

Pillar III disclosures for the year ending December 31, 2021



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1. Introduction

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

- Credit Suisse (Luxembourg) S.A. Zweigniederlassung Österreich (hereafter “Austria Branch”) established on January 15, 2007 - subject to wind-down in 2022
- Credit Suisse (Luxembourg) S.A., Portugal Branch (hereafter “Portugal Branch”) established on March 19, 2013
- Credit Suisse (Luxembourg) S.A., France Branch (hereafter “France Branch”) established on February 6, 2015
- Credit Suisse (Luxembourg) S.A., The Netherlands Branch (hereafter “The Netherlands Branch”) established on April 1, 2016
- Credit Suisse (Luxembourg) S.A., Ireland Branch (hereafter “Ireland Branch”) established on September 8, 2017

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

In addition to the CRR/CRD IV framework, the European Banking Authority (most commonly referred to as the “EBA”) has also published guidelines on “disclosure requirements under Part Eight of Regulation (EU) No 575/2013” (EBA/GL/2016/11). At Luxembourg level, the “Commission de Surveillance du Secteur Financier” (“CSSF”) adopted the EBA guidelines EBA/GL/2016/11 through CSSF circular 17/673.

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

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

2. General information

2.1 Background information

Drawing on the lessons of the 2007/2008 financial crisis, the Basel Committee on Banking Supervision (most commonly referred to as the "BCBS") published a reform package in 2010 called Basel III to bolster capital and liquidity requirements. Parts of the package came into force in 2013. In December 2017, the Basel Committee published its final Basel III standards. These are due to come into effect in 2023 according to the international timetable which has been adjusted during the COVID-19 crisis (the implementation was originally foreseen for 2022). The objective is to enhance the stability of the financial system by means of three pillars, which are expected to be mutually reinforcing:

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

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

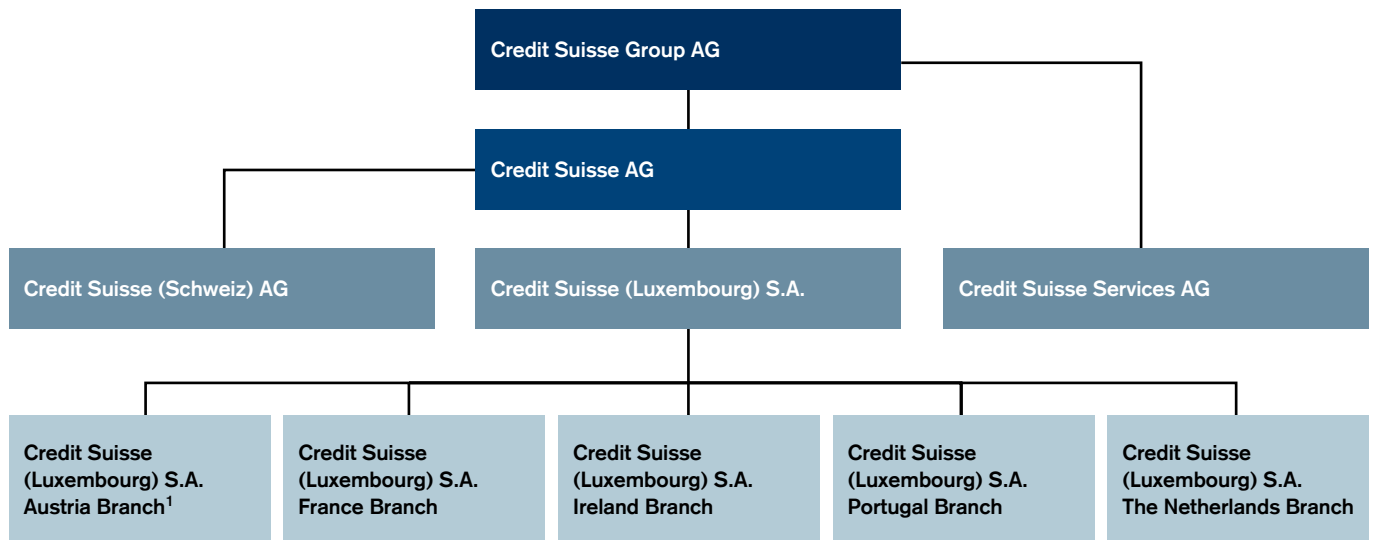
In this context, the EBA has issued guidelines on "disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA/GL/2016/11), to bridge the gap between Part Eight of the CRR and the revised Pillar III framework. These guidelines present in detail information that is required to be reported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

2.2 Basis and frequency for disclosures

This document has been prepared by CSL in accordance with applicable Pillar III requirements (regulations, directives, guidelines and circulars). Unless otherwise stated, all the figures are presented as of December 31, 2021.

