

Credit Suisse Bank (Europe), S.A.

# 2023 Pillar 3 Disclosures



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

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

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

# 2023 Pillar 3 Disclosures

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# Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse Bank (Europe), S.A. ('CSEB' or 'Bank') as at 31 December 2023. It should be read in conjunction with CSEB 2023 Annual Report which can be found at: [www.credit-suisse.com](http://www.credit-suisse.com).

The information in these disclosures is prepared to meet the regulatory requirements of the Basel Capital Accord set out in Part Eight of the European Union ('EU') Regulation 575/2013 ('CRR') amended by EU Regulation 2019/876 ('CRR2') and EBA technical implementing standard ('ITS') disclosure requirements (EBA/ITS/2020/04) under Part Eight of EU Regulation 575/2013.

CSEB is incorporated in Spain, as a wholly owned subsidiary of Credit Suisse AG, the main operating entity of the Credit Suisse group ('CS group'). The CS Group was absorbed by the UBS Group on June 12, 2023 and Credit Suisse AG was absorbed by UBS AG on May 31, 2024 and, as of that date, CSEB is a wholly owned subsidiary of UBS AG.

CSEB is authorised as a credit institution by the Bank of Spain ('BoS') as a fully licensed banking entity and is CS Group's main legal entity to conduct investment banking business in the EU. CSEB is registered with the Registrar of Companies and on the Special Register of Credit institutions of the BoS under code 0243 and Legal Entity Identifier ('LEI') 959800TMGPWX7NYM4R72.

## Basis and Frequency of Disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, immateriality, or being proprietary in nature, this is indicated. Pillar 3 disclosures are published annually and could be found on the Credit Suisse website at: [www.credit-suisse.com](http://www.credit-suisse.com).

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSEB's external auditors. The Board of Directors (the 'Board') of CSEB, at its meeting held on 17 June, 2024, approved this document. The information contained therein, to the extent that it is not covered by the audit of annual accounts, has been reviewed and integrated, prior to its publication, by the risk management unit.

## Basis of Consolidation

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

## Remuneration Disclosures

The remuneration disclosures required by CRR Article 450 is included in this document with information on remuneration policies and practices for categories of staff whose activities have a material impact on the risk profile of the entity.

# Regulatory Environment

## Prudential Regulatory Framework

Basel III regulation is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision ('BCBS') to strengthen the regulation, supervision and risk management of banks and investment firms with the goal of promoting a more resilient financial sector. BCBS published the revised Pillar 3 framework that were integrated in the Basel consolidated framework in December 2019. Pillar 3 seeks to promote market discipline through the publication of key information on capital adequacy, risk management and remuneration.

In 2013, the Basel III framework was incorporated into EU legislation through a legislative package comprising CRR and Directive 2013/36 (Directive 2013/36/EU ('CRD IV'), amending Regulation (EU) No. 648/2012). The purpose of this regulation is to define the levels of capital and the composition of own funds with which credit institutions must operate.

At the national level, CRD IV was transposed through Act 10/2014, on regulation, supervision and solvency of credit institutions and its subsequent regulatory development through Royal Decree 358/2018 which modified Royal Decree 84/2015, of February 13, 2015.

The Pillar 3 disclosure requirements from the Basel III framework have been implemented in EU regulation via part eight of the CRR. The EBA issued its own-initiative guidelines (EBA/GL/2016/11) to ensure harmonised and timely implementation of the revised Pillar 3 framework in the EU. These guidelines were developed with the objective to improve the consistency and comparability of institutional disclosures and promote market discipline.

Micro-prudential oversight in EU is performed by the EBA, the European Securities and Markets Authority ('ESMA') and the European Insurance and Occupational Pensions Authority ('EIOPA') in each of the relevant sectors of financial services. After the Single Supervision Mechanism ('SSM') came into force in 2014, a new European integrated micro-prudential supervision system for credit institutions was introduced, led by the European Central Bank ('ECB') and involving the BoS as the national competent authority for Spain. The BoS is the Spanish central bank and, within the framework of the SSM, the supervisor of the Spanish banking system together with the ECB.

## Basel 3 Reforms

In recent years, the EU published a series of legislations to implement some of the remaining Basel 3 prudential reforms agreed by BCBS and collectively referred to as CRD V (Directive (EU) 2019/878) and CRR2 Regulation 2019/876. CRD V became law in Spain in 2021 through Royal Decree Law 7/2021 amending, Act 10/2014 and Royal Decree 970/2021 (which amends, among others, Royal Decree 84/2015).

European solvency framework was transposed into Spanish legislation with BoS Circular 2/2016 regulating outstanding matters arising from Law 10/2014 and Royal Decree 84/2015. In 2021, BoS published Circular 5/2021 on macroprudential tools, that defines the measures such as the countercyclical buffer against a particular sector, sector limits on the concentration of exposures and the establishment of limits and conditions for granting of loans and other operations. The final version of the BoS Circular was published in 2022 to complete the transposition of CRDV into Spanish law.

In 2021, CRR2 came into effect and significantly amends the disclosure requirements under Part Eight of the CRR to implement the new international standards and the regulatory changes therein. It provides for adoption of a more comprehensive disclosure requirements aimed to ensure enhanced comparability of disclosures. Following the mandate in Article 434a of CRR2, the EBA issued its final ITS on disclosure requirements EBA/ITS/2020/04.

During 2021, CSEB implemented the changes under CRR2, notably the changes to implement the standardised approach for measuring counterparty risk, amendments to the large exposures rules, the new leverage exposure rules and the implementation of the net stable funding ratio. The Pillar 3 disclosures contained herein are prepared in the manner set out in Article 433c of CRR2 and associated EBA guidelines (EBA/ITS/2020/04).

In November 2022, the European Council has formally agreed its position on the proposals amending the capital requirements directive and the capital requirements regulation. The Council's General Approach follows the European Commission's proposal of the Banking Package, published in 2021, which contained amendments to the EU Capital Requirements Regulation and Capital

Requirements Directive (the amending proposals are known as CRD6/CRR3). The EBA proposes that the implementation date for most elements of the Basel 3 reforms would be 1 January 2025.

# Capital Management

## Overview

The UBS group considers a strong and efficient capital position to be a priority. Consistent with this, CSEB closely monitors its capital adequacy position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework.

Financial forecasts and capital plans are prepared by CSEB, taking into account its business strategy and the impact of known regulatory changes. These plans are subjected to stress testing and scenario analysis as part of the annual Internal Capital Adequacy Assessment Process ('ICAAP'). Within the stress testing exercise, potential management actions are identified and assessed so as to remediate any capital shortfalls that could arise during the stress scenario. The ICAAP results are documented and reviewed by the CSEB Board of Directors.

## Key Metrics

Article 447 of CRR2 requires disclosure of key prudential regulatory information and ratios for current and previous years. These include own funds, Risk weighted assets ('RWA'), capital ratios, capital buffer requirements, leverage ratio, liquidity coverage ratio and net stable funding ratio. CSEB's key regulatory metrics and ratios are presented in the table below.

### KM1 - Key metrics

		Amounts in Euro '000	
end of		2023	2022
<b>Available own funds (amounts)</b>			
1	Common Equity Tier 1 (CET1) capital	768,984	855,483
2	Tier 1 capital	768,984	855,483
3	Total capital	918,984	1,005,483
<b>Risk-weighted exposure amounts</b>			
4	Total risk-weighted exposure amount	1,802,948	2,829,202
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>			
5	Common Equity Tier 1 ratio (%)	42.65%	30.24%
6	Tier 1 ratio (%)	42.65%	30.24%
7	Total capital ratio (%)	50.97%	35.54%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>			
EU 7d	Total SREP own funds requirements (%)	13.94%	8.00%
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>			
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.50%	0.26%
11	Combined buffer requirement (%)	3.00%	2.76%
EU 11a	Overall capital requirements (%)	16.94%	10.76%
12	CET1 available after meeting the total SREP own funds requirement	580,486	685,730
<b>Leverage ratio</b>			
13	Leverage ratio total exposure measure	7,181,003	13,586,073
14	Leverage ratio	10.71%	6.30%
<b>Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)</b>			
EU 14d	Total SREP leverage ratio requirements (%)	3.00%	3.00%
EU 14f	Overall leverage ratio requirements (%)	3.00%	3.00%
<b>Liquidity Coverage Ratio</b>			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	883,838	1,873,913
EU 16a	Cash outflows - Total weighted value	798,410	2,021,128
EU 16b	Cash inflows - Total weighted value	478,329	1,544,417
16	Total net cash outflows (adjusted value)	346,149	572,548

17	Liquidity coverage ratio (%)	356.36%	337.99%
	Net Stable Funding Ratio		
18	Total available stable funding	2,209,821	3,629,766
19	Total required stable funding	1,399,660	2,219,398
20	NSFR ratio (%)	158.47%	162.39%

\* Requirements applicable as of 31 December 2023

\*\* Liquidity coverage numbers and ratio in 2023 are computed as an average of 12 month-end observations to the reporting date. Net Stable Funding numbers and ratio in 2023 are computed as an average of the last four spot quarter end positions.

Leverage ratio total exposure decreased from 2022 to 2023 primarily driven by the decrease in the overall derivative business and secured financing transactions, resulting into an increase in leverage ratio from 6.30% to 10.71%.

## Own Funds

Article 437 of the CRR2 requires disclosure of the main features of Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Tier 2 instruments. CSEB's CET1 comprises permanent share capital of ordinary shares and reserves. The ordinary shares carry voting rights and the right to receive dividends. CSEB has no AT1 capital.

CSEB's capital composition and principal capital ratios are presented in the table below. No amount shown in 'own funds' is subject to CRR transitional provisions. CSEB did not apply IFRS9 transitional arrangements specified in Article 473a.

### CC1 - Composition of regulatory own funds

end of 2023	Amounts	Amounts in Euro '000 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1	Capital instruments and the related share premium accounts	47,724 (a) + (b)
2	Retained earnings	0
3	Accumulated other comprehensive income (and other reserves)	845,717 (c) + (d)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>893,441</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7	Additional value adjustments (negative amount)	(7,458)
8	Intangible assets (net of related tax liability) (negative amount)	(1,578)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0
12	Negative amounts resulting from the calculation of expected loss amounts	(556)
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0
EU-20c	of which: securitisation positions (negative amount)	0
EU-20d	of which: free deliveries (negative amount)	0
EU-25a	Losses for the current financial year (negative amount)	(113,413)
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant)	(1,453)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(124,458)</b>
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>768,983</b>
<b>Additional Tier 1 (AT1) capital: instruments</b>		
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>768,983</b>
<b>Tier 2 (T2) capital: instruments</b>		
46	Capital instruments and the related share premium accounts	150,000 (e)
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>150,000</b>

<b>Tier 2 (T2) capital: regulatory adjustments</b>		
57	Total regulatory adjustments to Tier 2 (T2) capital	0
58	Tier 2 (T2) capital	150,000
59	Total capital (TC = T1 + T2)	918,983
60	Total risk exposure amount	1,802,948
<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	42.65%
62	Tier 1 (as a percentage of total risk exposure amount)	42.65%
63	Total capital (as a percentage of total risk exposure amount)	50.97%
	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD expressed as a percentage of risk exposure amount)	10.84%
64		
65	of which: capital conservation buffer requirement	2.50%
66	of which: countercyclical buffer requirement	0.50%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	32.20%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	5,012
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)</b>		

## Countercyclical Capital Buffer

The countercyclical capital buffer ('CCyB') is a macroprudential instrument which calls on credit institutions and investment firms to build up a capital buffer during expansionary periods to be released in a subsequent contractionary phase. BoS calculates a buffer guide every quarter that it shall take as a benchmark for setting the CCyB rate relating to exposures located in Spain. The institution specific CCyB rate as at 31<sup>st</sup> December, 2023 is 0.50% as disclosed in Table CC1.

## Scope of application of the regulatory framework

Article 437(a) requires a disclosure on reconciliation of regulatory own funds to the balance sheet in annual financial statement. The table below highlights the difference in the basis of consolidation for accounting and prudential purposes as it compares the carrying values as reported under annual financial statements with the carrying values under the scope of the regulatory consolidation. References in the last column of the table provide the mapping of regulatory balance sheet items used to calculate regulatory capital. The reference columns presented below reconcile to the references columns as presented in the Table CC1.

## CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

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

end of	Amounts in Euro '000	
	Balance sheet as in published financial statements	Reference from CC1
	<b>2023</b>	
<b>Assets - Breakdown by asset classes according to the balance sheet in the published financial statements</b>		
Cash, Cash balances at central Banks and other demand Deposits	180,465	
Financial Assets held for trading	3,448,943	
Derivatives	1,917,966	
Equity Instruments	0	
Debt instruments	0	
Loans and Advances	1,530,977	
Financial assets at amortised cost	1,452,782	
Loans and Advances	1,452,782	
Tangible Assets	28,639	
Property, Plant and Equipment	28,639	
Intangible assets	1,578	
Other Intangible assts	1,578	
Tax Assets	4,106	
Current Tax assts	4,106	
Deferred Tax assets	0	
Other Assets	63,997	
<b>Total assets</b>	<b>5,180,510</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements</b>		
Financial Liabilities held for trading	3,396,692	
Derivatives	1,919,383	
Short Positions	643,738	
Deposits	833,571	
Financial liabilities measured at amortised cost	893,946	
Deposits	851,391	
of which: Subordinated debts	150,000	(e)
Other Financial Liabilities	42,555	
Provisions	40,204	
Pending legal issues and tax litigations	2,149	
Pensions and other post-employment defined benefit obligations	700	
Other Provisions	37,355	
Tax Liabilities	7,618	
Current Tax liabilities	7,434	
Deferred Tax liabilities	184	
Other Liabilities	62,020	
<b>Total liabilities</b>	<b>4,400,480</b>	
<b>Shareholders' Equity</b>		
<b>SHAREHOLDERS' EQUITY</b>	<b>778,914</b>	
Capital	18,000	
Paid up Capital	18,000	(a)
Share premium	29,724	(b)
Other reserves	844,602	(c)
Profit or loss attributable to owners of the parent	(113,412)	
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>1,116</b>	(d)
Items that will not be reclassified to profit or loss	1,116	
Actuarial gains or (-) losses on defined benefit pension plans	1,116	
<b>Total shareholders' equity</b>	<b>780,030</b>	

## Capital Resources Requirement

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

### OV1 – Overview of risk weighted exposure amounts

end of		Amounts in Euro '000		
		Risk weighted exposure amounts (RWAs)		Total own funds requirements
		2023	2022	2023
1	Credit risk (excluding CCR)	242,589	255,143	19,407
2	Of which the standardised approach	49,038	93,559	3,923
3	Of which the foundation IRB (FIRB) approach	151,225	138,596	12,098
EU 4a	Of which: equities under the simple risk weighted approach	21	22	2
6	Counterparty credit risk - CCR	954,378	1,801,480	76,350
7	Of which the standardised approach	302,371	618,189	24,190
8	Of which internal model method (IMM)	344,064	327,853	27,525
EU 8a	Of which exposures to a CCP	12,797	16,439	1,024
EU 8b	Of which credit valuation adjustment - CVA	241,130	511,854	19,290
9	Of which other CCR	54,016	327,145	4,321
15	Settlement risk	8,049	26,359	644
16	Securitisation exposures in the non-trading book (after the cap)	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	138,397	235,396	11,072
21	Of which the standardised approach	64,665	126,059	5,173
22	Of which IMA	73,732	109,337	5,899
EU 22a	Large exposures	96,404	134,185	7,712
23	Operational risk	363,131	376,640	29,050
EU 23a	Of which basic indicator approach	363,131	376,640	29,050
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	0	17,433	0
<b>29</b>	<b>Total</b>	<b>1,802,948</b>	<b>2,829,203</b>	<b>144,235</b>

Risk Weighted Assets ('RWA') have decreased from 2022 to 2023 primarily due to a decrease in counterparty credit risk and CVA, as well as reduced sVar positions in market risk.

# Corporate Governance

## Overview

In line with Credit Suisse AG, CSEB has defined a set of principles and values that are basic for the good management of the institution. The key principles below represent the foundation for implementation of sound systems of internal control and the management of risk across CSEB and are embedded throughout all components of its internal control framework.

- Risk Culture, Conduct and Ethics: Risk culture encompasses a shared set of values (inclusion, meritocracy, partnership, accountability, client focus and trust) among employees which foster the importance, understanding and control of risks. The CSEB Board is committed to defining, aligning and managing a strong risk culture across all levels of the organization.
- Three Lines of Defense ('LoD'): leverages the Group-wide approach and definitions at CSEB. The model provides a clear segregation of roles and responsibilities between Risk gateway management, independent Risk oversight, and independent assurance.
  - 1st Line of Defense: consists of functions that manage the risk gateway into the bank. They are responsible for identification, measurement, management, and reporting of risks they generate.
  - 2nd Line of Defense: consists of independent risk management unit, compliance and control functions responsible for establishing the risk management framework and associated control standards, providing independent challenge over activities, processes, and controls carried out by the 1st LoD, and ensuring risks are appropriately managed and reported.
  - 3rd Line of Defense: provides independent assurance to the Board about the adequacy of the overall risk and control framework. Internal audit ('IA') acts as a 3<sup>rd</sup> Line of Defense.
- Policy Framework and Documentation: CSEB business, corporate and control functions leverage Group policies to the extent they are also relevant for the Spanish entity and these are adopted as the procedures and processes for CSEB. When necessary, specific and standalone procedures and policies are issued for CSEB.

This provides a clear segregation of roles and responsibilities between risk and control gateway management, independent risk and compliance oversight and independent assurance. In addition, CSEB has established a legal entity corporate governance in line with applicable laws for credit institutions.

## Board of Directors

CSEB's By-laws (*estatutos sociales*) provide, in accordance with Spanish Companies Act, that the Board of Directors ("BoD") will be responsible for the representation and administration of CSEB, subject to the provisions of CSEB's By-laws which provided for certain matters expressly reserved to the Sole Shareholder (Credit Suisse AG or, from 31 May, 2024, UBS AG). The Board of Directors of CSEB is responsible (unless it falls to the shareholder resolutions) for approving the matters reserved for it as provided for in the law and, in all cases, pursuant to the Spanish Companies Act, the CSEB's By-laws and the Board of Directors Regulations, the following reserved matters:

- To prepare the CSEB's annual report, management report and proposed allocation of profit/loss and the financial information which the CSEB is periodically required to disclose.
- To prepare any report required by law from the Board of Directors.
- To appoint directors by co-option and submission of proposals to the Sole Shareholder for the appointment, ratification, re-election or removal of directors.
- The appointment and removal of the Secretary and, as the case may be, the Deputy Secretary of the Board of Directors.
- To adopt decisions relating to directors' remuneration for their participation on the board.
- The authorisation or waiver of the obligations deriving from the duty of loyalty in accordance with the provisions of the law, including actual or potential conflicts of interest involving directors.
- The designation and renewal of internal offices on the Board of Directors and of the members and offices of the Board of Directors' committees, as well as appointment and removal of the executive board members and establishment of his/her contractual conditions and to adopt decisions concerning the appointment and removal of the CSEB's senior

executives who report directly to the Board of Directors, as well as the establishment and reviewal of the basic terms of their contracts, including their remuneration and any compensation in the event of their removal.

