CREDIT SUISSE
Part of UBS Group

Pillar III disclosures for the year ending December 31, 2023

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1 Introduction

This report presents the Pillar III disclosures of Credit Suisse (Luxembourg) S.A. (hereafter "CSL" or "the Bank"). The disclosures presented as part of this report include information of CSL combined with its branches.

The Pillar III framework has been introduced by the Basel III framework and it has been implemented at European level through Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (most commonly referred to as the Capital Requirements Regulation or the "CRR") and Directive 2013/36/EU on access to the activity credit institutions and the prudential supervision of credit institutions and investment firms (most commonly referred to as the Capital Requirements Directive IV or the "CRD IV").

In addition to the CRR/CRD IV framework, the European Banking Authority (most commonly referred to as the "EBA") has also published guidelines on "disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA/GL/2016/11).

At Luxembourg level, the "Commission de Surveillance du Secteur Financier" ("CSSF") adopted the EBA guidelines EBA/GL/2016/11 through CSSF Circular 23/830.

The present Pillar III report is published by the Bank on a yearly basis, and it aims at considering the provisions of all the regulations, directives, circulars and guidelines listed above, proportionally to the size and complexity of CSL. The present report is structured as follows:

- Section 2: General information on the Bank in the context of Pillar III reporting
- Section 3: Key ratios
- Section 4: Risk management objectives and policies
- Section 5: Risk management framework
- Section 6: Own funds
- Section 7: Linkages between financial statements and regulatory exposures
- Section 8: Information on credit risk
- Section 9: Information on market risk
- Section 10: Information on operational risk
- Section 11: Information on liquidity risk
- Section 12: Leverage ratio
- Section 13: Remuneration policy

CSL's Board of Directors and Authorized Management confirm that, after having taken all reasonable measures, the information included in this pillar 3 report complies with the requirements set out in part 8 of CRR and with CSL's internal procedure on Pillar 3.

2 General information

2.1 Background information

Drawing on the lessons of the 2007/2008 financial crisis, the Basel Committee on Banking Supervision (most commonly referred to as the "BCBS") published a reform package in 2010 called Basel III to bolster capital and liquidity requirements. Parts of the package came into force in 2013. In December 2017, the Basel Committee published its final Basel III standards.

The final elements of Basel III are implemented through the review of EU banking rules (CRR III/CRD VI). Co-legislators confirmed that the new CRR rules will start applying on 1 January 2025. The provision included in the CRD will need to be transposed by Member States before they start applying. The objective is to enhance the stability of the financial system by means of three pillars, which are expected to be mutually reinforcing:

- Pillar I defines eligible capital and methods for calculating the minimum capital requirements for credit, market and operational risks.
- Pillar II covers the supervisory review process which ensures that banks have sufficient capital to back all risks and also requires appropriate management of these risks.
- Pillar III defines minimum disclosure obligations for banks. The purpose of Pillar III is to enhance the degree of transparency of banks in the market.

As a result of Basel III, stricter requirements now apply to eligible capital with respect to loss absorption capacity and the minimum capital requirements have been tightened. Other innovations are the capital conservation buffer, the introduction of the countercyclical capital buffer and an unweighted leverage ratio to complement the risk-oriented minimum capital requirements. All these elements have to be reported as part of Pillar III disclosures with the aim of providing market participants with sufficient information to assess a bank's overall capital and liquidity adequacy.

In this context, the EBA has issued guidelines on "disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA/GL/2016/11), to bridge the gap between Part Eight of the CRR and the revised Pillar III framework. These guidelines present in detail information that is required to be reported by banks as part of their Pillar III disclosures.

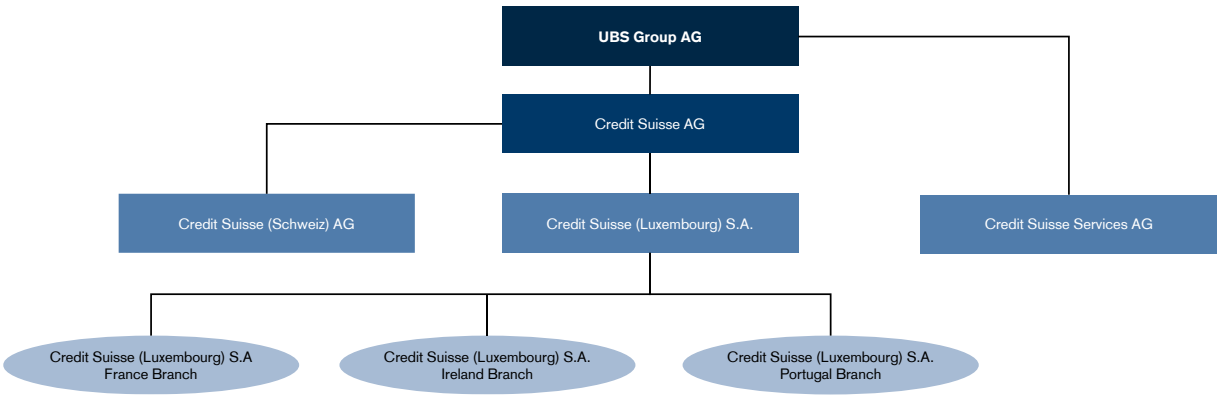
2.2 Basis and frequency for disclosures

This document has been prepared by CSL in accordance with applicable Pillar III requirements (regulations, directives, guidelines and circulars). Unless otherwise stated, all the figures are presented as of December 31, 2023.

CSL publishes the required disclosures at least on an annual basis. In case of major change in the activities or in the organizational structure, the Bank will assess the need to publish some or all of the disclosures on a more frequent basis.

2.3 Ownership structure

Figure 1. Ownership structure of Credit Suisse (Luxembourg) S.A., part of UBS Group



All entities are 100% owned unless indicated otherwise. Group structure chart as of December 31, 2023.

Credit Suisse AG is as at December 31, 2023, the sole shareholder of Credit Suisse (Luxembourg) S.A. ("CSL").

A significant change to the ownership structure of CSL in 2023 is marked by the definitive merger agreement of the holding companies UBS Group AG and CS Group AG on 12 June 2023. UBS AG and Credit Suisse AG will continue to operate as two separate banking groups having its own subsidiaries and branches, serving its clients, and dealing with counterparties.

In addition, following a strategic review of CS WM, it was decided on March 1, 2023, to dissolve the CSL Netherlands Branch by end of June 2023. All client related activities have been ceased by end of May and transferred to Luxembourg and other CS locations. The last CSL-NL-staff left the bank end of June. The CSL Netherlands Branch was deregistered with the Netherlands Chamber of Commerce on August 11. Over the full period of time the regulators, CSSF, DNB (NL) and FINMA, had been informed.

In 2024, the next major step in the integration process, impacting CSL ownership structure, will be the Parent Bank Merger (PBM) of Credit Suisse AG and UBS AG expected in H1 2024, allowing for a simplified legal structure through consolidation, winding-down, disposition or closure of legal entities across regions in a phased approach.

After the successful completion of the PBM, the wind-down of the legal entity CSL is currently expected for late 2024, with a transfer of the business activities under UBS Europe SE.

Credit Suisse Group AG and UBS Group AG merger

CSL ownership structure went through significant changes following the March 2023 events and the announcement of the merger between UBS Group and Credit Suisse Group. The impact of the changes in legal entity structures will further materialize in 2024. There is a gradual impact and essentially there are three milestones that illustrate those changes:

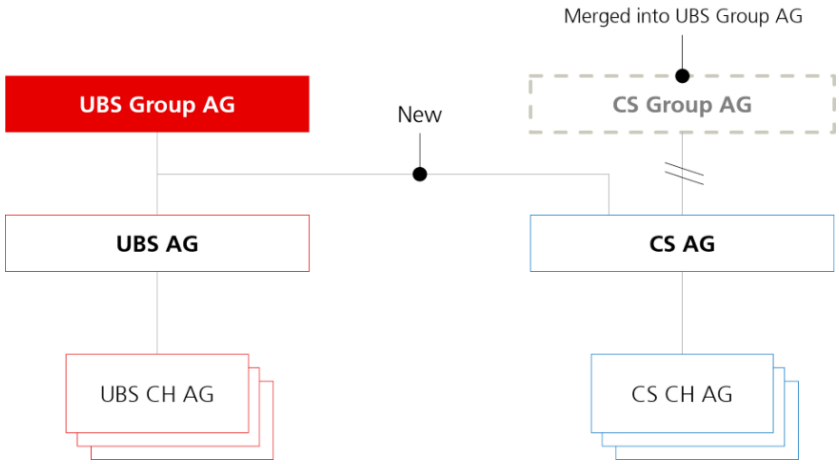
- Merger of the holding companies (12 June 2023)
- Parent Bank Merger ("PBM") Credit Suisse AG and UBS AG (H1 2024)
- Merger of Credit Suisse (Luxembourg) S.A. into UBS Europe SE (Q4 2024)

2.3.1 Merger of the Holding Companies (12 June 2023)

Following the merger of the holding companies UBS Group AG and CS Group AG on 12 June 2023, the Board of Directors of UBS Group AG has approved the execution of a merger of UBS AG and Credit Suisse AG. Following approvals from their respective Boards, both entities have entered into a definitive merger agreement. The completion of the merger is subject to regulatory approvals and is expected to happen in 2024.

Both UBS AG and CS AG continue to be operated as two separate banking groups. Each institution will continue to have its own subsidiaries and branches, serve its clients, and deal with counterparties. This allows to manage the integration in a thoughtful and structured way.

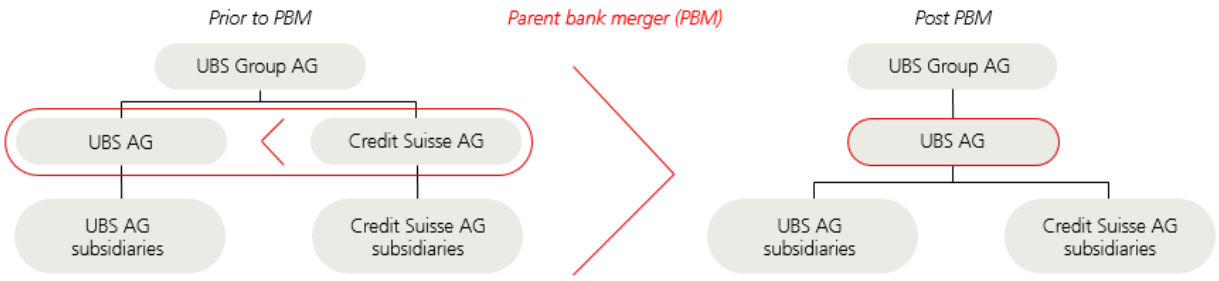
Figure 2. Merger of CS Group AG into UBS Group AG



2.3.2 Parent Bank Merger (PBM) Credit Suisse AG and UBS AG (H1 2024)

The merger of the parent bank companies of Credit Suisse AG and UBS AG is a major step in the integration process because it will allow to integrate the business operations of UBS and Credit Suisse over time and to take further integration steps. Specifically, following the PBM, the intention is to simplify the legal structure through consolidation, winding-down, disposition or closure of legal entities across regions. Such further steps in the simplification of the legal entity structure will be done in a phased approach following the parent bank merger.

Figure 3. Parent Bank Merger (PBM)



2.4 Activities

CSL business model is mainly concentrated on Wealth Management (WM) activities (direct business from Luxembourg, foreign branches, and external asset managers). In terms of client segments, the Bank caters to premium and UHNW individuals mostly in Europe as well as to family offices.

In addition, the bank offers Depositary Bank ("DB") services to investment funds.

2.5 Business strategy

Until further integration of CSL into UBS, the Bank remains a regulated legal entity part of UBS Group, pursuing its Wealth Management activities as defined in the strategy reviewed by CSL Board of Directors ("BoD") on 16 December 2020. CSL target positioning was reconfirmed by the BoD in September 2022.

The cornerstones of CSL value proposition include the positioning as European hub with full market access to all EU markets, a one stop-shop private label fund offering covering all value chain elements in house, an industry leading PB offering as well as privileged access to world-class asset management and investment banking capabilities.

CSL is pursuing key growth levers that have been defined across client segments that the platform is targeting being Private Banking Clients, External Asset Managers and Corporate & Institutional Clients.

The identified growth levers are the Front activation and UHNW focus (e.g., capturing of business opportunities through improved client segmentation, support model and sales culture).

CSL applies the CS Group-wide Environmental, Social and Governance ("ESG") Framework Policy and performs risk and impact assessment based on its portfolios as well as embraced in 2021 many diversity policies of the CS Group. At the request of CSL BoD (Board of Directors) in December 2021, CSL CRO confirmed that neither the lending portfolio nor the collateral used were including significant exposures to high-risk sectors. CS Group principles and approach to climate protection are set out in the CS Group Statement on Climate Change, which describes how CS Group intends to address climate-related risks, allocates sufficient financial resources, and reduces its ESG sensitive sector exposures and own emissions. Furthermore, CS Group signed the UN Principles for Responsible Banking ("PRB") in 2020, which call for the banking sector to align with the objectives of the UN Sustainable Development Goals and the Paris Agreement. Up to 2021, CS Group participated in the Paris Agreement Capital Transition Assessment ("PACTA") pilot project in 2021 and 2022 stress test together with other banks to test methodologies for measuring the alignment of credit portfolios with the objectives of the Paris Agreement. The analysis covered upstream oil and gas, coal mining and power generation portfolios financed by Credit Suisse.

Our Sustainability Strategy, Advisory and Finance ("SSAF") strategy is to deliver CS sustainability ambitions as defined at Credit Suisse Investor Day 2020:

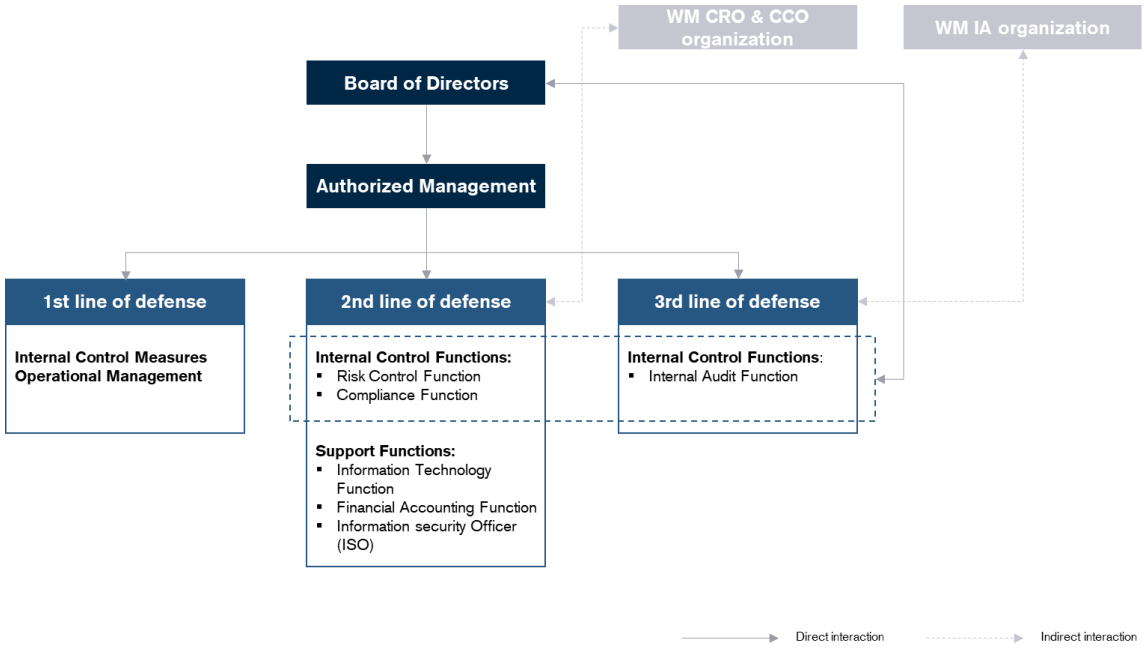
- Deliver sustainable solutions;
- Enable client transitions;
- Engage with thought leadership;
- Drive our own transition;
- Adapt our culture and engagement.

In the context of the integration as a next step, a combined Sustainability and Climate risk appetite has been approved by UBS governance in December 2023 and by CS AG ExB RMC and CS AG Board Risk Committee in late January 2024. The newly combined Sustainability and Climate risk appetite and reflected in the Sustainability and Climate Risks Policy (1-P-004081) will going forward build the new framework for the local ESG strategy.

2.6 Governance

In order to achieve a sound and prudent risk management framework, the Authorized Management ("AM") implemented a three-line of defense model, in accordance with the CSSF circular 12/552, as amended. The diagram below shows the Bank's internal governance framework.

Figure 4. Credit Suisse (Luxembourg) S.A. internal governance framework



The three lines of defense are defined as follows:

- The first line of defense consists of the business units that take or acquire risks under a predefined policy and limits and carry out controls.
- The second line is performed by the independent control functions, primarily the Compliance function and the Risk Control function. Additionally, Legal Entity Finance ("LEF") Luxembourg, the IT function and the Information Security Risk Management ("ISRM") function are contributing to the overall internal control environment of the Bank.
- The third line consists of the Internal Audit function, which provides an independent, objective and critical review of the first two lines of defense.

With this structure, the Bank has designed a sound Risk Management Framework, integrated at every level of the Bank. The key governance bodies of the Bank are as follows:

2.6.1 Board of Directors

In line with CSSF circular 12/552 as amended, the Board of Directors ("BoD") reviews and approves the risk appetite on an annual basis to ensure that it is consistent with Group strategy, CSL strategy and reflective of the current and anticipated business environment. The BoD is ultimately responsible for decision-making regarding the implementation of corrective actions. The chairman of the BoD is an independent member of the BoD.

2.6.2 Specialized Committees

The BoD has established the Audit and Risk Committee (ARC) in order to support the BoD to fulfill its oversight responsibilities defined by law, Articles of Association and internal regulations. The ARC's role is one of oversight, recognizing that Authorized Management (AM) is responsible for preparing the financial statements of CSL and for developing and maintaining systems of internal controls as well as for executing the CSL's risk management policy.

The ARC is responsible for the oversight of the External Auditors. The External Auditors shall report directly to and are ultimately accountable to the ARC and the BoD for their audit of CSL's financial statements. The mandate of the ARC is set forth in its Terms of Reference.

The BoD has however not delegated to the ARC its responsibilities regarding the internal control functions, notably the Internal Audit function, the Compliance Control function and the Risk Control function.

For matters relating to the remuneration of CSL employees, the BoD is supported by the Remuneration committee. The committee is also responsible to ensure that local remuneration policies and compensation processes adhere to Group standards as well as to local regulatory requirements.

Specialized committees received on a regular basis reports form internal control functions regarding evolution of the risk profile of the Bank, non-compliance with regulatory requirements, issues on internal governance matters and also items escalated through internal alert mechanism.

Specialized Committees should be in a position to require all useful information required to perform its duties.

All meetings are documented through agenda and minutes.

Specialized committees interact and communicate between them and with internal control functions and the REA and regularly report to the supervisory function.

2.6.3 Executive committee

Executive Committee (EC) is the ultimate responsible body for the management of CSL business and the execution of the strategy set by the Board. EC may escalate issues to the BoD as necessary. EC sub-committees may be delegated to execute the implementation with EC ensuring oversight.

Risk Committee (RC) is the ultimate responsible body for the management of CSL risk strategy set by the BoD. The RC may escalate issues to the ARC as necessary. RC sub-committees may be delegated to execute the implementation with RC ensuring oversight.