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

2.3 Ownership structure



Credit Suisse AG is CSL's sole shareholder. Credit Suisse Group AG remains indirect shareholder of CSL since Credit Suisse Group AG continues to hold 100% of the shares of Credit Suisse AG.

2.4 Activities

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

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

2.5 Business strategy

CSL aims to become the leader in serving the wealthiest European families by combining a distinctive PB approach with an industry-leading institutional offering. Cornerstones of CS Luxembourg's value proposition include the positioning as European hub with full market access to all EU markets, a one-stop-shop private label fund offering covering all value-chain elements in house, an industry-leading PB lending offering as well as privileged access to world-class asset management and investment banking capabilities.

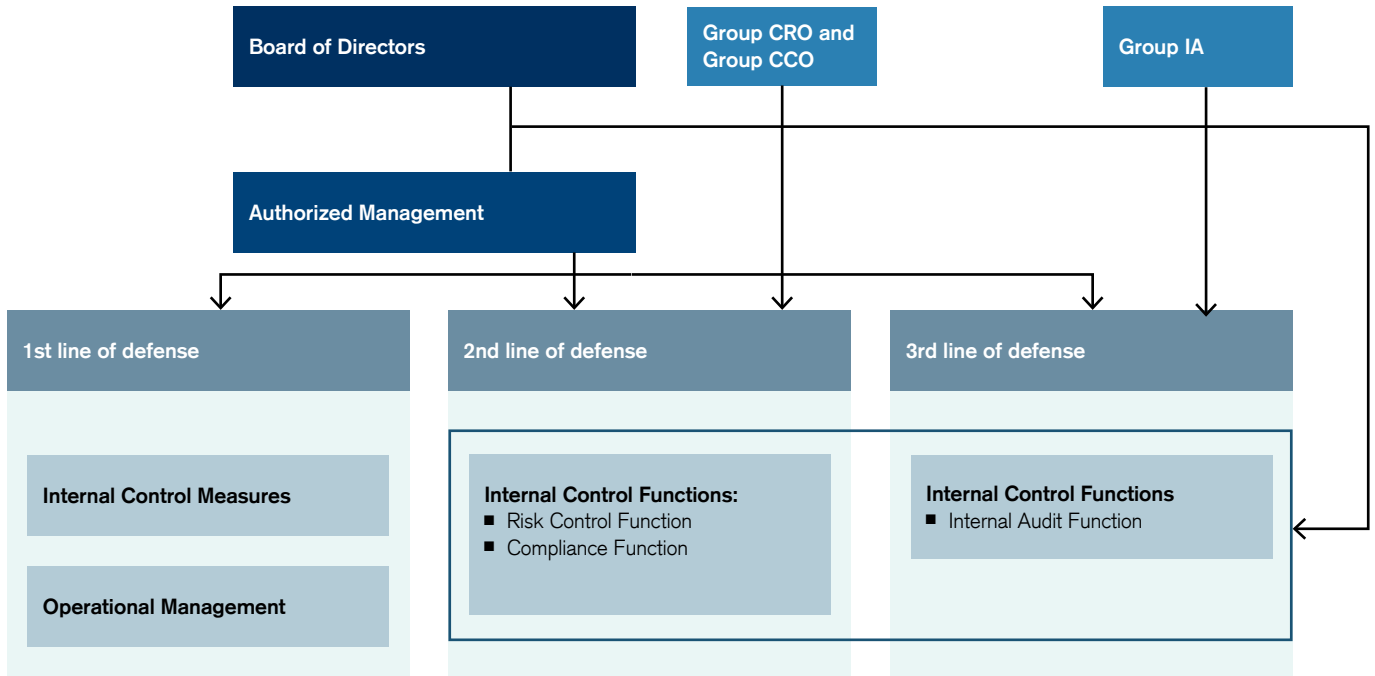
CSL is pursuing key growth levers that have been defined across client segments that the platform is targeting: Private Banking Clients, External Asset Managers and Corporate & Institutional Clients. The identified growth levers fall into two categories:

- Front activation and UHNW focus (e.g., capturing of business opportunities through improved client segmentation, support model and sales culture)
- Capability enhancement (e.g., extend the platform capabilities within Lending offering, Global Trading Solutions and Investment Management).

¹ Credit Suisse (Luxembourg) S.A. Austria Branch subject to wind-down in 2022.