- To supervise the effective functioning of any committees or delegated bodies created by the Board of Directors and the conduct of the executive board members appointed by the Board of Directors.
- To monitor the management decision-making and actions and assess the Board of Directors in its management function, including monitoring and scrutinizing its individual and collective performance.
- The approval of the strategy and general policies of the CSEB and the preparation of the programs and establishment of objectives for the implementation of the corporate purpose, as well as the promotion and supervision of the management of the CSEB and compliance with the established objectives.
- To assess, on a periodically basis, the effectiveness of the CSEB's internal governance framework and take appropriate steps to address any identified deficiencies.
- To supervise the amounts, types and distribution of both internal capital and regulatory capital to adequately cover the risks of the CSEB and the targets for the liquidity management.
- To ensure that the heads of internal control functions are able to act independently and, regardless the responsibility to report to other internal bodies, business lines or units, can raise concerns and warnings to the Board of Directors when adverse risk developments affect or may affect the CSEB.
- The submission of proposals to the Sole Shareholder regarding any amendments to the Corporate By-Laws.
- Preparation of proposed Sole Shareholder resolutions, including the proposed appointment or re-election of the auditor of the CSEB.
- To implement the resolutions approved by the Sole Shareholder and exercise of any functions entrusted to it by the Sole Shareholder, including the exercise of any powers delegated to it by the Sole Shareholder, unless it has been expressly authorised by the Sole Shareholder to subdelegate them.
- To define the structure of the general powers of the CSEB to be granted by the Board of Directors or by its delegated corporate bodies.
- To decide on any matters which, falling within its competences, are considered in the opinion of the Board of Directors to be in the CSEB's interests or which are reserved pursuant to the Board Regulations.
- The establishment of its own organisation and functioning and approval and amendment of the Regulations.

According to the provisions of the CSEB By-laws and the Board Regulations, the Board of Directors of CSEB has delegated bodies reporting to the Board, delegating to such bodies any powers attributed to the Board of Directors by law or the By-Laws, save for any powers that cannot be delegated by operation of law.

In this sense, the CSEB Board of Directors have, on a permanent basis, an Audit Committee, a Nominations Committee, a Remuneration Committee and a Risk Committee, with the composition and functions established in the law, the By-laws and the Board of Directors regulations.

### **Audit Committee**

The primary functions assigned to the Audit Committee are the following:

In relation to the Sole Shareholder:

- To report to the Sole Shareholder on questions raised in relation to any matters under the Committee's competence and, in particular, on the results of the statutory audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has performed in this process.

With regard to the external auditor:

- To submit to the Board of Directors the proposals on the selection, appointment, reappointment and substitution of the auditor, assuming responsibility for the selection process, and the terms of its engagement, its remuneration (ensuring its independence and quality are not compromised), the scope of its professional mandate and the revocation or renewal of its appointment.
- To regularly collect information from the auditors on the audit plan and its implementation, as well as preserving their independence in the exercise of their functions. In particular, to ensure that CSEB and the external auditor complies with the current legislation on provision of non-audit services, the limits on the auditor's business concentration and, in general, any other rules regarding auditor independence.

- To oversee compliance with the audit engagement, ensuring that the opinion concerning the annual accounts and that the principal contents of the audit report are drafted in a clear and precise manner.
- To serve as a channel for communication between the Board of Directors and the auditors, to assess the results of each audit and the response by the management team to their recommendations, and to mediate in the event of disputes between the auditors and the management team in relation to the principles and methods used in preparing the annual report.
- To review the effectiveness of the external audit process.
- To establish the appropriate relationships with the external auditor in order to receive information on matters which may jeopardize its independence and on any other matters relating to the audit process, and, as appropriate, the authorization of permissible non-audit services as legally established, as well as any other communications provided for in the audit legislation and standards.
- In the event of the external auditor's resignation, to review any underlying circumstances and, in general, to oversee that CSEB discloses the change of auditor as price sensitive information if applicable (relevant fact), including a statement regarding any possible discrepancies with the departing auditor and, if any exist, their content.

In relation to internal control and reporting systems:

- To supervise the effectiveness of the internal control of CSEB, the internal auditing and to discuss with the auditor any significant weaknesses in the internal control systems identified in the course of the audit.
- To ensure the independence and efficiency of the internal audit function, which will functionally report to the chairman of the Audit Committee; to propose the selection, appointment, reappointment and removal of the head of the internal audit service, including the basic terms of his/her contract (e.g., remuneration), transmitting the outcome of the assessment to the Nomination Committee; to validate the department's budget; to approve its annual work plan and focus; to receive periodic information on its activities, as well as on any incidents arising; and to check that senior management takes into account the conclusions and recommendations contained in its reports.

In relation to financial information:

- To supervise the process for the preparation and presentation of the required financial information and report to the Board of Directors on the financial information that CSEB is periodically required to disclose.
- To review CSEB's accounts, monitor compliance with legal requirements, the appropriate definition of the scope of consolidation and the correct application of generally accepted accounting principles.
- To review significant financial reporting judgements in CSEB's accounts.
- To monitor the functioning of the internal financial control manuals and procedures adopted by CSEB.
- To report to the Board of Directors on the steps taken by management to ensure that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess CSEB's performance, business model and strategy.
- To report to the Board of Directors on the steps taken by management to assess the viability of CSEB, including whether there is a reasonable expectation that CSEB will be able to continue in operation and meet its liabilities as they fall due.

Other responsibilities:

- To report on related transactions or on transactions that entail or may entail a conflict of interest.
- To report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the group.
- To receive information on any relevant structural or corporate transactions that CSEB plans to undertake, for its analysis and subsequent report to the Board of Directors on its economic conditions and accounting impact and particularly, when applicable, on the exchange ratio proposed.
- To review and monitor investigations into allegations of financial crime or other reports of alleged misconduct including matters reported through the Group's whistleblowing channels.

## Risk Committee

The primary functions assigned to the Risk Committee are the following:

In relation to internal risk management unit:

- To supervise the effectiveness of the risk management of CSEB.
- To approve its annual work plan and focus, ensuring that its activity is focused principally on the significant risks faced by CSEB; to receive periodic information on its activities, as well as on any incidents arising; and to check that senior management takes into account the conclusions and recommendations contained in its reports.

In relation to risk management:

- To analyse and assess proposals related to CSEB's risk management.
- To advise and support the Board of Directors in its supervisory function regarding the monitoring of CSEB's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of CSEB.
- To evaluate all aspects of the non-financial risks CSEB is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- To monitor the functioning of CSEB's risk control and management unit, accountable for: (a) ensuring that risk control and management systems are functioning correctly and, specifically, that major risks CSEB faces are correctly identified, managed and quantified; (b) participating actively in the preparation of risk strategies and in key decisions about their management; and (c) ensuring that risk control and management systems are mitigating risks effectively in accordance with the policy drawn up by the Board of Directors.
- To analyse and assess the control and management policies for CSEB's different risks and information and internal control systems.
- To monitor the implementation of the strategies for capital and liquidity management.
- To provide the Board of Directors in its supervisory function with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the institution, market developments or recommendations made by the risk management function.
- To review a number of possible scenarios, including stressed scenarios, to assess how CSEB's risk profile would react to external and internal events.
- To oversee the alignment between the material financial products and services offered to clients and the business model and risk strategy of CSEB.
- To analyse, prior to submitting them to the Board of Directors, those risk transactions that must be put to its consideration.
- To participate in the process of establishing the remuneration policy, checking that is consistent with sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of CSEB.
- To verify CSEB has the means, systems, structures and resources in line with best practices that enable it to implement its risk-management strategy, ensuring that the entity's risk management mechanisms are matched to its strategy.
- To review, analyse and assess the proposed appointment and/or removal of the Chief Risk Officer of the Company, including the basic terms of his/her contract (e.g., remuneration), transmitting the outcome of the assessment to the Nominations Committee.

Other responsibilities:

- To review with the Head of Compliance the overall Compliance and Financial Crime Compliance risk assessments and approve the annual Compliance and Financial Crime Compliance objectives.
- To review periodically but no less frequently than annually the effectiveness of the performance of the Compliance Function.
- To periodically review with the Data Protection Officer relevant data protection and privacy matters that may have a significant impact on CSEB.
- To review with General Counsel and Compliance the Group's risk and compliance policies and any significant reports or inquiries received from Regulators or governmental agencies.
- To review and assess CSEB's overall compliance framework for addressing financial crime risk, including policies, procedures and organizational setup.
- To monitor and assess the effectiveness of financial crime compliance program.

- To review the status of the relevant policies and procedures and the implementation of significant initiatives focused on improving conduct and vigilance within the context of combating financial crime, including employee awareness and training programs.

To review, analyse and assess the proposed appointment and/or removal of the Chief Compliance Officer of the Company, including the basic terms of his/her contract (e.g., remuneration), transmitting the outcome of the assessment to the Nominations Committee.

### **Nominations Committee**

The primary functions assigned to the NC are the following:

- To evaluate the competencies, knowledge and experience necessary on the Board of Directors and report on and review the criteria to be followed for its composition and the selection of candidates, defining the necessary functions and skills and evaluating the time and dedication required to correctly perform its remit.
- To submit to the Board of Directors the proposed appointments of independent directors for their designation by co-option or, as the case may be, to submit the decision to the Sole Shareholder, as well as proposals for the reappointment or removal of such directors by the Sole Shareholder.
- To report on the proposals of the Board of Directors for the appointment of the remaining directors for their designation by co-option or, as the case may be, to submit the decision to the Sole Shareholder, as well as proposals for the reappointment or removal of such directors by the Sole Shareholder.
- To report on the proposed designation or removal from offices on the Board of Directors (including the Secretary) and propose to the Board of Directors the members that are to form each of the Board of Directors committees and their chairmen.
- To put in place plans for the succession of directors, in particular, the succession of the Chairman and the Chief Executive and, as the case may be, to make proposals to the Board of Directors so that such succession occurs in a planned and orderly manner.
- To oversee and establish guidelines relating to the appointment, recruitment, career, promotion and dismissal of senior executives in order to ensure that CSEB has the highly-skilled personnel required for its management.
- To report on the proposed appointment and/or removal of senior executives of CSEB, including executive directors, including the basic terms of their contracts and/o termination agreements, including but not limited to the Chief Compliance Officer, the Chief Risk Officer and the Head of the Internal Audit Function
- To identify directors qualified to fill vacancies on any committee of Board of Directors.

### **Remuneration Committee**

The primary functions assigned to the Remuneration Committee are the following:

- To propose to the Board of Directors the system and amount of the annual remuneration for directors, as well as the individual remuneration of the executive directors and the other terms of their contracts, pursuant in all cases to the provisions of the By-Laws.
- To report to the Board of Directors on the contractual terms on termination for the senior executives, including executive directors, to ensure that any payments made are fair to the individual and CSEB, that failure is not rewarded and the duty to mitigate loss is fully recognised.
- To report to the Board of Directors on the senior executive remuneration policy and the basic terms of their contracts.
- To report on incentive plans and pension arrangements.
- To periodically review the remuneration policy for directors and senior executives, taking into account their suitability and performance and how they reflect and support CSEB strategy.
- To monitor compliance with CSEB's remuneration policy.
- To oversee the identification process of the Material Risk Takers, and review their remuneration and compliance to the internal and regulatory guidelines.

### **System of Internal Control**

As explained in the previous section, CSEB in line with CS group has implemented a three Lines of Defense model, where the 1st Line of Defense consists of functions that manage the risk gateway into the bank, responsible for identification, measurement, management, and reporting of risks they generate. This provides a clear segregation of roles and responsibilities between Risk

gateway management, and the 2<sup>nd</sup> Line of Defense (Independent Risk oversight) and the 3<sup>rd</sup> Line of Defense (Independent assurance).

The 1<sup>st</sup> Line of Defense consists of functions that manage the Risk gateway into the bank. They are responsible for maintaining identification, measurement, management, and reporting of effective internal controls over the risks they generate on a front-to-back basis, in line with the Board’s Risk Appetite. This includes Risk identification, and the design, operation, and testing of controls required to comply with Risk appetite and policies.

**Group Investment Banking Supervision Framework**

Group Investment Banking (“IB”) operate a proactive and preventative Front Office (“FO”) control agenda which is action oriented, measurable and relevant for the businesses. The Supervisory framework across the division is consistent across business unit and legal entities of the CS Group

Key components of the framework include:

- Governance and Escalation: connection of core risks, issues and themes into monitoring, reporting and analytics and ensuring actions and outcomes are discussed and overseen by appropriate business and entity governance forums.
- FO Supervision and Oversight: ongoing actions in relation to monitoring and controlling of business areas and individuals together with the development of related tools and processes.
- Risk Identification and management: divisional approach to the risk assessment process (for instance, quarterly Risk Control Self Assessment (‘RCSA’), the management and verification of controls and the response and remediation of incidents and issues.
- The IB Supervisory framework is well established and mature and has been enhanced in response to prior operational and trading incidents, audit and regulatory reviews/ findings and industry best practice.

There is a significant emphasis from senior management down on ensuring continued and effective supervision using the below principles:



The Group’s global policy states diligent and proactive supervision as most important risk management tool. Bank employees who have responsibility for the management or oversight of a business area or employees are accountable for supporting the Group’s culture of compliance and developing a ‘best in class’ control environment consistent with the Group’s Key Values as set forth in the Credit Suisse and UBS Codes of Conduct.

In order to enable and support supervisors in discharging their obligations, mature tools, platforms and protocols exist as does a defined supervisory Level hierarchy from L4 (Divisional CEO), L3, L2 to L1 (Supervisors of other non-supervisors).

**Supervisory Tools:**

<p>A Service Level Agreement (SLA) is a document between a functional and local supervisor. A local or regional supervisor is needed when a functional supervisor has a direct report in another country. The SLA documents how the functional and regional supervisor will supervise the remote employee, including key supervisory tasks, management information, escalation and periodic meetings. It will also contain the Senior Manager details where applicable</p>		<p>All L3 and L2 trading supervisors are required to write a supervisory mandate every quarter listing key issues and developing issues, valuation issues, audits, legal entities and org charts. The mandates are reviewed by the supervisor of each L2 and L3. A similar process exists for sales every 6 months. Supervisory Mandates are tracked and signed off in the Monitoring of Internal Control System (‘MICOS’) system.</p> <p>All trading and sales L2 and above supervisors must perform a control review in a meeting of a supervisor or employee Two Levels Down from him / her. The review focuses on how the supervisor or employees manages his / her team, key controls, issues, tyre kicks and deep dives. Trading reviews are quarterly and sales every 6 months. For supervisors who have both trading and sales, they can combine the 2 sales requirements with trading each year if they are reviewing someone who manages both functions.</p>
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## Selection and Suitability Assessment at the Board of Directors

### Selection of Board of Directors

All members of the Board are appointed following the procedure established internally. In accordance with the regulations applicable to credit institutions in Spain, among others, Chapter IV of Title I of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions and its implementing regulations ('Law 10/2014'), Chapter III of Title I of Royal Decree 84/2015 of 13 February 2015 implementing Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions ("RD 84/2015") and Circular 2/2016 of the BoS, CSEB must have, in conditions proportionate to the nature, scale and complexity of its activities, adequate internal units and procedures to carry out the selection and ongoing assessment of the members of the Board, its general managers and similar officeholders, and the personnel responsible for the internal control functions and other key positions within Bank.

CSEB has a policy that defines the appointment and the assessment procedures for the members of the Board and for the Key Function Holders of the Bank. Specifically, the policy sets out, among others, the following aspects:

- the scope of application and the body responsible for assessing the suitability and the assessment and reassessment procedures adopted;
- the suitability requirements applicable individually to Directors and Key Function Holders, and collectively to the Board of Directors.

The following positions are identified as subject to the policy:

- Members of the Board
- Compliance Head
- Internal Audit Head
- Risk Management Head (CRO)
- Financial Director (CFO)

Notwithstanding the foregoing, CSEB will also assess the suitability of any other profiles as required by the applicable regulations, the Bank of Spain or any foreign National Competent Authority from time to time (e.g., Chief Operating Officer (COO), branch managers).

### Suitability Assessment

The Nominations Committee ("NC") considers a broad set of qualities and competences when recruiting members to the Board of Directors, and also Key Function Holders, among others:

- Identifies and recommends for approval, by the Sole Shareholder, candidates to fill the Board vacancies, having evaluated, amongst others, the balance of knowledge, skills, diversity and experience of the Board of Directors.
- Periodically reviews the internal procedures for the selection and appointment of the Board of Directors and Key Function Holders and makes recommendations to the Board of Directors.
- Assesses structure, size, composition and performance of the Board of Directors.

For the assessment of the individual suitability of the Board of Directors, the Bank takes into consideration the following topics.

- Sufficient time commitment
- Adequate knowledge, skills and experience
- Reputation, Honesty and Integrity
- Independence of mind

When assessing the collective suitability of the Board of Directors, the Bank assesses the composition of the Board in its management and supervisory functions separately.

The assessment of collective suitability provides a comparison for the actual composition of the Board of Directors between the Board of Directors' actual collective knowledge, skills and experience, and the required collective suitability pursuant to Article 91(7) of Directive 2013/36/EU.

For the assessment of the collective suitability of the Board of Directors, the Bank uses the Suitability Matrix.

### **Selection and Assessment procedures**

The appointment of Directors is required to be approved by the Sole Shareholder. Suitable candidates must replace members of the Board of Directors and all the changes must be planned with a view to maintaining a sufficient level of collective knowledge and experience.

Pursuant to the CSEB's Articles of Association, vacancies that arise in the Board during the course of a mandate may be occupied by means of co-option of an individual selected by the Board for this purpose. The said co-option shall be subject to ratification of the Sole Shareholder at the first General Meeting convened after the co-option, or by an adhoc decision.

The suitability of new members of the Board, as regards their ability to perform their respective functions shall be subject to prior assessment by the NC. The NC will record and maintain at the disposal of the BoS any assessment or reassessment carried out by CSEB.

Individual assessments of members of the Board and collective assessments must be performed throughout the term of the respective mandate if CSEB becomes aware that one or more supervening events have occurred that may reasonably give rise to the reassessment of the suitability due to lack of compliance with the suitability requirements. It has been agreed to carry out a thorough analysis of the suitability of the Board members every three years or as frequent as the NC deems it necessary.

Members of the Board have a duty to immediately notify of any subsequent event that changes the information given by such individual in the documentation sent to the BoS, or if it may affect, based on a reasonable judgment, to the suitability requirements.

The individual assessment of the suitability of Key Function Holders shall take into consideration the requirements of suitability established for members of the Board with the necessary adaptations, taking into account the requirements, the nature, scale and complexity of the functions performed by them. Individuals considered as Key Function Holders shall be approved by the Board, further to the recommendation of the NC.

### **Diversity**

In accordance with Article 91(10) of Directive 2013/36/EU, all institutions should have and implement internal measures promoting diversity on the management body, to promote a diverse pool of members. It should aim to engage a broad set of qualities and competences when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision making within the management body.