The EC members are invited on request of the AM where they can propose issues and give opinions on covered subjects. All decisions shall be approved by an absolute majority of the AM members present.

The work of the AM shall be documented in writing, including at least the minutes of the meeting as well as the decisions and measures taken by the AM, with detailed discussions surrounding risks for the establishment or contradictory items. The minutes shall be distributed to all members of the AM and upon request to the Internal Control Function.

3 Key ratios

The table below provides an overview of the main prudential solvency and liquidity ratios.

Figure 5. Key ratio table

In CHF	31/12/2023	31/12/2022
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	484.448.124	472.195.939
Tier 1 capital	484.448.124	472.195.939
Total capital	484.448.124	501.750.828
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	1.128.876.547	1.788.652.260
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	42,91%	26,40%
Tier 1 ratio (%)	42,91%	26,40%
Total capital ratio (%)	42,91%	28,05%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,00%	1,00%
of which: to be made up of CET1 capital (percentage points)	0,56%	0,56%
of which: to be made up of Tier 1 capital (percentage points)	0,75%	0,75%
Total SREP own funds requirements (%)	9,00%	9,00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2,50%	2,50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%
Institution specific countercyclical capital buffer (%)	0,49%	0,10%
Systemic risk buffer (%)	0,00%	0,00%
Global Systemically Important Institution buffer (%)	0,00%	0,00%
Other Systemically Important Institution buffer	0,00%	0,00%
Combined buffer requirement (%)	2,99%	2,60%
Overall capital requirements (%)	11,99%	11,60%
CET1 available after meeting the total SREP own funds requirements (%)	33,91%	19,49%
Leverage ratio		
Total exposure measure	5.716.752.302	5.985.443.067
Leverage ratio (%)	8,47%	7,89%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%
of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%
Total SREP leverage ratio requirements (%)	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	0,00%	0,00%
Overall leverage ratio requirements (%)	3,00%	3,00%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value - average)	1.972.859.129	2.432.851.250
Cash outflows - Total weighted value	2.295.442.544	3.845.735.777
Cash inflows - Total weighted value	1.173.436.730	2.460.740.557
Total net cash outflows (adjusted value)	1.134.905.620	1.384.995.207
Liquidity coverage ratio (%)	174,98%	177,87%
Net Stable Funding Ratio		
Total available stable funding	2.027.784.386	2.258.040.661
Total required stable funding	1.015.203.158	1.206.610.570
NSFR ratio (%)	199,74%	187,14%

4 Risk management objectives and policies

4.1 Risk strategy

The risk strategy is interlinked with the business strategy, and both need to be consistent. To deliver on the strategy, the BoD recognizes that it is necessary to take on certain risks through the products and services the Bank delivers to the clients. Foremost amongst these are market risk, liquidity risk, credit risk and operational risk. The Bank also seeks to minimize risks which pose a threat to execution of its business strategy and/or deliver sub- economic risk-adjusted returns. The guiding principles of the Bank's risk strategy are:

- Risk is undertaken within a defined risk appetite, must have an expected return/reward that is commensurate with the risk, and be increasing value over the long term. The company has no appetite for inadequately rewarded risks.
- Risks are undertaken only to the extent that they are consistent with and contribute to the achievement of the company's strategic objectives and execution of the business strategy when the Bank has demonstrable expertise and competency to manage them.
- Risk tolerances and more granular risk limits are set to manage the aggregate exposure relative to the current resources and capacity, such that the most adverse outcomes can be absorbed without jeopardizing the business strategy. Levels of risk vs. tolerances are monitored proactively and business plans adapted as required to stay within the tolerances.

4.2 Risk governance

After the announcement of the merger between Credit Suisse AG and UBS AG in March 2023, CSL remained a distinct legal entity within UBS Group throughout 2023 and continued to rely on its established risk governance and risk frameworks.

Fundamental to the Bank's business is the prudent taking of risk in line with the Bank's strategic priorities. Risk taking activities are guided by Strategic Risk Objectives ("SRO") agreed with the BoD, such as protection of the Bank's financial strength and reputation, ensuring capital adequacy and sound management of risk.

The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management is an integral part of the Bank's business planning process with strong involvement of AM and BoD.

Effective risk management begins with effective risk governance. In accordance with CSSF circulars 12/552 and 20/759, as subsequently amended, the Bank implemented a three-lines of defence model (cf. section 2.6).

The BoD is responsible for the Bank's strategic direction, supervision and control, and for defining the Bank's overall tolerance for risk in the form of a Risk Appetite Statement ("RAS") and overall risk limits. Overall risk limits are set by the BoD in consultation with the ARC. The AM is responsible for developing and implementing the strategic business plan of the Bank, subject to BoD approval. The CRO is member of the AM and represents the risk management function.

The Bank is integrated in the risk management and internal control framework of CS Group which includes a dedicated liquidity planning and implementation and it operates within the BoD approved Liquidity Risk Management Policy, which describes the principles guiding the management of liquidity and funding, roles and responsibilities (including governing bodies) and the monitoring tools used to track liquidity positions.

The main objectives of the Internal Control Functions ("ICF") are the anticipation, identification, measurement, monitoring, control and reporting of all the risks to which the Bank is or may be exposed. Moreover, the ICF shall verify and monitor compliance with internal policies and procedures which fall within the area for which they are responsible.

ICF report directly to AM and BoD as well as to their functional Credit Suisse reporting lines and network. That means local ICF take on local legal entity responsibilities, but at the same time are well connected to Group risk and control functions and subject matter experts, such as IWM Non-Financial Risk Management ("NFR"), Group Reputational Risk Management and Global Political Exposed Persons ("PEP") Desk. The ICF advice independently on risk. The roles and responsibilities of the different ICF are formalized in the Compliance, Risk Control and Internal Audit charters and related policies.

The Bank maintains a comprehensive RAS, approved by the BoD on a regular basis. The RAS is aligned with the Bank's financial and capital plans and based on SRO's, the scenario stress testing of the Bank's forecasted financial results and

capital requirements. The RAS encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the Bank's overall risk profile.

There is a holistic suite of different control types (e.g., risk limits/thresholds) for the monitoring of risks in place. Different levels of seniority are attached to each control type and specific enforcement and breach response protocols are defined, incl. escalation to the relevant governance bodies (cf. section 2.6).

The materiality of the Bank's risks is assessed on a regular basis by AM and BoD. Each risk type is evaluated separately as well as their combined impact is considered, to ensure that the overall risk profile remains within the risk appetite, considering flags and limits applicable.

The assessment of risk is supported by stress testing, e.g. for credit risk, market risk, liquidity risk, operational risk and business/strategy risk. The scenarios are reviewed and updated on a regular basis as markets and business strategies evolve.

The risk management and stress testing framework of the Bank is fully integrated in the internal control environment at Credit Suisse level, ensuring that the projected risk measures remain within acceptable range. Stress tests are conducted on a regular basis and reviewed/calibrated on the local level. The results are reported to AM and BoD and to the CSSF as part of the ICAAP.

The Bank's governance includes a committee structure and a comprehensive set of corporate policies which are developed, reviewed and approved by the BoD, AM, and their respective key committees (cf. section 2.6).

5 Risk management framework

5.1 Approach to risk management

Overall, the goal of the Bank's approach to risk management is to ensure that all material risks are identified, understood and effectively managed/controlled through a clear Risk Management Framework, to ensure adherence to policies and regulations.

The Risk Management Framework is designed to:

- Ensure that appropriate risk tolerances (limits) are in place to govern risk-taking activities across all businesses and risk types;
- Ensure that risk appetite principles are reflected in the risk management culture of the bank and are incorporated into strategic decision-making processes;
- Ensure rigorous monitoring and reporting of key risk metrics to the AM, the BoD and the Regulator;
- Ensure there is an ongoing and forward-looking capital planning process which incorporates both economic capital modelling and a robust stress testing program;
- Maintain a risk management organization that is closely aligned to businesses and independent of the risk-taking activities; and
- Promote a strong risk management culture.

CSL's strategy is to integrate the Risk Management Framework into its management of risk at the business and process levels. Within the risk appetite set by the BoD, each business unit is responsible for actively identifying, assessing and managing the risks it faces.

5.2 Risk identification process

As part of its strategy and its activities, the Bank is exposed to the below-mentioned key risks. In this context, the Bank considers all key risks as part of its risk management framework and as part of risk appetite.

Figure 6. CSL risk categories

CSL risk categories	Risk definition
Capital risk	Capital risk is the risk that the financial position of the firm may be adversely impacted by either its relationship (financial or non-financial) with other entities in the same group, risks which may affect the financial position of the whole group, or risks which relate to multiple underlying drivers interacting across the Group. The risk of the mismatch between available resources and capital demand. The ICAAP enables the bank to manage its capital adequately and is being submitted to the regulator annually.
Credit risk	The risk of financial loss arising as a result of a borrower or counterparty failing to meet its obligations or as a result of deterioration in the credit quality of the borrower or counterparty. It includes the analysis of intragroup credit concentration risk.
Market risk: foreign exchange	Potential risk to earnings, primarily through FX positions, arising as a consequence of the lending book (FX gap risk), and intraday exposures from FX trading on behalf of clients.
Market risk: interest rate	Potential risk to earnings arising primarily as a consequence of the banking book, and to a lesser extent, other interest-rate sensitive earnings.
Liquidity and funding risk	The risk that CSL does not have the appropriate amount of funding and liquidity to meet the obligation.
Operational risk, including:	The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.
- Conduct risk	The risk that poor conduct by the Group, its employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions, damage to the integrity of the financial markets or the wider financial system, or ineffective competition that disadvantages clients.
- Technology risk	The risk of financial loss from failure, exploitation of vulnerabilities or other deficiencies in the platforms that support the Bank's daily operations and the system applications and infrastructure on which they reside.
- Cyber risk	Cyber risk is part of technology risk. It is the result of cyberattacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.
- Settlement risk	Settlement risk is the institution's exposure on the aggregate amount receivable from the point of its irrevocable commitment to a transaction until the point of final settlement.
- Legal, compliance and regulatory risks	Legal and compliance risks are the risk of loss arising from the failure to comply with legal obligations, applicable regulations, and other related circumstances. Regulatory risk is the risk that changes in laws may affect the Bank's activities.
Reputational risk	The risk that negative perception by the Bank's stakeholders may adversely impact client acquisition and damage its business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.
	Sustainability risk includes different dimensions, such as Climate risk, and as well ESG related factors. In this context, Sustainability Risk is part of Reputational Risk.

CSL risk categories	Risk definition
Fiduciary risk	The risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of the Bank's client's assets including from a product-related market, credit, liquidity and operational risk perspective.
Strategy risk	The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment.
Sustainability risk	The first dimension of Sustainability risk is Climate risk, which results in both transitional and physical effects of climate change. The second dimension of Sustainability risk are the ESG aspects.

5.3 Risk appetite and escalation framework

The Risk Appetite Framework establishes key principles for managing risks to ensure an appropriate balance of return and assumed risk, stability of earnings and capital levels the Bank seeks to maintain. The key aspect of the Risk Appetite Framework is a sound system of integrated risk limits to control overall risk-taking capacity and serve as an essential decision-making tool for senior management. The Risk Appetite Framework is guided by the following general principles:

- Meeting regulatory requirements and expectations;
- Ensuring capital adequacy;
- Maintaining low exposure to stress events;
- Maintaining stability of earnings;
- Ensuring sound management of liquidity and funding risk.

The Risk Appetite Framework is based on a set of risk appetite metrics for which the BoD defined a limit/tolerance level. Risk limit/tolerance levels are a set at different trigger levels, with clearly defined escalation requirements to ensure appropriate actions are implemented as necessary. The risk limits/tolerance levels are monitored and reported on a monthly basis to the AM, and to the BoD on a quarterly basis at least or more often, if the AM deems it necessary. The table below shows the key roles and responsibilities within the escalation framework. For further information on roles and responsibilities, please refer to section 2.6.

Figure 7. CSL escalation framework within the Risk Appetite Framework

Key actors	Monitoring	Limit excess	Change tolerance	Change risk appetite
Risk Committee ("RC")	Monitor	Discuss; recommend corrective actions	Proposal	Proposal
Audit & Risk Committee ("ARC")	Discuss	Approve	Discuss	Discuss
Board of Directors ("BoD")	Information	Information	Approve	Approve

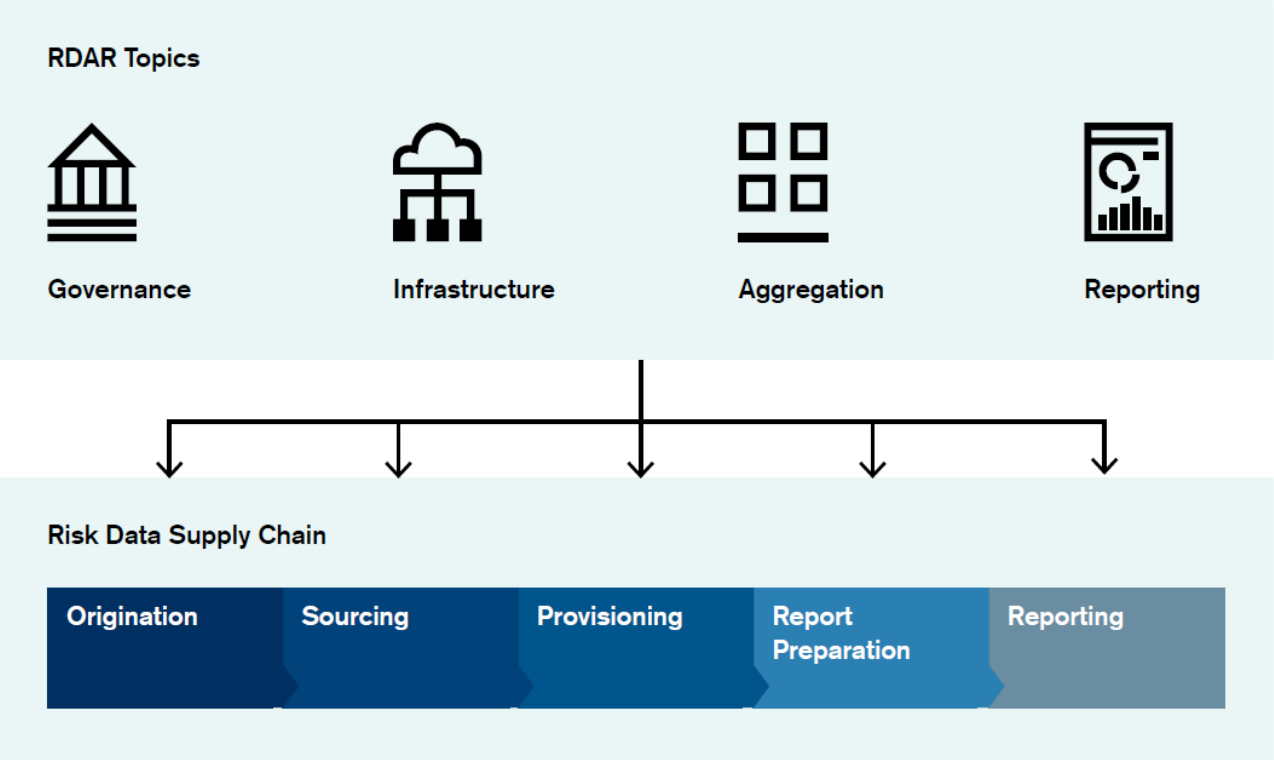
In addition to the above-mentioned legal entity governance, the UBS escalation framework has been implemented, following the announcement of the merger.

The RAS of the Bank has been further strengthened in 2024 and progressively aligned with the UBS risk appetite at the pace of available data/process/organizations and systems (new target operating model).

5.4 BCBS 239

Credit Suisse has a top-down approach for Basel Committee Banking Supervision ("BCBS") 239 Principles for effective risk data aggregation and risk reporting ("RDARR"), where the CRO function defined the governance for reports. It is aimed at progressively covering all relevant risk aspects. At Credit Suisse, the RDARR process can be summarized as a "risk data supply-chain" whereby data passes through a number of key steps before it reaches board and senior managers in the form of a risk report. The risk-data supply chain comprises five principal stages: origination, sourcing, provisioning, report preparation and reporting. The RDARR principles apply to the different steps of the supply-chain. This is depicted below.

Figure 8. RDARR principles



Hence, the risk monitoring processes of CSL have undergone a progressive strengthening of the Data & Reporting Governance controls.

CSL opted for a strategic approach not only focusing on compliance, but also implementing a sustainable solution that will address the management of enterprise data.

As of December 2023, the RDARR stream is fully compliant with the RDARR Principles for the material major risk types (i.e. Credit, Liquidity, IRRBB, Investment, Market and Operational). Ongoing embedment of the RDARR principles will be part of the Bank's business-as-usual operations, going forward.

CSL has taken pivotal actions in specific areas, including the adoption of agreed classifications and uniform practices for the description of the life cycle of the data within the main risk monitoring processes. More generally, actions have been taken regarding the aspects:

- Definition of roles and responsibilities;
- Definition of the scope through the identification of the key risk metrics;
- Description of the report workflow, the accompanying note and management of the level of confidentiality of the reports;
- Adoption of agreed classification;
- Description of the data life cycle (Business Data Lineage);
- Capture of risk processes and identification of their interconnections;
- Capture of checks applied to process data;
- Capture and management of recurring manual procedures in the processes.

CSL has also strengthened its focus on data quality control, defining processes, roles and responsibilities, reference classifications (quality dimensions) and identifying the related support instruments.

The types of risk included in the scope of the Risk Data Aggregation and Risk Reporting ("RDARR") Governance are: credit risk, market and counterparty risk, interest rate risk in the banking book, liquidity risk, operational risks and risk integration.

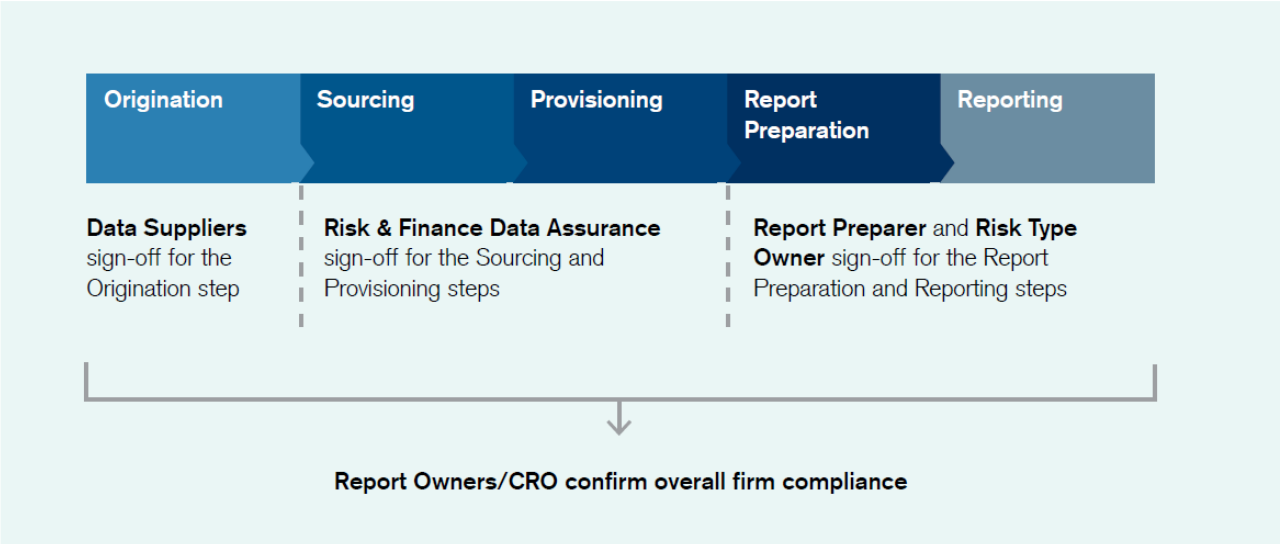
Assessments of each single type of risk for the Credit Suisse Group are aggregated. The total sum – the Economic Capital – is defined as the maximum "unexpected" loss the Group might incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return.