2.6 Governance

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



The three lines of defense are defined as follows:

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

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

2.6.1

Board of Directors

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

2.6.2

Audit & Risk Committee

The quarterly board-driven Audit & Risk Committee (“ARC”) primary function is to assist the BoD in fulfilling its oversight responsibilities in the areas of financial information, internal control, including internal and external audits. The ARC assists the BoD in its mission to assess the adequacy between the risks incurred, the Bank’s ability to manage these risks and

the internal and regulatory own funds and liquidity reserves. The ARC further discusses and approves appropriate corrective actions suggested by the CARMC before submitting them to the BoD.

The ARC chairman is an independent Board member and is appointed by the ARC members.

2.6.3

Capital Allocation & Risk Management Committee

Whereas the main purpose of the ARC is to support the BoD fulfilling its oversight responsibility in the areas of financial information, internal control as well as internal and external audit, the Capital Allocation & Risk Management Committee ("CARMC") is the major governance and decision-making body of the Bank for capital and risk related topics.

The CARMC covers all risks of the Bank. Moreover, the CARMC assesses on a regular basis changes in the risk profile of the organization and the impact on the internal capital adequacy. The conclusions of the CARMC are reported on a regular basis to the ARC. The CARMC chairman is the Chief Risk Officer ("CRO"), and other participants of this committee are the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Financial Officer ("CFO"), the Treasurer, the Chief Compliance Officer ("CCO") and the Chief Internal Auditor (CIA).

Among others, the CARMC has the responsibilities to:

- Assess the overall risk profile, its future development and its adequacy with the risk strategy of the Bank;
- Assess the allocation of risk capital and make recommendations to the ARC;
- Review/assess of financial figures and adequacy of the financial reporting process;
- Set/approve limits and thresholds and other appropriate measures to monitor and manage the risk portfolio;
- Monitor key control issues, Key Risk Indicators ("KRI") and compliance with risk appetite tolerance thresholds;
- Review and assess on compliance and audit risks/issues;
- Review and assess the adequacy of business continuity planning.

As a consequence of CSL Governance review performed beginning of 2021, the CARMC has been decommissioned after the CARMC quarterly meeting held in March 2021. Monthly Risk Committee (RC) meetings were held for Management-driven governance/decision body for risk, compliance, regulatory and internal control matters.

2.6.4

Risk Committee

The CRO contributed on a monthly basis to the Risk Committee (RC) of the Bank. Since 2Q 2021, the RC is chaired by the Bank's CRO. The RC objectives were amongst others, to review Key Risk Indicators (KRI), to receive department head updates (incl. CRO updates) and to take decisions on corrective measures. Regular agenda themes covered were mainly KRIs, litigations, MICOS, deficiencies, incidents and complaints updates.

Since the CARMC has been decommissioned, monthly and quarterly RCs are being held. During the RC meetings, the participants receive an update from the first, second and third line of defense of the Bank and obtain the latest overview from each of the RC sub-committees.

2.6.5

Sub-committees

Beyond the BoD driven committees, there is a number of specialized sub-committees in place, such as:

- The monthly Asset and Liability Committee ("ALCO") is established to manage the Bank's balance sheet, asset/liability, liquidity, capital adequacy and profitability. The ALCO chairman is the Treasurer.

- The Credit Committee (“CC”) main objective is to manage and monitor the overall credit risk for CSL in line with the Bank’s risk appetite, policies and business objectives with the aim to recap the credit risk activities in the context of the overall credit portfolio and the Bank’s funding situation. The CC chairman is the CRO. The CC meets on a regular basis (4–8 weeks), exceptional meetings can be called by all the permanent members.
- The monthly Risk Committee (“RC”) is the principal risk monitoring and steering meeting, allowing for a quantitative overview of KRI covering the Bank’s Front offices (incl. branches) and operational functions. The RC chairman is the CEO.
- The monthly Operational Risk and Oversight Committee (“OROC”) is the principal risk monitoring and steering meeting, allowing for a quantitative overview of KRI’s covering the Bank’s operational functions. The OROC chairman is the COO.
- The quarterly Regulatory Reporting Framework Steering Committee (“RRF STC”) governs all regulatory reporting matters including reporting production, changes, new requirements and any related quality, control or audit issues. The RRF STC is led by LEF and its chairman is the CFO.
- The Remuneration Committee governs (as also described under section 12.2) the effective implementation of remuneration policies and practices, which are in line with both, the Group Compensation Policy and the applicable remuneration legislation.
- The Crisis Management Team (“CMT”) is conducting the local CMT activities in close coordination with BCM EMEA calls and Global Crisis Assessment Team (CAT) calls. The deputy CRO, acting as Office Crisis Manager, chaired the CMTs in 2021.
- The Security Committee (“SC”) is managing and monitoring the overall risks linked to the protection of personnel, assets, facilities and information in both, physical and digital form, in line with the Bank’s policies and the regulatory requirements. The Security Committee was chaired by the Head Risk Control in 2021.
- The Business Continuity Management Committee (“BCMC”) key objective is to coordinate the annual Book of Work activities and to manage the operational resilience in response to disruptive events. Moreover, the objectives were to monitor the overall risk for the Bank, linked to protection of the franchise and stakeholders interest, safeguard of revenues, sustainment of both financial