The diversity measures should at least refer to the following diversity aspects: educational and professional background, gender, age and, geographical provenance.

CSEB acknowledges and embraces the benefits of building a diverse and inclusive culture and having a diverse board of directors. Accordingly, the Board understands that increasing diversity at the Board level is an essential component in maintaining a competitive advantage. A diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between its members. Pursuant to the EU Directive 2014/95/EU of 22 October 2014, the Bank has fully embraced the principle that the diversity of competences of the Directors shall facilitate a good understanding of the business organisation and affairs of the Bank. Diversity shall enable the Board to constructively challenge the management decisions and to be more open to innovative ideas, addressing the similarity of views of members, also known as the 'group-think' phenomenon. Thus, diversity contributes to the effective oversight of the management and to successful governance of the Bank. It is therefore important to enhance transparency regarding the diversity policy applied.

All Board appointments are made on merit, in the context of the skills, experience, independence, good reputation and knowledge, which the Board as a whole requires to be effective. The NC has responsibility for leading the process for Board appointments. The NC reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors to the Board and the sole shareholders all in accordance with the group policies.

The benefits of diversity continue to influence succession planning and are key criteria in the instructions to any external search consultant, where instructed. The NC oversees the conduct of the annual review of Board effectiveness and performs the following tasks related to diversity:

- a) In reviewing Board composition, the NC will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, race, gender, in order to permit it to discharge its duties and responsibilities successfully;

- b) In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard of the benefits of diversity on the Board; and
- c) As part of the annual performance evaluation of the effectiveness of the Board, the Board Committees and individual Directors, the NC will consider the balance of skills, experience, independence and knowledge of Board members and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

At any given time the Board may seek to improve one or more aspects of its diversity and will measure progress accordingly.

The Bank endeavours to meet the target set forth under Law 3/2007 of March 22 as soon as practicable. This target (40% of women) will be monitored by the NC through periodic reviews of the structure, size, composition and performance of the Board.

Currently, as of 31 May 2024, the Board of Directors is made up of 3 female directors and 4 male directors. The female representation is 42%. This representation is slightly above the balanced presence target of women and men.

With a view to maintaining this balance, CSEB will attend to the following guidelines:

- a) In the candidate selection process to join the Board of Directors, any type of implicit bias that may imply discrimination or difficulties in the selection of less represented gender must be avoided.
- b) In the appointment of members of the Board of Directors, those candidates of the least represented gender will be chosen, provided that their professional evaluation is similar and the suitability and functioning of the administrative body as a whole are not neglected.

Details of Board members with number of directorships held is shown in Appendix 1.

# Risk Management

## Risk Management Framework

CSEB Risk Management Framework is based on transparency, management accountability and independent oversight. Risk Management plays an important role in CSEB business planning process and is strongly supported by the Board of Directors and the Board Risk Committee. The primary objective of risk management is to control the risks taken by CSEB and measure and monitor that the entity maintains appropriate levels of capital and liquidity for the risks assumed. CSEB has implemented risk management processes and control systems and to limit the impact of negative developments by monitoring all relevant risks including credit, market, treasury and liquidity, non-financial and reputational risks as well as managing concentrations of risks.

### General Principles of Risk Management and Control

CSEB has defined a set of principles and values that are basic for the good management of the institution. The key principles below represent the foundation for the management of risk across CSEB and are embedded throughout all components of the Risk Governance and Risk Management Framework ("RMF").

- **Risk Culture, Conduct and Ethics:** Risk culture encompasses a shared set of values (inclusion, meritocracy, partnership, accountability, client focus and trust) among employees which foster the importance, understanding and control of risks. The CSEB Board is committed to defining, aligning and managing a strong risk culture across all levels of the organization.
- **Three Lines of Defence ("LoD"):** the three LoD model for CSEB leverages the Group-wide approach and definitions. The model provides a clear segregation of roles and responsibilities between Risk gateway management, independent Risk oversight, and independent assurance.
  - **1<sup>st</sup> LoD:** consists of functions that manage the risk gateway into the bank. They are responsible for identification, measurement, management, and reporting of risks they generate.
  - **2<sup>nd</sup> LoD:** consists of the independent risk management and the compliance control functions responsible for establishing the risk management framework and associated control standards, and providing independent challenge over activities, processes, and controls carried out by the 1st LoD.
  - **3<sup>rd</sup> LoD:** provides independent assurance to the Board about the adequacy of the overall risk and control framework. Internal audit ("IA") acts as a third line of defence.
- **Policy Framework and Documentation:** CSEB CRO leverages Global CRO policies to the extent they are also relevant for the Spanish entity and these are adopted as the procedures and processes for CSEB. When necessary, specific and standalone procedures and policies are issued for CSEB.

### Internal Audit Function

Group Internal Audit (GIA) is responsible for carrying out the internal audit function for UBS Group, which includes all majority-owned or otherwise controlled companies of UBS Group\*, including CSEB in Spain, and comprises 954 staff globally, including 2 in Madrid as of December 2023.

GIA is an integral part of CSEB and UBS Group\* corporate governance and risk management framework. The primary role of GIA, is to assist both:

- (i) the Audit Committee, the board of directors and senior management of CSEB; and
- (ii) the Audit Committee, the board of directors and senior management of UBS Group.

by independently assessing whether risk management, control and governance processes are designed and operate sustainably and effectively. Effective risk management, control and governance processes are the responsibility of the respective business management and risk control functions. i.e. the first two "lines of defense". As the "third line of defense", GIA also evaluates the independence of the risk control functions.

\*UBS Group acquisition of the Credit Suisse Group was announced in March 2023 and legally closed in June 2023.

### **Compliance Function**

CSEB Compliance has one dedicated Compliance officer located in Madrid under the supervision of the Head of Compliance for all CS/UBS entities in Spain. In addition, there is Compliance coverage in France and Italy CSEB's branches. Additionally, the Financial Crime Prevention function is a team of two people based in Madrid and one team member based in Paris covering France, Netherlands and Sweden. CSEB Compliance Function relies on a number of services being provided by service providers from other parts of the Global Compliance function within the CS/UBS Group, with a continuous and robust monitoring system in place for said outsourced services.

CSEB Compliance carries out a wide range of activities typical of Investment Banking Compliance, including, but not limited to advising the business on regulatory matters, compliance with the relevant framework, participating in governance forums of CSEB, participating in product development and distribution governance, training, complaints handling, monitoring and testing, new business initiatives, disciplinary matters, etc.

### **Risk Organisation**

The CSEB CRO takes their mandate from the CSEB Board of Directors and the Group CRO function. The CSEB CRO assumes decision making authority for the day to day risk management of CSEB by mandate from the CSEB Board Risk Committee ("BRC").

Within the CRO matrix organization a cascade of responsibilities exists from the UBS Group CRO to the CS AG CRO, and subsequently to the EMEA CRO who is mandated to perform the CRO 2nd Line of Defense risk oversight role for selected EMEA legal entities including CSEB. The EMEA CRO has delegated their supervision mandate for CSEB to the CSEB CRO. In this matrix, the CSEB CRO is also the recipient of the mandate of the CSEB BRC to supervise the day to day risks of CSEB.

Crucially, the CSEB CRO has the authority to decline any transaction where it impacts the CSEB entity with veto powers, and this cannot be overruled by the CS Group CRO, or the EMEA CRO. Where a transaction is declined by either the UBS Group CRO, CS AG CRO or EMEA CRO it cannot be approved by the CSEB CRO.

The CSEB CRO organisation is responsible for overseeing the CSEB entity risk profile across all risk types and for ensuring that there is an adequate and effective independent risk management function. The CSEB CRO provides a dedicated focus on the risks at the CSEB entity level whilst appropriately leveraging the global risk management processes applied by the Group.

The CSEB CRO organisation is made of the following functions:

- Credit Risk Management (CRM)
- Treasury and Liquidity Risk Management (TLRM)
- Strategic Risk Management (SRM)
- EU Stress-Testing
- Market Risk Management (MRM)
- Regulatory Risk Management (RRM)

A matrix structure exists globally within the Risk Division. For the CSEB CRO functions, in addition to local reporting lines to the CSEB CRO, the matrix structure establishes functional reporting lines into the risk area heads within the Group CRO organisation.

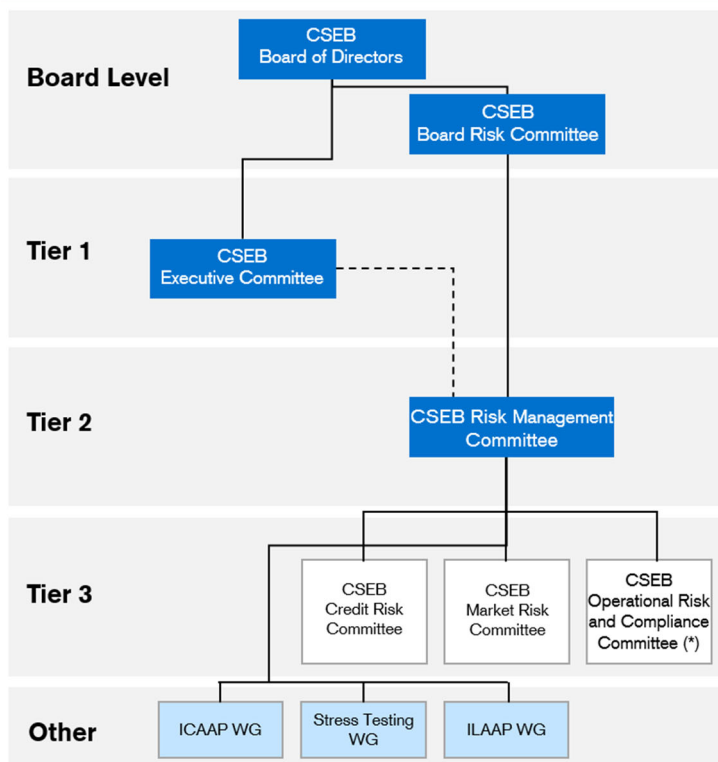
## Risk Governance

Credit Suisse AG has firm-wide supervision and governance policies, procedures, processes and standards, and the governance structure of CSEB is aligned to the global model applied across Credit Suisse. Management and oversight is provided through a series of Board, Executive and Business specific committees which ensure focus on risk management while also driving performance and strategy.

The CSEB Chief Risk Officer ("CRO") is responsible for overseeing CSEB risk profile and for ensuring that there is an adequate independent risk management function. This responsibility is delegated from the CSEB Board of Directors, via the CSEB Board Risk Committee, to the CSEB CRO, who in turn has established a risk governance framework and supporting organisation.

CSEB has a well-established risk governance structure to monitor and escalate risk-related decisions. Functional supervision is ensured in these committees, since the CSEB CRO Senior Risk Executives all have a reporting lines in their respective Group Risk functions complementing their reporting into the CSEB CRO.

**Figure - CSEB Risk Governance Committee Structure**



- The CSEB CRO attends all the **Tier 2 CSEB committees** and the CSEB ExCo for which they are the second pair of eyes.
- The CSEB CRO is an standing attendee of the **Board Risk Committee**.
- The CSEB CRO chairs the **CSEB RMC** composed of senior members of the CSEB CRO organization.
- **CSEB RMC** decks and minutes are syndicated with risk executives/leads of the UK / EMEA CRO team who are invited to the session if required.
- For risk decisions (e.g. risk limit setting, trade approval, etc.) the CSEB RMC is accountable to the BRC. The RMC would still raise non-risk topics impacting CRO organisation to the CSEB ExCo.
- All Tier 3 **sub-committees of the RMC** are chaired by CSEB risk executives and include attendance from Group CRO executives as standing invitees.

*(\*) CSEB ORCC has been decommissioned effective January 1<sup>st</sup> 2024, and its attributions to supervise Non-Financial Risk topics are now covered by the CSEB RMC while compliance matters are now handled outside of the ORCC by the CSEB Compliance Department.*

- The RMC has delegated authority to the ILAAP, ICAAP and Stress Testing Working Groups (WG) to support on the execution of the CSEB Risk Management Framework

The CSEB Risk Management Committee (“RMC”) is chaired by the CSEB CRO and formed by local senior risk experts from the dedicated local entity CRO team, first line senior executives and local corporate functions. The CSEB RMC meets at least quarterly and makes recommendations regarding risk appetite and other risk related topics to the Board of Directors through the Board Risk Committee. Additional escalation for any non-risk issues is made to the CSEB ExCo.

Additionally, the CSEB RMC has established three sub-committees: the CSEB Market Risk Committee (“MRC”), the CSEB Credit Risk Committee (“CRC”) and the CSEB Operational Risk and Compliance Committee (“ORCC”) with the responsibility of overseeing those particular risks. As of January 2024, the NFR responsibilities of the ORCC have been absorbed by the CSEB RMC and this committee have been decommissioned in the context of CSEB reduction in its risks.

- **CSEB Credit Risk Committee (“CRC”)**: chaired by the CSEB Chief Credit Officer, defines and implements the CSEB Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the credit portfolio including counterparty, sector, and concentration. This committee is supported by the CSEB Credit Risk Management team, which is responsible for approving CSEB credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances.
- **CSEB Market Risk Committee (“MRC”)**: chaired by the CSEB Head of Market Risk, defines and implements the CSEB Market Risk Framework. It is responsible for reviewing emerging risks and assessing any issues that impact on the CSEB market risk profile. This process is supported by the Market Risk Management department which is responsible for assessing and monitoring the market risk profile of the Bank and recommends corrective action where necessary.
- **CSEB Operational Risk & Compliance Committee (“ORCC”)**: co-chaired by the CSEB Head of Non-Financial Risk and the CSEB Chief Compliance Officer, oversees the Operational Conduct and Compliance risks for CSEB and its branches, including monitoring the effective implementation of the Non-Financial Risk Framework (“NFRF”), reviewing the business (1st Line of Defense) processes to manage risk in accordance to the respective frameworks and providing independent review and challenge (2nd Line of Defense) over the risk profile to ensure risks are managed in accordance with appetite. This process is supported by the Non-Financial Risk department which is responsible for the identification, assessment, and monitoring of operational risks. The CSEB ORCC has been decommissioned effective from 1<sup>st</sup> January 2024 and its attributions to supervise non financial risk topics are now covered by the CSEB RMC while compliance matters are now handled outside of the ORCC by the Compliance department.

## Risk Management Processes

Risk Management in CSEB is composed of a number of processes and management activities, and is governed by the CSEB Risk Management Framework Policy Supplement to the CS AG policy. These processes are applicable across all Risk Functions defined in the Risk Organization section, and describe how risk is identified and assessed, measured and monitored, mitigated and controlled and reported throughout the organization. In addition, each of the components below involve the establishment of a control environment utilizing policies, processes, systems and other risk mitigation techniques.

The Risk Management Components reflect the minimum standards in describing key Risk management activities across principal Risk classes and are implemented by each Risk Function.

### Strategic Risk Management (“SRM”) Function

CSEB SRM Provides CSEB CRO with holistic risk coverage focusing on cross-functional and cross-divisional risk analysis and reporting at the firm-level. CSEB SRM is led by the Head of CSEB SRM based in Madrid and is supervised directly by the CSEB CRO. CSEB SRM aggregates CSEB risk profile and supervises the development and maintenance of firm-wide frameworks for risk appetite, risk identification and assessment, and stress testing. CSEB SRM also provides a risk perspective on capital adequacy via the Internal Capital Adequacy Assessment Process (“ICAAP”).

The ICAAP is used to assess the capital adequacy of CSEB, and its aim is to reflect on the capital risks of the entity in a structure way, using bank-specific approaches to measure and manage these risks. The process involves the identification, measurement and management of capital risks.

The ICAAP is based on CSEB's own risk analysis and on analysis of its risk management controls. Based on these analyses, own funds requirements are calculated to enable CSEB to permanently maintain a level of capital determined to be the sum of a) legal capital requirements and b) internal estimation of add-ons to Pillar 1 requirements when the Pillar 1 requirements were assessed by CSEB as insufficient for its risk profile and c) any additional capital notified to CSEB by the Bank of Spain (BoS).

In addition, to determine own funds requirements, CSEB considers capital planning and stress tests that are consistent with the risks inherent to its activity, the economic environment in which it operates, the risk management, control and governance systems in place, the strategic business plan and the quality of the available own funds.

The ICAAP is a comprehensive analysis that leverages other processes in the Risk Management Framework, and its output is a key determinant in the calibration of the entity's Risk Appetite.

### **Risk Identification**

In the risk identification phase, the CSEB CRO function is held accountable for assessing all of the risks within their areas of coverage. This includes the vulnerabilities of existing and emerging risks and associated risk consequences/impacts and likelihoods. The functional risk areas support the business in identifying all risks relevant to CSEB and mapping them to the risk taxonomy.

CSEB CRO function's responsibilities for risk identification include the following tasks:

- **Risk Identification and Assessment Framework ("RIAF"):** The RIAF is a structured approach that engages a wide internal stakeholder group from 1<sup>st</sup> and 2<sup>nd</sup> LoD. The internal processes require each individual risk function and business areas across the entity to provide input to detect emerging risks, and the changing characteristics of existing risks already identified to assess their impact on financial resources (P&L, Risk Capacity). The RIAF process is the foundation for the CSEB Risk Management Framework and the ICAAP and ILAAP processes. The output of the RIAF feeds the Risk Appetite Framework and is used to determine adequate measurement and monitoring of key risks.

The Risk Identification process must take into account risk concentrations. Risk concentrations can arise both from a co-movement of risk positions within a risk type ("intra-risk concentrations") and from a co-movement of risk positions across different risk types (due to common risk factors or interactions between various risk factors of different risk types – "inter-risk concentrations").

- **New Business Process ("NBP"):** The NBP is a preventative control process that requires all new business initiatives within CSEB to be implemented in a disciplined manner in order to effectively manage risk, which includes the evaluation of new products and strategies, as well as ongoing assessment of existing products. Each risk function is responsible for assessing the respective risk in new business initiatives.
- **Pre-Trade Valuation and Risk Approval ("PTVRA") Process:** The PTVRA process is a preventative control that ensures that all relevant risk factors, valuations and potential operational risks related to product variants, as well as material or unusual transactions, are reviewed, documented and validated prior to trade execution. Each risk function is responsible for ensuring that all risk factors under their function are understood, defined and adequately captures in the relevant risk management tools, and to consider the firm's capability to risk manage the trade throughout its entire lifecycle.

Note: The PTVRA process has been discontinued as of early 2024 and has been replaced with specific CSEB guidelines.

## **Risk Appetite & Strategic Planning**

The processes, policies, controls, responsibilities and systems through which risk appetite is established or adjusted, communicated and monitored in order to achieve CSEB strategic objectives. Each risk function is required to set a risk appetite statement in qualitative and quantitative terms (e.g. risk constraints), and outline the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite.

## **Risk Measurement, Assessment and Monitoring**

Risk measurement and assessment is the process of determining the risk profile of CSEB based on actual or planned risk exposures. Risk profile can be evaluated using either quantitative or qualitative techniques to gauge potential losses or other adverse impacts. Risk measurement methodologies are specified in a wide range of policy, manual, guideline and procedure documents.

