (USD million)	Carrying amount of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	628	6,023	0
Equity instruments	0	8	8
Debt securities	0	4	4
of which: issued by financial corporations	–	3	3
Other assets	628	6,011	–

AE2 – Collateral received and own debt securities issued

end of 2023 (USD million)	Fair value of encumbered collateral received or own debt securities issued	Unencumbered		
		Fair value of collateral received or own debt securities issued available for encumbrance	of which notionally eligible EHQLA and HQLA	of which EHQLA and HQLA
Collateral received by the reporting institution	648	632	1,791	1,619
Equity instruments	16	–	89	–
Debt securities	632	632	1,701	1,619
of which: issued by general governments	632	632	1,693	1,619
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	1,305	632		

AE3 – Sources of encumbrance

end of 2023 (USD million)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	904	959

Appendix 1: CSS(E)L

Overview

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

The CSIUK regulatory consolidation group contains CSIUK, its subsidiary CSIHUK, its indirect subsidiary CSS(E)L. Accordingly, the vast majority of risk and associated capital requirements arise from the activity of CSS(E)L.

Accordingly, the quantitative Pillar 3 disclosures for CSS(E)L are presented only where they differ materially from the disclosures of the CSIUK group at 31 December 2023 and are shown in the following tables:

- Key Metrics
- RWA and capital requirements; and
- Leverage ratio.

KM1 – Key metrics template

end 2023 (USD million) CSSEL	Q4 2023	Q4 2022
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	1,332	2,257
Tier 1 capital	1,332	2,257
Total capital	1,332	2,257
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	2,614	3,962
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	50.9%	57.0%
Tier 1 ratio (%)	50.9%	57.0%
Total capital ratio (%)	50.9%	57.0%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)	7.0%	5.8%
Additional AT1 SREP requirements (%)	2.3%	1.9%
Additional T2 SREP requirements (%)	3.1%	2.6%
Total SREP own funds requirements (%)	20.5%	18.4%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%
Institution specific countercyclical capital buffer (%)	0.6%	0.2%
Systemic risk buffer (%)	0.0%	0.0%
Global Systemically Important Institution buffer (%)	0.0%	0.0%
Other Systemically Important Institution buffer	0.0%	0.0%
Combined buffer requirement (%)	3.1%	2.7%
Overall capital requirements (%)	23.6%	21.1%
CET1 available after meeting the total SREP own funds requirements (%)	0.0%	0.0%
Leverage ratio		
Leverage ratio total exposure measure	4,792	5,604
Leverage ratio	27.8%	40.3%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
Overall leverage ratio requirements (%)	3.25%	3.00%

OV1 – Overview of risk weighted exposure amounts

CSSEL	RWAs		Total own funds requirements
end of	2023	2022*	2023
USD million			
Credit risk (excluding CCR)	1,197	1,240	97
Of which the standardised approach	361	255	29
Of which equities under the simple risk weighted approach	3	6	–
Of which the advanced IRB (AIRB) approach	688	888	55
Counterparty credit risk – CCR	591	632	47
Of which the standardised approach	107	128	9
Of which internal model method (IMM)	53	89	4
Of which credit valuation adjustment – CVA	409	369	33
Of which other CCR	22	46	2
Position, foreign exchange and commodities risks (Market risk)	259	439	20
Of which the standardised approach	81	99	6
Of which IMA	178	340	14
Large exposures	0	317	0
Operational risk	567	1,334	45
Of which basic indicator approach	567	1,334	45
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	3	93	–
Total	2,614	3,962	209

Note:

* Pillar 1 buffers are included in Credit Risk in order to align the numbers with the reporting instructions. In addition, 2022 RWA numbers have been restated to align with Dec'22 COREP final submission numbers.

LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

end 2023 (USD million) CSSEL		Applicable amount
1	Total assets as per published financial statements	6,013
8	Adjustment for derivative financial instruments	(953)
9	Adjustment for securities financing transactions (SFTs)	23
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	131
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(45)
12	Other adjustments	(377)
13	Total exposure measure	4,792

LR2 – LRCom: Leverage ratio common disclosure Leverage ratio exposures Leverage ratio exposures

end 2023 (USD million) CSSEL		Q4 2023	Q4 2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	2,255	2,791
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	13	26
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(13)	(26)
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(51)	(61)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	2,204	2,731
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	641	687
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	126	166
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	(7)
11	Adjusted effective notional amount of written credit derivatives	172	172
13	Total derivatives exposures	939	1,019
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,496	1,680
16	Counterparty credit risk exposure for SFT assets	23	44
18	Total securities financing transaction exposures	1,518	1,724
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	131	130
22	Off-balance sheet exposures	131	130
Capital and total exposure measure			
23	Tier 1 capital (leverage)	1,332	2,257
24	Total exposure measure including claims on central banks	4,792	5,604
UK-24b	Total exposure measure excluding claims on central banks	4,792	5,604
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	27.79%	40.27%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	27.79%	40.27%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	0.00%	0.00%
UK-25c	Leverage ratio including claims on central banks (%)	27.79%	40.27%
26	Regulatory minimum leverage ratio requirement (%)	3.25%	3.00%

LR3 – LRSpI: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

end 2023 (USD million) CSSEL		Leverage ratio exposures	
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,255	
UK-2	Trading book exposures	176	
UK-3	Banking book exposures, of which:	2,079	
UK-4	Covered bonds	–	
UK-5	Exposures treated as sovereigns	6	
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	–	
UK-7	Institutions	593	
UK-10	Corporates	1,476	
UK-11	Exposures in default	–	
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	4	

Appendix 2: Capital Instruments' Main Features

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

No.	Term	
1	Issuer	Credit Suisse Investments (UK)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a	Public or private placement	N/A
3	Governing law(s) of the instrument	English
Regulatory treatment		
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common Shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	\$194.3
9	Nominal amount of instrument	\$194.3
9a	Issue price	Par
9b	Redemption price	Par
10	Accounting classification	Shareholders Equity
11	Original date of issuance	26.02.99
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
Coupons / dividends		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
UK-34b	Ranking of the instrument in normal insolvency proceedings	N/A
23	Convertible or non-convertible	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 1
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A

Appendix 3: Directorships

CSIUK's and CSS(E)L's Board Members hold the following number of directorships as at 01 March 2024:

Directorships

	Gender	Independent	Appointment Date ¹	Total Number of Directorships
Graham Cox	M		11.01.23	1
Paul Hare	M		07.07.10	1
Caroline Waddington	F		05.04.17	1

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

Directorships

CSSEL	Gender	Independent	Appointment Date ¹	Total Number of Directorships
J Devine	M	Independent	01.11.17	3
M Ebert	M		25.01.23	1
E Jenkins	M		06.07.22	1
D Todd	M	Independent	13.10.22	2
C Waddington	F		31.03.17	1
S O'Cuinn	M		11.04.24	1