The Business Continuity Management Committee was chaired by the Head Risk Control in 2021.

3. Risk management objectives and policies

3.1 Risk strategy

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

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

3.2 Risk governance

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

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

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

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

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

The main objectives of the Internal Control Functions ("ICF") are the anticipation, identification, measurement, monitoring, control and reporting of all the risks to which the Bank is or may

be exposed. Moreover, the ICF shall verify and monitor compliance with internal policies and procedures which fall within the area for which they are responsible.

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

The Bank maintains a comprehensive RAS, approved by the BoD on a regular basis. The RAS is aligned with the Bank's financial and capital plans and based on SRO's, the scenario stress testing of the Bank's forecasted financial results and capital requirements. The RAS encompasses the processes and systems for assessing the appropriate level of risk appetite required to constrain the Bank's overall risk profile.

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

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

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

The risk management and stress testing framework of the Bank is fully integrated in the internal control environment at Credit Suisse level. Stress tests are conducted on a regular basis and reviewed/calibrated on the local level. The results are reported to AM and BoD.

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

4. Risk management framework

4.1 Approach to risk management

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

The Risk Management Framework is designed to:

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

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

4.2 Risk identification process

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

CSL risk categories

Risk category	Risk definition
Capital risk	Capital risk is the risk that the financial position of the firm may be adversely impacted by either its relationship (financial or non-financial) with other entities in the same group, risks which may affect the financial position of the whole group, or risks which relate to multiple underlying drivers interacting across the Group. The risk of the mismatch between available resources and capital demand.
Credit risk	The risk of financial loss arising as a result of a borrower or counterparty failing to meet its obligations or as a result of deterioration in the credit quality of the borrower or counterparty.
Market risk: foreign exchange	Potential risk to earnings, primarily through FX positions, arising as a consequence of the lending book (FX gap risk), and intraday exposures from FX trading on behalf of clients.
Market risk: interest rate	Potential risk to earnings arising primarily as a consequence of the banking book, and to a lesser extent, other interest-rate sensitive earnings.
Liquidity and funding risk	The risk that CSL does not have the appropriate amount of funding and liquidity to meet the obligation.

CSL risk categories

Risk category	Risk definition
Operational risk, including: <ul style="list-style-type: none">▪ Conduct risk▪ Technology risk▪ Cyber risk▪ Settlement risk▪ Legal, compliance and regulatory risks	<p>The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.</p> <p>The risk that poor conduct by the Group, its employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions, damage to the integrity of the financial markets or the wider financial system, or ineffective competition that disadvantages clients.</p> <p>The risk of financial loss from failure, exploitation of vulnerabilities or other deficiencies in the platforms that support the Bank's daily operations and the system applications and infrastructure on which they reside.</p> <p>Cyber risk is part of technology risk. It is the result of cyberattacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.</p> <p>Settlement risk is the institution's exposure on the aggregate amount receivable from the point of its irrevocable commitment to a transaction until the point of final settlement.</p> <p>Legal and compliance risks are the risk of loss arising from the failure to comply with legal obligations, applicable regulations and other related circumstances. Regulatory risk is the risk that changes in laws may affect the Bank's activities.</p>
Reputational risk	<p>The risk that negative perception by the Bank's stakeholders may adversely impact client acquisition and damage its business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources. Sustainability risk includes different dimensions, such as Climate risk, and as well Environmental, Social and Governance (ESG) related factors. In this context, Sustainability Risk is part of Reputational Risk.</p>
Fiduciary risk	<p>The risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of the Bank's client's assets including from a product-related market, credit, liquidity and operational risk perspective.</p>
Strategic risk	<p>The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment.</p>
Sustainability risk	<p>The first dimension of Sustainability risk is Climate risk, which results in both transitional and physical effects of climate change. The second dimension of Sustainability risk are the Environmental, Social and Governance aspects.</p>