Quantitative risks are measured using both internal and regulatory prescribed quantitative models and methodologies. Qualitative risks include the inventory of risks which are typically non-quantifiable, and can be assessed via expert judgement or through the use of a suite of proxy quantitative measures, chosen so that in aggregate they provide an objective picture of the level of the qualitative risk profile.

The risk profile of CSEB is monitored against defined risk constraints. This includes monitoring the CSEB exposure to different impacts considering material losses and/or outflows, and reputational considerations. To meet this objective, CSEB has defined a number of risk exposure measures which are monitored against corresponding risk limits. The utilization of these measures versus limits is reported as part of day-to-day risk reporting. Escalation procedures are in place to inform the CSEB Board of Directors, CSEB RMC, senior management and Non Core and Legacy ("NCL") management about breaches and significant incidents. Breaches are escalated following a specific governance hierarchy with the respective explanations of the breach, associated drivers and mitigating actions. Disciplinary action for limit breaches is taken where appropriate and as applicable.

## **Risk Analysis, Mitigation and Control**

Ongoing analysis of risk exposures and dependent risk measurements is a key aspect of good risk management. Each risk function responsibilities for risk analysis, mitigation and control include the following tasks:

- **Active Dialogue:** Frequent and transparent engagement is needed between 1<sup>st</sup> LoD and 2<sup>nd</sup> LoD to effectively analyse existing and potential risks, and to ensure that both BAU and crisis response processes are efficient and well embedded in the organization and to demonstrate a continuous review and challenge process conducted by the risk department.
- **Independent Risk Review:** The 2<sup>nd</sup> LoD has ongoing responsibility for in depth analysis of risk exposures and of any related risk metrics or qualitative assessments, and the relevant 2<sup>nd</sup> LoD Risk Manager for a portfolio of risk exposures (e.g. business, entity, product, counterparty, country) has the authority to perform an Independent Risk Review ("IRR") at any point. Potential triggers for an IRR may include macro-economic or geo-political events, market moves, new or growing concentrations, control concerns or question marks around the accuracy of risk modelling.
- **Risk Profile Mitigation:** Mitigation of risk profile is the responsibility of the 1<sup>st</sup> LoD, where mitigation is possible. 2<sup>nd</sup> LoD support the 1<sup>st</sup> LoD with risk mitigation analysis and monitoring risk profile versus risk appetite, allowing the 1<sup>st</sup> LoD to take mitigating actions where they fall outside accepted risk appetite levels. The 2<sup>nd</sup> LoD may unilaterally instruct the 1<sup>st</sup> LoD to mitigate risk profile, under pre-agreed circumstances outlined in relevant Risk Appetite Frameworks and where legally permissible.

## **Risk Reporting**

The CSEB CRO is responsible for ensuring that relevant risk reports and risk information is captured, reported and escalated to the Risk Management Committee (“RMC”) and the CSEB Board of Directors. In addition to internal reports, external risk reports to relevant regulators (as applicable) are prepared and issued by CSEB CRO department with, for liquidity, risk reliance on reports preparation by the CFO department.

CSEB risk reporting have to follow the guidelines defined the Basel Committee on Banking Supervision’s document number 239: Principles for effective risk data aggregation and risk reporting.

As part of BAU risk reporting, various risk measurements are visible in risk systems at regular intervals to risk managers for example, risk sensitivities broken down by currencies and tenor, scenario analysis, complex measures like VaR and credit Potential Exposures (“PE”), history of operational losses impacting CSEB with their materiality assessment. Those risk measurements are also consolidated in the form of risk reports made available to CSEB risk managers and senior management.

### **Alignment to BCBS 239 Principles**

BCBS 239 requires the bank’s risk data aggregation capabilities and risk reporting practices to be subject to strong governance arrangements. At the end of each year, Credit Suisse performs an internal sign-off of its ongoing Risk Data Aggregation and Reporting (“RDAR”) compliance. The outcome of the RDAR internal sign-off is communicated to Board and Senior Management via updates to the in-scope Risk Committees.

To enable RDAR internal sign-off, RDAR roles are defined in line with accountabilities along the Risk Data Supply Chain. This ensures that capabilities surrounding risk data governance, origination, sourcing, provisioning, report preparation and reporting are compliant with the RDAR principles, leading to overall sign-off of compliance by respective accountable CROs. CSEB leverages the RDAR internal sign-off coordinated globally to assess global compliance to all BCBS 239 principles.

## **Risk Profile**

### **Risk Identification**

The Risk Identification and Assessment Framework (“RIAF”) is a structured approach that engages a wide internal stakeholder group from both 1LoD and 2LoD. The internal processes require each individual risk function and business area across the entity to provide input to detect emerging risks, and the changing characteristics of existing risks already identified to assess their impact on the financial resources. The RIAF is a core component of the Bank’s risk management framework and is used to ensure its risk profile is comprehensively captured in an appropriate manner on an ongoing basis. The identification and assessment of the material risks in CSEB is a foundation of the liquidity and capital adequacy assessments to determine appropriate liquidity and capital buffers.

The RIAF identifies the risks present in CSEB, in line with the CSAG Taxonomy. Then, it conducts the assessment, likelihood based, of their magnitude against specific thresholds calibrated based on the entity’s potential capital buffer to withstand a stress situation and HQLA consumption based on potential outflows. A qualitative overlay is applied to account for non-financial impacts/non-quantifiable sources of risk. The RIAF outputs are updated annually to capture changes in material risks both internally and externally.

The RIAF is driven by CSEB CRO Strategic Risk Management function and reviewed and approved by the CSEB RMC, and is the result of direct engagement between the business, the management of the entity, and the CSEB CRO team. The engagement with the business is coordinated by each CSEB Risk function Head, and the aggregation of the identified material risks is coordinated by the Head of CSEB Strategic Risk Management.

## Risk Assessment

The assessment of materiality of risks is designed to facilitate the classification of material/non-material risks and thus assist in their prioritization. The key aspects considered in the materiality assessment are as follows:

- **Financial Impact:** Categorisation of the financial impact of risks identified which is based on the estimated loss impact and net liquidity outflows. The four categories (minor, adequate, significant or major) are defined by thresholds that are calibrated to other key aspects of the wider risk framework such as business strategy or the financial plan. Subject matter experts are also expected to be consulted to supplement this and assist in deriving other thresholds based on liquidity and capital.
- **Non-Financial Impact:** Categorisation of the non-financial impact performed under a qualitative assessment, which is based on four dimensions (regulatory, client, market and competition, and reputation). Each non-financial dimension should be assigned to one of the categories used in the financial impact (i.e. minor, adequate, significant or major). The highest impact category across all the non-financial dimensions determines the final categorization of the risk's non-financial impact.
- **Risk Likelihood:** Risk likelihood provides an assessment of the risks probability of occurrence taking into account the actual market conditions at the time of the assessment.

The overall assessment incorporates the financial impact, non-financial impact and the risk likelihood. As a guideline, the highest category across the financial and non-financial impacts should determine the overall impact category of the risk.

## Risk Inventory

CSEB Risk Inventory is a comprehensive list of risks which the entity may be exposed to as a result of its business model. Once the relevant risks are identified, they are evaluated for their materiality to CSEB. The full Risk Inventory is the complete population of all information submitted by risk identifiers. This population is used in supporting more detailed discussions and assessment. The Material Risk Inventory is a reflection of the specific inherent and residual risk in the CSEB business model based on the CS AG Taxonomy, and it is discussed and approved through the CSEB Risk Governance.

The following are considered to be the Principle Key Risk Classes for CSEB based on its business model:

- **Market Risk:** Market Risk refers to potential financial losses arising from adverse changes in market factors such as equity, commodity, foreign exchange prices, interest rates, credit spreads, volatilities, correlations, cross market risks, basis and spreads risks or other relevant market factors (including concentration and illiquidity) on positions held. The material market risk identified for the entity considers Contingent Market Risk.
- **Credit Risk:** Credit Risk refers to potential financial loss as a result of a borrower or counterparty failing to meet its financial obligations, or as a result of a deterioration in the credit quality of the borrower or counterparty. The material credit risks identified for the entity include Counterparty Default, Settlement Risk, Collateral Credit Migration.
- **Concentration Risk:** A concentration risk refers to an exposure which, were it realized, could result in a material financial loss, threaten the financial institution's liquidity or capital position, materially change the risk profile, generate a material operational control breach or result in an unacceptable level of damage to its reputation. The size of impact will reflect the underlying exposure as well as an adverse circumstance. The material concentration risks identified for the entity include Single Name Concentration, Industry Concentration, and CCP Concentration.
- **Treasury & Liquidity Risk:** Includes Treasury Risk, which refers to the potential for structural interest rate, FX, and other ALM positions to impact its earnings and / or capital strength; and Liquidity Risk, which refers to the Bank's ability to efficiently meet both expected and unexpected current and future cash flows, collateral and intraday requirements without affecting either daily operations or the financial condition of the Bank.

- **Non-Financial Risk:** Non-Financial Risk refers to the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to Operational Risk, Technology Risk, Cyber Risk, Third Party Risk, Compliance Risk, Regulatory Risk, Legal Risk and Conduct Risk. Non-Financial Risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways. The material Non-Financial risks identified for the entity based on the Entity's Risk & Control Self-Assessment, include Governance, People, Process, Outsourcing, Conduct, and Rules and Regulations.
- **Model Risk:** Model Risk is the potential for financial loss, negative reputational impact and/or adverse regulatory action from decisions made based on model outputs that may be incorrect or used inappropriately.
- **Reputational Risk:** Reputational Risk is the risk arising from negative perception on the part of our stakeholders (customers, counterparties, shareholders, investors, employees, regulators) that can adversely affect our ability to maintain existing, or establish new, business relationships and continued access to sources of funding.
- **Business Risk:** Business Risk refers to potential underperformance against financial objectives. This includes a wide range of potential internal and external drivers, scenarios, and events.
- **Capital Risk:** Capital Risk is the risk that the bank does not maintain adequate capital to support its activities while exceeding its regulatory requirements and meeting its internal capital goals.

These Principle Key Risk Classes are further analysed by sub-categories and more detailed risks that are relevant for CSEB, to determine the specific inventory of material risks relevant to the entity. In addition to these Principle Risk Classes, the Global Risk Taxonomy also considers Functional Risk Drivers; which include prominent drivers exogenous to the bank, where risk impacts manifest through one or more Principle Risk Classes. ESG risks will be considered a Functional Risk Driver, and in particular Climate Risk considers potentially adverse impacts on the environment, on people or society, which may be caused by, contributed to or directly linked to the firm through the activities of its clients. Sustainability risk was identified as a medium risk for the entity.

### CSEB Booking Model

CSEB operates a back-to-back pass-through operating model for broker-dealer activities where CSEB transfers market risk associated with contractual products (e.g. derivatives and repo) to the global risk hubs, mostly CSi in London. However, CSEB retains credit risk, settlement risk, operational risk, CVA/CAV and minimum market risk.

## Risk Appetite

The Risk Appetite Framework ("RAF") covers all risks to CSEB and is applied across all risk classes, business units and legal entities and branches. The Risk Appetite Framework ensures a robust and integrated approach to controlling the overall risk profile and serves as an essential decision making tool for management and the Board of Directors.

The RAF is driven by top-down Board leadership and bottom-up involvement of senior CSEB executives. The RAF must be embedded and understood across all levels of the organization. It needs to facilitate embedding risk appetite into the risk culture and be adaptable to changing business and market conditions. It should provide a mechanism to evaluate opportunities for appropriate risk taking, protect against excessive risk taking and form the basis for the Board, risk management and internal audit to debate and challenge business management in the way they operate the business.

The development, maintenance and enhancement of an effective RAF is an iterative and evolutionary process that requires ongoing dialogue between the CSEB Board, the CSEB Board Risk Committee, and the CSEB CRO which is supported by ex-

ante analysis discussed at the CSEB Risk Management Committee, made of the senior members of the CRO organization and of the Business and as appropriate other control functions.

### **Risk Appetite Statement**

The CSEB Risk Appetite Statement ("RAS") articulates the aggregate level and types of material risks that CSEB is willing to accept or to avoid in order to achieve its business objectives. The RAS consists of qualitative constraint statements and quantitative risk constraints which are reviewed and approved by the CSEB BoD on an annual basis as part of the financial planning process. Whether more frequent updates are required is left at the discretion of the CSEB CRO and the Chair of the Board Risk Committee for example in case of material change in business or market conditions.

Qualitative statements set the overall tone for CSEB's approach to financial and non-financial risk taking, and articulate the motivations for accepting or avoiding certain types of risks, products, country/regional exposures, etc. Quantitative measures are generally expressed in terms of earnings, capital, liquidity, stress testing, and other. These measures complement the qualitative statements ensuring clear boundaries of loss or negative outcomes are established and determine for each material risk the overall maximum level of risk that CSEB is willing to operate within, based on the overall risk capacity, risk appetite and risk profile.

The RAF must ensure that the material risks assumed by CSEB are reflected in the Risk Appetite Statement. Risk Appetite Statement completeness and coverage should be assessed with reference to the Material Risk Inventory within the RIAF. The Risk Appetite Statements should reflect all BoD level approved appetites across the relevant risk classes.

The completeness of the Risk Appetite Statement is ensured during the annual risk planning process, where material coverage gaps of the Risk Appetite Statement are addressed. Participants in the risk planning process are required to highlight material gaps and propose how they can be mitigated.

CSEB uses staggered Risk Constraints (limits, tolerances, flags and guidelines) as appropriate for each Risk Measure required to monitor compliance with the approved risk appetite. The Risk Constraints for each Risk Function and Business Divisions are set in relation to:

- Aggregated Risk Capacity (maximum level of risk) allocated in CSEB based on regulatory capital and funding. Risk Appetite is the aggregate level and types of risk CSEB is willing to assume, and is contained within our risk capacity, to achieve our strategic objectives and business plan.
- Risk Constraint forecast (minimum level of risk) calculate by the Business based on minimum projected risk constraints required to achieve their business objectives.

Operating limits of the Board level limits and additional more granular risk constraints are approved through CSEB RMC and its sub-committees. The full risk appetite is submitted for review and approval to the CSEB BoD following a review by the CSEB Board Risk Committee.

There is an ongoing monitoring throughout the year such that, if there is a material change in the business strategy, risk profile or external environment, an interim review and update will occur as deemed necessary by the CSEB CRO. Functional risk leads are responsible for ensuring that the Risk Appetite in their area of responsibility is tracked through appropriate risk reporting and presented at the CSEB RMC and relevant sub-committees to discuss adherence, high utilisation and breaches. It is the responsibility of the CSEB Business to ensure adherence to the CSEB Risk Appetite, while it is the responsibility of the CRO or the functional risk leads to ensure that any non-adherence is challenged and promptly returned within appetite, and if appropriate, escalate to the CSEB RMC, the CSEB BRC and CSEB Board of Directors.

## Declaration approved by the management body on the adequacy of the risk management arrangements

The CSEB Directors are responsible for reviewing the effectiveness of the adequacy of the CSEB risk management arrangements providing assurance that the risk management arrangements and systems put in place are adequate with regard to the institution's profile and strategy as required for by CRR 2 Article 435(1) point (e).

The risk management arrangements and systems are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement, excessive risk taking and loss.

The CSEB Board of Directors has established a CSEB Board Risk Committee ('BRC') chaired by and composed by Independent Non-Executive Directors and attended by members of the CSEB Management Body. Ordinary meetings of the Board Risk Committee are required to take place at least four times each year and on an ad-hoc basis if necessary. The CSEB BRC supervise the activities of the independent 2nd Line of Defence which for risk management is led by the CSEB CRO, the Head of the CSEB Risk Management Unit.

The CSEB risk governance operates under the authority of the CSEB BRC and is made of a cascade of CSEB risk committees and working groups reporting into the CSEB Risk Management Committee. The CSEB Risk Committees are always chaired by senior risk executives of the CSEB CRO organization. The CSEB CRO and the senior risk executives are always located in Madrid and are always employed by CSEB unless internal outsourcing agreement within UBS Group are in place. The CSEB CRO is dual hatting as the CSEB CRO and the CRO supervisor for all activities undertaken by CS AG in Spain and exclusively has risk decision making on CSEB, solely with Investment Banking activities now going through an orderly wind-down, while the CSEB CRO supervises without risk decision making other CS AG activities occurring in Spain namely in private bank and asset management. As part of his dual hatting review the CSEB CRO has concluded he is not exposed to conflicts of interests to be registered in the CSEB conflict of interests registry. The CSEB CRO reports locally to the CSEB CEO and is supervised by the EMEA CRO of CS AG and is accountable for the risk decisions of his organization to the CSEB BRC. The day to day independent supervision of CSEB's risks by the CRO organization remains adequately staffed and successions plans are in place for the senior members and material risk takers of CSEB CRO organization.

We also take note that CSEB uses systems, models and procedures in place in CS AG and outsources a large part of the execution of those procedures to CS AG while CSEB management is supervising the execution of those procedures and retains risk decision making authority when CSEB approval is required. The CSEB risk infrastructure has been assessed as suitable by the CSEB CRO for the effective monitoring of CSEB risk profile and the supervision of the outsourced services does not indicate concerns undermining the insight of the risk supervision performed by the CSEB CRO and their team.

# Credit Risk

## Credit Risk Organization

Credit Risk Management (“CRM”) is the responsibility of CSEB Chief Credit Officer (“CCO”), based in Madrid, who is supported by three other professionals (two credit officers and one credit controller). The CSEB CCO reports to CSEB CRO. The CSEB CCO is a member of CSEB Risk Management Committee and chairs the CSEB Credit Risk Committee, which is a sub-committee of the RMC.

CRM operates a global coverage model whereby subject matter expertise (“SME”) in Industry Sectors, Products, Counterparty Credit Risk etc. is leveraged for the purposes of overall credit risk process, notwithstanding the ultimate booking location. To address legal entity requirements, CRM in CSEB provides oversight and governance of credit risk as it pertains to the legal entity, as well as providing the final credit approval for credit exposure proposed to be booked against CSEB’s balance sheet. It also ensures that established CS AG Credit Risk standards and practices in force as of December 2023 are embedded at the legal entity level (together with any local requirements that may apply) while managing exposure to credit risk within the boundaries of appetite as set out in the CSEB Credit Risk Appetite Framework.

CRM performs the following key risk management activities:

- Supports the business in identifying all credit risks relevant to CSEB and mapping them to the risk taxonomy. Risk identification is an ongoing process that informs risk appetite and limit setting, definition of scenario narratives including consideration of stress testing and assessment of capital adequacy under ICAAP Pillar 2.
- Calibrates and recommends appropriate risk metrics that inform the Credit Risk Appetite Statement, based on CSEB business plan. The overall Credit Risk Appetite Framework articulates credit risk appetite through a mix of qualitative statements and quantitative limits.
- Develop and maintain the front-to-back control framework for counterparty credit risk to ensure all processes and procedures are followed within the prescribed guidelines, as pertaining to CSEB, for example credit approval for new transactions.
- Ensure the appropriateness of the design and control of credit risk models.