On an operational level, Data Management Luxembourg was involved at the very bottom of the data aggregation pyramid with the annual RDARR Front Office Attestation for the data suppliers.

Data Suppliers generate or otherwise "steward"/manage data relevant for the production of in-scope risk reports. In the context of RDARR sign-off, the Data Supplier role has key responsibilities, among which: Agree with data consumer on Critical Data Elements ("CDE") and data quality requirements, confirm in-scope CDEs with Risk & Finance Data Governance ("RFDG"), identify existing key controls, remediate Data Quality Issues and control matters issues and provide annual RDARR sign-off that Critical Data Elements are accurate, complete and timely as specified in the data quality requirements.

This annual sign-off of the data suppliers for the origination step was performed jointly by the COO and CRO. The graph below shows the generic sign-off flow.

Figure 9. IT signs-off for the applications, platforms and interfaces used in the risk data supply chain



5.5 Sustainability Risk disclosures

5.5.1 Risk strategy

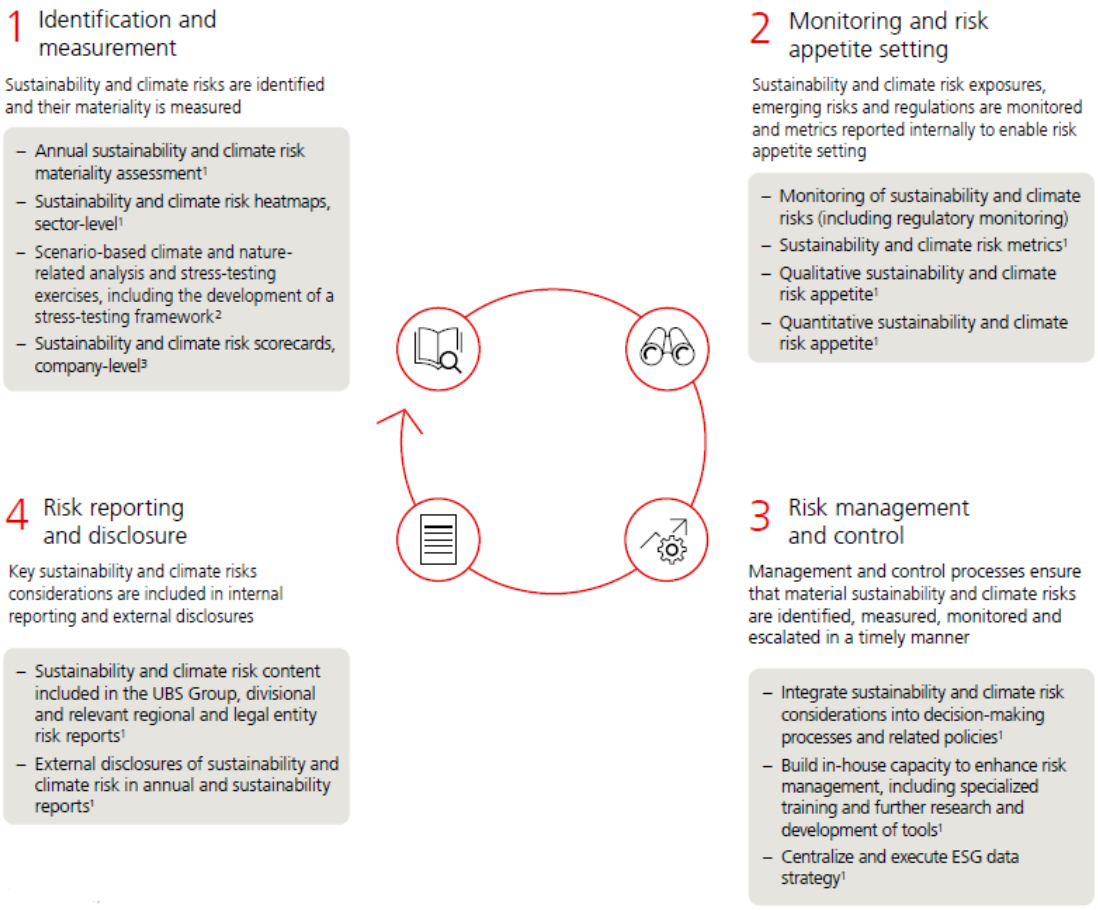
Managing sustainability and climate risk is a key component of our corporate responsibility. We define sustainability and climate risk as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights and other ESG matters. Sustainability and climate risks may manifest as credit, market, liquidity, business or non-financial risks for UBS, resulting in potential adverse financial, liability or reputational impacts.

The CSL climate risk management framework is designed to assess the impact of physical and/or transition climate risk on the main business lines of the Bank – mortgage lending, asset management and Lombard lending, and across the traditional banking risk classes, both financially and non-financially. From this report, CSL is well prepared for the challenges in climate risk, with the impact being overall low however ensuring CSL seizes all the advantages and opportunities in the sustainable finance.

UBS Group has an ambition to align activities with the Paris Agreement objective of limiting global warming to 1.5°C, and it is a signatory to the Principles for Responsible Banking (PRB). The PRB call for the alignment of the banking sector with the UN SDGs and the objectives of the Paris Agreement and represent a comprehensive framework for the integration of sustainability across all areas of banking. UBS Group has also committed to establishing Science based targets as part of the Bank's Net Zero 2050 initiative and this introduces an entirely new dimension to deal origination and risk management as trajectories are set and managed with respect to emissions over time. With respect to the alignment to the climate scenarios, UBS Group portfolios demonstrate decarbonization trajectories comparable to the global corporate economy projections with certain parts of the portfolio outperforming these projections.

The former Credit Suisse Climate Risk Management framework to transition to the UBS Group Sustainability and Climate Risk ("SCR") framework.

Figure 10. Sustainability and Climate Risk Management Framework



Overall, from a business strategy and risk appetite perspective, the objective of the Bank is to have a business strategy and risk appetite that largely integrate all Climate Risk & Environmental material risk drivers. Considering the planned wind-down of the standalone legal entity, priority has been put on the alignment of Sustainability and Climate Risk framework between CSL and UBS Europe SE, as endorsed by CSL BoD.

5.5.2 Risk Appetite Statement ('RAS')

Group SCR has released a combined SCR policy and risk appetite standards at the end of 2023. The new SCR policy (1-P-004081) is now in effect and adopted by all legal entities.

UBS avoids transactions, real estate and public markets investments, products, services, instruments, activities or suppliers if, in the judgment of UBS, the counterparty / issuer is not addressing sustainability and climate issues within the parameters of the sustainability risk appetite standards defined by the Group Executive Board (GEB). UBS engages with clients, investees, and suppliers to understand their processes and policies and to explore how sustainability and climate risks may be mitigated.

Group SCR risk appetite, adopted by CSL, contains following key components. We will not knowingly provide financial or advisory services to clients whose primary business activity, or where the proposed transaction, is associated with severe environmental or social damage to or through use of:

- World heritage sites as classified by UNESCO;
- Wetlands: on the RAMSAR list;
- Endangered species of wild flora and fauna listed in Appendix 1 of the Convention on International Trade in Endangered Species;
- High conservation value forests as defined by the six categories of the Forestry Stewardship Council ("FSC");
- Illegal fire: uncontrolled and / or illegal use of fire for land clearance;
- Illegal logging including purchase of illegal harvested timber (logs or roundwood);

- Child labor: according to ILO-conventions 138 (minimum age) and 182 (worst forms);
- Forced labor: according to ILO-convention 29;
- Indigenous peoples' rights in accordance with IFC Performance Standard 7.

The same standards apply when UBS purchases goods or services from suppliers. For detailed pre-established guidelines on areas of concern, please refer to SCR policy. As part of the CSL RAS update in December 2022, the two flags have been added as follows:

- Zero percent of properties in current high flood risk locations; and
- Maximum CHF 10mn of total property valuation decline from flooding (at 99,9% confidence).

In addition, in June 2023, the additional flag for climate sensitive sectors was added to measure and monitor the Bank's sustainability targets, and to ensure proper coverage of the transition risk from a KRI perspective. In 2023, no sustainability flags were hit.

5.5.3 Risk Management framework

CSL ESG risk framework is aligned and leverages the Group SCR framework in place throughout 2023, with namely various components including:

- ESG Framework Policy
- Compensation Policy
- Climate Risk Identification and Assessment Framework ("RIAF")
- CSL reports and disclosures

Since Climate Risk manifests itself through other risk types including credit risk, market risk, non-financial risk, reputational risk etc., it is managed within each of their respective risk management frameworks and holistically via the Global Sustainability and Climate Risk Policy implementation.

The risk management committees for the various risk types also had their Terms of Reference updated to specifically include Climate Risk. The CSL CRO has been nominated as the local Senior Manager primarily responsible for Climate Risk.

In 2023 the Risk identification has been performed against the materiality assessment according to the ESG materiality matrix approved by CSL BoD. Further development will include more granularity in the materiality risk assessments of the impact of Climate Related & Environmental ("CR&E") risks.

In terms of Credit Risk management, CSL implemented EBA Loan Origination Monitoring Guidelines. As such, at the local entity level, CSL looked into the physical climate risk for its mortgage loan book (including droughts or heatwaves, leading to fire, flooding from heavy rains or from the increase of sea levels) to assess the property value impact of the collateral.

5.5.4 Climate change transition risk

Transition risks can arise from the process of adjustment towards a low carbon economy through changes in climate policy, technological developments, and disruptive business models, and shifting investor and consumer sentiment.

An assessment has been made based on analysis and expert judgement by reviewing single name exposures, sector and country concentrations, with a view of possible losses which may be incurred from climate risks and to assess these losses against the Bank's capital adequacy requirements.

Credit Risk

CSL has focused the credit risk analysis on Lending portfolios and namely the Lombard lending, Securities based lending ("SBL") and the Mortgage lending portfolios.

The analysis has looked at the climate risks which might impact a borrower's credit worthiness as well as collateral values considering the industry sectors and countries CSL has exposure to. To do so, CSL has reviewed the industry and country exposures for physical and transition risks for both the borrower and the collateral as well as considering the type of collateral that has been posted.

In 2023, CSL credit risk portfolios have not yet been impacted by the combined sustainability and climate risk latest methodologies applied by UBS.

Following the alignment between CS and UBS SCR risk frameworks, new objectives are to be further refined into new transition plans.

Mortgage Portfolio

The mortgage portfolio consists of 26 loans totaling CHF 282mn vs property values of CHF 568mn, showing a slight decrease from 2022. All properties are in France and concentrated in Paris and the southern regions.

From a Client Sector Exposure, there are 5 clients who derive their wealth from industries which are considered to be climate sensitive. These clients are potentially exposed to transition risks which could impair their credit worthiness over time however, the mortgages to these clients have low loan to value ratios (highest being 63%) and the maturity dates do not extend beyond December 2025, during which time the Bank would not expect transition risks to be material (Low Risk).

From a country risk perspective 44% of the portfolio is owned by clients with wealth derived from high climate sensitive countries, showing a slight decrease from the 42% of 2021. Whilst these countries are expected to be more adversely affected by transition risk, thereby affecting the credit worthiness of the clients, the impact on the mortgage portfolio is expected to be limited given low Loan To Value ("LTV") ratios and short dated maturities (Weighted Average LTV of 46%, Weighted Average maturity of April 2028).

In terms of Collateral Transition Risk, France is introducing laws by which properties need to assess and disclose their Energy Performance Certificate ("EPC") rating when being sold. One will also need to assess the costs of works required to attain certain EPC ratings as required by law. The level of rating required will be phased in overtime and gradually be increased over several years. This will impact property values as the costs of EPC compliance will become transparent.

The impacts of this are not yet known however the portfolio is periodically revalued using independent evaluators. Impacts from these new laws will be incorporated into the values and in the event of a fall which leads to a breach of LTV covenants the clients will be required to either post additional collateral or to reduce the loan amount. However, it is expected that the portfolio has sufficient LTV headroom to absorb any potential falls in property value.

Lombard lending, Securities based lending

The analysis has looked at the climate risks which might impact on a borrower's credit worthiness as well as impacts on collateral values considering the countries and industry sectors the Bank has exposure to. To do so CSL has reviewed the industry and country exposures, for Physical and Transition risks, for both the borrower and the collateral as well as considering the type of collateral that has been posted.

For country analysis, the Bank uses the Bloomberg Country Transition Score which scores countries energy dependencies and transition policies for moving to a low carbon economy. Review results concluded that no major losses should be reported overall. The country risk assesses the risk of the geographical location where the counterparties operations are based. Whilst many counterparties are geographically diversified it can be expected that any impacts on their home country, whether physical or transitional in nature, will have some impact on the companies' operations. Overall, 88% of the lending portfolio is exposed to Europe and the UK, in line with the 2022 figure. As opposed to 2022, there is no more exposure to Russia or the Middle East.

European countries and the UK are considered low or very low risk from a transition perspective as they all have strong commitments to align to the Paris agreement and have transition plans and policies to enable that transition.

For industry analysis, the Bank uses the MSCI Low Carbon Transition ("LCT") scores, which are assigned at a corporate level, and use these to apply haircuts to collateral values to run transition risk stress scenarios. While on an individual basis, companies will be exposed to physical risks, physical risks for Industries are difficult to assess, as they tend to be spread globally rather than concentrated in a geographic location. Therefore, CSL focused only on transition risks for industry sectors and drilled down on any significant exposures on a name-by-name basis. The industry concentrations of the borrowers in the portfolio have been analyzed to assess the amount of exposure to high carbon and climate sensitive sectors. These sectors will be most exposed to transition risk moving to a low carbon economy. Overall, exposure to carbon-related and climate-sensitive sectors represents 0% and 8,4% respectively, of the total exposure of the lending portfolio. The Oil & Gas carbon-related sector exposure has reduced to zero by end of 2023 (versus CHF 45mn in 2022), the overall exposure to the combined climate risk sensitive sectors has reduced significantly to approximately 8%. To assess the overall level of risk from these clients, CSL needs to consider the fact that collateral has been posted as a risk mitigant. This portfolio is heavily weighted towards the IT software and hardware sectors and therefore shows limited correlation with the carbon-related and climate-sensitive ones.

It is also important to consider the nature of the Lombard and SBL products. These products are collateralized with an excess of collateral value. If the value of that collateral were to fall over time, then the client is required to post additional collateral to ensure sufficient margins are maintained. Transition risks are expected to materialize over time and thus CSL would expect that any subsequent shortfall in collateral value would be addressed by the re-margining mechanism.

Collateral Analysis

Similar to counterparty credit risk the Bank has analyzed the collateral to the lending portfolio by industry and country concentrations to assess transition and physical risk that could impact collateral values.

To assess the collateral portfolio for transition risk CSL looks at industry sector concentrations in High Carbon intensive sectors as well as analyzing the individual items of security by utilizing MSCI LCT scores. Looking at the industry sector concentrations the Bank sees a reasonable amount of diversification which is weighted towards banks (19%), sovereign and monetary authorities (14%), funds and trusts and other financial companies (18% combined), and media and IT (16% combined) sectors. Exposure to high carbon intensive sectors amounts to 5.3% of the portfolio, a slight increase compared to last year's 3%. However, individual companies within the same sectors have very different transition plans. Therefore, CSL performed a company level analysis and found that only 0,4% (1,3% in 2022) of the portfolio is classified as high risk (LCT < 2,5) from a transition perspective, based on the MSCI LCT score.

As previously stated, CSL would expect transition risks to materialize over time and that the re-balancing of collateral values through the Lombard and SBL products would ensure ongoing collateralization remains sufficient.

However, CSL did also consider in its analysis a "Minsky Moment" event whereby a sudden coordinated shift in global policies - such as the imposition of punitive carbon taxes - sees a rapid repricing of transition risky assets.

To model this, CSL has developed a stress test using MSCI LCT Scores and assuming a disorderly carbon transition scenario as described by the Network for Greening of the Financial System ("NGFS"). This results in stressed haircuts for the collateral assets based on their transition risks which can be as much as 60%. CSL applied these haircuts instantaneously and then assessed the shortfall of collateral observed at a facility level.

In line with the 2022 analysis, the results show that CSL would not incur in any collateral shortfall. This is a reflection of the levels of collateralization in the portfolio and the low exposure to transitions risks.

From a country analysis perspective, the collateral portfolio has a 95% exposure to countries with low or very low transition risk scores, while only 0,1% (CHF 48mn) of the portfolio is exposed to countries ranked as very high or high transition risk. As with the industry analysis, CSL would not expect sudden shocks to collateral values from transition risk, but rather a gradual decline. Since the Lombard product requires recalculation of collateral values through the life of the transaction and posting of additional collateral in the event of any shortfall, we would not expect transition risks to materialize in any financial losses.

Liquidity Risk

CSL is predominantly funded through deposits. These deposits are largely provided by fund clients (86%) with the rest from private individuals (6,5%) and other corporates (7,5%). The fund deposits are mostly associated with funds which CS provides additional services to either through administration or custodian services and so are based on an ongoing multifaceted business relationship. From a transition risk perspective, these fund clients are considered low risk since their business models are flexible and diversified.

The country of origin for these is mostly Luxembourg (61,5%), followed by other European countries (20,9%), and Switzerland (6,5%) providing the bulk of the rest. These countries are rated as low risk from a transition and physical risk perspective. Deposits could be affected by reputational headlines if clients decide that they no longer wish to work with CSL.

5.5.5 Climate change physical risk

Credit Risk

Mortgage Portfolio

As France is considered to be very low risk from a climate hazard perspective and to have very high coping capacity, the main climate risk is stemming from flooding. CS has also developed a model to look at flooding risk on a more focused geographic basis and has applied this to the properties in the portfolio in order to assess the risks of more localized flooding. The model utilizes flood risk data from CatNet (Swiss Re) to determine flood risk thresholds based on rainfall. Rainfall is then simulated using a Monte Carlo model calibrated on historical records. Where properties experience flooding, there is an assumed loss of 15%. Whilst it is a requirement that properties are insured for flood damage; the property values may be impacted in the event of frequent flooding over a longer time horizon.

The results of this simulation show that at a 99,99% confidence level a facility level collateralization shortfall would amount to CHF 8,6m (CHF 5,3m in 2022) and the overall reduction in collateral value would be CHF 54m or 9,5%, well within

the overall LTV of the portfolio of 46%.

Figure 11. Collateralization shortfall simulation results

Confidence Level	Aggr. Loss (collateral shortfall) (CHF mn)	Loss vs Exposure (%)	Coll. Portfolio Total Devaluation (CHF mn)	Coll. Portfolio Total Devaluation (%)
99%	5,4	1,9	30,4	5,3
99,90%	8,6	3,0	54,0	9,5
99,99%	12,8	4,5	83,8	14,7

This simulation assumes cumulative losses over time. In practice, these losses would be mitigated through a rebalancing of collateral which is required if facilities breach the inbuilt LTV covenants. Therefore, the Bank would not expect to see any losses materialize from this scenario.