4.3 Risk appetite and escalation framework

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

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

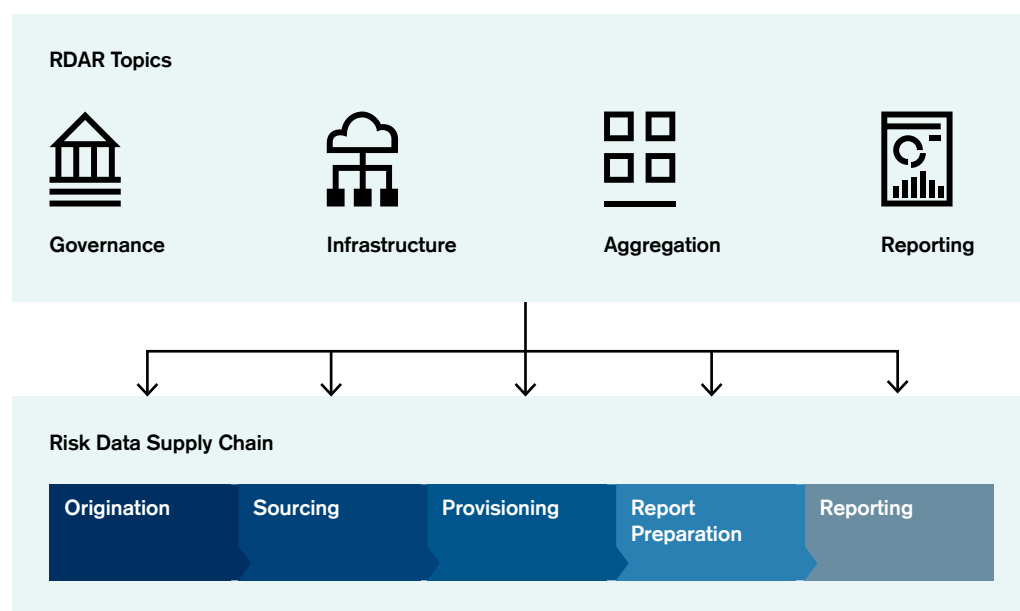
The Risk Appetite Framework is based on a set of risk appetite metrics for which the BoD defined a limit/tolerance level. Risk limit/tolerance levels are set at different trigger levels, with clearly defined escalation requirements to ensure appropriate actions are implemented as necessary. The risk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

Escalation framework within the Risk Appetite Framework

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

4.4 BCBS 239

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



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

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

As of December 2021, the RDAR stream is fully compliant with the RDARR Principles for the material major risk types (i.e. Credit, Liquidity, IRRBB, Investment, Market and Operational). Ongoing embedment of the RDARR principles will be part of the Bank's business-as-usual operations, going forward.

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

- Definition of roles and responsibilities;
- Definition of the scope through the identification of the key risk metrics;

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

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

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

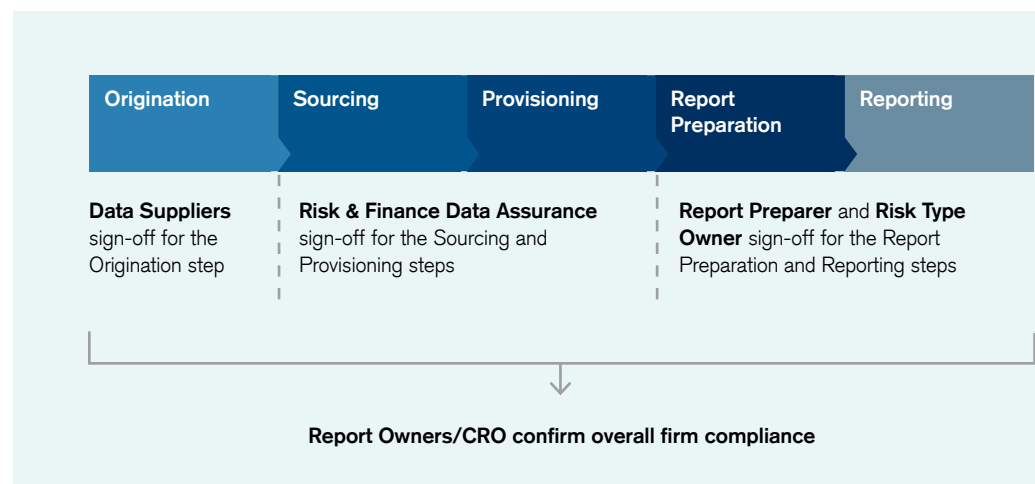
Assessments of each single type of risk for the Credit Suisse Group are aggregated. The total sum – the Economic Capital – is defined as the maximum “unexpected” loss the Group might incur over a year. This is a key measure for determining the Group’s financial structure and its risk tolerance, and guiding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

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

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

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

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



4.5 Sustainability Risk disclosures

4.5.1

Risk strategy

Sustainability risks are potentially adverse impacts on the environment, on people or society, which a bank may cause, contribute to, or be directly linked through financial services provided for the activities of its clients. Moreover, financial services provided to clients whose activities lead to adverse environmental and social impacts can also be a risk to the bank itself. Through the financial services, a bank provides to its clients, such sustainability risks could manifest themselves as reputational risks, but potentially also as credit risk, market risk or business risk.