### Credit Risk Governance and Control

The CSEB Credit Risk Committee (“CRC”) is a Tier 3 committee with delegated authority from the CSEB RMC, chaired by the CSEB CCO. The CSEB CRC provides oversight of the Credit Risk profile in CSEB with responsibilities including:

- To discuss emerging risks and determine actions, including escalation to CSEB RMC as appropriate
- To define, implement, review and propose changes to the CSEB Credit Risk Appetite Framework
- To review utilisation of all appetite limits, and determine what actions are required in cases of high utilisation or excesses
- To notify the CSEB RMC of relevant limit breaches and associated actions taken
- To review regular reports and any other issues with an impact on the CSEB credit portfolio
- To consider any existing regulatory or other important projects
- To review, challenge and recommend to the CSEB RMC the Credit ICAAP Pillar 2 (risks not adequately capitalized in Pillar 1)

## Credit Risk Management (“CRM”)

Effective credit risk management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment. CRM processes include, but are not limited to the following processes:

- **Credit Analysis:** Credit Analysis, the process by which all obligors are assessed for the purposes of creditworthiness and their ability to repay/meet the proposed contractual credit obligations, is performed and documented prior to submission for approval purposes. Analysis is performed at the outset of any proposed credit relationship, at least annually throughout the lifecycle of the relationship, and on an ad-hoc basis where changing circumstances deem it necessary. Credit Analysis is performed using SME through the IB CRM and NCL CRM global coverage model.
- **Credit Ratings:** Credit Ratings for obligors and transactions, which are assigned and maintained by CRM under the global coverage model, are established at the outset of any proposed credit relationship and are reviewed at least on an annual basis throughout the lifecycle of the credit relationship. Ratings are also reviewed and updated on an ad-hoc basis where monitoring activity, information or events suggest a deterioration in the creditworthiness of the obligor, or where changes to terms and conditions are proposed.
- **Credit Approval:** All credit facilities must be formally approved by Credit Officers with the requisite level of Delegated Credit Authority. CRM operates a bifurcated approach to credit approval for the purposes of CSEB, which consists of: the initial approval in accordance with the global coverage model; and a second level approval by CSEB legal entity credit authority holders.

When a CSEB Credit Officer reviews a credit request, the review will consider the appropriateness of the exposure for CSEB in light of its risk profile and also alignment with/availability of appetite under the CRAF. Notwithstanding any approval that may have been given in accordance with the global coverage model, the decision maker in CSEB has the final judgement and may decline a credit request that will result in an exposure booked in CSEB.

- **Credit Monitoring:** All obligors and credit transactions are monitored on an on-going basis in order to assist with the timely identification of unexpected risk profile changes (including deterioration in obligor creditworthiness) and to ensure the continued accuracy of Credit Ratings.

Although the global coverage model is leveraged for the purposes of individual obligor/transaction monitoring, CRM in CSEB provides oversight and governance from the local legal entity perspective. This includes notification of credit limit excesses and/or margin call fails and inclusion of any CSEB obligors to CRM Watchlists.

CSEB CRM also monitors credit risk at the legal entity credit portfolio level. Principally this is performed via the measurement and review of exposures against the appetite levels established for the purposes of the CRAF, which are submitted to the CSEB CRC for governance purposes.

- **Counterparty Credit Risk (“CCR”) Management:** The risk that the counterparty to a derivative or securities financing transaction could default before the final settlement of the transaction's cash flows, creates a bilateral risk of loss because the market value of the transaction can be positive or negative to either counterparty to the transaction. As such, CCR exposures are typically netted and collateralized under a master agreement and are often subject to detailed regulatory requirements designed to minimize inherent systemic risk that could be caused by a default of one or more major market participants.
- **Workout and Recovery:** The Recovery Management International team (“RMI”) is a global CRM team managing and/or overseeing recoveries and impairment for CS AG. The CS AG Credit Recovery Policy outlines the roles and responsibilities

of RMI, including the classification of impairment assets, structuring workout plans and exist strategies, management of bankruptcy cases and identifying loan sale opportunities, shadowing Watchlist cases to provide advice/guidance on stress situations, determination of allowable valuation methods and provisions. A London based RMI team covers EU clients for CSEB.

### **Credit Risk Measurement & Reporting**

Credit Risk Management relies on the following metrics to measure and monitor credit risk in CSEB:

- **Potential Exposure (“PE”)**: For derivative exposures, PE is calculated as the 95th percentile worst case on the simulated distribution of exposure.
- **Mark to Market (“MTM”)**: inventory exposure is measured per issuer as the aggregate market value of any debt position held physically or synthetically.
- **Scenario analysis** calculating PE post certain stresses.

CSEB Credit Officers rely on the credit risk system Insight, a Credit Suisse proprietary system, as the primary reporting tool to monitor credit and settlement risk exposures directly. Governance is in place for actions to be taken with a separate approval process that is applied to more complex transactions via PTAs (Pre-Trade Approvals) for example in case of partial unwind that may give rise to extra risk in CSEB on a temporary basis. Additional reporting is provided to credit officer teams and management as required. They include, but are not limited to:

- On-going operational and exposure reporting.
- Country limit reporting.
- Collateral concentration reporting
- Scenario reporting, including Wrong Way Risk
- Watch list and RMI reporting

Appetite controls will be monitored at governance forum using a colour code according to highlight breaches as red (i.e. more than 100% of the limit) and close breaches as amber (i.e. >90% of the limit). The CSEB CRC and CSEB RMC will monitor utilization of the appetite controls for higher governance authorities to consider timely actions to address high utilisation.

### **Credit Risk Hedges and Mitigation**

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

The amount of credit risk arising from the concentration to protection providers is not considered to be material by virtue of CSEB using inter affiliates under the back to back model rather than third-party market counterparties.

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

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

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

### Credit Risk Appetite

The Credit Risk Appetite Framework ("CRAF") enables effective and consistent management of credit risks. The CRAF defines qualitative risk appetite statements, quantitative risk appetite controls management information, reporting & monitoring responsibilities as well as escalation requirements to ensure direct and indirect (collateral) credit risks remain within appetite.

The formulation of credit risk appetite is anchored to the capital base of CSEB, taking into consideration historical information and the business model. The CRAF addresses all the key risks identified in the RIAF process which are representative of CSEB business model. In addition to the annual review cycle, ad-hoc reviews of the CRAF may be necessary (for example, where there has been a change to the capital base), together with a recalibration of certain appetite levels.

CRAF provides for quantitative risk appetite controls along four layers of risk which enhance the previous pillar-based structure of controls (changes will come into effect in June).

- **Layer 1) Total Portfolio:** Establishes risk appetite in relation to the overall risk profile of the CSEB's credit risk portfolio measured through metrics such as Credit Risk Capital, overall Portfolio Credit Quality.
- **Layer 2) Sub-Portfolio:** Established risk appetite in relation to sub-portfolios, which can be defined as concentration along different dimensions such as: single product type (e.g. Security Financing Transaction, Loan Underwriting, etc.), Inter-affiliates, industries (e.g. sectorial appetite, climate-sensitive sectors, shadow banking) and country concentration.
- **Layer 3) Single Name Concentration:** Establishes risk appetite with respect to exposures towards a single client/name and specific escalation requirements which depend on the client's rating. These controls are set up for the different risk measurements: PE, settlement and Counterparty stressed MTM. This stressed exposure is managed against both multi-factor and single factor scenario appetite thresholds. Main scenarios are:
  - **Multi-Factor Scenario:** The Severe Flight To Quality (SFTQ) is a multi-factor scenario unique to Credit Suisse which is a combination of several single-factor scenarios (flight to USD, IR bull flattening, equity prices crash, commodities prices crash, credit spreads widening, etc.)
  - **Single Factor Scenario:** There are ten single-factor scenarios used in CRM with parallel upward/downward shocks applied to FX, commodities, equities, interest rates and credit spreads. Each of these ten single factor scenarios is run for each counterparty and the scenario with the resulting greatest exposure is selected for limit monitoring purposes.
- **Layer 4) Financial Collateral:** Concentrations in the CSEB financial collateral portfolio and the risk of material losses due to financial collateral concentrations under projected economic stress. Risk Appetite is measured through the expected issuer shortfall metric, which assesses the expected impact of the default of a single collateral issuer across all clients posting this collateral.

Since 2022 CSEB has undertaken various initiatives related to climate risks with the aim of managing the financial risks arising from climate change and embedding Climate Risk in the overall CSEB risk management framework. These initiatives ensure

that CSEB is adhering to CS Group global policies and procedures to manage climate risk. In particular, the CSEB CRAF includes a quantitative control at Layer 2 allowing to monitor and review climate-sensitive and carbon-related industries.

### Forborne exposures and credit quality of performing and non-performing exposures

In 2022, the Bank of Spain has adopted the Guideline amending Guidelines EBA/GL/2018/10 on the disclosure of information on doubtful and restructured or refinanced exposures, as such the Bank is obliged to disclose a number of additional templates as follows:

Template 1: Credit quality of forborne exposures – nil disclosure.

Template 3: Credit quality of performing and non-performing exposures by past due days

Amounts in Euro '000	Performing exposures			Non-performing exposures		
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Past due > 1 year ≤ 2 years	Of which defaulted	
Loans and advances	1,454,310	1,454,310	0	7,329	7,329	0
<i>Credit institutions</i>	1,159,082	1,159,082	0	2,278	2,278	0
<i>Other financial corporations</i>	46,926	46,926	0	5,052	5,052	0
<i>Non-financial corporations</i>	248,302	248,302	0	0	0	0
Off-balance-sheet exposures	92,034			0		0
<i>General governments</i>	0			0		0
<i>Credit institutions</i>	4,625			0		0
<i>Other financial corporations</i>	87,407			0		0
<i>Non-financial corporations</i>	1			0		0
<i>Households</i>				0		0
<b>Total</b>	<b>1,546,344</b>	<b>1,454,310</b>	<b>0</b>	<b>7,329</b>	<b>7,329</b>	<b>0</b>

Template 4: Performing and non-performing exposures and related provisions

Amounts in Euro '000	Gross carrying amount/nominal amount		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral 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		Accumulated partial write-off	On performing exposures	On non-performing exposures		
			Of which stage 1	Of which stage 3	Of which stage 1	Of which stage 3					
Loans and advances	1,454,310	1,454,310	7,329	7,329	-1,529	-1,529	-7,329	-7,329	0	67,080	0
<i>Credit institutions</i>	1,159,082	1,159,082	2,278	2,278	0	0	-2,278	-2,278	0	67,080	0
<i>Other financial corporations</i>	46,926	46,926	5,052	5,052	-189	-189	-5,052	-5,052	0	0	0
<i>Non-financial corporations</i>	248,302	248,302	0	0	-1,340	-1,340	0	0	0	0	0
<i>Of which SMEs</i>	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	92,034	92,034	0	0	0	0	0	0		0	0
<i>General governments</i>			0	0	0	0	0	0		0	0
<i>Credit institutions</i>	4,625	4,625	0	0	0	0	0	0		0	0
<i>Other financial corporations</i>	87,407	87,407	0	0	0	0	0	0		0	0
<i>Non-financial corporations</i>	1	1	0	0	0	0	0	0		0	0
<b>Total</b>	<b>1,546,344</b>	<b>1,546,344</b>	<b>7,329</b>	<b>7,329</b>	<b>-1,529</b>	<b>-1,529</b>	<b>-7,329</b>	<b>-7,329</b>	<b>0</b>	<b>67,080</b>	<b>0</b>

Template 9: Collateral obtained by taking possession and execution processes – nil disclosure

At the end of 2023, the Bank did not have refinanced or restructured operations. As result of the activities the Bank is engaged and the risk profile that it assumes, the Bank did not obtain any Collateral by taking possession or execution processes during 2023.

# Market Risk

## Market Risk Organization

Market Risk Management (“MRM”) is supervised by the Head of MRM, based in London who is supported by a senior market risk manager located in Poland, and the function is part of the NCL CRO organization. The mandate of the CSEB MRM function stems directly from the NCL Chief Risk Officer’s and from CSEB CRO to supervise CSEB market risk on behalf of the CSEB Board of Director activities of CSEB. The Head of Market Risk is a member of CSEB RMC and chairs the CSEB Market Risk Committee, which is a sub-committee of the RMC.

The CSEB MRM team, part of the 2<sup>nd</sup> line of defense, is responsible for providing independent, robust market risk management controls and for challenging Front Office activities. This includes, but is not limited to:

- Developing the CSEB market risk qualitative and quantitative risk appetite based on the available and allocated market risk capital.
- Cascading the risk appetite via a set of market risk limits.
- Monitoring market risk exposures against these limits.
- Identifying, escalating and enforcing remediation of any market risk limit excess.
- Challenging the Front Office on significant risk taking as appropriate.
- Providing review and approval of material or unusual transactions to ensure that any concern with respect to risk appetite/risk capture/risk valuation is addressed before these transactions are executed when required.

The Market Risk team relies on other CRO teams for a broad suite of services, including, but not limited to, risk analysis and reporting.

### Market Risk Governance and Control

Market Risk Management in CSEB is governed by individual Market Risk Committee (MRC). CSEB MRC are responsible for the oversight of the market risk of the entity. Areas of responsibility include:

- Periodic review of any material current risks and potential forward-looking risks.
- Periodic review of current scenarios and highlight any scenario framework updates.
- Review of key regulatory changes that impact market risk areas and significant regulatory requests.
- Perform periodic review of the illiquid positions and ensure these are consistently treated across the ICAAP, internal management tools and regulatory reporting.
- Approve new policies or material changes to existing policies related to market risk.
- Review the risk appetite framework for appropriateness, including any changes, exceptions, and temporary increases to risk constraints. Recommend potential changes to risk appetite (including remotely booked) for individual businesses.

- Define and implement market risk framework consistent with business strategy for CSEB, and periodically assess the design and operational effectiveness of the framework implemented, to ensure ongoing compliance (internal & regulatory).

Supervise the daily execution of the VaR backtesting process.

### Market Risk Management

The market risk exposures of CSEB remain limited given the back-to-back and pass-through operating model in place. CSEB operates a 'Back-to-Back/Pass-Through' operating model, where CSEB transfers most market risk originated from contractual products (e.g. derivatives and repos) to the global risk hubs, mostly CSi in London.

One of the core responsibilities of the CSEB MRM team is to ensure that the back-to-back operating model is effectively in place at all times. The market risks that result from the counterparty valuation adjustment (CVA) and the collateral adjusted valuation (CAV) also fall under the remit of the market risk team.

MRM responsibilities in the Risk Management Process, in addition to the ones described in the Risk Management Processes section, are as follows:

- **Risk Factor Identification (RFI):** The RFI process is used to determine what risks CSEB Market Risk expects to receive from Front Office systems for a given book based on a source of information independent from the risk feed. This ensures that all market risk factors present in our positions are identified and captured. It also provides a mechanism to identify gaps in coverage and inconsistencies in approach, as well as an opportunity to review the methodology and add new risk types.
- **Front Office Challenge:** When warranted, CSEB Market Risk Managers may perform an independent challenge of FO activity within CSEB. This challenge aims to ensure consistent adherence to the principles of market risk management.

The following includes, but is not limited to, potential reasons for which a challenge may be initiated:

- Limit utilization
- Hedging strategy
- Large day-to-day variance for any number of Market Risk exposures or metrics
- Frequent cancel and corrects
- Frequent limit excesses
- Suspicion of unauthorized trading activity
- Management request
- P&L mismatches

### Market Risk Measurement & Monitoring

Market risk relies on a suite of sensitivities and stress testing to capture risk in CSEB. VaR, stress testing and sensitivity analysis are fundamental elements of the CSEB risk control framework. Their results are used in risk appetite discussions, strategic business planning and the continued monitoring of hedges effectiveness. It also supports the CSEB internal capital adequacy assessment. VaR, scenario and sensitivity calculations are conducted on a regular basis and the results, trend information, and supporting analysis are reported to the Board, senior management and shared and discussed with the business lines.

- **Value-at-Risk:** CSEB uses a historical simulation approach in modelling VaR. The model used for both Regulatory and Risk Management purposes is calculated as the 99<sup>th</sup> percentile measure using a 10-day holding period or 98<sup>th</sup> percentile measure using 1-day holding period respectively. Both measures use a 2-year data period, which is updated weekly, and apply exponential weighting with a time decay factor of 0.994 to provide sufficient responsiveness to market regime changes.

- **Stressed Value-at-Risk:** CSEB uses a 99<sup>th</sup> percentile, one tailed confidence interval for a 1-year period of financial stress without a time decay factor. No difference exists between the SVaR model used for management purposes and the model used for regulatory purposes. As of December 2023, CSEB uses a stressed VaR window running from the one-year period from July 1, 2008 to June 16, 2009.

The 10-day VaR is modelled directly using overlapping 10-day returns. There are two approaches used to incorporate Specific Risk:

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

The CSEB VaR model uses Full Revaluation, Partial Revaluation or Taylor Series approximation, depending on the individual portfolios and their respective degree of non-linearity. Full Revaluation and Partial Revaluation are the most accurate approaches and use the same Front Office valuation models that are used for fair value purposes:

- Under Full Revaluation, scenario P&L is calculated by re-evaluation of Mark-to-Market for every historical scenario. Given the resulting computational cost, Full Revaluation is generally reserved for non-linear products with material dependence on multiple risk factors, or vanilla hedges against such products.
- Under Partial Revaluation, P&L is calculated by re-evaluation at the nodes of a grid of possible market moves. Scenario P&L is then calculated by interpolation over the grid. Partial Revaluation is an efficient and accurate approach for products with low dimensionality (in terms of the number of material risk drivers). Typically, the grid has two dimensions, representing spot price and volatility.

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

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

The CSEB Market Risk team is responsible for ultimately ensuring that all market risks are captured for their individual business classes. All market risks may be monitored and reported at both a portfolio level, and at any level of granularity at the discretion of CSEB Market Risk function, and within the capabilities of existing technology. Consolidated market risk exposures are produced via the risk capital metrics (e.g. VaR, SVaR, Scenario Analysis).

### **Market Risk Reporting**

In order to ensure that risk exposures are comprehensively and accurately captured within CSEB, risk reports are generated on a regular and basis. Risk Reporting refers to the definition, development, production, commenting, and distribution of internal and external risk reports for CSEB, including Board and Senior Management. The set of CSEB risk reports currently produced shows risk sensitivities of CSEB analysed by currency, tenor buckets, expiry buckets, referenced index or underlyings etc.

## **Market Risk Appetite**

A clearly articulated Risk Appetite is fundamental to the alignment of risk-taking activities with the strategic plans approved by the CSEB Board of Directors (BoD). Reflecting this, a key feature of the CSEB entity-level Market Risk Appetite is that it is dynamic and reviewed at least on an annual basis by the CSEB BoD as part of the CSEB Risk, Financial and Business Planning process. This interaction with strategy is central to a consistent approach to risk management and strategy management across the entities.

The CSEB Risk Appetite Statement includes a quantitative component as well as a qualitative component. Both components are calibrated to align with the strategy of CSEB and its respective business plans. The calibration and review process are owned by the CSEB Head of Market Risk.