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

Appendix 4: List of Abbreviations and Glossary

Term	Definition
A	
AIRB	Advanced Internal Ratings-Based: the AIRB Approach is a method of deriving risk weights using internally assessed, rather than supervisory, estimates of risk parameters (eg. for PD, LGD).
ABS	Asset-backed security.
AT1	Additional Tier 1 capital: a form of capital eligible for inclusion in Tier 1, but outside the definition of CET1.
B	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
BCBS	Basel Committee on Banking Supervision.
C	
CCB	Countercyclical capital buffer: prescribed under Basel III and CRD IV and aims to ensure that capital requirements mitigate potential future losses arising from excess credit growth and hence increased system-wide risk.
CCF	Credit conversion factor: represents an estimate of undrawn commitments drawn down at the point of default.
CCP	Central counterparty.
CCR	Counterparty credit risk.
CCRMTM	Counterparty credit risk mark-to-market method: a regulatory prescribed method for calculating exposure values in respect of counterparty credit risk.
CDO	Collateralised debt obligation.
CET1	Common Equity Tier 1: the highest quality level of regulatory capital prescribed under Basel III (and by CRD IV in the EU).
CET 1 ratio	CET1 expressed as a percentage of RWAs.
CQS	Credit quality step: a supervisory credit quality assessment scale, based on the credit ratings of ECAIs, and used to assign risk weights under the Standardised Approach.
CRD	Capital Requirements Directive: EU legislation implementing Basel III (and previously Basel II) in the EU.
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation: EU legislation implementing Basel III in the EU.
CVA	Credit valuation adjustment: a capital charge under Basel III (CRD IV) covering the risk of mark-to-market losses on expected counterparty risk on derivative exposure arising from deterioration in a counterparty's credit worthiness.
E	
EAD	Exposure at default: the net exposure prior to taking account of any credit risk mitigation at the point of default.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
ECAI	External Credit Assessment Institutions.
Expected loss	The downturn loss on any exposure during a 12-month time horizon calculated by multiplying EAD by PD and LGD.
F	
FLP	Fund-linked product.
I	
ICAAP	Internal capital adequacy assessment process: a risk-based assessment of the level of regulatory capital to be held by a bank or firm. This may exceed the Pillar 1 capital requirement.
IFRS	International Financial Reporting Standards.
IMA	Internal Models Approach: used in the calculation of market risk capital requirements.
IRC	Incremental risk charge: a capital add-on to VAR calculated in respect of the potential for direct loss due to an internal or external rating downgrade (or upgrade) as well as the potential for indirect losses arising from a credit mitigation event.
ISDA	International Swaps and Derivatives Association.
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.

Term	Definition
L	
Leverage ratio	A calculation prescribed under Basel III (and CRD IV) to measure the ratio of total exposures to available Tier 1 capital.
LGD	Loss given default: the estimated ratio of loss to the amount outstanding at default (EAD) as a result of any counterparty default.
M	
Master netting agreement	An agreement between two counterparties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on, or termination of any one contract.
P	
PD	Probability of default: is the probability of an obligor defaulting within a one-year horizon.
PFCE	Potential future credit exposure.
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRD IV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRD IV prescribed capital, risk and remuneration disclosure requirements.
PRA	Prudential Regulation Authority.
R	
RBA	Ratings-Based Approach: an AIRB approach to securitisations using risk weights derived from ECAI ratings.
RCSA	Risk and control self-assessment.
RDM	Risk Data Management
RMC	Risk Management Committee.
RNIV	Risks not in VaR.
RWA	Risk-weighted asset: derived by assigning risk weights to an exposure value.
S	
SFA	Supervisory Formula Approach.
SFT	Securities financing transaction: lending or borrowing of securities (or other financial instruments), a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
SME	Small and medium-sized enterprise.
SRB	Systemic risk buffer: a capital buffer under CRD IV deployed by EU member states to reduce build-up of macro-prudential risk.
SREP	Supervisory Review and Evaluation Process.
Stressed VaR	A market risk capital charge derived from potential market movements applied over a continuous one-year period of stress to a trading book portfolio.
SRW	Supervisory Risk Weights Approach
T	
Tier 1 capital	A component of regulatory capital, comprising CET1 and AT1 capital.
Tier 1 capital ratio	The ratio of Tier 1 capital to total RWAs.
Tier 2 capital	A lower quality of capital (with respect to 'loss absorbency') also known as 'gone concern' capital.
Trading Book	Positions held with intent to trade or to hedge other items in the Trading Book.
V	
VaR	Value-at-risk: loss estimate from adverse market movements over a specified time horizon and confidence level.
W	
WWR	Wrong-way risk: risk exposure to a counterparty is adversely correlated with a counterparty's credit quality.



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