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Credit Suisse has an ambition to align activities with the Paris Agreement objective of limiting global warming to 1.5°C, and it is a signatory to the Principles for Responsible Banking (PRB). The PRB call for the alignment of the banking sector with the UN SDGs and the objectives of the Paris Agreement and represent a comprehensive framework for the integration of sustainability across all areas of banking. Credit Suisse has also committed to establishing Science based targets as part of the Bank's Net Zero 2050 initiative and this introduces an entirely new dimension to deal origination and risk management as trajectories are set and managed with respect to emissions over time. With respect to the alignment to the climate scenarios, Credit Suisse portfolios demonstrate decarbonization trajectories comparable to the global corporate economy projections with certain parts of the portfolio outperforming these projections. The technology mix of the power generation portfolio financed by Credit Suisse was found to be less carbon-intensive than the global corporate economy. Credit Suisse is actively using the heat maps produced by United Nations Environment Program Finance Initiative ('UNEP FI') and aim to continue UNEP FI participation.

Climate-related risks originate from either the physical or the transition effects of climate change. Physical risks can arise from climate and weather-related events (e.g., heatwaves, droughts, floods, storms and sea-level rise) and can potentially result in material financial losses, impairing asset values and the creditworthiness of borrowers. Physical and transitional climate risks can affect the Bank as an organization either directly, through its physical assets, costs and operations, or indirectly, through its financial relationships with its clients.

Environmental and social risks potentially arising from proposed business transactions and client activity are evaluated in the bank-wide Reputational Risk Review Process. This assessment covers the nature of the transaction and its role in it, as well as the identity and activities of the client (existing or new), the regulatory and political context in which the client operates, and the environmental and social commitments and performance of a client's operations. The client's activities are measured against the relevant industry standards and Credit Suisse's policies or guidelines on sensitive sectors. CSL business has been reviewed to assess possible impacts from climate related risks by looking at the following aspects:

- Credit Risk – both direct exposure and collateral exposure
- Market Risk
- Liquidity Risk
- Business Risk
- Non-Financial Risk – Reputation, Regulatory, Business Continuity
- Pension Risk

At the local entity level in 2021, CSL looked into the physical climate risk for its mortgage loan book (including droughts or heatwaves, leading to fire, flooding from heavy rains or from

the increase of sea levels) to assess the property value impact of the collateral. CSL aims to review the LTV impacts in the next years to come as part of a CS group project. Regarding the CSL Lombard loan portfolio, the LTVs will be reviewed similarly. The identification of risks stemming from climate change is an ongoing process and CSL expects the granularity of its analysis to increase over time (to include first and second order effects) and be informed by the group work on scenario analysis and stress testing.

4.5.2

Risk Appetite

The CS Climate Risk Appetite aims to form a foundation of a broader Credit Suisse ESG or sustainability Risk Appetite that will include further qualitative and quantitative statements to ensure progressive alignment.

At Credit Suisse Luxembourg, the aim of an Environmental, Social and Governance (ESG) Risk Appetite is to first qualify and then quantify and limit exposures and business activities with clients that operate in industries which, according to scientific consensus, materially contribute to climate change or score poorly in terms of social and governance criteria. It includes climate change risk (both transition risk and physical effect risks), but also more broadly other environmental, social or governance factors considered in sustainability analysis. It uses among others:

- Norms-based exclusions
- values-based exclusions
- Country-based exclusions
- Business conduct exclusions

Credit Suisse has no appetite for the new financing of the following:

- Coal Mining
- Mountaintop mining (MTM)
- New coal-fired power plant
- No new thermal coal mine or associated infrastructure: Direct financing that is specifically related to the development of a new greenfield thermal coal mine, or where the majority of the use of proceeds is intended for a new greenfield thermal coal mine.
- No direct financing or advisory that is specifically related to operations to extract coal or other resources where mountaintop mining, which includes mountaintop removal mining, is practiced.
- No direct financing that is specifically related to the development of a new coal-fired power plant without Carbon Capture & Storage ('CCS'), or where most of the use of proceeds is intended for a new coal-fired power plant without CCS, irrespective of location

4.5.3

Risk framework

CSL ESG risk framework is aligned and leverages Credit Suisse Group ESG framework in place with namely various components including:

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

Since Climate Risk manifests itself through other risk types including credit risk, market risk, non-financial risk, reputational risk etc., it is managed within each of their respective risk management frameworks and holistically via the Global Climate Policy implementation. The Global Risk Taxonomy has also seen Climate Risk moved from a standalone risk to being a vertical risk driver across all existing risk stripes.