The quantitative Market Risk Appetite comprises a diverse set of quantitative risk metrics which is designed to provide a forward-looking perspective and capture the key risks and concentrations in the current portfolio. The calibration of these metrics is reviewed as part of the planning process and they are set to ensure alignment with the strategic objectives for CSEB Legal Entity.

The recommended risk appetite metrics and calibration are presented to the CSEB RMC and further submitted to the CSEB BRC and BoD for approval. Once approved, the risk appetite components are further cascaded throughout the business structure through the market risk limit framework.

The qualitative component of the Risk Appetite Statement provides clarity on the appetite for risks that cannot be easily quantified or are qualitative in nature.

# Non-Financial Risk

## Non-Financial Risk Organization

Non-Financial Risk (“NFR”) is the responsibility of the NFR team who is supervised by the CSEB CRO. The NFR team is a member of the CSEB RMC and co-chaired until its decommissioning in 2023 the CSEB Operational Risk and Compliance Committee (“ORCC”), which is a sub-committee of the CSEB RMC. Due to restructuring, the NFR team for CSEB, since March 2024, is made of employees of UBS Europe SE based in Madrid and Paris supporting CSEB via an intercompany service agreement between CSEB and UBS Europe SE.

CSEB NFR function has the following responsibilities:

- Providing oversight for execution of the Operational Risk Framework, including appropriate implementation of operational risk tools, methodologies, control standards and guidelines.
- Ownership of CSEB entity level operational risk governance including management of the forward agenda and providing updates to more senior governance forums.
- Ensuring that CSEB Business Continuity Management plans are reviewed and challenged.
- Validate/review the incident data submission and monitor whether the business have conducted “lessons learnt” assessments on relevant internal as well as external incidents.

### Non-Financial Risk Governance and Control

The mandate of the CSEB NFR function stems directly from the UBS Head of Group Compliance and Regulatory Governance (“GCRG”) mandate to supervise non financial risk across UBS Group as well as from the mandate of the CSEB CRO to supervise CSEB risks on behalf of the CSEB Board of Directors. For CSEB, operational risk is supervised as a 2nd Line of Defense activity by the NFR Team reporting into the CSEB CRO.

Non-Financial Risk management in CSEB is governed by the Operational Risk and Compliance Committee (ORCC), operated on a standalone basis for CSEB. Key responsibilities and objectives of the CSEB ORCC are:

- Monitor significant exposure or developments for the in-scope risks, including independent review and challenge of first line of defense updates and consideration of internal /external incidents and investigations
- Propose the Risk Appetite for the in-scope risks to be approved by the RMC, BRC or Board as appropriate independently assess utilization and the appropriateness of remedial actions where breaches occur
- Review the risk appetite framework for appropriateness, including any changes, excesses and temporary increases to risk appetite under CSEB ORCC authority.
- Review and challenge Key Risks and proposals to accept or mitigate them, appropriateness of remediation actions and approve closure of risks
- Monitor delivery of control improvement actions (e.g. arising from Risk Appetite breaches, Risk Control Self Assessment RCSAs, Compliance Risk Assessment, incidents)
- Review the suitability and effectiveness of controls operated by the first line of defense to mitigate in-scope risks (e.g. through RCSA) and escalate material issues to the legal entity RMC
- Periodically assess the frameworks for managing in-scope risks to establish the appropriate standards
- Provide independent oversight of activities that could materially impact the in-scope risks, including governance and controls, remote booking, major change, outsourcing and New Business

- Review the operational risk section of the ICAAP for CSEB and make recommendations on the capital assessment for operational risk, including stress testing scenarios. Challenge key assumptions, review and sign-off operational risk related stress test results
- Review effectiveness of conduct risk management and embedding of conduct risk awareness in the first line of defense for reporting to the committees which the CSEB ORCC receives authority from
- Review effectiveness of the arrangements, procedures, systems and controls in place for the ongoing monitoring to detect orders and transactions potentially linked to Market Abuse, and for the timely and complete reporting of those deemed suspicious (STORS) to the competent authority
- Review the risk profile of CSEB branches at least once a year

As of 1<sup>st</sup> January 2024, the CSEB ORCC's NFR duties have been incorporated into the CSEB RMC for optimization purposes and the CSEB ORCC has been decommissioned.

### **Non-Financial Risk Management**

NFR responsibilities in the Risk Management Process, in addition to the ones described in the Risk Management Processes section, are as follows:

- **Qualitative Risk Appetite:** qualitative Risk Appetite is based on self-imposed constraints which define the level of risk (considering all controls in place) the Bank is willing to take to achieve its strategic objectives and business plan. It articulates the motivations for accepting or avoiding certain types of risks, products or exposures. NFRF Risk Appetite is translated into a system of non-financial risk tolerance levels and qualitative tolerance statements which are measured against relevant NFRF Risk and Control Indicators and which guide the businesses in order to achieve.
- **Incident Management:** The Incident Management and Collation policy provides guidance on the approach to be adopted in the case of new operational risk incidents. Each incident should be categorized on a four-point scale, taking both the financial impact and non-financial factors into account. The categorization determines the approach taken to investigating the incident. The framework provides a timeline that outlines what actions are required at each stage of the process.
- **Stress Testing:** Stress Testing is the process where a number of defined economic or market scenarios are evaluated to determine the impact they would have on the Bank's financial position. The Stress Testing approach aggregates loss components of the non-financial risk loss estimates to review and assess material non-financial risks. This includes the assessment, by relevant business experts, of the likelihood and expected size of losses under stress conditions. Stress Testing results are incorporated in the Non-Financial Risk Loss Projections, specific to relevant regulatory requirements, and used for the Operational Risk Capital calculations.
- **Scenario Analysis:** Credit Suisse uses scenario analysis based on expert opinion in conjunction with internal and external loss data to evaluate its exposure to high severity 'tail end' loss events. Other forms of scenario testing e.g. evaluations where the bank's viability is threatened, capital planning adequacy, capital benchmarking, scenario planning and sensitivity analysis are considered as part of the wider capital planning, stress testing and risk model sensitivity analysis programs. Scenario analysis provides a forward looking examination of material operational risks by anticipating the plausibility and severity of extreme loss events which increases awareness among senior management. Discussion of risk levels and drivers increase upstream and downstream visibility of potential or previously uncovered dependencies and potentially improved control processes.

Scenarios bring qualitative forward looking risk and control information together with quantitative risk parameters for review by Business Experts in a Scenario Analysis Workshop. Scenario Analysis is used as a direct input into the CSEB Non-Financial Risk model which supports key Non-Financial Risk capital processes such as the CSEB internal capital adequacy assessment process.

## Non-Financial Risk Measurement & Monitoring

CS Group developed tools in order to capture, measure and control operational risk incidents. CSEB uses or performs the following:

- **My Incident:** (tool for reporting operational risk incidents): an operational risk incident is an event that can end up in a loss for the Entity (occasionally could be a profit though) and could indicate a weakness in the internal control system that should be reviewed. My Incidents is a web-based tool globally used by front office, operations, and other support areas in order to capture and monitor operational risk incidents. All incidents are recorded into the tool and monitored into the monthly CSEB RMC and the quarterly CSEB ORCC.
- **Risk and Control Self-Assessment (RCSA):** RCSAs are defined as a systematic and regular business process aimed at reviewing specific inherent operational risks that Business Divisions, Corporate Functions and Legal Entities/ locations are exposed to, as well as an assessment of the control landscape that is in place to mitigate these risks. Moreover, it comprises an assessment of the residual risks that persist once the mitigating effect of the control landscape to reduce the inherent risks is taken into account.

## Non-Financial Risk Reporting

Non-Financial risk reports are produced throughout the Bank on a regular basis, with the aim of providing management with consolidated views of non-financial risks within the firm, with areas of concerns and improvements highlighted, and to ensure appropriate ownership, prioritization and focus on non-financial risk issues from assessment through to mitigation. The content of operational risk reports supports the mandates of the respective risk management committees.

## Non-Financial Risk Appetite

The CSEB Risk Appetite Statement includes a quantitative component as well as a qualitative component. Both components are calibrated to align with the strategy for CSEB and its respective business plans. The calibration and review process is owned by the CSEB Non-Financial Risk team.

NFR Risk Appetite is separated in two categories:

- Quantitative Statement (Operational Risk Capital, Individual and Cumulative Losses). Given the nature of the quantitative appetite there is no specific hedging strategies.
- Qualitative Tolerance Statements

The qualitative tolerance statements are based on the Non-Financial Risk and Control Framework ("NFRF") Risk Categories. NFR Appetite is based on self-imposed constraints which define the level of risk (considering all controls in place) the Bank is willing to take in pursuit of its business activities. It articulates the motivations for accepting or avoiding certain types of risks, products or exposures.

Qualitative Risk Appetite is translated into a system of non-financial risk tolerance levels and qualitative tolerance statements which are measured against relevant NFR Risk and Control Indicators and which guide the businesses in order to achieve their objectives in line with Appetite. Risk Appetite threshold levels are set at an overall entity level and are reviewed annually.

Quantitative baseline tolerance levels are determined using an enhanced methodology as Top-Down proposals from Group-wide Stress testing projections. In addition to Baseline tolerances, Stress and Extreme stress tolerance are also derived using stress scenarios; these additional levels will allow for dynamic monitoring of quantitative risk appetite in response to sustained change in market condition and operating environment. In addition, historic non-financial risk incidents for the prior 5 years (absolute value of all gains and losses), on both a cumulative and individual impact basis are also considered. Business Divisions

and Corporate Functions can request to adjust the calculated tolerance levels if reasonable documented rationale is provided to the CSEB RMC.

Qualitative non-financial risk tolerance statements are defined as NFR Risk Categories that are aligned to the Bank's Strategy Risk Objectives. For each tolerance statement, a portfolio of Risk and Control Indicators is assigned where feasible to monitor the level of compliance with the statements.

### **Technology Risk**

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

Technology risk is the risk that technology-related failures, such as service outages or information security incidents, may disrupt business. As a component of operational risk, technology risk is inherent not only in the CSEB's IT assets, but also in the people and processes that interact with them including through dependency on third party suppliers and the worldwide telecommunications infrastructure. CSEB seeks to ensure that the data used to support key business processes and reporting is secure, complete, accurate, available, timely and meets appropriate quality and integrity standards. The Entity requires critical IT systems to be identified, secure, resilient and available and support our ongoing operations, decision making, communications and reporting. CSEB systems must also have the capability, capacity, scalability and adaptability to meet current and future business objectives, the needs of the CSEB's customers and regulatory and legal expectations. Failure to meet these standards and requirements may result in adverse events that could subject CSEB to reputational damage, fines, litigation, regulatory sanctions, financial losses or loss of market share.

Technology risks are managed through our technology risk management program, business continuity management plan and business contingency and resiliency plans. Technology risks are included as part of our overall enterprise risk and control assessment based upon a forward-looking approach focusing on the most significant risks in terms of potential impact and likelihood. CSEB outsourced technology risk management to the Group CRO, yet the entity keeps owning controls locally.

Cyber risk, which is part of technology risk, is the risk that we might be compromised as a result of cyber-attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Any such event could subject us to litigation or cause us to suffer a financial loss, a disruption of our businesses, liability to our clients, regulatory intervention or reputational damage. It could also require expending significant additional resources to modify protective measures or to investigate and remediate vulnerabilities or other exposures.

CS AG actively monitor external incidents and threats and assess and respond accordingly to any potential vulnerabilities that this may reveal. CS AG are also an active participant in industry forums and information exchange initiatives and engage in regulatory consultation on this subject.

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

Effectiveness of key controls are regularly assessed, and employee training and awareness activities are conducted on an ongoing basis, including for key management personnel, in order to embed a strong cyber risk culture.

Cyber and Information Security organization follows the three lines of defense model with clear responsibilities defined:

- **First Line of Defence:** Implements security solutions to deliver security control requirements and manages security operations including threat intelligence and cyber incident management. Implements cybersecurity safeguards and acts as first response to cybersecurity issues. Ensures performance and effectiveness of cybersecurity controls. Sets the security

control requirements, reviews control effectiveness and ensures management of residual risk. Accountable for managing Information Technology and Information Security risk inherent in their activities

- **Second Line of Defence:** Serves as a proactive risk monitoring and challenge function, bringing an independent, expert perspective on the identification, assessment, and mitigation (or acceptance) of current and emerging Information Technology and Information Security Risks. Develops a consistent risk taxonomy and assesses whether the risk exposure is within the risk appetite, as well as ensures that the cross-business risk exposure and remediation are well understood.
- **Third Line of Defence:** Provides independent assurance on the adequacy of the overall risk and control framework directly to the Audit Committee.

The approach to Cyber Risk Management is articulated on 5 clear priorities based on international standard that are transversal to the whole entity (people, process and technology), these are:

- Information risk culture is embedded, staff are trained and client trust is retained
- Information and systems are protected effectively and efficiently according to business needs using a risk-based approach
- Cyber threats are detected and addressed timely using a risk-based approach
- Cyber resilience is established to recover rapidly from disruptions
- Information security is offered through measurable capabilities.

### Information Security

Information is the core of our business, so we manage, protect and use it with care. New business growth strategies and the continued evolution of information security threats present increasing risks to the confidentiality, integrity and availability of CSEB information assets. These risks can cause severe disruption to our business processes and can jeopardize the essential objectives to protect our client and business data.

Through Information Security we enable the business to operate securely and effectively while ensuring compliance with regulatory requirements and industry best practices.

Confidentiality, integrity and availability are the three key concepts around information security meaning in this context:

- **Confidentiality** – To preserve the confidentiality of information means to ensure that it is made available or disclosed to authorized people and processes only.
- **Integrity** – To preserve the integrity of information means to protect the accuracy and completeness of information and the methods that are used to process and manage it.
- **Availability** – To preserve the availability of information means to ensure information is accessible and usable when needed by authorized people or processes.

Credit Suisse's current information security practices are based on five functions: Identify, Protect, Detect, Respond and Recover. When considered together, these Functions provide a high-level, strategic view of the lifecycle of an organization's management of cybersecurity risk with focus in the Lessons learned after each incident.

These lessons learned allows us to identify areas for improvement to reduce the risk that the same incident could happen again. Thanks to the lessons learned we are able not only to improve our controls but also to improve the administrative, technical and physical safeguards implemented to protect the confidentiality, integrity and availability of information.

We have data protection and data leakage prevention controls in place to protect our clients with the objective of reducing the risk of a threat materializing. This approach includes, but is not limited to, the following:

- Credit Suisse's policies define requirements for information handling including classification and ownership, access rights and control requirements based on need-to-know principle, and acceptable use of systems. Technical controls include, but are not limited to: data leakage prevention systems, information rights management, website and email content control systems, restricted operating systems, application environments and hardware controls such as removable storage blocking and remote printing prevention.
- Information rights management tools enable the enforcement of classification of documents through warning and blocking mechanisms when emails are sent externally, and for encrypting attachments. Monitoring procedures are in place for these types of email communications.

We manage adequately information security risks following our three line of defense model and we have embedded into our behavior, processes and systems the measures regarding the robustness of information security and resiliency. We have established individual responsibilities for achieving adequate level of information security with activities for protecting the business, supporting the business and promoting responsible security behaviour as main objectives.

# Treasury and Liquidity Risk

## Treasury and Liquidity Risk Organization

Treasury and Liquidity Risk Management in CSEB is the responsibility of the CSEB Head of Treasury Risk Control ("TRC"), based in Madrid. The responsibilities of TRC with respect to Treasury and Liquidity Risk are the following:

- Lead the determination of CSEB's Treasury and Liquidity risk appetite and strategy, participating in the review and approval by appropriate risk management committees
- Ensure that risk constraints and risk exposures are consistent with CSEB risk appetite and strategy and take into account the relevant operational risks
- Responsibility for engagement with the Front Office teams and Treasury with by reviewing and challenging risk taking activities and monitoring constraint excesses, providing advice on excess remediation for a timely implementation, and sign-off of risk constraint excesses
- Monitor the various liquidity risk metrics of the entity to ensure that it maintains enough liquidity to meet adverse stress scenarios
- Monitor Interest Rate Risk in the Banking Book
- Responsible for the interaction with regulators for Treasury and Liquidity Risk matters

CSEB's liquidity and funding is managed by the local Treasury Department based in Madrid and is strongly aligned to the global funding model and governance structure. The Treasury Departments' mandate is to manage day-to-day liquidity, to oversee funding activities, and for that purpose to coordinate with the money market funding desks within the Global Treasury Investment and Execution ("GT I&E") function.

The CSEB Treasury Risk Control ("TRC") functional reporting line ultimately falls under the Global Head of Treasury Risk Control who is responsible for establishing global minimum standards, which are intended to provide a basis for the consistent application of risk management frameworks to the legal entity Treasury Risk Control teams. Additions or changes to the global minimum standards must be approved by the relevant governance bodies.

### **Treasury and Liquidity Risk Governance and Control**

The mandate of the CSEB Treasury Risk Control ("TRC") function stems directly from the Global Chief Risk Officer's mandate given to the Treasury Risk Control global team, as well as, from the mandate of the CSEB CRO to supervise CSEB risks on behalf of the CSEB Board of Directors. CSEB's Head of TRC is a member of CSEB Risk Management Committee ("RMC"), and of the CSEB Asset and Liability Capital Allocation & Risk Management Committee ('ALM CARMC') which are the main committees overseeing the Treasury Risk and Liquidity Risk exposures.

The CSEB ALM CARMC is the primary governance forum for CS Group's funding, liquidity, and capital management, while the CSEB RMC is responsible to set Treasury and Liquidity risk constraints in place to strictly control CSEB's risk profile within the Board Risk Appetite. A breach of a limit requires immediate mitigating action to reduce risks below the limit.

CSEB is aligned with the Three Lines of Defence Model adopted globally by the firm for managing Treasury and Liquidity risks. The current operating model for managing Treasury and Liquidity risks establishes a clear delineation between Treasury/GT I&E, Liquidity Measurement and Reporting ("LMR"), Risk Data Management Office ("RDMO") and CSEB Legal Entity Finance ("LEF") as the First Line of Defence. The TRC function within the CSEB CRO team act as the Second Line of Defence. Third Line of Defence sits with Internal Audit. The segregation of mandates ensures controlled and cohesive management of these risks.

## Liquidity Risk Management

CSEB's liquidity is managed by CSEB Treasury function, which is strongly aligned to the global governance structure. Treasury is mandated to manage day-to-day liquidity, oversee all funding activities, and liaise with the money market funding desks within the Global Treasury Investment and Execution ("GT I&E") function. The mandate of CSEB Treasury is to ensure an appropriate tenor and currency composition of its unsecured funding, as well as sufficient level of High Quality Liquid Assets ("HQLA") to meet both external and internal liquidity requirements.

The Global Treasury Investment and Execution centralizes the control of liability and collateral management with the aim of optimising liquidity sourcing, funding costs, and HQLA portfolio. This approach enhances firm's ability to manage potential liquidity and funding risks, and to promptly adjust liquidity and funding levels to meet stress situations. GT I&E, sitting within Treasury, is responsible for executing the unsecured and HQLA transactions on Treasury's behalf. Treasury in CSEB is not carrying out any trading activity.