Lombard lending, Securities based lending

To assess the Physical risks of individual countries, CSL utilizes the European Commission's INFORM Country Risk Index for climate hazards (Tropical Cyclones, Floods, Drought) and for the coping capacity of those countries. The country risk assesses the risk of the geographical location where the counterparties operations are based. Whilst many counterparties are geographically diversified, it can be expected that any impact on their home country, whether physical or transitional in nature, will have some impact on the companies' operations. Overall, the lending portfolio is to 94% exposed to Europe and the UK although there are some exposures to Russia and the Middle East through the mortgage portfolio. Such exposure represents only 1,3% of CSL total lending portfolio, which is a significant reduction since 2021. For Russia, the exposure dropped from CHF 240m to CHF 43m and for the Middle East from CHF 73m to CHF 53m. Similarly, European countries and the UK are considered low risk from a physical risk perspective. Flooding is seen as the most significant weather-related risk but due to sound infrastructure, emergency services and strong economies these countries are considered to have high coping capacity for such events. The Middle East is also considered low risk from physical events but Russia, due to its large geographic spread is rated as medium risk.

Physical risks for industries are difficult to assess as they tend to be spread globally rather than concentrated on one geographic location although, on an individual basis companies will have physical risks. Therefore, CSL focuses on transition risks for industry sectors and drill down on any significant exposures on a name-by-name basis.

Collateral Analysis

Similar to counterparty credit risk, the Bank has analyzed the collateral to the lending portfolio by industry and country concentrations to assess transition and physical risk that could have an impact on collateral values.

The top 8 country exposures in the collateral pool account for 79% (89% in 2022) of the total collateral, with 40% alone in the USA and the rest in the EU countries, the UK and Switzerland. The USA are rated medium for physical risk and the main climate risks associated with the other countries is flood risk. However, they are all considered to have high coping capacities as they all are developed countries with strong economies.

Of the residual the collateral portfolio, CHF 18.6m is from countries considered to have one or more climate risk factors in the high or very high classification, though none of these countries have a limited coping capacity. This is a positive evolution, comparing with the 2022 portfolio where CHF 102m was from countries with one or more climate risk factors in the high or very high classification.

To assess the possible impacts that a severe weather event might have, CSL looked at an historical example of a localized disaster, namely the 2014 Japanese Tsunami. Whilst a tsunami is not a weather event, the impact is similar to what could be experienced. During the Japanese tsunami, the Nikkei 225 index experienced a 20% fall in value. This fall in collateral value is within the standard haircuts that Credit Suisse applies for collateral (on average 44% for equities and 36% for bonds and funds) and hence would not result in any collateral value shortfall for the portfolio.

Market Risk

FX Risk - To assess the impacts on market risk from climate events, CSL has looked at stress scenarios which might evolve from an extreme weather event. Market risks in the CSL banking book are limited to FX exposures having risk limits of USD 800k for single currencies and USD 1.200k for net exposure.

While transition risk impacts are expected to result in longer term market trends, physical risks are most likely to be single country events rather than global and could result in short term FX shocks. Hence, FX exposure is stressed under a CS

Severe Flight to Quality (SFTQ) scenario, with the assumption an extreme climate event could generate a significant outflow of investments and a consequent FX shock. The use of the max FX SFTQ scenario is justified by the fact the FX limit is on the daily max delta and not on single country exposure. On any given day, the max exposure could potentially be for any country, so we make the conservative assumption to apply the most extreme shock to any country. The scenarios CSL looked at is the maximum CS SFTQ FX shock:

Figure 12. Market risk scenario impacts - SFTQ max shock

Scenario	10d Shock	Scenario Impacts(USD mn)		
		Avrg 2023 Exposure	Peak 2023 Exposure	Max Exposure
SFTQ Max Shock	6,75%	(0,53)	(2,44)	(5,4)

The worst-case scenario assuming full limit utilisation and no hedging actions for 10 days would result in a loss of USD 5.4mn

This equates to approx.1% of CSL capital.

Interest Rate Risk – CSL also has Interest Rate risk exposure arising from short-dated mismatches in the banking book. This risk is limited through a risk appetite loss limit of USD 15mn when applying +/-200bp shift as determined under CSSF regulations. This USD 15mn limit corresponds also to the capitalization CSL applies for this risk. The respective USD and EUR IR SFTQ scenarios are +/- 0,97bp and 176bp, hence the anticipated impact of a severe flight-to-quality scenario after a physical climate event on short term interest rates would be well within the regulatory mandated 200bp.

5.5.6 Mitigating actions and roadmap

Climate risk for the CS Group is managed centrally by the Group Sustainability and Climate Risk team in partnership with the CSL risk functions. The CS Group Climate Risk Strategy program ensures a consistent approach to governance, risk management, scenario analysis and disclosure across the group and legal entities, including compliance with regulatory requirements across the jurisdictions within which the group operates. Under the program, metrics have been defined as part of the Risk Identification and Appetite Framework, while scenario analysis and stress-testing capabilities have been established across market risk, credit risk and nonfinancial risk. The program also includes the reporting dimension.

The development of the Climate Risk framework and the preparation of a roadmap for the implementation of the CSSF circular 21/773 has been closely monitored by CSL Audit & Risk Committee. It is planned that CSL roadmap will be integrated into the one of UBS ESE.

In terms of 2023 reporting, CS Group produced its Task-force on Climate-related Financial Disclosures ("TCFD"), including CSL metrics. Overall portfolio's share of Carbon-related sectors remained at zero. Climate Sensitive sectors reduced by 26% from Q3 2023 and on aggregate decreased by 45% from 2022 year-end.

- Mortgage Related Lending exposure decreased by -30% (from CHF 205mn in Q3 to CHF 158mn in Q4)

Figure 13. Climate Sensitive Sector metric results

Climate Sensitive Sector	Q4 2023 [CHFmn]	Q3 2023 [CHFmn]	QoQ [%]	QoQ [CHFmn]	Q4 2022 [CHFmn]	Aggregate [%]	Aggregate [CHFmn]
Carbon Related	-	-	-	-	1	(100%)	(1)
Oil & Gas	-	-	-	-	1	(100%)	(1)
Metals and Mining (Coal)	-	-	-	-	-	-	-
Power Generation (Fossil Fuels)	-	-	-	-	-	-	-
Climate Sensitive	190	239	(26%)	(49)	345	(45%)	(155)
Agriculture	1	1	0%	-	1	100%	0
Industrials - Cement or Concrete	-	-	-	-	-	-	-
Industrials - Chemicals	-	-	-	-	-	-	-
Industrials - Machinery and Equipment Manufacturing	-	-	-	-	-	-	-
Industrials - Textiles & Clothing	11	12	(9%)	(1)	13	(15%)	(2)
Metals and Mining (ex. Coal)	19	19	0%	-	20	(5%)	(1)
Non-power generating utilities - sewage, waste management	-	-	-	-	-	-	-
Transportation	2	2	0%	-	29	(93%)	(27)
Transportation: Automotive	-	-	-	-	-	-	-
Transportation: Aviation	-	-	-	-	*29*	(100%)	*(29)*
Transportation: Other	2	2	0%	-	-	-	-
Transportation: Shipping	-	-	-	-	-	-	-
Mortgage Related Lending	158	205	(30%)	(47)	282	(44%)	(124)
Commodity Trade Finance	-	-	-	-	-	-	-
Other Lending	2.073	2.490	(20%)	(417)	2.792	(26%)	(719)
Total Exposure	**2.263**	**2.729**	**(20%)**	**(466)**	**3.137**	**(28%)**	**(874)**

5.5.7 Other qualitative disclosures

Business Risk - Revenue Risk

Revenue risk is considered medium risk, explained by potential revenue losses from clients who do not share the Bank's ambition in the climate space.

Strategic & Profitability Risk from ESG products

The medium- and long-term profitability might be impacted by difficulties to increase revenues in line with the cost of business.

Non-Financial Risk - Reputation risk

Reputation risk is rated high risk. This is explained by the uncertainty around future climate strategies, in the combined UBS-CS organization, higher level of scrutiny by Non-Governmental Organizations ("NGOs"), shareholders, the press and the public with respect to the Bank's climate impacts and targets.

Non-Financial Risk - Regulatory risk

Regulatory risk is rated high risk due to the risk of non-compliance with current and future regulatory requirements.

Litigation Risk

Future litigation risk is assessed as medium risk due to client or third-party litigation, product/advisory challenges or greenwashing.

Business Continuity ("BCM")

Business Continuity is considered medium risk given the assessment provided by the GBSS team. Natural disasters risks for CS Luxembourg buildings are rated medium.

Capital Adequacy Conclusion

CSL's analysis concludes that it would not expect to see any additional capital losses arising from climate risk factors, other than for business risk. Indeed, CSL derives significant revenues (in the form of fees and commissions) from non-ESG funds. This could impact revenues if ESG appetite becomes more restrictive. It is to be noted that a large percentage of collateral (40 %) is concentrated in the US, a country with a medium exposure to physical risk, but it is assumed that collateral issuers have insurance in place to cover for potential losses.

6 Own funds

6.1 Structure of own funds

In line with provisions of Regulation (EU) No 575/2013, the CRR, the regulatory own funds of the Bank are composed of Common Equity Tier 1 ("CET1") capital as per Article 26 of the CRR: capital instruments, share premium accounts, retained earnings excluding the current year profit, accumulated other comprehensive income, other reserves and funds for general banking risks.

The Bank's regulatory own funds are exclusively composed of CET1. CET1 capital comprises permanent share capital of ordinary shares and reserves. The ordinary shares carry voting rights and the right to receive dividends.

The table below provides an overview of the composition of the own funds of the Bank:

Figure 14. Composition of regulatory own funds

As of 31/12/2023 (in CHF)	Own funds composition
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	258.479.954
Retained earnings	242.423.621
Accumulated other comprehensive income (and other reserves)	1.385.817
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**510.712.843**
Intangible assets (net of related tax liability) (negative amount)	(137.052)
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
Other regulatory adjustments	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(26.127.668)
Common Equity Tier 1 (CET1) capital	**484.448.124**
Additional Tier 1 (AT1) capital	**-**
Tier 1 capital (T1 = CET1 + AT1)	**484.448.124**
Capital instruments and the related share premium accounts	-
Tier 2 (T2) capital before regulatory adjustments	-
Tier 2 (T2) capital	**-**
Total capital (TC = T1 + T2)	**484.448.124**
Total risk exposure amount	**1.128.876.547**
Common Equity Tier 1	42,91%
Tier 1	42,91%
Total capital	42,91%
Institution CET1 overall capital requirements	8,05%
of which: capital conservation buffer requirement	2,50%
of which: countercyclical capital buffer requirement	0,49%
of which: systemic risk buffer requirement	0,00%
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,56%
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	**33,91%**

6.2 Total capital ratio

6.2.1 Overview

As of December 31, 2023, the regulatory own funds amounted to CHF 484,5mn as compared to own capital requirements of CHF 90,3mn computed with the standardized approach as defined in the CRR. This leads to a total capital ratio of 42,91%, which is well above the overall capital requirement of 11,99% . The table below illustrates these facts.

Figure 15. Capital adequacy

As of 31/12/2023 (in CHF)	Capital adequacy ratio
Total regulatory capital	**484.448.124**
CET 1 instruments	484.448.124
Additional Tier 1 instruments	–
Tier 2 instruments	–
Total risk exposure amount	**1.128.876.547**
Total capital ratio	**42,91%**
Total SREP capital requirement ("TSCR")	**9%**
Pillar I requirement	8%
Additional local requirement	1%
Overall capital requirement (OCR)	**11,99%**
Capital conservation buffer	2,50%
Countercyclical buffer	0,49%

6.2.2 Capital resources requirement

The Pillar I capital requirements are summarized below, along with the relevant Risk-Weighted Asset ("RWA") values.

Figure 16. Overview of total risk exposure amounts

Own funds requirements as of 31/12/2023 (in CHF)	RWA	Pillar I capital requirements
Credit risk (excluding counterparty credit risk)	**679.830.262**	**54.386.421**
Of which: standardized approach	679.830.262	54.386.421
Of which: foundation internal ratings-based ("F-IRB") approach	–	–
Of which: supervisory slotting approach	–	–
Of which: advanced internal ratings-based ("A-IRB") approach	–	–
Counterparty credit risk ("CCR")	**78.380.559**	**6.270.445**
Of which: standardized approach for counterparty credit risk	75.794.828	6.063.586
Of which: Internal Model Method ("IMM")	–	–
Of which: credit valuation adjustment - CVA	2.585.731	206.858
Of which: other CCR	–	–
Market risk	**50.653.227**	**4.052.258**
Of which: standardized approach	50.653.227	4.052.258
Of which: internal models approach (IMA)	–	–
Operational risk	**320.012.499**	**25.601.000**
Of which: basic indicator approach	320.012.499	25.601.000
Of which: standardized approach	–	–
Of which: advanced measurement approach	–	–
Total	**1.128.876.547**	**90.310.124**

6.2.3 Capital conservation buffer

The Bank has to respect on top of Pillar I and Pillar II capital requirements the capital conservation buffer. The capital conservation buffer is a capital buffer of 2,5% of a bank's total exposures that needs to be met with an additional amount of CET1 capital. The buffer sits on top of the 4,5% minimum requirement for CET1 capital. Its objective is to conserve a bank's capital. When a bank breaches the buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make.

6.2.4 Countercyclical capital buffer

The Bank also has to maintain a countercyclical capital buffer ("CCyB") which depends on the exposures the Bank has in the different countries where countercyclical buffer requirements apply. The CCyB is part of a set of macro prudential instruments, designed to help counter pro-cyclicality in the financial system. Capital should be accumulated when cyclical systemic risk is judged to be increasing, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialize.

Figure 17. Amount of institution-specific countercyclical capital buffer

As of 31/12/2023 (in CHF)	
Total risk exposure amount	1.128.876.547
Institution specific countercyclical capital buffer rate	0,49%
Institution specific countercyclical capital buffer requirement	5.545.087

As of December 31, 2023, the CCyB applicable to the Bank amounts to 0.49% of its RWA and it mainly results from the exposures the Bank has in France and Luxembourg. The table below discloses the geographical distribution of credit exposures relevant for the calculation of the Bank's specific CCyB. Countercyclical capital buffer rates are determined by the Basel Committee member jurisdictions, and it only concerns credit exposures on the private sector (i.e., exposure on public sector entities and on institutions are not subject to CCyB).

Figure 18. Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

As of 31/12/2023 (in CHF) Breakdown by country	General credit exposures - SA	Relevant credit exposures	Total exposure value	Own fund requirements	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Czechia	2.219	-	2.219	133	1.664	0,0%	2,0%
France	247.954.383	-	247.954.383	16.779.545	209.744.318	49,6%	0,5%
Germany	1.874.081	-	1.874.081	149.931	1.874.133	0,4%	0,8%
Hong Kong	408.507	-	408.507	24.510	306.380	0,1%	1,0%
Ireland	21.408.031	-	21.408.031	1.706.863	21.335.781	5,1%	1,0%
Luxembourg	133.345.367	-	133.345.367	9.108.840	113.860.496	27,0%	0,5%
Netherlands	1.925.320	-	1.925.320	154.018	1.925.219	0,5%	1,0%
Sweden	46.398	-	46.398	3.620	45.254	0,0%	2,0%
United Kingdom	10.390.166	-	10.390.166	825.904	10.323.806	2,4%	2,0%
Total	**417.354.472**	**-**	**417.354.472**	**28.753.364**	**359.417.050**		

6.2.5 Total Loss Absorbing Capacity

In addition to the system outlined above, another ratio is already applicable to estimate the adequacy of the bail-in and recapitalization capacities of Global Systemically Important Institutions ("G-SII"). This Total Loss Absorbing Capacity ("TLAC") ratio completes the tracking of the resolution ratio of the Minimum Requirement for Own Funds and Eligible Liabilities ("MREL") as defined in the Bank Recovery and Resolution Directive ("BRRD"). Each of these ratios link an amount of regulatory capital and instruments eligible for risk and/ or leverage exposure. As per end of 2023, the Bank is not subject to any resolution requirements regarding the loss absorbing capacity.

7 Linkages between financial statements and regulatory exposures

This section provides information about the linkage between the carrying values presented in the financial statements and the regulatory exposures of the bank. As requested by the CRR, the following table provides a breakdown of the balance sheet into the risk frameworks used to calculate the regulatory capital requirements.

The following table illustrates the key differences between regulatory exposure amounts and accounting carrying values under the regulatory scope of consolidation.

The financial statements of CSL are disclosed in Lux GAAP (as per article 83 of the law of June 17, 1992, as amended) whereas the Finrep and Corep reporting is based on the IFRS accounting standards leading to the following disclosure and valuation differences.

- Unrealized gains from the revaluation of derivatives are not recognized under Lux GAAP;
- Part of the Bank's obligations from leases are only measured under IFRS 16 (and reported under Property, plant and equipment), whereas they are unrecognized through the Profit & Loss account under Lux GAAP;
- Expected credit losses ("ECL") measured according to IFRS 9 are reported under IFRS, whereas only provisions for specific credit risks have been recorded by the Bank under Lux GAAP;
- Pension liabilities are measured in accordance with IAS 19 ("Employee benefits") and partially recorded against revaluation reserves under IFRS, whereas under Lux GAAP the actuarial measurement is based on the law of June 8, 1999 and all valuation changes are recognized under the Profit & Loss account;
- Deferred taxes are only calculated under IFRS.

The scope of prudential consolidation does not differ from the accounting scope of consolidation as reported in the financial statements.

Figure 19. Assets - financial statements and regulatory exposures

Assets as of 31/12/2023 (in CHF)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Cash and balances at central banks	2.884.944.588	2.885.564.725
Financial assets designated at fair value	77.319	77.319
Derivative financial instruments	-	57.185.715
Loans and advances to banks	359.589.261	338.228.589
Loans and advances to customers	1.756.573.057	1.766.640.531
Current and deferred tax assets	-	6.682.730
Prepayments, accrued income and other assets	44.875.509	28.984.987
Goodwill and intangible assets	137.052	137.052
Property, plant and equipment	1.174.452	25.251.165
Total assets	**5.047.371.238**	**5.108.752.812**

Figure 20. Liabilities - financial statements and regulatory exposures

Liabilities as of 31/12/2023 (in CHF)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Deposits from banks	363.412.290	387.273.351
Customer accounts	4.010.646.333	3.998.048.905
Derivative financial instruments	-	55.607.494
Accruals, deferred income and other liabilities	142.993.412	125.994.682
Current and deferred tax liabilities	21.305.565	22.921.724
Subordinated liabilities	-	-
Provisions	637.930	364.520
Retirement benefit liabilities	15.320.324	16.252.745
Total liabilities	**4.554.315.854**	**4.606.463.421**

Figure 21. Equity - financial statements and regulatory exposures

Shareholders' equity as of 31/12/2023 (in CHF)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Paid-in share capital and share premium	258.479.954	258.479.954
Of which: amount eligible for CET1 capital	258.479.954	258.479.954
Retained earnings	234.987.579	250.847.072
Accumulated other comprehensive income	-	1.385.817
Profit or loss for the financial year	(412.148)	(8.423.451)
Total shareholders' equity	**493.055.385**	**502.289.392**

The table below disclose the mapping of financial statement categories with regulatory risk categories on assets and liabilities.