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

The ESG policies cover lots of technical points among which:

- Global Climate Change Policy
- Client Energy Transition Framework (CETF)
- Global Mining Policy, Global Policy Oil & Gas, Forestry and Agribusiness Policy (including Palm Oil), Power Generation, Agricultural Commodities Guidelines

4.5.4

Climate change transition risk

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

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

Credit Risk

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

Mortgage Portfolio

The mortgage portfolio consists of 36 loans totalling USD 437mn vs property values of USD 633mn. Additional collateral of USD 130mn is also posted leaving a residual real estate exposure of USD 308mn. All properties are in France mainly in Paris and the southern regions. From a Client Sector Exposure, there are 5 clients who derive their wealth from industries which are considered to be climate sensitive. These clients are potentially exposed to transition risks which could impair their credit worthiness over time however, the mortgages to these clients have low loan to value ratios (highest being 56%) and the maturity dates do not extend beyond March 2025 during which time the Bank would not expect transition risks to be material (Low Risk).

From a country risk perspective 42% of portfolio is owned by clients with wealth derived from high climate sensitive countries. Whilst these countries are expected to be more adversely affected by transition risk and thereby the credit worthiness of the clients, the impact on the mortgage portfolio is expected to be limited (Low Risk) given low Loan To Value ('LTV') ratios and short dated maturities (Weighted Average LTV 44%, Weighted Average maturity Jan 2026).

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

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

Lombard lending, Securities based lending

The analysis has looked at the climate risks which might impact on a borrower's credit worthiness as well as impacts on collateral values considering the countries and industry

sectors the Bank has exposure to. To do so CSL has reviewed the industry and country exposures, for Physical and Transition risks, for both the borrower and the collateral as well as considering the type of collateral that has been posted.

For country analysis, the Bank uses the Bloomberg Country Transition Score which scores countries energy dependencies and transition policies for moving to a low carbon economy. Review results concluded that no major losses should be reported overall. The country risk assesses the risk of the geographical location where the counterparties operations are based. Whilst many counterparties are geographically diversified it can be expected that any impacts on their home country, whether physical or transitional in nature, will have some impact on the companies' operations. Overall, the lending portfolio is 90% exposed to Europe and the UK although there are some exposures to Russia (5.7%) and the Middle East (1.7%). European countries and the UK are considered low or very low risk from a transition perspective as they all have strong commitments to align to the Paris agreement and have transition plans and policies to enable that transition.

Russia and the Middle East are deemed to have high and very high transition risks respectively. This is due to the high dependence of their economies to oil, gas and coal production which will make the transition to a green economy challenging. However, CSL expects these transition risks to emerge over time and do not see an immediate impact on credit quality of the borrowers.

For industry analysis, the Bank uses the MSCI Low Carbon Transition (LCT) scores, which are assigned at a corporate level, and use these to apply haircuts to collateral values to run transition risk stress scenarios. The industry concentrations of the borrowers in the portfolio have also been analysed to assess the amount of exposure to high carbon sensitive sectors. These sectors will be most exposed to transition risk moving to a low carbon economy. Three high carbon sensitive sectors have been identified with respective exposures: Oil, Gas and Metals, Textiles and Transportation. These exposures amount to 15% of the overall exposure with the majority being in Oil, Gas and Metals. To assess the overall level of risk to these clients the Bank needs to consider the fact that collateral has been posted as a risk mitigant. For the Oil, Gas and Metals exposure of CHF 468mn a diversified portfolio of bonds and stock with a market value of CHF 766mn. This portfolio is heavily weighted towards Government, Local Authorities and Financial bonds and therefore shows limited correlation with the Oil, Gas and Metals sector. It is also important to consider the nature of the Lombard and SBL products. These products are covered with an excess of collateral value. If the value of that collateral was to fall over time, the client is required to post additional collateral to ensure sufficient margins are maintained. Transition risks are expected to materialise over time and so CSL would expect that any subsequent shortfall in collateral value would be addressed by the re-margining mechanism.