CSEB CFO (Treasury and LEF) is responsible for managing liquidity positions at the local level consistently and in alignment with regulatory and internal requirements, while liquidity management information is provided by LMR according to internal requirements.

The Liquidity Risk Management processes conducted by TRC are based on the following activities:

- **Risk Identification** process to size materiality of liquidity risks for CSEB and to set appropriate controls to those risks
- **Risk Appetite:** to determine risk constraints to align risk-taking activities with the strategic plans approved by the CSEB Board of Directors (BoD)
- **Risk Measurement and Monitoring:** the function regularly monitors and reports on the entity's adherence to constraints by collecting actual liquidity risk metrics, comparing them against approved constraints. The function is responsible for ensuring that relevant liquidity risk reports and liquidity risk information is reported, syndicated, and escalated (if needed) to Risk Senior Management and relevant governance committees.
- **Stress Testing:** CSEB leverages CS Group's methodological approach used to measure and monitor the liquidity position across its entities under different stress scenarios. This internal tool is called the Barometer framework and calculates the liquidity position of the entity across different time horizons including a combined 30 days severe stress test and a combined 365 days less severe stress test scenarios.

## Funding Concentration and Funding Profile

Funding concentration risk is addressed as part of the overall global liquidity risk control framework. In line with the centralized funding approach, the firm's funding strategy is to ensure that CS 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, tenor or product.

CSEB primary source of unsecured funding is via deposits received from its Parent, CS AG. Currently, most of the activity at the entity is being funded mostly by existing capital in CSEB. Treasury works closely with business divisions to understand material changes in business activity that may impact funding needs. CSEB Treasury manages the unsecured funding profile to minimize liquidity risk, as well as ensuring compliance as part of the business-as-usual process with the most restrictive of either internal or external liquidity metrics (Barometer or EBA regulatory requirements). CSEB's approach to currencies is to borrow from CS AG in the currencies of its underlying funding requirement, hence it is not entering into FX transactions to finance its needs. This approach minimizes currency mismatch for the entity.

The liquidity and funding management process is designed to ensure that CSEB assets are funded and CSEB liquidity obligations are met as they fall due in times of stress, whether caused by market events and/or CSEB specific issues.

### **Processes for Hedging and Mitigating Liquidity Risk**

The internal liquidity stress testing framework (Barometer) supports the management of CSEB's liquidity and funding profile, by allowing Treasury to ensure that the stressed market value of unencumbered assets exceeds the aggregate value of contractual outflows plus a conservative buffer for liquidity needs. The Barometer framework also allows Treasury to manage liquidity to a desired profile under stress in order to be able to continue to pursue activities for a period of time without changing business plans during times of stress.

To address short-term liquidity stress, a liquidity pool comprising mostly of HQLA is maintained and managed by Treasury for the purpose of covering unexpected outflows in the event of combined severe market and idiosyncratic stress. CSEB liquidity risk parameters reflect various liquidity stress assumptions calibrated as such that in the event CSEB is unable to access unsecured funding, CSEB expects as part of its business-as-usual activities to have sufficient liquidity to sustain operations for a period of time in excess of the minimum Barometer constraints.

### **Liquidity Risk Measurement & Monitoring**

CSEB monitors its risk utilization level against regulatory and internal risk appetite constraints. The regulatory liquidity metrics required for CSEB are the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). These metrics are complemented by internal liquidity metrics.

In the context of the internal model, CSEB liquidity risk is stressed under a scenario covering market stress and CS specific idiosyncratic stress. The Barometer calculation captures the liquidity positions and flows over a stressed horizon, with the absolute surplus or deficit position determined by deducting outflows from unencumbered assets and inflows.

The Barometer framework is a CS' legacy tool to measure and monitor the liquidity position of the entity under different stress scenarios and should be maintained to complement the regulatory requirements, with both metrics covering two distinct stress scenarios and time horizons:

- Barometer Severe Combined Stress 30 Day and
- Barometer Less Severe Combined Stress 365 Day

### **Liquidity Risk Reporting**

Liquidity Measurement and Reporting ("LMR") produces Management Information ("MI") reporting related to the internal liquidity metrics, which supports Treasury in its decision-making processes. The liquidity MI reports are produced by LMR, including commentary on main change drivers, and distributed on a regular basis to Treasury Regional Management and Global Treasury, and to LMR senior management globally and locally (including relevant CSEB personnel). The CSEB LCR and NSFR metrics are also calculated and reported to the regulator by LMR.

The responsibilities for addressing risk constraint breaches are covered by the escalation owner in CSEB, TRC, and by the remediation owner in Treasury or the business. Escalation to committees takes place via the chair (in practice), who decides on informing the whole committee as appropriate.

## **Liquidity Risk Appetite**

CSEB needs to develop and maintain a Liquidity Risk Appetite Framework based on the risk identification process ensuring that all CSEB material liquidity risks are identified and appropriately covered by liquidity metrics and liquidity risk controls.

A clearly articulated Risk Appetite is fundamental to the alignment of risk-taking activities with the strategic plans approved by the CSEB Board of Directors (BoD). Reflecting this, a key feature of the CSEB entity-level Risk Appetite is that it is dynamic and is reviewed and approved at least on an annual basis by the CSEB BoD.

The CSEB Risk Appetite Statement includes a quantitative component as well as a qualitative component. Both components are calibrated to align with CSEB Strategic Risk Objectives and its respective business plans. CSEB Head of TRC defines, reviews and proposes the liquidity risk appetite and recommends appropriate risk controls considering regulatory and internal risk metrics. The recommended risk appetite and calibration are presented initially to the CSEB RMC and subsequently submitted to the CSEB BoD for review and approval at a minimum on an annual basis. CSEB TRC defines, reviews and proposes further risk controls to the CSEB RMC as deemed necessary to establish a robust risk constraints framework.

Risk constraints (limits and Early Warning Indicator ("EWIs") against regulatory and internal metrics are set and are produced, reviewed, and monitored frequently. Limits are hard thresholds for the purpose of strictly constraining the risk profile within the risk appetite. A breach of a limit requires immediate mitigating action to reduce risk below the limit and an investigation into the cause of the breach. Risk Appetite EWIs are designed as management thresholds to initiate discussions. Breach of an EWI level triggers a review by the relevant constraint setting authority and the breach originator.

## **Internal Liquidity Adequacy Assessment**

CSEB submits annually its Internal Liquidity Adequacy Assessment ("ILAAP") to the Bank of Spain with results analyzed as of prior year end. The ILAAP is based on CSEB's own risk analysis and on analysis of its risk management controls. Based on these analyses, the adequacy on the calibration of the established risk appetite is assessed as well as, the size of the liquidity buffer.

CSEB ILAAP is a comprehensive process that leverages other processes in the Risk Management Framework, it provides a holistic front-to-back assessment of liquidity risk drivers and the entity's liquidity adequacy. The ILAAP conclusions are leveraged to enhance the Liquidity Risk Management Framework.

## **Managing Interest Rate Risk in the Banking Book**

CSEB manages the Interest Rate Risk in the Banking Book ("IRRBB") which includes monitoring the potential impact of changes in interest rates. CSEB's interest rate risk exposures in non-trading positions include Treasury and funding activity, with the majority of interest rate risk transferred to and centrally managed by Treasury on a portfolio basis; as well as XVA exposure included in banking books.

The Board defines interest rate risk appetite for Delta EVE on an annual basis. Furthermore, the CSEB BoD and the CSEB RMC Delta EVE established controls for interest rate risk in the banking book are monitored on at least a monthly basis.

IRRBB is managed by the TRC function within CSEB. As such, the strategies and processes, risk appetite framework and risk governance are managed as per Liquidity Risk.

## **Risk Measurement**

The risks associated with the non-trading interest rate-sensitive portfolios are measured using the following key metrics:

- **Delta Economic Value of Equity (EVE):** expresses the impact of a pre-defined scenario (e.g. instantaneous changes in interest rates) on a portfolio's fair value. The metric estimates the impact on the economic value of the current portfolio, since most non-trading books are not marked-to-market and ignore the development of the portfolio over time. CSEB's Banking Book does not include any replicated non-maturing deposits or loans with prepayment options.
- **Delta Net Interest Income (NII):** used as a monitoring tool for interest rate risk in the banking book and it is an earnings-based measure focusing on the impact of changes in interest rates on a bank's future earnings.

### Monitoring and Reporting

IRBB is not capitalised within the Pillar 1 regime, rather, it is analysed within the ICAAP and addressed within CSEB's Pillar 2 capital requirement. From a Treasury Risk Management perspective, CSEB monitors the interest rate exposure through the calculation of Delta Economic Value of Equity (EVE) under different EBA stress scenarios, against a defined constraint included as part of the entity's risk appetite. Reporting related to the Delta EVE calculation is produced by the Risk Data Management Office team and leverages MaRS, which is a market risk management system that calculates DV01. The economic impacts of adverse interest rate shifts in Delta EVE are significantly below the 15% of tier 1 capital, which is the threshold used by the regulator to identify banks that can potentially run excessive levels of interest rate risk.

Based on Annex II (the standardised interest rate shock scenarios) EBA guidelines EBA/ GL/2018/02, on a monthly basis, these six regulatory scenarios are simulated in addition to the outlier test scenarios, the worst case result is compared to regulatory own funds.

The table below shows the results as of December 2023.

Scenario	Exposure in EUR m
Flattener	0.09
Parallel Down	(0.40)
Parallel Up	(1.18)
Short Down	(0.30)
Short Up	(0.32)
Steeper	(0.31)
+ 200bps Up	(0.86)
- 200bps Down	0.09
<b>Worst Case Scenario</b>	<b>(1.18)</b>
<b>Own Funds in EUR m</b>	<b>901.3</b>
<b>Percentage of Own Funds</b>	<b>0.13%</b>

The TRC team also calculates and monitors Delta Net Interest Income results under two scenarios +200 and -200bps, the CSEB Delta NII worst case scenario results as of December 2023, resulting in a loss equivalent to 2.34% of Tier 1 Capital, which is used to be compared to the threshold for the regulatory outlier test.

# Remuneration Disclosure

## 1. Overview

These disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standards and the EBA's Guidelines on sound remuneration policies and its Final draft Implementing Technical Standards (ITS) on public disclosures by institutions under Part Eight of Regulation (EU) No 575/2013.

They are made in respect of the remuneration period ending 31 December 2023 with respect to Credit Suisse Bank (Europe), S.A and its branches, (together "CSEB"). CSEB is a 100% subsidiary of Credit Suisse AG. CSEB's branches are the following:

- Credit Suisse Bank (Europe), S.A. Paris Branch
- Credit Suisse Bank (Europe), S.A. Italian Branch
- Credit Suisse Bank (Europe), S.A. Amsterdam Branch
- Credit Suisse Bank (Europe), S.A. Stockholm Branch

This document sets out remuneration practices in relation to all the firms listed above. For Material Risk Takers (MRTs), references may be made to reflect requirements under the Capital Requirements Directive (CRD) V. In accordance with the rules, the disclosures herein are appropriate to the size, internal organization, nature, scope, and complexity of the firms' activities.

## 2. Compensation philosophy and governance

### Integration with UBS Group AG

On 12 June 2023, UBS Group AG completed the acquisition of Credit Suisse Group AG. Following this, the Compensation Policy of the former Credit Suisse Group AG was retired, and the Board of Credit Suisse approved the adoption by all Credit Suisse subsidiaries of the UBS Total Reward Principles and the UBS Group compensation framework, which are described in the UBS Compensation Report.

Credit Suisse AG implemented changes to their performance management framework in the latter half of 2023. Credit Suisse AG aligned and integrated to the key elements of the UBS performance management framework and approach, with linkage to the compensation framework for year-end 2023. These changes aimed to foster a culture that places emphasis on risk and conduct, supporting alignment across the organization.

### Total Reward Principles

Our Total Reward Principles provide a strong link to our strategic imperatives and encourage employees to live our strong and inclusive culture that is grounded in our three keys to success: our Pillars, Principles and Behaviors. These guiding principles underpin our approach to compensation and define our compensation framework. Our Total Reward Principles apply to all employees globally but vary in certain locations according to local legal requirements, regulations and practices. The table below provides a summary of our Total Reward Principles.

<b>Support our purpose and strategy</b>	Our compensation approach supports the firm's purpose and strategy, fosters engagement among employees and aligns their long-term interests with those of clients and stakeholders.
<b>Attract, retain and connect a diverse, talented workforce</b>	We embrace a culture of diversity, equity and inclusiveness. Pay at UBS is fair, reflects equal treatment and is competitive. In this way, our investment in a connected workforce supports the sustainability of the organization.
<b>Apply a pay-for-performance approach to promote development and our ways of working</b>	The setting of clear objectives, as well as a thorough evaluation of what was achieved and how it was achieved, combined with effective communication, promotes clarity, accountability and establishes a strong link between pay and performance. This approach emphasizes our Behaviors, which are Accountability with integrity, Collaboration and Innovation.
<b>Reinforce sustainable growth and support long-term value creation</b>	Compensation is appropriately balanced between fixed and variable elements and delivered over an adequate period to support our growth ambitions and sustainable performance.
<b>Support risk awareness and appropriate risk-taking</b>	Our 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 our capital and reputation.

The Total Reward Principles are reviewed periodically by the Compensation Committee of the Board of Directors of UBS Group AG (the "Compensation Committee"), which comprises non-executive directors, and by the full Board of Directors of UBS Group AG. From a Credit Suisse AG perspective, the Credit Suisse AG Group Nomination and Compensation Committee (GNCC) has responsibility over remuneration matters related to all employees of Credit Suisse AG subsidiaries. Additionally, CSEB has a specific Remuneration Committee, ("CSEB RemCo"). The CSEB RemCo has a specific duty to advise and make recommendations to the CSEB Board on matters for which the CSEB Board is responsible under the relevant EBA and Bank of Spain rules, specifically on compliance of the CSEB Remuneration Policy and all relevant European and Country compensation regulations. In 2023, the CSEB RemCo held nine meetings. More details on the decision-making processes and governance surrounding the development of the UBS compensation strategy and principles can be found in the section on Compensation governance in UBS's 2023 Compensation Report.

### **Our Total Reward Approach**

Compensation can positively influence staff behaviour and motivation as well as the firm's culture. Therefore, our goal is to have a compensation approach that is fully aligned with our purpose and supports our strategic imperatives. This aims to ensure that the interests of our employees are aligned with those of our clients and other stakeholders. In the short-to-medium term, they also enable UBS to drive the economic and cultural integration of Credit Suisse and the long-term value creation of the combined firm.

Our compensation approach supports our capital strength and risk management and provides for simplification and efficiency. It encourages employees to focus on client centricity, connectivity, and sustainable impact in everything we do. Moreover, we reward behaviours that help build and protect the firm's reputation, specifically Accountability with integrity, Collaboration, and Innovation.

Our compensation principles reflect a pay-for-performance approach that considers a number of factors, including Group, division, team and individual performance, as well as behaviours that help build and protect the firm's reputation. Employees are reviewed and rewarded for their contribution and impact against a range of financial and non-financial objectives which are ambitious and in line with the Group strategy. Our performance management enables us to fairly differentiate performance, and consequently provide compensation, in an objective, transparent and disciplined manner. It further aims to enable an agile work environment supporting cross-functional collaboration in the organization and a continuous feedback culture.

Our Total Reward approach is structured to support sustainable results and growth ambitions. At UBS, we apply a holistic Total Reward approach, generally consisting of fixed compensation (base salary and role-based allowances, if applicable), performance awards, pension contributions and benefits.

To support hiring and retention, particularly at senior levels, we may offer other compensation components, such as:

- retention payments to key employees to induce them to stay, particularly during critical periods for the firm, such as a sale or wind-down of a business.
- on a limited basis, guarantees that may be required to attract individuals with certain skills and experience, these awards are fixed incentives subject to our standard deferral rules and limited to the first full year of employment.
- awards granted to employees hired late in the year to replace performance awards that they would have earned at their previous employer but have foregone by joining UBS, these awards are generally structured with the same level of deferral as for employees at a similar level at UBS; and
- award grants to new hires to replace performance awards that they would have foregone by joining UBS. These awards contain provisions on periods of retention, deferral, vesting and ex post risk adjustment that are no shorter than any corresponding periods that applied to the unvested part of the performance awards that they replaced.

These other variable compensation components are subject to a comprehensive governance process, which may involve the CSEB RemCo, depending on the amount or type of such payments.

In the event of termination, the Company may make payments to terminating individuals as long as any such payments reflect performance achieved over time while not rewarding failure or misconduct. Our severance terms comply with the applicable local laws. In addition, we may make severance payments that exceed legally obligated severance payments where we believe these are aligned with market practice and appropriate under the circumstances.

For employees whose total compensation exceeds certain levels, performance awards are delivered in a combination of cash, deferred contingent capital awards and deferred share-based awards.

A substantial portion of performance awards is deferred and vests over a five-year period (or longer for certain regulated employees). This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.



Note: illustrative       Longer-term     Shorter-term

› Refer to “**Compensation elements for all employees**” section in the **UBS’s Compensation Report 2023** for more information

### External advisors

The Compensation Committee of the Board of Directors of UBS Group AG may retain external advisors to support it in fulfilling its duties. In 2023, HCM International Ltd. (HCM) provided independent advice on compensation matters to the Compensation Committee. HCM holds no other mandates with UBS. Additionally, Willis Towers Watson provided the Compensation Committee with data on market trends and pay levels. Various subsidiaries of Willis Towers Watson provide similar information to UBS’s human resources department in relation to compensation for employees, including advisory services and secondments

to UBS on benefits and year-end compensation activities. Willis Towers Watson holds no other compensation-related mandates with UBS. CSEB RemCo had no external advisor in 2023.

### **3. Support risk awareness and appropriate risk-taking**

Our compensation framework 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
- promote an environment where we are all risk managers, detecting emerging risks early, managing risk diligently, raising concerns, protecting the reputation of our firm and enhancing the quality of our financial results.

We look at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives. The performance award process incorporates risk aspects across pool funding, allocation, delivery, and deferral. Having a risk category in the performance objectives supports risk anticipation for staff.

Staff are rewarded for achievement against a range of financial and non-financial objectives, including their management of operational risk, and not only based on individual revenues. Profits, as well as losses, are examined against a staff member's track record of performance and risk management, and in the context of market conditions. UBS's performance measurement will be adjusted for activities and future risks that are not adequately reflected in annual profits to consider the time horizon of risk.

Compensation for control functions is determined independently from the revenue areas that they oversee, supervise or monitor. Control functions, including Group Risk Control, and Legal are involved in designing and implementing our compensation framework and programs.

To further promote sustainable performance, all our deferred compensation plans include employment conditions and malus conditions. These enable the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause. In addition to malus, the MRT population may be subject to clawback in certain circumstances, as described in the section on "Clawback provisions" below.

More generally, all staff are subject to our Incidents & Consequences (I&C) framework, which outlines the minimum reward and performance impacts of disciplinary sanctions. Our I&C framework includes the minimum in-year performance award reductions applicable to specific disciplinary sanctions.