Figure 22. Assets - mapping of financial statement categories with regulatory risk categories

Assets as of 31/12/2023 (in CHF)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central banks	2.884.944.588	2.885.564.725	2.885.564.725	-	-	-	-
Financial assets designated at fair value	77.319	77.319	77.319	-	-	-	-
Derivative financial instruments	-	57.185.715	556.481.069	133.750.545	-	-	-
Loans and advances to banks	359.589.261	338.228.589	338.228.589	-	-	-	-
Loans and advances to customers	1.756.573.057	1.766.640.531	1.766.640.531	-	-	-	-
Current and deferred tax assets	-	6.682.730	172.673	-	-	-	6.510.057
Prepayments, accrued income and other assets	44.875.509	28.984.987	28.984.987	-	-	-	-
Goodwill and intangible assets	137.052	137.052	-	-	-	-	137.052
Property, plant and equipment	1.174.452	25.251.165	25.251.165	-	-	-	-
Total assets	**5.047.371.238**	**5.108.752.812**	**5.601.401.058**	**133.750.545**	**-**	**-**	**6.647.109**

Figure 23. Liabilities - mapping of financial statement categories with regulatory risk categories

Liabilities as of 31/12/2023 (in CHF)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Deposits from banks	363.412.290	387.273.351	-	-	-	-	387.273.351
Customer accounts	4.010.646.333	3.998.048.905	-	-	-	-	3.998.048.905
Derivative financial instruments	-	55.607.494	-	-	-	-	55.607.494
Accruals, deferred income and other liabilities	142.993.412	125.994.682	-	-	-	-	125.994.682
Current and deferred tax liabilities	21.305.565	22.921.724	-	-	-	-	22.921.724
Subordinated liabilities	-	-	-	-	-	-	-
Provisions	637.930	364.520	-	-	-	-	364.520
Retirement benefit liabilities	15.320.324	16.252.745	-	-	-	-	16.252.745
Total liabilities	**4.554.315.854**	**4.606.463.421**	**-**	**-**	**-**	**-**	**4.606.463.421**

8 Information on credit risk

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

The methodology to compute capital requirements for credit risk is presented in Title II of Part Three of the CRR. In terms of approach, CSL uses the standardized approach for credit risk, which is documented in Articles 111 to 141 of the CRR. This approach relies on the application of risk weights, which are based on:

- Counterparty type;
- Credit quality of counterparties;
- Residual maturity of exposures.

8.1 Credit risk management framework

8.1.1 Credit product offering

The Bank has a wide range of credit products to service the needs of its different clients:

- Lombard Lending: loans, guarantees, and limits for financial derivatives granted to Private Banking clients fully collateralized by marketable securities pledged in favor of the Bank. As a subset, the Lombard offering includes share backed lending (Structured Lombard loans, including against single stocks).
- Mortgage Lending: offered to Private Banking clients booked on CSL platform secured by properties located in France only (mainly Paris, Provence-Alpes-Côte d'Azur and Rhône-Alpes regions) with conservative Loan to Value ("LTV").
- Secured Lending: for investment funds, bridge financing and limits for hedging purpose collateralized by marketable securities pledged in favor of the Bank.
- Cash flow based Corporate Loans: typically operating and investment loans on a mainly unsecured basis for corporates.

8.1.2 Credit approval process

All credit applications are submitted by the relevant Relationship Manager ("RM") to Credit Risk Management department ("CRM") which approves credit limits in accordance with defined credit approval authorities. Approved credit limits are recorded in the system and reflect the Bank's risk appetite.

A final control function is in place within CRM to ensure a consistent and unified approach. The purpose of this control is to make sure that all credit limits are approved according to approval authorities and the set up in the system is in accordance with the Bank's Credit Risk Management framework and guidelines.

8.1.3 Credit risk monitoring/annual review process

Compliance of all credit exposures with approved credit limits and the availability of sufficient collateral are monitored by a fully automated tool daily at single client level. CRM can escalate any breach of credit limit or collateral shortfall not cured within defined time frame and can initiate liquidation of the client's portfolio (margin call process) to recover the full loan amount including interest, if deemed necessary.

The creditworthiness of borrowers and guarantors is re-assessed, based on financial analysis, in accordance with internal guidelines. Additionally, cash flow based corporate loans are reviewed on an annual basis. Structured Lombard financings, which require in-depth monitoring of the underlying collateral structure, are also reviewed periodically, as defined in the original approval, and in line with Credit Suisse and CSL internal guidelines.

Mortgage loans are submitted to intermediary credit reviews, including update of respective property valuation which are conducted annually for properties with a non-private usage and at least every 3 years for properties with a private usage.

The main risk driver is of operational nature, being a negligence of compliance with approval or monitoring processes in place. Control governance established on operational and management level can be considered as a strong mitigating factor.

8.1.4 Definition of past due and impairment

For its credit risk exposures to clients, the Bank uses the watchlist process, and the days past due, as a primary indicator of a significant increase in credit risk. A past-due is a loan payment that has not been made at its due date. As part of the International Financial Reporting Standards ("IFRS 9") framework, exposures that are more than 30 days-past-due or on the watchlist are allocated to stage 2 and exposures with more than 90-days past due are allocated to stage 3, which is equivalent to default.

The Bank considers that a financial asset is credit-impaired when one or more events having a detrimental impact on future estimated cash-flows have occurred.

8.1.5 Stress testing

Stress tests aim to assess the exposure at risk and expected loss in case of deteriorating economic conditions. Stress tests for Lombard, Mortgage and Corporate loan book of the Bank are part of the Credit Suisse's stress testing program and are run centrally by Credit Suisse's stress testing team. The Bank uses the same IT platform for credit business as Credit Suisse in Switzerland. This allows to leverage the existing stress testing approach. Based on this framework, CRM Luxembourg is performing plausibility analyses and sample checks upon receipt of relevant data filed locally. Changes to the approach (incl. assumptions) are discussed with Credit Suisse's stress testing team.

8.2 Credit risk exposures

Under the Standardized 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 EBA. The CQS value is then mapped to a risk weight percentage. The ECAIs used by the Bank are Standard & Poor's, Moody's and Fitch.

8.2.1 Breakdown of on- and off-balance sheet exposures according to regulatory exposure classes

As disclosed in the table below, total credit risk exposure (on-balance and off-balance sheet exposures net of value adjustments and provisions) amounts to CHF 5.735mn as of December 31, 2023.

Figure 24. Breakdown of on- and off-balance sheet exposures according to regulatory exposure classes

Exposure amounts as of 31/12/2023 (in CHF)	On-balance sheet amount	Off-balance sheet amount	Total exposure
Central governments or central banks	2.885.564.725	-	2.885.564.725
Regional government or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organizations	-	-	-
Institutions	335.486.196	129.753	335.615.949
Corporates	1.606.942.343	634.621.176	2.241.563.519
Retail	32.628.595	55.480.686	88.109.281
Secured by mortgages on immovable property	85.244.122	-	85.244.122
Exposures in default	44.567.863	-	44.567.863
Exposures associated with particularly high risk	-	-	-
Covered bonds	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-
Collective investment undertakings	-	-	-
Equity	77.319	-	77.319
Other items	54.408.825	-	54.408.825
TOTAL	**5.044.919.989**	**690.231.614**	**5.735.151.603**

8.2.2 Breakdown of performing and non-performing exposures according to regulatory exposure classes

As disclosed in the table below, total non-performing exposures (on-balance and off-balance sheet exposures before value adjustments and provisions) amount to CHF 53,1mn as of December 31, 2023.

Figure 25. Breakdown of performing and non-performing exposures according to regulatory exposure classes

Exposure amounts as of 31/12/2023 (in CHF)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
Cash balances at central banks and other demand deposits	3.159.809.508	3.159.809.292	216	-	-	-	(11.875)	(11.526)	(349)	-	-	-	-	-	-
Loans and advances	1.787.216.625	1.729.204.171	58.012.453	53.104.150	-	53.104.150	(1.074.346)	(374.876)	(699.470)	(8.610.217)	-	(8.610.217)	(315.359)	1.447.533.895	27.610.405
Credit institutions	63.996.786	63.996.786	-	-	-	-	(1.105)	(1.105)	-	-	-	-	-	-	-
Other financial corporations	979.595.029	921.583.246	58.011.783	9.824.140	-	9.824.140	(895.438)	(195.969)	(699.469)	(2.759.064)	-	(2.759.064)	-	750.412.766	7.065.076
Non-financial corporations	395.113.558	395.113.558	-	41.045.131	-	41.045.131	(172.692)	(172.692)	-	(5.851.154)	-	(5.851.154)	-	349.026.784	18.310.449
Households	348.511.251	348.510.581	670	2.234.880	-	2.234.880	(5.111)	(5.110)	(1)	-	-	-	(315.359)	348.094.345	2.234.880
Debt Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	2.772.104.205	2.772.104.205	-	95	-	-	65	65	-	-	-	-		1.464.637.885	1
Credit institutions	129.753	129.753	-	-	-	-	65	65	-	-	-	-		-	-
Other financial corporations	2.438.185.679	2.438.185.679	-	-	-	-	-	-	-	-	-	-		1.223.669.473	-
Non-financial corporations	172.015.792	172.015.792	-	95	-	-	-	-	-	-	-	-		147.972.658	1
Households	161.772.982	161.772.982	-	-	-	-	-	-	-	-	-	-		92.995.754	-
Total	**7.719.130.338**	**7.661.117.668**	**58.012.669**	**53.104.245**	**-**	**53.104.150**	**(1.086.157)**	**(386.337)**	**(699.820)**	**(8.610.217)**	**-**	**(8.610.217)**	**(315.359)**	**2.912.171.780**	**27.610.406**

8.2.3 Credit quality of assets

Non-performing loans are typically 90-days past due and are represented by above amounts of defaulted exposures which mainly consist of mortgage loans for residential property financing in France. Respective cases are managed by recovery specialists. Notional amounts against 1st rank mortgages are fully covered by market value of the properties, and credit provisions are entirely covering unpaid interest.

The table below provides an overview of the credit quality of client assets. This includes the split of performing versus non-performing exposures and well as a view on defaulted exposures.

Figure 26. Credit quality of performing and non-performing exposures by past due days

As of 31/12/2023 (in CHF)	Gross carrying amount / Nominal amount											
	Performing exposures		Non-performing exposures									
		Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	3.159.809.508	3.159.809.508	-	-	-	-	-	-	-	-	-	-
Loans and advances	1.787.216.625	1.786.712.242	504.383	53.104.150	10.551.745	-	-	22.910.716	-	15.994.233	3.647.456	53.104.150
Credit institutions	63.996.786	63.996.786	-	-	-	-	-	-	-	-	-	-
Other financial corporations	979.595.029	979.165.299	429.731	9.824.140	-	-	-	9.824.140	-	-	-	9.824.140
Non-financial corporations	395.113.558	395.095.172	18.387	41.045.131	8.316.865	-	-	13.086.577	-	15.994.233	3.647.456	41.045.131
Households	348.511.251	348.454.986	56.265	2.234.880	2.234.880	-	-	-	-	-	-	2.234.880
Debt Securities	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	2.772.104.205			95								95
Credit institutions	129.753			-								-
Other financial corporations	2.438.185.679			-								-
Non-financial corporations	172.015.792			95								95
Households	161.772.982			-								-
TOTAL	**7.719.130.338**	**4.946.521.750**	**504.383**	**53.104.245**	**10.551.745**	**-**	**-**	**22.910.716**	**-**	**15.994.233**	**3.647.456**	**53.104.245**

The table below provides an overview of the credit quality of non-financial corporation clients split by industry. This includes the split of performing versus non-performing exposures and well as a view on impairment and defaulted exposures.

Figure 27. Credit quality of loans and advances to non-financial corporations by industry

As of 31/12/2023 (in CHF)	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which: non-performing	Of which: defaulted	of which: loans and advances subject to impairment		
Agriculture, forestry and fishing	584.311	-	-	584.311	(4)	-
Manufacturing	29.735.863	-	-	29.735.863	(79.474)	-
Wholesale and retail trade	3.947.665	-	-	3.947.665	(596)	-
Accommodation and food service activities	117	-	-	117	(0)	-
Information and communication	35.699.614	-	-	35.699.614	(56.506)	-
Real estate activities	139.596.816	41.045.131	41.045.131	139.596.816	(5.886.280)	-
Professional, scientific and technical activities	226.594.145	-	-	226.594.145	(986)	-
Human health services and social work activities	159	-	-	159	(0)	-
Total	**436.158.689**	**41.045.131**	**41.045.131**	**436.158.689**	**(6.023.846)**	**-**

8.2.4 Changes in stock of defaulted loans and debt securities

The table below provides an overview of the evolution of the stock of defaulted loans between December 31, 2022 and December 31, 2023. As illustrated below, the stock between 2022 and 2023 decreased by CHF 16,8mn mainly due to the repayment of one client in 2023.

Figure 28. Overview of the evolution of the stock of non-performing loans and advances

Changes in the stock of non-performing loans and advances as of 31/12/2023	Amounts in CHF
Initial stock of non-performing loans and advances	**69.944.297**
Inflows to non-performing portfolios	7.709.399
Outflows from non-performing portfolios	(24.549.537)
Outflows due to write-offs	(315.359)
Outflow due to other situations	(24.234.178)
Final stock of non-performing loans and advances	**53.104.158**

8.2.5 Credit risk mitigation techniques

The table below provides a split of exposures based on collateral that is used to mitigate the client exposures. It shows that most customer credit exposures are secured by collateral, financial guarantees, or credit derivatives (put options).

The unsecured part refers to a large extent to exposures to credit institutions and the central bank where no eligible credit risk mitigation technique is considered.

Figure 29. CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

As of 31/12/2023 (in CHF)	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	3.515.289.544	1.475.144.300	1.209.097.194	266.047.105	-
Debt securities	-	-	-	-	-
Total	**3.515.289.544**	**1.475.144.300**	**1.209.097.194**	**266.047.105**	**-**
Of which non-performing exposures	16.883.528	27.610.405	20.545.329	7.065.076	-
Of which defaulted	36.903.122	7.664.741	-	7.664.741	-

8.2.6 Split of credit risk exposure based on regulatory exposure classes and risk weights

The table below provides a breakdown of on- and off-balance sheet exposures (net of impairments and provisions) per regulatory exposure class and per risk weight. As illustrated, the Bank's main exposures are to sovereigns and central banks, credit institutions and corporate clients.

In terms of risk weights, the Bank's exposures are mainly concentrated on the risk weights 0%, 20%, 50% and 100%. This results from the fact that exposures to sovereign and central banks consist of central bank reserves that are risk weighted at 0% according to Article 114(4) of the CRR.

Regarding exposures towards credit institutions, most exposures have a short-term maturity and the counterparties of the Bank generally at least benefit from a CQS 2. According to Article 120 of the CRR, the applicable risk weight on such exposures is 20%.

In terms of corporate exposures, most counterparties do not have a credit rating from an ECAI. Such exposures are risk weighted at 100% according to Article 122 of the CRR.

Figure 30. Standardized approach - On- and off-balance sheet exposures net of value adjustments and provisions

Exposure amounts as of 31/12/2023 (in CHF)	Risk weight								
Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	TOTAL
Central governments or central banks	2.885.564.725	-	-	-	-	-	-	-	2.885.564.725
Regional government or local authorities	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-
Institutions	-	473.791.142	-	353.693.708	-	129.753	-	-	827.614.603
Corporates	-	-	-	20.251.169	-	253.983.573	-	-	274.234.742
Retail	-	-	-	-	19.836.670	-	-	-	19.836.670
Secured by mortgages on immovable property	-	-	84.343.357	-	-	-	-	-	84.343.357
Exposures in default	-	-	-	-	-	21.003.217	15.899.905	-	36.903.122
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	70.312	-	-	70.312
Other items	-	-	-	-	-	48.282.715	-	-	48.282.715
TOTAL	**2.885.564.725**	**473.791.142**	**84.343.357**	**373.944.877**	**19.836.670**	**323.469.569**	**15.899.905**		**-4.176.850.245**

8.2.7 Credit risk exposure and credit risk mitigation effects

The table below provides an overview of the effects of credit risk mitigation. As illustrated, most exposures are covered by collateral, which is eligible from a credit risk management perspective. This explains why the on-balance sheet exposure post CCF (credit conversion factor) and CRM (credit risk mitigation technique) is significantly lower for corporate and retail exposure classes. All this leads to an overall RWA density of 16,2%.

Figure 31. Standardized approach – Credit risk exposure and CRM effects

As of 31/12/2023 (in CHF)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments or central banks	2.885.564.725	-	2.885.564.725	-	-	0,0%
Regional government or local authorities	-	-	-	-	-	0,0%
Public sector entities	-	-	-	-	-	0,0%
Multilateral development banks	-	-	-	-	-	0,0%
International organizations	-	-	-	-	-	0,0%
Institutions	335.486.196	129.753	560.124.521	268.738.632	271.984.545	32,8%
Corporates	1.606.942.343	634.621.176	264.425.673	9.809.069	264.108.763	96,3%
Retail	32.628.595	55.480.686	4.988.152	14.848.518	14.877.560	75,0%
Secured by mortgages on immovable property	85.244.122	-	84.343.357	-	29.520.175	35,0%
Exposures in default	44.567.863	-	36.903.122	-	44.853.075	121,5%
Exposures associated with particularly high risk	-	-	-	-	-	0,0%
Covered bonds	-	-	-	-	-	0,0%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0,0%
Collective investment undertakings	-	-	-	-	-	0,0%
Equity	77.319	-	77.319	-	77.319	100,0%
Other items	54.408.825	-	54.408.825	-	54.408.825	100,0%
TOTAL	**5.044.919.989**	**690.231.614**	**3.890.835.694**	**293.396.219**	**679.830.262**	**16,2%**

8.2.8 Geographical breakdown of quality of non-performing exposures

Concerning the performing exposure, the other country split refers to a large extent to Swiss Institutions which are intra-group related. In addition, CSL has a lot of its corporate and retail exposure in Luxembourg mostly dominated by Lombard business with Investment Funds and Private Banking clients. Another relevant country for CSL is France, the French exposure to Corporates is mainly Private Banking related and to a much smaller extent Corporate Lending; mortgage business pertains only to the CSL French branch and is secured by French properties. The majority of non-performing exposures are currently of French and Jersey origins.

Figure 32. Quality of non-performing exposures by geography

As of 31/12/2023 (in CHF)	Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing		of which: subject to impairment			
			of which: defaulted				
On balance sheet exposures	**1.840.320.775**	**53.104.150**	**53.104.150**	**1.840.320.775**	**(9.684.563)**		**-**
BE	24.930.571	2.234.880	2.234.880	24.930.571	(589)		-
FR	788.538.508	35.571.601	35.571.601	788.538.508	(6.700.599)		-
JE	15.299.852	15.297.670	15.297.670	15.299.852	(2.759.066)		-
Other countries	1.011.551.844	-	-	1.011.551.844	(224.309)		-
Off balance sheet exposures	**2.772.104.300**	**95**	**95**			**65**	
FR	706.120.060	2	2			-	
JE	93	93	93			-	
Other countries	2.065.984.147	-	-			-	
Total	**4.612.425.075**	**53.104.245**	**53.104.245**	**1.840.320.775**	**(9.684.563)**	**65**	**-**

8.3 Counterparty credit risk

Counterparty credit risk ("CCR") arises from over-the-counter ("OTC") and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities such as structured or securities financing transactions ("SFT"). 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.

The Bank and its branches are not performing any own trading activities and are only entering into securities and other financial instruments transactions on behalf of clients. Trading transactions are generally entered into on either an agency or back-to-back basis.

The Bank calculates exposure at default ("EAD") for derivatives under the Standard Approach for Counterparty Credit Risk ("SA-CCR") approach. The SA-CCR calculation is presented in Articles 274-280 of the CRR 2. The purpose of the SA-CCR, as envisioned by the Basel Committee, was to develop a more granular and risk-sensitive methodology than the old Standard or Mark-to Market Method. The Basel Committee designed the SA-CCR to achieve an appropriate differentiation between margined and unmargined trades, which at the same time would also recognize the benefits of netting.

The table below provides an overview of counterparty credit risk exposures per approach.

Figure 33. Analysis of CCR exposure by approach

Amounts as of 31/12/2023 (in CHF)	Replacement cost	Potential future exposure	Effective EPE (expected positive exposure)	Alpha used for computing regulatory EAD	EAD pre-CRM	EAD post-CRM	Exposure value	RWA
EU - Original Exposure Method (for derivatives)	-	-		-	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-		-	-	-	-	-
SA-CCR (for derivatives)	29.048.186	66.487.918		1,40	133.750.545	133.750.545	133.750.545	75.794.828
IMM (for derivatives and SFTs)			-	-	-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					-	-	-	-
VaR for SFTs					-	-	-	-
Total					**133.750.545**	**133.750.545**	**133.750.545**	**75.794.828**

The table presents a breakdown of CCR exposures per counterparty type and per risk weight.

Figure 34. Standardized approach – CCR exposures by regulatory exposure class and risk weights

Regulatory portfolio As of 31/12/2023 (in CHF)	Risk weight									
	0%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks	-	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	1.248.551	115.709.815	-	-	-	-	-	116.958.366
Corporates	-	-	-	-	-	-	17.637.492	-	-	17.637.492
Retail	-	-	-	-	-	403.238	-	-	-	403.238
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	6.133.118	-	-	6.133.118
Total exposure value	**-**	**-**	**1.248.551**	**115.709.815**	**-**	**403.238**	**23.770.610**	**-**	**-**	**141.132.214**

The table below shows the composition of collateral for the CCR exposures as of 31.12.2023 in CHF.

Figure 35. Composition of collateral for CCR exposures

As of 31/12/2023 (in CHF)	Collateral used in derivative transactions				Collateral used in SFTs			
Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	-	115.710	-	-	-	-	-	-
Cash – other currencies	-	24.844.342	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Equity securities	-	641.255.063	-	-	-	-	-	-
Other collateral	-	106.841	-	-	-	-	-	-
Total	**-**	**666.321.956**	**-**	**-**	**-**	**-**	**-**	**-**

8.4 Credit valuation adjustment

The Credit Valuation Adjustment ("CVA") is 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. The CRR/CRD IV package requires credit institutions to compute capital requirements for CVA for all OTC derivative instruments, other than credit derivatives intended to mitigate risk weighted exposure amounts for credit risk.

As illustrated in the below table, CSL computes the CVA using the standardized approach, which is described in Article 384 of the CRR.

Figure 36. Transactions subject to own funds requirements for CVA risk

As of 31/12/2023 (in CHF)	Exposure value	RWEA
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	16.498.460	2.585.731
Total subject to the CVA capital charge	**16.498.460**	**2.585.731**

8.5 Intragroup Credit Concentration Risk

In accordance with CSSF circular 13/574 and in light of the 2023 CS events, the AM of the Bank has re-assessed how concentration risk (intra- and inter-risk concentration) is derived from the overall business model and came to the following conclusions:

In terms of concentration risks linked to business strategy and earnings, the Bank's business model has shown a significant concentration to the parent credit and liquidity situation despite the products and client groups diversification which will provide more efficient mitigation once integrated. Indeed, the Bank's main material concentration risk is the intra-group exposure, especially considering the outsourcing of operations and IT services to CS AG, CS (Schweiz) AG and CS Services AG. More specifically, intra-risk concentration has been identified in the area of credit risk. As highlighted below, the Bank's policies as well as its supportive IT systems in Credit Risk Management are deemed

efficient in order to manage concentration risks in this area.

No other significant intra-risk or inter-risk concentrations and related exposures have been identified, such as real estate and/or sovereign loan exposures. As a conclusion, AM considers that the concentration risk (both intra- and inter-risk) is adequately captured in the existing capital planning framework.

In October 2022, CSL introduced an intragroup credit concentration framework. Following the merger announcement in Q1 2023, the Bank further refined the intragroup monitoring, which includes the indicators below: absolute and relative measures of UBS CDS Euro 5 years and UBS Group share price.

End December, a new calculation of capital Pillar 2 add on has been included to account for the intra-group credit concentration risk. The methodology is based on the:

1. The Herfindahl-Hirschman Index ("HHI") function which is defined as the sum of the squares of the relative IC portfolio shares of all borrowers (these portfolio shares are calculated using risk-weighted assets ("RWAs")).

2. According to PRA's methodology[1] for assessing credit concentration risk Pillar 2 capital add on, the content of the portfolios used in the assessment are determined based on a methodology for representative portfolios with different levels of single name, sector and geographic concentration, as measured by the HHI.

The results of the mapping of portfolios and Prudential Regulation Authority ("PRA") table were used to determine the proposed add-on based on the HHI calculated for the portfolios. In line with the CS Group guidance, CSL constructed portfolios to determine the HHI for single name concentration risk, which can be presented as follows:

Compared to last year, the main enhancements applied in 2023 are the inclusion of intragroup risk transfer exposures as highlighted in the figure below.

Figure 37. HHI COREP Figures Year-End 2023

As of 31/12/2023 (in CHF)		Exposure before	Unsecured exposure	RWA	I/C RWAs	Percentage	Herfindahl-Hirschman Index (HHI)
CASH	CASH HQLA	2.885.564.725	2.885.564.725	-	-	-	
	Other demand deposits IC	184.391.694	184.391.694	36.878.339	36.878.339	0,06	
Securities	SLB, Repo N-FVO	-	-	-	-	-	
	Trading assets	133.750.545	133.750.545	75.794.828	-	0,13	
Loans and advances	Loans and advances THP	1.836.034.719	457.313.954	391.138.821	-	0,65	
	Loans and advances IC	84.442.705	84.442.705	41.947.308	41.947.308	0,07	
Receivables	Receivables THP	53.185.226	53.185.226	53.185.226	-	0,09	
	Receivables IC	1.223.600	1.223.600	1.223.600	1.223.600	0,00	
Off-balance sheet	Put options (IC risk transfer)	-	-	-	154.577.809		
TOTAL				**600.168.121**	**234.627.056**	**100%**	**0,52**
Capital buffer allocation							9.385.082

Concluding the overall concentration risk assessment, the additional Pillar II capital charge on intra-group credit concentration risk added in 2023 amounts to CHF 9,4mn as a management buffer.

[1] Source: PRA methodology for setting Pillar 2 capital February 2020

9 Information on market risk

9.1 Overview

The Bank and its branches are not performing any own trading activities and are only entering into securities and other financial instruments transactions on behalf of clients.

9.2 Market risk management framework

CSL defines market risk as the risk of financial loss from adverse changes in market prices, including interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and other factors such as market volatility and the correlation of market prices across asset classes.

Market risk is part of the RAS of CSL approved by the BoD setting the risk appetite and risk limits to be adhered to by the Bank. The appetite for this risk is minimal/modest as the Bank recognizes that this risk is inherent in the business. In terms of exposures, market risk is only taken through, e.g. the provision of credit offerings or deposit taking.

As part of its activities, the Bank is exposed to the following types of market risk:

- Foreign exchange risk;
- Interest rate risk.

These sub-risks are further presented in the following sub-sections.

In terms of monitoring and controls of market risk, the stability of earnings via sound management of market risk includes:

- Daily market risk reports which deal both with foreign exchange and interest rate risk;
- ALCO report (monthly);
- CRO risk report (quarterly).

In the event that risk limits are breached, reporting and escalation processes are in place.

9.2.1 Foreign exchange risk

Foreign exchange risk ("FX risk") arises as a consequence of intraday exposures from foreign exchange trading on behalf of clients to facilitate the bulking of client positions. As foreign exchange risk is not part of core activities of the Bank, the appetite for this risk is minimal.

When exposures to foreign exchange risk arise, the Bank will seek to mitigate these risks.

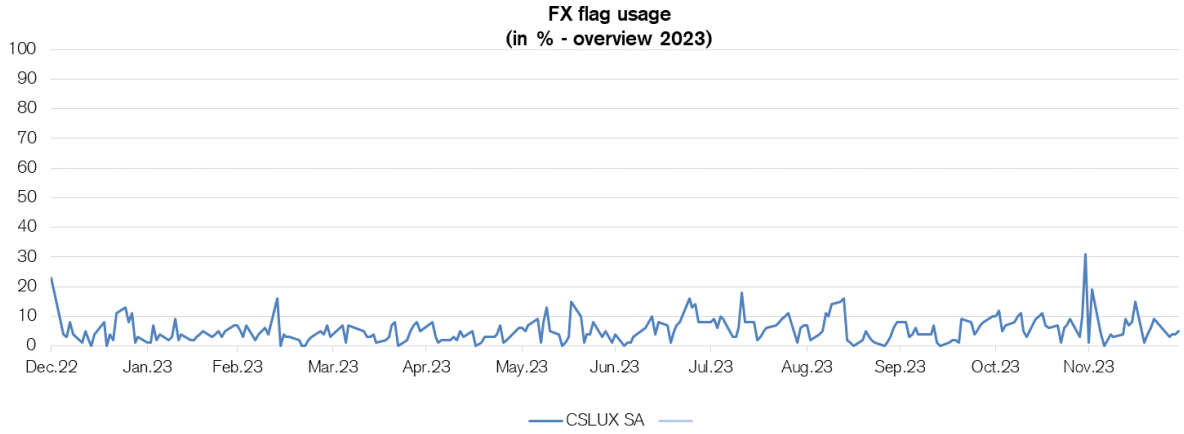
FX risk is managed through daily monitoring and the utilization of exposures limits. The table below presents the limits that are in place.

Figure 38. FX flag limit

FX Flag (in USD mn)	Limit	Utilization 31/12/2023	Reporting frequency
CS Luxembourg	1,2	5%	Daily

Over 2023, no breach of foreign exchange exposure limit has been reported. The compliance with the foreign exchange exposure limit over 2023 is presented on the below graph.

Figure 39. FX flag usage



9.2.2 Interest rate risk (IR)

The Bank defines interest rate risk ("IR") as potential risk to earnings arising primarily as a consequence of the banking book, and to a lesser extent, other interest-rate sensitive earnings. The appetite for this risk is modest as the Bank is willing to accept these risks in certain circumstances, up to specified risk tolerances, in exchange for appropriate risk adjusted returns. However, interest rate risk is not central to achieving the business strategy.

In terms of exposures, the Bank is mainly exposed to structural interest rate, which arises primarily from loans and deposits. In this context, interest rate risk is limited at the level arising from the provision of credit offerings and deposit taking under consideration of the leverage ratio exposure. Interest rate risk in the Banking Book ("IRRBB") is hedged through interest rate swaps.

The Bank monitors its exposure to interest rate risk using stress tests:

- the stress test framework according to the CSSF circular 08/338 (as amended by circulars CSSF 16/642, CSSF 20/762 and CSSF 24/849) and
- the CS Group interest rate risk in the Banking Book methodology.

9.3 Market risk exposures

Under Pillar I capital requirements, institutions are required to compute capital requirements for market position risk, FX risk and commodities risk.

As mentioned in the previous sections, the Bank is exposed to foreign exchange and interest rate risks. Therefore, the Bank computes Pillar I capital requirements for foreign exchange risk only, as illustrated in the table below.

Figure 40. Market risk under the standardized approach

As of 31/12/2023 (in CHF)	RWEAs
Outright products	-
Interest rate risk (general and specific)	-
Equity risk (general and specific)	-
Foreign exchange risk	50.653.227
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitization	-
Total	**50.653.227**

As part of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Bank evaluates its exposures to all risks, including the ones that are not considered as part of Pillar I capital requirements. In this context, the Bank computes as part of its ICAAP Pillar II capital requirements for interest rate risk.

The Bank has adopted the regulatory stress test defined in the CSSF circular 08/338 (as amended by circulars CSSF 16/642, CSSF 20/762 and CSSF 24/849) and in line with Credit Suisse global methodology. In accordance with these guidelines, institutions shall measure the exposure to interest rate risk arising from non-trading book activities in terms of both change in economic value of equity ("EVE") and change in future earnings (also called Net Interest Income) under each of the prescribed interest rate shock scenarios.

In order to reflect the stress test over the period, CSL applies a capital charge equal to the maximum risk appetite of USD 15mn.

As of December 31, 2023, the overall negative impact of the regular Interest Rate Risk in the Banking Book Stress Test, i.e. a parallel shift of the interest rate curve by +/- 200 bps was as follows:

Figure 41. Parallel shift of the interest rate

Parallel shift of +200bps	Parallel shift of -200bps
CHF (0,47mn)	CHF (1,10mn)

The Bank has implemented the FINMA-mandated scenarios on the regulatory Economic Value of Equity ("ΔEVE") and Net Interest Income ("ΔNII") risk measures.

Beyond the regulatory scenarios, Credit Suisse has also defined a comprehensive set of internal stress test scenarios. The scenarios are reviewed periodically in terms of both scenario selection and calibration of the shocks applied, reflecting changes in macroeconomic conditions and specific interest rate environments.

The impact of interest rate shocks on their change in ΔEVE and ΔNII, are computed based on a set of prescribed interest rate shock scenarios (see below tables).

The Bank does not have a regulatory requirement to hold capital against IRRBB. The economic impacts of adverse shifts in interest rates are significantly below the 15% of tier 1 capital – the threshold used by the regulator to identify banks that can potentially run excessive levels of interest rate risk.

The impact on the Bank's capital for ΔEVE would be less than USD 15mn. For net interest income (ΔNII) impact would be less than CHF 30mn.

Measured ΔEVE

Based on Annex II (the standardized interest rate shock scenarios) EBA guidelines EBA/ GL/2022/14, on a monthly basis, these six regulatory scenarios are simulated, and the worst case is compared to regulatory own funds.

Figure 42. Worst case EVE scenarios remained within risk limits

Stress Test	Scenario	Stress value 31/12/2023 (CHF mn)	% of Tier 1 capital	Limit (USD mn)
CSSF	Parallel shift of +200 bps	(0,47)	(0,10%)	(15)
	Parallel shift of -200 bps	(1,10)	(0,22%)	
EBA 6 Scenarios	Parallel Up	(0,13)	(0,03%)	(15)
	Parallel Down	(1,26)	(0,26%)	
	Steepener	(1,14)	(0,23%)	
	Flattener	(0,18)	(0,04%)	
	Short Up	(0,25)	(0,05%)	
	Short Down	(1,66)	(0,34%)	

Relevant market risk positions are updated on a weekly basis and fed into the Credit Suisse global market risk system ("MARS"). The figures above show the impact of instantaneous shocks on rates in a Mark-to-Market ("MTM") sense, regardless of whether positions are actually subject to MTM accounting (consistent with Credit Suisse global standards). The interest rate stress test is performed on a monthly basis.

The following list summarizes the key modelling and parameter assumptions used:

- ΔEVE is measured by excluding client margins and applying risk-free discounting.
- Following the internal approach for ΔEVE, the aggregation logic for each of the six prescribed regulatory scenarios allows for diversification between the different currencies.
- Additional tier 1 capital is excluded from the regulatory ΔEVE measure.
- ΔEVE is calculated using a sensitivity-based approach.

Measured Net Interest Income (ΔNII)

On the top of the ΔEVE calculation as per EBA requirements, CSL has also developed NII risk measurement. Throughout 2023, the various scenarios have not led to any breach of the CHF 30mn risk limit. The level of consumption of the risk limit remained at low level throughout the year.

The risk worst pain scenario for the NII has been the CHF-EUR Up scenario which, if materialized, could impact the NII by 15% (the difference between the baseline and the worst pain scenario leading to an amount of CHF 16mn).

This risk has been assessed as Green throughout the year and reported as such in the monthly ALCO meetings.

Regulatory Net Interest Income

- The regulatory constant balance sheet assumptions prescribe using both constant volumes and constant margins throughout the one-year horizon.
- Volumes are kept constant, both in balance sheet size and product composition.
- Margins are kept at a constant level for the new positions, in line with the maturing positions.
- In accordance with regulatory guidance, cash positions held at central banks are excluded.

10 Information on operational risk

10.1 Overview

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The methodology to compute capital requirements for operational risk is presented in Title III of Part Three of the CRR.

The Bank has opted for the Basic Indicator Approach ("BIA")[2] to compute the regulatory capital requirements to cover operational risks of the Bank, which is outlined in the following:

Figure 43. Operational risk own funds requirements and risk-weighted exposure amounts

Year End (in CHF)	Relevant indicator			Own funds requirements	Risk exposure amount
	2021	2022	2023		
Banking activities subject to basic indicator approach (BIA)	158.589.682	173.950.949	179.479.367	25.601.000	320.012.499

Own funds requirements for operational risk are computed as follows:

$$\text{Capital requirements for operational risk} = 15\% * \frac{\sum_{i=1}^{3} \text{Relevant indicator}_{t-1}}{3}$$

The relevant indicator is the positive annual gross income as per audited CSL Finrep year-end figures (i.e. the above 2023 figure is still referring to the audited Finrep of 2022 as the Finrep as per 31.12.2023 is not audited yet when the Corep needs to be reported to the CSSF). This leads to capital requirements for operational risk amounting to CHF 25.601.000 which corresponds to CHF 320.012.499 of RWA.

10.2 Operational risk management framework

The Bank considers operational risk as a major risk source it is exposed to. As such, operational risk is closely monitored based on a set of established policies and procedures. When dealing with operational activity, employees are expected to closely follow the applicable rules and procedures so as to reduce the frequency of operational error events and the impact of such events.

In order to monitor its exposure to operational risk, CSL maintains an incident database ("MyIncidents") where operational risk incidents are recorded. Moreover, the Bank analyses and follows up on operational errors. MyIncidents is applied at Credit Suisse Group level and includes, amongst other lessons learned and risk remediation actions.

The way operational risk incidents are treated is governed by a Credit Suisse policy. The policy describes the principle for the identification, valuation, capturing and reporting of internal and external operational risk incidents and associated roles and responsibilities.

CSL has a very prudent incidents reporting policy in place, i.e. all operational risk incidents (with or without financial impact) must be recorded in the Credit Suisse Group incidents repository (MyIncidents). Due to strengthened awareness of staff to report all incidents, the number of reported incidents provides strong transparency on issues where there is room for improvement and evidences strong risk culture in the organization. All incidents are reviewed and analyzed, both by first and second line of defense, and there is a strong focus on drawing lessons learnt (risk mitigation measures) and follow-up on incidents. Moreover, incidents are closely monitored and reported on a regular basis by CRO to Authorized Management (AM), Risk Committee (RC), Audit & Risk Committee (ARC) and the Board of Directors (BoD).

[2] Capital requirements under the BIA is calculated at 15% of a firm's three-year average net operating income.

11 Information on liquidity risk

11.1 Overview

Liquidity risk can be defined as the risk that the Bank will not have the appropriate amount of funding and liquidity to meet its obligations as they come due.

Liquidity risk is addressed in Part Six of the CRR, which requires banks to compute the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). These two ratios have been introduced after the 2007/2008 global financial crisis and their purpose is to provide visibility on the exposure of an institution to liquidity risk.