### **4. Fair and equitable pay**

Pay equity and equal opportunity are fundamental to achieving our purpose. The diversity of our employees in terms of experiences, perspectives and backgrounds is critical to our success. Factors such as gender, race, ethnicity or part-time status should not impact opportunities or compensation available to our employees.

Fair and consistent pay practices are designed to ensure that employees are appropriately rewarded for their contribution. We pay for performance, and we take pay equity seriously. We have embedded clear commitments in our global compensation policies and practices, and we regularly conduct internal reviews and independent external audits as quality checks.

From 2020 through 2023, UBS Group was certified by the EQUAL-SALARY Foundation for our Human Resources practices, including compensation, which is now implemented for Credit Suisse regulated entities. All our HR policies are global, and we

apply the same standards across all locations. Furthermore, we review our approach and policies annually to support our continuous improvement.

We also aim to ensure that all employees are paid at least a living wage. We regularly assess employees' salaries against local living wages, using benchmarks defined by the Fair Wage Network. Excluding our US financial advisor staff (as their compensation is primarily based on a formulaic approach), our analysis in 2023 showed that employees' salaries were at or above the respective benchmarks.

## **5. Performance award pool funding**

Our compensation philosophy focuses on balancing performance with appropriate risk-taking, retaining talented employees and shareholder returns. Our overall performance award pool funding percentage decreases as financial performance increases. In years of strong financial performance, this prevents excessive compensation and results in an increased proportion of profit before performance awards being available for distribution to shareholders or growing the Group's capital. In years where performance declines, the performance award pool will generally decrease; however, the funding percentage may increase.

Our performance award pool reflects our pay-for-performance philosophy and our disciplined approach in managing compensation over business cycles and alignment to shareholder interests. In 2023, we carefully assessed the financial results and excluded both the positive and negative financial impacts of the acquisition of the Credit Suisse Group.

Our performance award pool funding framework is based on Group and business division performance, including achievements against defined performance measures. In assessing performance, we also consider relative performance versus peers, market competitiveness of our pay position, as well as progress against our strategic and integration objectives, including returns, risk-weighted assets, and cost efficiency. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. We further consider the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives including accountability for significant events.

The funding for Group Functions is linked to overall Group performance and reflects factors such as headcount and workforce location. For each functional area, quantitative and qualitative assessments evaluate service quality, risk management and financial achievements.

Our decisions regarding the total Group performance award pool also balance consideration of financial performance with a range of factors, including Diversity, Equity and Inclusion and other Environmental, Social and Governance metrics, the impact of litigation, regulatory costs, the effect of changes in financial accounting standards, capital returns and relative total shareholder return.

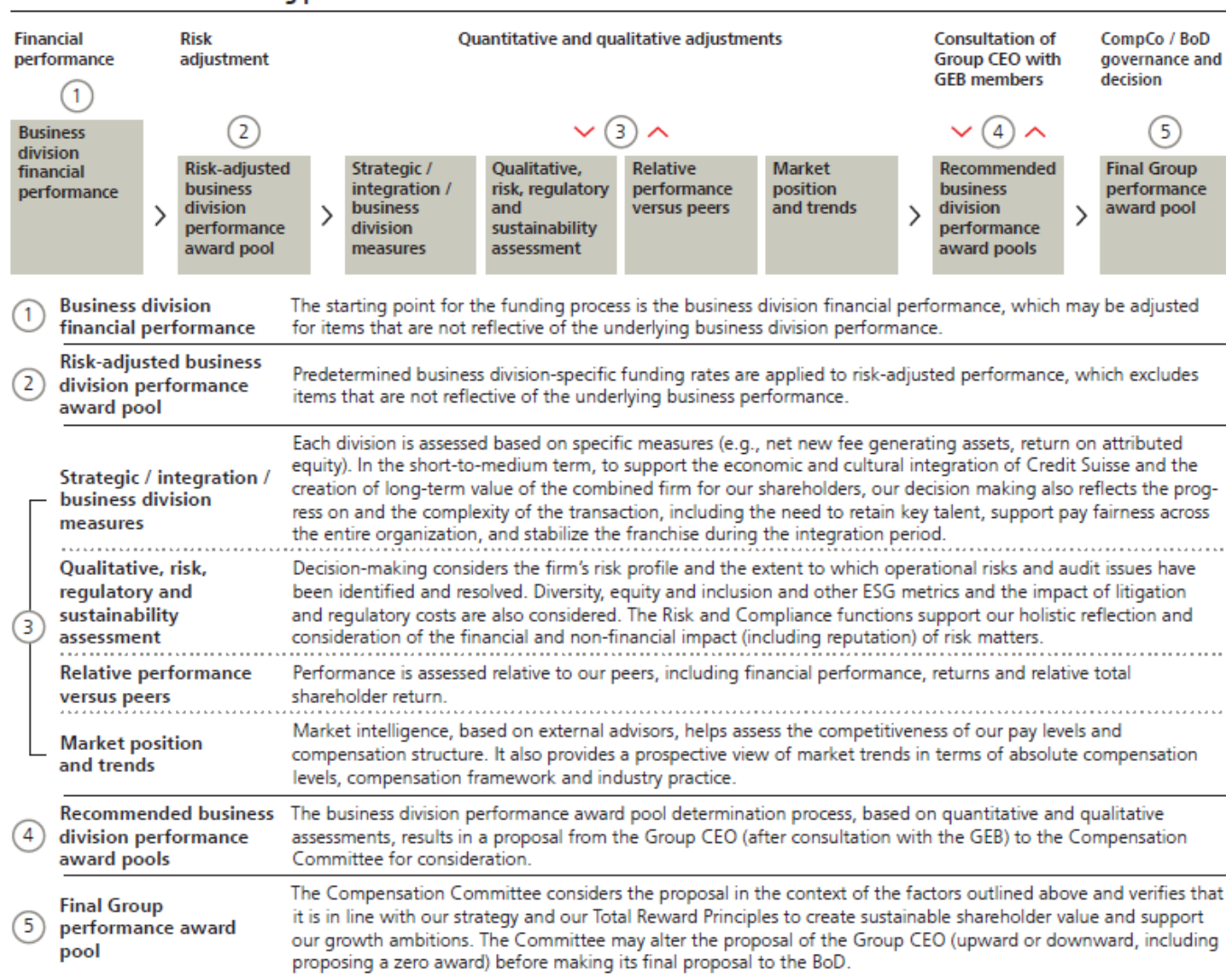
In 2023, in light of the acquisition of the Credit Suisse Group, we have also considered the complexity of the transaction as well as the need to retain key talent and stabilize the franchise during the integration period. Furthermore, and in line with our existing commitment to fair pay and diversity, equity and inclusion, we took great care to support fairness and equity across the organization, with a focus on like-for-like outcomes for like-for-like roles and performance across the Group. Overall, this further supports our sustainable high-performance culture and reflects our well-established approach to pay for performance. As the integration progresses, we may consider further adjustments in the future to support near-term targets and progress toward the completion of the integration.

Before making its final proposal to the BoD, the Compensation Committee considers the CEO's proposals and can apply a positive or negative adjustment to the performance award pool.

As part of the process, CSEB relevant risk events are reviewed and discussed with the CSEB RemCo and taken into consideration as part of the pool determination process. The CSEB RemCo reviews the proposed allocations to individual Material Risk Takers to ensure alignment with pay-for-performance principles and alignment with the CSEB applicable remuneration rules.

› Refer to the “Group performance” section of the UBS Group AG Annual Report 2023 for more information about our results

**Performance award funding process – illustrative overview**



## **6. Material Risk Takers**

The 2023 Material Risk Takers of CSEB consist of senior individuals identified in accordance with the Capital Requirements Directive (CRD) V. The population includes individuals holding senior management function roles, the non-executive and executive members of the Board, heads of material business units within CSEB, control and corporate functions, as well as other individuals who meet the CRD V criteria. The population may also include other categories of staff identified based on regulatory feedback and/or internal assessments of those taking material risk. Finally, Material Risk Takers are identified under the quantitative criteria on the basis of their total compensation awarded for the prior year and where the firm has determined that individual's professional activities are considered to have a material impact on the firm's risk profile. Certain exclusions may apply and are subject to final ratification by the CSEB RemCo and, where applicable, the acceptance of the Bank of Spain.

Our approach to the identification of Material Risk Takers is reviewed on at least an annual basis. As of 31 December 2023, CSEB identified total 67 MRTs (of which 43 were active as of 31 December 2023). CSEB RemCo reviewed and approved the Material Risk Takers within CSEB on 26 October 2023, and confirmed at its meeting on 9 January 2024.

Variable compensation awarded to MRTs is subject to additional deferral and other requirements. CSEB MRTs are subject to a minimum deferral rate of 40% or 60% (depending on role / variable compensation level) on performance awards and delivery of at least 50% of any upfront performance award in UBS shares that are vested but blocked for 12 months after grant.

In certain circumstances, severance payments and certain other compensation elements made to Material Risk Takers are also treated as variable compensation and follow similar structuring rules as described above.

Additionally, in accordance with the CRD remuneration rules, the variable component for Material Risk Takers for relevant legal entities including CSEB is capped at 200% of the fixed component, as approved by the shareholder's meeting held on May 8, 2014, and subject to periodic review and confirmation by the Compensation Committee and CSEB RemCo.

## **7. Clawback Provisions**

All MRTs identified in relation to UBS regulated entities are subject to Clawback provisions. Under these, MRTs can be required to repay variable performance awards if they participated or were responsible for conduct which resulted in significant losses to the firm and/or failed to meet appropriate standards of fitness and propriety.

## 8. Compensation for Material Risk Takers

The following tables relate to Material Risk Takers compensation

**Table 1 - 2023 Material Risk Takers**

	<b>Total Management Body and Executive Management</b>	<b>Other Senior Management</b>	<b>Other MRTs</b>	<b>Total</b>
Number of MRTs <sup>1</sup>	16*	0	27	<b>43</b>

1. Of the 43 active Material Risk Takers, 36 are employees of CSEB. The remaining 7 Material Risk Takers are employed by other UBS Group companies and their compensation details are not included in this report.

(\*) Member of MB Supervisory function: 6  
Members of MB and Executive Committee Executive function: 10

**Table 2 - 2023 Remuneration awarded for the financial year (EUR)**

	<b>Supervisory function <sup>1</sup></b>	<b>Management function</b>	<b>Other Senior Management</b>	<b>Other MRTs</b>	<b>Total</b>
Number of MRTs	6	10	-	27	43
<b>Fixed Compensation <sup>2</sup></b>	634,591	4,382,633	-	23,771,914	28,789,138
Cash	634,591	4,158,621	-	22,472,504	27,265,716
Shares	-	-	-	-	-
Other instruments/Other forms	-	224,102	-	1,299,410	1,523,422
<b>Variable Compensation <sup>3</sup></b>	-	2,326,046	-	27,874,109	30,200,155
Cash awards	-	1,148,994	-	16,124,863	17,273,857
<i>Deferred cash-based awards</i>	-	236,987	-	516,409	753,396
Share awards <sup>4</sup>	-	1,005,895	-	9,545,356	10,551,251
<i>Deferred share-based awards</i>	-	637,100	-	6,071,039	6,708,139
Other Instruments	-	171,157	-	2,203,890	2,375,047
<i>Deferred other instruments</i>	-	171,157	-	2,203,890	2,375,047
<b>Total Compensation</b>	634,591	6,708,679	-	51,646,023	58,989,293

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 CSEB 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.

**Table 3 - 2023 Remuneration – Split into Business Areas (EUR)**

	Total Management Body and Executive Management	Investment banking	Corporate functions	Independent internal control functions	All Other
Total number of MRTs	16				
Of which: members of the MB	7				
Of which: other senior management	9	-	-	-	-
Of which: other MRTs		22.0	1.0	4.0	-
Total remuneration of MRTs	7,343,270	50,526,544	261,674	857,805	-
Of which: variable remuneration	2,326,046	27,471,109	95,000	308,000	-
Of which: fixed remuneration	5,017,224	23,055,435	166,674	549,805	-

**Table 4 - 2023 Total Compensation: Material Risk Takers that are high earners as set out in Article 450(i) CRR**

	Total
Between 1,000,000 and 1,500,000 EUR	10
Between 1,500,000 and 2,000,000 EUR	4
Between 2,000,000 and 2,500,000 EUR	5
Between 2,500,000 and 3,000,000 EUR	1
Between 3,000,000 and 3,500,000 EUR	-
Between 3,500,000 and 4,000,000 EUR	1
4,000,000 EUR and above	2

**Table 5 - Deferred Variable Compensation Awards as at 31 December 2023 (EUR)**

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods (1)	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year (2)	Total amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
<b>MB Supervisory function</b>	-	-	-	-	-
<b>Management function</b>	1,459,298	329,073	1,130,225	312,427	51,740
Cash-based	502,113	248,474	253,639	248,474	-
Shares or equivalent ownership interests	957,185	80,599	876,586	63,953	51,740
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-
Other instruments	-	-	-	-	-
<b>Other senior management</b>	-	-	-	-	-
<b>Other Material Risk Takers</b>	8,859,041	3,673,413	5,185,628	3,867,159	1,032,074
Cash-based	2,023,481	1,403,946	619,535	1,403,946	-
Shares or equivalent ownership interests	5,438,898	1,561,674	3,877,224	1,755,420	1,032,074
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-
Other instruments	1,396,662	707,794	688,868	707,794	-
<b>Total amount</b>	<b>10,318,339</b>	<b>4,002,486</b>	<b>6,315,853</b>	<b>4,179,587</b>	<b>1,083,814</b>

1. Value of deferred variable compensation awarded to MRTs in relation to the previous performance periods. Outstanding awards are valued as of 31 December 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 Employees 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 31 December 2023.
5. The amount of awards cancelled by the order of the Federal Department of Finance (FDF) Switzerland for CSEB MRTs was approx. EUR 19k (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 Spain MRTs was approx. EUR 6m (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.

**Table 6 - 2023 Special payments to staff whose professional activities have a material impact on institutions' risk profile (EUR)**

Deferred and retained remuneration (Euro)	Amount of performance adjustment made in the financial year to 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 the 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)
<b>MB Supervisory function</b>	-	-	-
<b>Management function</b>	37,185	23,347	(1,281,684)
Cash-based	-	-	-
Shares or equivalent ownership interests	37,185	23,347	(1,281,684)
Share-linked instruments or equivalent non-cash instruments	-	-	-
Other Instruments	-	-	-
<b>Other senior management</b>	-	-	-
<b>Other Material Risk Takers</b>	507,837	165,740	(6,777,977)
Cash-based	-	-	-
Shares or equivalent ownership interests	507,837	165,740	(6,777,977)
Share-linked instruments or equivalent non-cash instruments	-	-	-
Other Instruments	-	-	-
<b>Total amount</b>	545,022	189,087	(8,059,661)

#### Guaranteed variable remuneration

Guaranteed variable remuneration can be awarded in the context of a contractual obligation, for the first year of employment, to attract new employees into the firm where they have no established performance or reputation. There was no guaranteed variable remuneration awarded to MRTs in 2023.

#### Severance payments

Below table includes severances paid and awarded to CSEB Material Risk Takers. Typically, severance payments are not deemed variable compensation (i.e. statutory severance awards made due to restructuring), however in certain circumstances, severance awards made to CSEB Material Risk Takers are treated as variable compensation and follow similar structuring rules as all other variable compensation.

	MB Supervisory function	Management function	Other senior management	Other identified staff	Total
Severance payments awarded in previous periods, that have been paid out during the financial year <sup>1</sup>					
Number of MRTs	-	-	-	-	-
Total Amount	-	-	-	-	-
Severance payments awarded during the financial year <sup>2</sup>					
Number of MRTs	-	2	-	10	12
Total Amount	-	399,835	-	17,577,840	17,977,675
Of which:					
Paid during 2023	-	399,835	-	14,805,472	15,205,307
Deferred	-	-	-	2,772,368	2,772,368
Not subject to the bonus cap <sup>3</sup>	-	399,835	-	11,982,716	12,382,551
Highest severance award	-	271,300	-	4,224,000	n/a

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.

*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.*

## Appendix 1: Directorships

CSEB's Board Members as at May 31, 2024

Name	Gender	Position	Appointment Date	Number of Directorships
Francisco Rodríguez-Rey Alegría	Male	Chair of the Board of Directors Chief Executive Officer (Executive Director)	18/06/2021	4
Paula Hadjisotiriou	Female	Chair of the Audit Committee Chair of the Remunerations Committee Chair of the Nominations Committee Member of the Risk Committee (Independent Director)	18/06/2021	3
Jonathan Peter Andrew Magee	Male	Chair of the Risk Committee Member of the Audit Committee Member of the Nominations Committee Member of the Remunerations Committee (Independent Director)	13/11/2023	3
Juan Monte Carrasco	Male	Member of the Audit Committee (Proprietary Director)	13/11/2023	3
Tobias Vogel	Male	Member of the Remunerations Committee Member of the Nominations Committee (Proprietary Director)	13/11/2023	2
Julie Amiot	Female	(Proprietary Director)	29/04/2024	2
Elodie Angelique Helene Blanc	Female	Member of the Risk Committee (Proprietary Director)	07/06/2019	1

## Appendix 2: List of Abbreviations and Glossary

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

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

## Cautionary Statement Regarding Forward-looking Information

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

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

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

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

These factors include:

- the ability to maintain sufficient liquidity and access capital markets;
- market volatility and interest rate fluctuations and developments affecting interest rate levels;
- the strength of the global economy in general and the strength of the economies of the countries in which we conduct our operations, in particular the risk of continued slow economic recovery or downturn in the US or other developed countries or in emerging markets in 2022 and beyond;
- the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
- adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
- the ability to achieve our strategic objectives, including cost efficiency, net new asset, pre-tax income/(loss), capital ratios and return on regulatory capital, leverage exposure threshold, risk-weighted assets threshold and other targets and ambitions;
- the ability of counterparties to meet their obligations to us;
- the effects of, and changes in, fiscal, monetary, exchange rate, trade and tax policies, as well as currency fluctuations;
- political and social developments, including war, civil unrest or terrorist activity;
- the possibility of foreign exchange controls, expropriation, nationalization or confiscation of assets in countries in which we conduct our operations;
- operational factors such as systems failure, human error, or the failure to implement procedures properly;
- the risk of cyberattacks on our business or operations;
- actions taken by regulators with respect to our business and practices and possible resulting changes to our business organization, practices and policies in countries in which we conduct our operations;
- the effects of changes in laws, regulations or accounting policies or practices in countries in which we conduct our operations;
- the potential effects of proposed changes in our legal entity structure;
- competition or changes in our competitive position in geographic and business areas in which we conduct our operations;
- the ability to retain and recruit qualified personnel;
- the ability to maintain our reputation and promote our brand;
- the ability to increase market share and control expenses;
- technological changes;
- the timely development and acceptance of our new products and services and the perceived overall value of these products and services by users;
- acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
- the adverse resolution of litigation, regulatory proceedings, and other contingencies; and
- other unforeseen or unexpected events and our success at managing these and the risks involved in the foregoing.

The foregoing list of important factors is not exclusive.

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