11.2 Liquidity risk management framework

The BoD recognizes that the maintenance of sufficient liquidity is fundamental to the prudent management of a bank. The process of managing liquidity within the Bank is fully integrated into global liquidity management process within Credit Suisse. This process also recognizes the requirement to ensure that CSL maintains a liquidity position within guidelines set by the CSSF. AM is responsible for the development and implementation in accordance with the principles and objectives established by the BoD.

The liquidity management treasury function is mandated to the placement a prudent approach in term of daily management and long-term liquidity planning:

- Ensure that all dimensions of risks are covered in compliance with the EBA recommendations.
- Ensure that i) sufficient competent executing personnel and appropriate infrastructure are available to secure sound liquidity management and realization of the objectives set in the risk & liquidity policy, ii) monitoring of the Luxembourg liquidity risk is within an existing risk management function located in Luxembourg, iii) liquidity management decisions, liquidity management and liquidity monitoring may not be externalized.
- On a regular basis assess the adequacy of the liquidity policy and verify that it is fully implemented and followed by staff.
- Report to the BoD on matters relevant to the policy and the status and efficiency of its implementation at least once a year (including, but not limited to the achievement of compliance-related objectives, the human and technical resources needed to achieve these objectives).

(1) Liquidity strategy

The Bank is able to meet all contractual, contingent and regulatory obligations on both an ongoing business as usual basis, and in period of liquidity stress and is able to continue to pursue activities for a period of time without changing business plans.

(2) The Bank Risk Appetite for Liquidity

The Bank defines its appetite for Liquidity & Funding Risk as minimal. The Risk Appetite Statement requires that the Bank is able to meet all contractual, contingent and regulatory obligations on both an ongoing business as usual basis, and in period of liquidity stress and is able to continue to pursue its activities for a period of time without changing business plans. CSL liquidity situation is robust with a business model generating an excess of liquidity which is either up-streamed within Credit Suisse or placed as liquidity buffer with the Banque Centrale du Luxembourg ("BCL").

(3) Liquidity management principles

- A pool of high-quality unencumbered assets is maintained allowing to meet all contractual and regulatory obligations under both normal and stressed market conditions.
- Fund Transfer Pricing: the Bank operates within a fund transfer pricing system designed to allocate to businesses all funding costs in a way that incentivizes their efficient use of funding.
- The Bank operates within Credit Suisse centralized funding model.
- Excess liquidity is up streamed to Credit Suisse.
- If required emergency funding to be provided within Credit Suisse global liquidity management framework.
- Foreign exchange and money market dealing is taking place with Credit Suisse entities only.
- Credit Suisse internal liquidity barometer model is used to manage liquidity to internal targets and as basis model to stress test liquidity.

11.2.1 Funding strategy

Customer deposits represent the primary source of funding. The Bank's business model generates an excess of liquidity from deposits which is either up-streamed to Credit Suisse in line with Credit Suisse centralized funding model or placed with the BCL. Customer deposits resulting from the Wealth Management activities or from the Depositary Bank function are the only external sources of funding. The Bank is not relying on other external funding such as issuance of debt securities.

Funding concentration risk is the over-reliance on a type of instrument or product, tenor, currency, counterparty and/or financial market to raise funding and meet the Bank's obligations. It is the Bank's funding strategy to ensure that it has access to a diversified range of funding sources by customer base, financial market and geography to cover short-term and medium to long term requirements, without any significant reliance on a particular funding source, counterparty, currency, tenor or product.

CSL does not face any major concentration risk with regards to the source of customer deposits: the largest client deposit represents 21% and the largest clients with deposits greater than 1% of the Bank's Total liabilities represent 54% of the total deposits amount.

11.2.2 Liquidity risk mitigation techniques

CSL risk management framework is organized within, the "three lines of defense" approach to ensure to ensure a clear segregation between the first (Business lines and Treasury), the second (CRO and Liquidity Risk Management) and Internal Audit as third line of defense.

11.2.3 Stress testing

Barometer 2.0 ("B2.0") is Credit Suisse' internal liquidity risk model. B2.0 is a global model which is consistently applied on the Credit Suisse network (including CSL). It incorporates various stress scenarios across different time horizons. The two main scenarios are a 30-day severe combined stress event (B2.0 30d) and a 365 days less severe scenario (B2.0 365d). Key assumptions of the Barometer 2.0 stress testing framework incorporate several factors including, but not limited to:

- Conservative assessments based on historic experience.
- Subject matter expert review.
- Peer analysis/experience.

Both Barometer 2.0, 30d and 365d metrics, are calculated on a weekly basis by the Liquidity Measurement and Reporting ("LMR"). LMR has an overarching control framework which applies to the production of the Barometer 2.0 reports. The controls focus on the completeness, the accuracy and timeliness of the data used in production.

The Barometer 2.0 relies on a centralized and reconciled data source that feeds production of both internal Management Inventory ("MI") and regulatory reporting. Accurate and complete data that is reconciled against books and records are stored in an automated and controlled environment.

Barometer 2.0 uses the cash flow model based on contractual and behavioral assumptions for up to 365 days to perform stress testing analysis and reporting across long term structural scenarios. The rationale supporting the Barometer 2.0 shares similarities with the Liquidity Coverage Ratio ("LCR") as it addresses acute short-term liquidity issues.

Appropriate risk constraints have been defined for the two Barometer metrics, in accordance with the global entity risk control framework, the standardized and dynamic methodology for cascading Barometer 2.0 risk appetite into proportional risk controls for individual entities.

The approved 30d and 365d tolerances are reviewed on a yearly basis.

11.2.4 Contingency funding plan

Although the Bank is embedded in Credit Suisse Group's liquidity Contingency Funding Plan ("CFP"), CSL considers contingency planning within recovery planning to be an integral part of comprehensively managing stressful situations that may occur at any point throughout the crisis continuum, with the ultimate goal of greatly reducing the possibility that the Bank may need to be resolved. The crisis management framework ranges from the ordinary course of business all the way to failure.

In the ordinary course of business, the Bank follows its existing risk management, capital management and liquidity management processes as laid out in its overall Risk Management Framework.

The crisis management framework is designed to apply to conditions on the continuum between the ordinary course of business, i.e. business as usual ("BAU"), and failure.

The crisis continuum outlines specific action steps that the Bank would take following the activation of each crisis level, including implementing enhanced reporting and monitoring processes, escalating key issues along defined escalation paths, following specific internal and external communication plans, and assessing and implementing recovery options as appropriate.

The Bank has defined three stress levels, beyond business-as-usual, to classify stress conditions of increasing severity between the ordinary course and failure, and to organize the responses to such conditions.

- Target operating range or business as usual: in this phase, the business is operating within normal parameters and there is no stress indicated by regular monitoring processes and frameworks. The Authorized Management will receive regular information but no further action is required.
- Stress: This phase occurs when any event pushes the Bank from business as usual into a stressed situation, financially or operationally, such that it would threaten the continuity of critical functions.
- Recovery zone: The recovery phase is entered when a situation has occurred that leads the Bank significantly beyond its risk capacity level, and if no significant actions (recovery options) were implemented in this phase, the situation could lead the firm into Resolution. In the recovery zone, recovery options are considered to address severe stresses.
- Resolution: The resolution phase occurs when the Bank has passed the point of nonviability. In this phase, the Resolution Authority takes control of the firm and enacts the resolution strategy, with existing business supporting the efficient legal entity resolution activities after failure, as directed.
- The Bank ensures that it is able to respond and successfully manages varying degrees of liquidity and funding stresses with its own Contingency Funding Process. Besides regulatory and economic liquidity metrics, the Bank counts on the expert judgement of its subject matter experts and senior management who retain at all times the authority and responsibility to ensure that any required remedial actions are promptly taken.

A liquidity stress event can be triggered by a number of factors including issues specific to the Bank, market-wide disruption, or a non-financial event that could potentially impact the ability of the Bank to conduct business.

CSL outlines in its Recovery Plan ("RP") a comprehensive set of specific actions that may be taken in a stress event, depending on nature and depth of the crisis, which will facilitate core business line ability to operate even in adverse conditions.

An automatic activation of the Contingency Funding Plan can be triggered by any metric or limit in place. This applies also to Barometer 2.0 tolerance levels which are included in the weekly liquidity dashboard. This dashboard allows to monitor a deterioration of the liquidity situation and to identify potential risk at an early stage and to initiate corrective action if appropriate. Treasury closely monitors the in- and outflows as well as the assets and liabilities which could have a direct impact on the Liquidity Coverage Ratio.

11.3 Liquidity coverage ratio

A failure to adequately monitor and control liquidity risk led a number of financial firms into difficulty and was a major cause of the 2007/2008 financial crisis. To improve internationally active banks' short-term resilience to liquidity shocks, the Basel Committee on Banking Supervision ("BCBS") introduced the Liquidity Coverage Ratio ("LCR") as part of the Basel III post-crisis reforms.

The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets ("HQLA") to allow them to survive a period of significant liquidity stress lasting 30 calendar days. The supervisory scenario capturing the period of stress combines elements of bank-specific liquidity and market-wide stress and includes many of the shocks experienced between 2007 and 2012. The 30-calendar-day stress period is the minimum period deemed necessary for corrective action to be taken by the bank's management or by supervisors.

The LCR requires institutions to hold a stock of HQLA at least as large as the expected total net cash outflows over the stress period, as summarized in the following formula:

$$LCR = \frac{\text{Stock of HQLA}}{\text{Net cash outflows over the next 30 calendar days}} \geq 100\%$$

In this context, the Bank computes and reports its LCR to the CSSF and BCL on a monthly basis. The table below shows the average LCR calculated as the simple average of month-end observations over the twelve months preceding the end of each quarter.

Figure 44. Quantitative information of LCR

LCR (average) (in CHF)	Total unweighted value (average)				Total weighted value (average)			
	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1.972.859.129	1.751.245.020	1.893.143.035	2.118.513.051
CASH - OUTFLOWS								
retail deposits and deposits from small business customers, of which:	288.614.578	400.891.966	643.268.270	888.612.873	45.833.071	69.806.974	120.684.389	172.473.817
Stable deposits	-	-	-	-	-	-	-	-
Less stable deposits	229.165.357	349.034.872	603.421.944	862.369.083	45.833.071	69.806.974	120.684.389	172.473.817
Unsecured wholesale funding	3.424.676.781	3.661.803.884	4.347.114.161	5.237.370.060	1.976.425.197	2.082.942.381	2.440.793.362	2.952.267.172
Operational deposits (all counterparties) and deposits in networks of cooperative banks	1.675.534.761	1.789.697.530	2.079.001.707	2.418.024.864	418.883.690	447.424.383	519.750.427	604.506.216
Non-operational deposits (all counterparties)	1.749.142.020	1.872.106.354	2.268.112.453	2.819.345.196	1.557.541.506	1.635.517.998	1.921.042.935	2.347.760.956
Unsecured debt	-	-	-	-	-	-	-	-
Secured wholesale funding	-	-	-	-	-	-	-	-
Additional requirements	624.538.976	527.394.062	435.020.124	342.414.193	120.300.292	141.161.060	163.717.846	180.957.683
Outflows related to derivative exposures and other collateral requirements	22.069.391	26.122.224	32.946.901	42.368.316	22.069.391	26.122.224	32.946.901	42.368.316
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
Credit and liquidity facilities	602.469.585	501.271.838	402.073.223	300.045.877	98.230.901	115.038.835	130.770.945	138.589.367
Other contractual funding obligations	152.883.984	130.330.959	104.702.049	76.507.277	152.883.984	130.330.959	104.702.049	76.507.277
Other contingent funding obligations	2.299.751.154	2.405.260.997	2.498.427.333	2.546.449.421	-	-	-	-
TOTAL CASH OUTFLOWS					2.295.442.544	2.424.241.374	2.829.897.646	3.382.205.948
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	25.001.632	78.808.169	202.035.160	319.447.017	3.750.245	11.821.225	28.410.917	45.282.389
Inflows from fully performing exposures	1.298.618.379	1.463.153.580	1.715.063.379	2.092.027.361	1.008.417.398	1.214.508.968	1.532.389.225	1.961.239.720
Other cash inflows	498.556.947	516.079.346	554.228.676	641.947.718	161.269.087	152.157.362	156.152.141	180.649.008
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
(Excess inflows from a related specialized credit institution)					-	-	-	-
TOTAL CASH INFLOWS	1.822.176.957	2.058.041.095	2.471.327.216	3.053.422.096	1.173.436.730	1.378.487.556	1.716.952.283	2.187.171.117
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	1.822.176.957	2.058.041.095	2.471.327.216	3.053.422.096	1.173.436.730	1.378.487.556	1.716.952.283	2.187.171.117
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					1.972.859.129	1.751.245.020	1.893.143.035	2.118.513.051
TOTAL NET CASH OUTFLOWS					1.134.905.620	1.058.653.625	1.125.845.169	1.207.934.624
LIQUIDITY COVERAGE RATIO					174,98%	167,83%	171,66%	178,19%

11.4 Net stable funding ratio

In addition to the LCR, the Basel Committee introduced the net stable funding ratio ("NSFR") that aims to promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis.

Private incentives to limit excessive reliance on unstable funding of core (often illiquid) assets are weak. In good times, banks may expand their balance sheets quickly by relying on relatively cheap and abundant short-term wholesale funding. The NSFR aims to limit this and in general seeks to ensure that banks maintain a stable funding structure. One goal of the BCBS in developing the NSFR has been to support financial stability by helping to ensure that funding shocks do not significantly increase the probability of distress for individual banks, a potential source of systemic risk.

The NSFR is expressed as a ratio that must equal or exceed 100%. The ratio relates the bank's available stable funding to its required stable funding, as summarized in the following formula:

$$\text{NSFR} = \frac{\text{Total available stable funding ("ASF")}}{\text{Total required stable funding ("RSF")}} \geq 100\%$$

To determine total ASF and RSF amounts, factors reflecting supervisory assumptions are assigned to the bank's sources of funding and to its exposures, with these factors reflecting the liquidity characteristics of each category of instruments.

In this context, the Bank computes and reports its NSFR to the CSSF and BCL on a quarterly basis. The table below shows that the NSFR as of December 31, 2023 amounts to 200%.

Figure 45. Net Stable Funding Ratio - ASF

ASF as of 31/12/2023 (in CHF)	**Unweighted value by residual maturity**				**Weighted value**
	No maturity	< 6 months	6 months to 1 year	≥ 1 year	
Capital items and instruments	502.289.392	-	-	-	502.289.392
Own funds	502.289.392	-	-	-	502.289.392
Other capital instruments		-	-	-	-
Retail deposits		272.430.296	16.645.702	177.279	260.345.677
Stable deposits		-	-	-	-
Less stable deposits		272.430.296	16.645.702	177.279	260.345.677
Wholesale funding:		3.833.963.271	81.124.273	142.735.295	1.225.610.327
Operational deposits		1.665.012.929	-	-	832.506.465
Other wholesale funding		2.168.950.341	81.124.273	142.735.295	393.103.863
Interdependent liabilities		-	-	-	-
Other liabilities:	999.862	153.879.058	-	39.538.989	39.538.989
NSFR derivative liabilities	999.862				
All other liabilities and capital instruments not included in the above categories		153.879.058	-	39.538.989	39.538.989
Total available stable funding (ASF)					**2.027.784.386**

Figure 46. Net Stable Funding Ratio - RSF

RSF as of 31/12/2023 (in CHF)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to 1 year	≥ 1 year	
Total high-quality liquid assets (HQLA)					-
Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
Deposits held at other financial institutions for operational purposes		-	-	-	-
Performing loans and securities:		1.511.281.354	67.499.391	473.034.944	887.842.121
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		874.947.696	63.276.805	370.144.181	489.277.354
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		596.942.049	4.222.586	57.038.249	398.564.767
Interdependent assets		-	-	-	-
Other assets:		148.979.814	-	32.148.266	93.990.923
Physical traded commodities				-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		3.208.434	-	-	2.727.169
NSFR derivative assets		-			-
NSFR derivative liabilities before deduction of variation margin posted		34.665.573			1.733.279
All other assets not included in the above categories		111.105.807	-	32.148.266	89.530.475
Off-balance sheet items		100.997.004	25.019.457	541.385.809	33.370.113
Total required stable funding (RSF)					**1.015.203.158**

Figure 47. Net Stable Funding Ratio

NSFR as of 31/12/2023 (in CHF)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to 1 year	≥ 1 year	
Net Stable Funding Ratio (%)					**200%**

11.5 Unencumbered assets

An encumbered asset is an asset pledged or subject to any form of arrangement to secure, collateralize or credit-enhance any on-balance sheet or off-balance sheet transaction from which it cannot be freely withdrawn.

The table below provides a decomposition of the assets of CSL between encumbered and non-encumbered assets. Sources of encumbrance are minimum central bank reserves held at central bank and reverse repurchase agreements.

Figure 48. Encumbered and unencumbered assets

As of 31/12/2023 (in CHF)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	40.835.321	-			5.067.917.491	-		
Equity instruments	-	-	-	-	77.319	-	7.008	-
Debt securities	-	-	-	-	-	-	-	-
of which: covered bonds	-	-	-	-	-	-	-	-
of which: securitisations	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	-	-	-	-	-
of which: issued by financial corporations	-	-	-	-	-	-	-	-
of which: issued by non-financial corporations	-	-	-	-	-	-	-	-
Other assets	40.835.321	-			5.067.840.172	-		

The second table below provides an overview of the collateral received and own debt securities issued, the latter does not apply to CSL.

Figure 49. Collateral received and own debt securities issued

As of 31/12/2023 (in CHF)	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 disclosing institution	**-**	**-**	**-**	**-**
Debt securities	-	-	-	-
of which: covered bonds	-	-	-	-
of which: issued by non-financial corporations	-	-	-	-
Own debt securities issued other than own covered bonds or securitizations	-	-	-	-
Own covered bonds and asset-backed securities issued and not yet pledged			-	-
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**40.835.321**	**40.835.321**		

12 Leverage ratio

12.1 Overview

Another underlying cause of the 2007/2008 financial crisis was the build-up of excessive on- and off-balance sheet leverage in the banking system. In many cases, banks built up excessive leverage while maintaining seemingly strong risk-based capital ratios. The ensuing deleveraging process at the height of the crisis created a vicious circle of losses and reduced availability of credit in the real economy.

The BCBS introduced a leverage ratio in Basel III to reduce the risk of such periods of deleveraging in the future and the damage they inflict on the broader financial system and economy. The leverage ratio is also intended to reinforce the risk-based capital requirements with a simple, non-risk-based "backstop".

The framework is designed to capture leverage associated with both on- and off-balance sheet exposures. It also aims to make use of accounting measures to the greatest extent possible, while at the same time addressing concerns that (i) different accounting frameworks across jurisdictions raise level playing field issues and (ii) a framework based exclusively on accounting measures may not capture all risks.

The leverage ratio is defined as the capital measure divided by the exposure measure, expressed as a percentage:

$$\text{Leverage ratio} = \frac{\text{Capital measure}}{\text{Total exposures}}$$

The provisions to compute the leverage ratio are presented as part of Part Seven of the CRR. Since June 2021, the minimum regulatory requirement for the leverage ratio is set to 3%.

In this context, the Bank computes and reports its leverage ratio to the CSSF and the BCL on a quarterly basis according to the provisions of Part Seven of the CRR.

12.2 Capital measure

According to Article 429(3) of the CRR, the capital measure should be the Tier 1 capital. As of December 31, 2023, the Tier 1 capital of CSL amounts to CHF 484.448.124. It corresponds to CET 1 capital as the Bank does not have any additional Tier 1 instruments.

12.3 Exposure measure

The exposure measure includes both on-balance sheet exposures and off-balance sheet ("OBS") items. On-balance sheet exposures are generally included at their accounting value.

OBS items arise from transactions such as credit and liquidity commitments (revocable and irrevocable), guarantees and standby letters of credit. The amount that is included in the exposure measure is determined by multiplying the notional amount of an OBS item by the relevant credit conversion factor from the Basel III standardized approach for credit risk.

The adjustment for derivatives is linked to the difference between accounting values and the prudential values calculated with the SA-CCR approach for counterparty credit risk.

Other adjustments refer to the Tier 1 capital deductions as well as to GAAP differences.

The table below provides an overview of the leverage ratio exposure measure.

Figure 50. Summary reconciliation of accounting assets and leverage ratio exposures

As of 31/12/2023 (in CHF)	Applicable amount
Total assets as per published financial statements	5.108.752.812
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	-
(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
Adjustment for eligible cash pooling transactions	-
Adjustments for derivative financial instruments	76.564.831
Adjustment for securities financing transactions (SFTs)	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	549.275.928
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
Other adjustments	(17.841.269)
Total exposure measure	**5.716.752.302**

12.4 Leverage ratio computation

As of December 31, 2023, the leverage ratio amounts to 8,47%. This is above the regulatory limit of 3%. The table below provides an overview of the different components of the ratio as well as the evolution between 2022 and 2023.

Figure 51. Leverage ratio common disclosure

Year end (in CHF)	2023	2022
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	5.051.567.098	5.063.218.383
(Asset amounts deducted in determining Tier 1 capital)	(17.841.269)	(12.328.934)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**5.033.725.829**	**5.050.889.449**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	40.667.461	41.250.961
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	93.083.085	104.482.537
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
(Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)	-	-
(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
Total derivatives exposures	**133.750.545**	**145.733.498**
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	150.015.500
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
Counterparty credit risk exposure for SFT assets	-	-
Agent transaction exposures	-	-
Total securities financing transaction exposures	**-**	**150.015.500**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	690.231.614	714.831.132
(Adjustments for conversion to credit equivalent amounts)	(140.955.686)	(76.026.512)
Off-balance sheet exposures	**549.275.928**	**638.804.620**
Capital and total exposures		
Tier 1 capital	**484.448.124**	**472.195.939**
Total exposure measure	**5.716.752.302**	**5.985.443.067**
Leverage ratio		
Leverage ratio	**8,47%**	**7,89%**

12.5 Leverage ratio – Split-up of on balance sheet exposures

As of December 31, 2023, the total on-balance sheet exposure amount (excluding derivatives, SFTs, and exempted exposures) is CHF 5.052mn.

Figure 52. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

As of 31/12/2023 (in CHF)	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5.051.567.098**
Trading book exposures	-
Banking book exposures, of which:	5.051.567.098
Covered bonds	-
Exposures treated as sovereigns	2.885.564.725
Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	-
Institutions	335.486.196
Secured by mortgages of immovable properties	85.244.122
Retail exposures	32.628.595
Corporates	1.606.942.343
Exposures in default	44.567.863
Other exposures (e.g., equity, securitizations, and other non-credit obligation assets)	61.133.254

13 Remuneration policy

13.1 Remuneration Framework

The Total Reward Principles underpin UBS's approach to compensation, globally. They define a compensation framework across the organization that supports the firm's purpose and strategy, fosters engagement among employees, aligns their long-term interests with those of clients and stakeholders and, reinforces sustainable growth and supports long term value creation. UBS's compensation structure encourages employees to have a focus on risk management and behave consistently with the firm's risk framework and appetite, thereby anticipating and managing risks effectively to protect capital and reputation. The compensation policies and programs are designed to balance sustainable performance, support growth ambitions and appropriate risk-taking, with a focus on conduct and sound risk management practices. Through the work of the Incident, Negative Performance and Consequences Forum individual conduct and any negative individual performance is accounted for in making compensation decisions.

The main principles of the local CSL compensation policy as a supplement to the UBS Total Reward Principles are:

- to promote a sound and effective risk management environment, not encourage risk-taking which is inconsistent with the risk profiles, rules or regulations;
- to ensure that the remuneration is in line with the applicable regulations, and more specifically with the provisions defined under the Luxembourg law of 5 April 1993 on the financial sector (hereafter "LFS"), as amended by the law of 23 July 2015 and by the law of 30 May 2021 transposing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (hereafter, "CRD IV") as amended by EU Directive 2019/878 (hereafter, "CRD V") imposes certain additional obligations relating to remuneration for certain individuals defined as "Material Risk Takers" (MRTs). Furthermore, on January 31, 2022, the CSSF Circular 22/797 gave application to the Guidelines of the EBA (EBA/GL/2021/04) on sound remuneration policies, which also details the criteria for the application of the principle of proportionality when establishing and applying remuneration policies that are consistent with sound and effective risk management;
- and to inform all employees of CSL on the applicable rules as well as on their implementation, including employees operating from CSL's Branches.

13.2 Compliance with the applicable CSSF circulars - proportionality principle

EBA Guidelines on sound remuneration policies under Directive 2013/36/EU as implemented by Circular 22/797 set out the conditions to apply proportionality at either at the institution or individual level.

Institutional level

The Bank currently does not meet the financial criteria to apply proportionality at the institutional level, as the threshold defined in Article 94(3)(a) of CRD V (value of assets of on average and on and individual basis in accordance with the CRD V and Regulation (EU) No 575/2013 equal or less than EUR 5 billion over the four year period immediately preceding the current financial year) is exceeded.

Individual risk taker level

According to the criteria as defined under CRD V, if the Bank is not permitted to apply the principle of proportionality at the level of the institution, it may apply proportionality at the level of individual MRTs. In this context, Article 94(3)(b) of CRD V considers that it is reasonable for proportionality to be applied for those MRTs whose variable remuneration in a given performance year does not exceed EUR 50.000 and not representing more than one third of the employee's total annual remuneration.

Currently, the Bank applies this principle of proportionality at individual level as the Bank does not meet the criteria to apply the proportionality at institutional level. It means that the variable remuneration of individuals who meet the individual proportionality criteria will not have certain provisions e.g. regulatory deferral applied but will be subject to regulatory malus / clawback provisions.

According to Article 94 (1)(g)(i) of the Directive 2013/36/EU (CRD IV) as amended by EU Directive 2019/878 (here-after, "CRD V"), as implemented into local law, the ratio of fixed to variable remuneration must be a maximum of 100%.

The CSL Board of Directors may recommend on an annual basis to the shareholders of CSL a proposal for resolution to increase the maximum ratio of fixed to variable compensation to 200%, based on the definitions laid out in Article 94 (1)(g)(ii) of the Directive 2013/36/EU (CRD IV) as amended by EU Directive 2019/878 (hereafter, "CRD V").

CSL applies the following key compensation requirements for MRTs:

- Bonus cap (see above)
- Minimum deferral requirements on bonus (40% to 60%)
- Minimum amount of bonus in share-based instruments (50%)
- A retention period of 6 to 12 months should be foreseen after vesting of the instruments
- Malus and Clawback applied to bonus.

13.3 Decision making process

The UBS Group BoD is ultimately responsible for approving the compensation strategy and principles proposed by the Group Compensation Committee ("CC"), which determines compensation-related matters. The CC supports the BoD with its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive performance. The CC consists of independent BoD members, who are elected annually by shareholders at the AGM, and is responsible for governance and oversight of the compensation process and practices. This includes the alignment between pay and performance and ensuring that the compensation framework supports appropriate risk awareness and management, as well as appropriate risk-taking.

The Group BoD is responsible for the implementation of the Total Reward Principles as well as related rules and regulations, including overall responsibility for the approval of compensation plans and expenses. The Compensation Committee consists of independent directors and does not include neither the BoD Chair nor the Chief Executive Officer (CEO). The CC reviews proposals regarding compensation of the Group, compensation payable to members of Board and Executive Board, the head of Internal Audit and certain other members of senior management, and makes recommendations to the Board for approval, assisted by an independent external consultancy.

Consistently with Group principles, CSL has a policy of a clear separation of responsibilities between the recommendation, review and approval of compensation plans. The BoD of the Bank is responsible for the local implementation of the Total Reward Principles as well as related rules and regulations, including overall responsibility for the approval of compensation plans and expenses of CSL.

13.4 Remuneration awarded in 2023

Total staff expenses for the year 2023 amount to CHF 58.842.214. The table below provides a summary of fixed and variable remunerations granted to Senior Management and Other MRTs.

The number of individuals being remunerated EUR 1 million or more per financial year: 1 falling into band from 1 to 1,5 million and 1 falling into band from 1,5 to 2 million.

Figure 53. Template EU REM1 - Remuneration awarded for the financial year (EUR)

As of 31/12/2023		MB Supervisory function (1)	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	5	5	6	11
	Total fixed remuneration (2)	**332.000**	**2.161.702**	**1.581.117**	**3.889.887**
	Of which: cash-based	332.000	1.791.905	1.462.286	3.374.948
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: other forms	-	369.797	118.831	514.939
Variable remuneration	Number of identified staff	5	5	6	11
	Total variable remuneration (3)	**-**	**1.388.350**	**2.001.351**	**1.734.558**
	Of which: cash-based	-	439.320	1.111.051	1.013.493
	Of which: deferred	-	97.750	114.000	142.750
	Of which: shares or equivalent ownership interests (4)	-	733.146	718.860	641.193
	Of which: deferred	-	421.576	427.160	377.558
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other instruments	-	215.884	171.440	79.872
	Of which: deferred	-	215.884	171.440	79.872
	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		**332.000**	**3.550.052**	**3.582.468**	**5.624.445**

1. MB Supervisory function comprises of Non-Executive Directors who sit on the Board and oversee the management decision-making. These individuals are awarded fixed fees only and are not eligible to receive any variable compensation for their supervisory roles. Employees of other UBS Group AG companies who sit on the Board of the Credit Suisse Luxembourg SA in a Supervisory Function role are not remunerated for their non-executive role. No remuneration details are included for these individuals.
2. Fixed Compensation, that is typically awarded in cash, includes base salaries, total compensation relevant allowances as well as pension and benefits paid in 2023.
3. Discretionary variable incentive awards granted to MRTs relating to the 2023 performance year as communicated via 2023 compensation statements. Values include severance amounts awarded to MRTs who left the firm in 2023 performance year. In line with regulatory guidance, statutory severance amounts are excluded from the calculation of the maximum variable-to-fixed pay ratio. Further detail on severance awards is available in Table 6. Values also include the one-off variable awards intended to retain the selected group of critical talents to maintain stability in the organization during the merger of the banks.
4. Variable Compensation share awards include the restricted stock awards that form part of the non-deferred element of the variable compensation and are subject to a 12-month retention period.

Figure 54. Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

As of 31/12/2023	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
Guaranteed variable remuneration awards - Total amount	-	-	-	-
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year (1)				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	Prior period awards paid out in CY not to be included if the individual is not an MRT in CY - LEGAL			
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount				
Severance payments awarded during the financial year (2)				
Severance payments awarded during the financial year - Number of identified staff	-	-	2	2
Severance payments awarded during the financial year - Total amount	-	-	656.851	373.108
Of which paid during the financial year	-	-	656.851	373.108
Of which deferred	-	-	-	-
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap (3)	-	-	656.851	373.108
Of which highest payment that has been awarded to a single person	-	-	426.162	263.277

1. Severance amounts paid to MRTs who left prior to 2023, where the severance has been paid out in 2023 performance year, either as deferred compensation or due to late termination date.
2. Severance amounts awarded to 2023 MRT leavers. This includes severance agreements made in 2023 to future MRT leavers.
3. Includes standard statutory and other contractual severance payments that are excluded from the calculation of the maximum variable-to-fixed ratio.

Figure 55. Template EU REM3 - Deferred remuneration (EUR)

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods (1)			Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year (3)	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years (3)	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments) (4)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year (2)	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
		Of which due to vest in the financial year	Of which vesting in subsequent financial years					
MB Supervisory function	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
MB Management function	**149.018**	**1.869**	**147.149**	**5.979**	**-**	**(205.740)**	**26.516**	**1.869**
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	149.018	1.869	147.149	5.979	-	(205.740)	26.516	1.869
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management	**502.961**	**36.310**	**466.652**	**11.919**	**-**	**(556.731)**	**53.321**	**36.310**
Cash-based	99.720	-	99.720	-	-	-	-	-
Shares or equivalent ownership interests	403.241	36.310	366.932	11.919	-	(556.731)	53.321	36.310
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other identified staff	**110.885**	**43.949**	**66.936**	**6.770**	**-**	**(153.093)**	**58.061**	**43.949**
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	110.885	43.949	66.936	6.770	-	(153.093)	58.061	43.949
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total amount	**762.864**	**82.128**	**680.737**	**24.668**	**-**	**(915.564)**	**137.898**	**82.128**

1. Value of deferred variable compensation awarded to MRTs in relation to the previous performance periods. Outstanding awards are valued as of December 31, 2023; awards vested and settled in 2023 are valued at the point of settlement. Excludes any awards that were forfeited during the performance year, e.g., due to resignation. Amounts do not include dividend equivalents or interests attached to the awards.
2. Actual value delivered to Identified Employee during 2023 from the vesting of prior years' deferred variable compensation awards. Based on share price as at the time of vest. Values do not include Dividend Equivalents and Interest payments attached to the original awards.
3. Adjustments consist of cancelled or forfeited awards due to explicit performance adjustments. All outstanding deferred compensation is exposed to potential risk adjustment.
4. Implicit value changes reflect downward adjustments primarily due to market driven effects. Includes changes in share price valuation based on shares undelivered as at December 31, 2023.

The amount of awards cancelled by the order of the Federal Department of Finance (FDF) Switzerland for LUX MRTs was approx. EUR 30k (valued at Merger share price CHF 0.76). In addition, the amount of Contingent Capital Awards (CCA) cancelled by FINMA's write-down of AT1 bond for LUX MRTs was approx. EUR 700k (valued at the end of Feb-2023). This cancellation was deemed not due to individual performance adjustment hence this has not been included in the table above.

Figure 56. Template EU REM4 - Remuneration of 1 million EUR or more per year

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	1
1 500 000 to below 2 000 000	1
2 000 000 to below 2 500 000	-
2 500 000 to below 3 000 000	-
3 000 000 to below 3 500 000	-
3 500 000 to below 4 000 000	-
4 000 000 to below 4 500 000	-
4 500 000 to below 5 000 000	-
5 000 000 to below 6 000 000	-
6 000 000 to below 7 000 000	-
7 000 000 to below 8 000 000	-

Figure 57. Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (EUR)

	Management body remuneration			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**27**
Of which: members of the MB	5	5	10							
Of which: other senior management				-	5	-	1	-	-	
Of which: other identified staff				-	2	-	6	3	-	
Total remuneration of identified staff	332.000	3.550.052	3.882.052	-	5.947.922	-	2.183.716	1.075.275	-	
Of which: fixed remuneration	332.000	2.161.702	2.493.702	-	2.890.513	-	1.686.216	894.275	-	
Of which: variable remuneration	-	1.388.350	1.388.350	-	3.057.409	-	497.500	181.000	-	

All values have been converted to EUR using the exchange rate used by the European Commission for financial programming and the budget for December 2023.

13.5 Role of the Board of Directors

CSL's BoD is responsible to ensure that local remuneration policies and compensation processes adhere to the UBS Group standards as well to local regulatory requirements. The local Remuneration Committee is dealing with operational matters related to remuneration on behalf of the BoD whereas decision making remains under BoD responsibility This committee is composed by at least two Non-Executive Directors (acting as permanent members and of which one is the chairman), the Head of People (acting as Secretary) and other permanent guests (e.g. CEO, CRO, CCO or Regulatory Compensation).

14 Glossary

Term	Definition
A-IRB	Advanced Internal Ratings-Based
ALCO	Asset and Liability Committee
AM	Authorized Management
ARC	Audit & Risk Committee
ASF	Total Available Stable Funding
BAU	Business As Usual
BCBS	Basel Committee on Banking Supervision
BCL	Banque Centrale du Luxembourg
BIA	Basic Indicator Approach
BoD	Board of Directors
BRRD	Bank Recovery and Resolution Directive
CARMC	Capital Allocation & Risk Management Committee
CC	Credit Committee
CCF	Credit Conversion Factor
CCO	Chief Compliance Officer
CCR	Counterparty credit risk
CCRMTM	Counterparty Credit Risk Mark-to-market Method
CCyB	Countercyclical Capital Buffer
CDE	Critical Data Elements
CEBS	Committee of European Banking Supervisors
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CH	Switzerland
CHF	Swiss franc
COO	Chief Operating Officer
Corep	Common reporting
CPIS	Compensation Policy and Implementation Standards
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Management
CRMT	Credit Risk Mitigation Technique
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CS	Credit Suisse
CS Group	Credit Suisse Group
CSL	Credit Suisse (Luxembourg) S.A.
CSSF	Commission de Surveillance du Secteur Financier

CVA	Credit Valuation Adjustment
DTA	Deferred Tax Assets
EAD	Exposure At Default
EBA	European Banking Authority
EC	Executive Committee
ECAIs	External Credit Assessment Institutions
ECL	Expected Credit Loss
ESG	Environment Social and Governance
EU	European Union
EUR	Euro
FINMA	Swiss Financial Market Supervisory Authority
Finrep	Financial Reporting
F-IRB	Foundation Internal Ratings-Based
FR	France
FX risk	Foreign Exchange Risk
GCC	Group Compensation Committee
G-SII	Global Systemically Important Institutions
HQLA	High-Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ICF	Internal Control Functions
IFRS	International Financial Reporting Standards
IMA	Internal Models Approach
IMM	Internal Model Method
IR	Interest Rate
IRRBB	Interest Rate Risk In The Banking Book
ISO	Information Security Officer
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LEF	Legal Entity Finance
LMR	Liquidity Measurement and Reporting
LTV	Loan to Value
LU	Luxembourg
Lux GAAP	Luxembourg Generally Accepted Accounting Principles
MARS	Market Risk System
MC	Management Committee
MiFID	Markets in Financial Instruments Directive
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
MSCI	Morgan Stanley Capital International
MSR	Mortgage Servicing Rights
MTM	Mark-to-Market
NFRM	Non Financial Risk Management
NL	The Netherlands

NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
OCR	Overall Capital Requirement
OGR	Organizational Guidelines And Regulations
OROC	Operational Risk and Oversight Committee
OTC	Over-The-Counter
PBM	Parent Bank Merger
PEP	Global Political Exposed Persons
PFCE	Potential Future Credit Exposure
PSE	Public Sector Entity
RAS	Risk Appetite Statement
RC	Risk Committee
RDAR	Risk Data Aggregation and Reporting
RDARR	Risk Data Aggregation And Risk Reporting
RFDG	Risk & Finance Data Governance
RM	Relationship Manager
ROE	Return On Equity
RP	Recovery Plan
RRF	Regulatory Reporting Framework
RSF	Total Required Stable Funding
RTS	Regulatory Technical Standards
RWA	Risk-Weighted Asset
SFT	Securities financing transactions
SREP	Supervisory Review and Evaluation Process
SRO	Strategic Risk Objectives
TLAC	Total Loss Absorbing Capacity
TLOF	Total Liabilities And Own Funds
TSCR	Total SREP Capital Requirement
UHNW	Ultra High Net Worth
UK	United Kingdom
USD	United States Dollar
VaR	Value-At-Risk
VG	Virgin Islands
ΔEVE	Economic Value of Equity
ΔNII	Net Interest Income

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