Collateral Analysis

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

To assess the collateral portfolio for transition risk CSL looks at industry sector concentrations in High Carbon intensive sectors as well as analysing the individual items of security by utilising MSCI LCT scores. Looking at the industry sector concentrations the Bank sees a reasonable amount of diversification which is weighted towards Sovereigns, Financial Institutions and Funds (50% combined). Exposure to high carbon intensive sectors amounts to 14.0% of the portfolio however this can be misleading since individual companies within the same sectors have very different transition plans. Therefore, CSL also uses a company level analysis showing that 4.4% of the portfolio is classified as moderately high or high risk from a transition perspective based on the MSCI LCT score. However, CSL does also consider in its analysis a "Minsky Moment" event whereby a sudden co-ordinated shift in global policies - such as the imposition of punitive carbon taxes - sees a rapid repricing of transition risky assets. To model this, CSL has developed a stress test using MSCI LCT scores and assuming a disorderly carbon transition scenario as described by the Network for Greening of the Financial System (NGFS). This results in stressed haircuts for the collateral assets based on their transition risks

which can make up to 60%. CSL applies these haircuts instantaneously and then assess the shortfall of collateral observed at a facility level. For CSL, the results show that no collateral shortfall would incur. This reflects the levels of collateralisation in the portfolio and the low exposure to transitions risks.

From a country analysis perspective, the collateral portfolio is made of 89% exposure to countries with low or very low transition risk scores. Only 3% (USD 220mn) of the portfolio is exposed to countries ranked as very high transition risk. Similar to the industry analysis, the Bank would not expect sudden shocks to collateral values from transition risk but rather a gradual decline. Since the Lombard product requires a re-calculation of collateral values through the life of the transaction and posting of additional collateral in the event of any shortfall, CSL does not expect that transition risks would materialise in any financial losses.

Liquidity Risk

CSL is predominantly funded through deposits. These deposits are principally provided by fund clients (84%) and the rest stemming from private individuals (9%) and other corporates. The fund deposits are mostly associated with funds where CS provides additional services to, either through fund administration or custodial services, and hence are based on an ongoing multifaceted business relationship. From a transition risk perspective these fund clients are considered low risk since their business models are flexible and diversified. The country of origin for these are mainly Luxembourg (68%) along with other European countries (17%) and Switzerland (9%) providing the bulk of the rest. These countries are rated as low risk from a transition and physical risk perspective. Deposits could also be affected by reputational headlines if clients decide to terminate their relationship with CSL. However, CS AG has suffered some reputational headlines over the last 12-24 months during which the deposit base has proved resilient.

4.5.5

Climate change physical risk

Credit Risk

Mortgage Portfolio

As France is considered to be very low risk from a climate hazard perspective and to have very high coping capacity, the main climate risk is stemming from flooding. CS has also developed a model to look at flooding risk on a more focused geographic basis and has applied this to the properties in the portfolio in order to assess the risks of more localised flooding. The model utilises flood risk data from CatNet (Swiss Re) to determine flood risk thresholds based on rainfall. Rainfall is then simulated using a Monte Carlo model calibrated on historical records. Where properties experience flooding, there is an assumed loss of 15%. Whilst it is a requirement that properties are insured for flood damage; the property values may be impacted in the event of frequent flooding over a longer time horizon. The results of this simulation show that with a 99.99% confidence level at a facility level collateralisation shortfall would be limited to CHF 5.76mn. The overall reduction in collateral value is CHF 66mn or 11.6%. This is well in line with the overall LTV of the portfolio of 44%. This simulation assumes cumulative losses over time. In practice, these losses would be mitigated through a rebalancing of collateral which is required if facilities breach the inherent LTV covenants. Therefore, the Bank would not expect to see any losses materialise from this scenario.

Lombard lending, Securities based lending

To assess the Physical risks of individual countries, CSL utilises the INFORM Country Risk Index for climate hazards (Tropical Cyclones, Floods, Drought) and for the coping capacity of those countries. The country risk assesses the risk of the geographical location where the counterparties operations are based. Whilst many counterparties are geographically diversified, it can be expected that any impact on their home country, whether physical or transitional in nature, will have some impact on the companies' operations. Overall, the lending portfolio is to 90% exposed to Europe and the UK although there are some exposures to Russia (5.7%) and the Middle East (1.7%). Similarly, European countries and the UK are considered low risk from a physical risk perspective. Flooding is seen as the most significant weather-related risk but due to sound infrastructure, emergency services and strong economies these countries are considered to have high coping capacity for such events. The Middle East is also considered low risk from physical events but Russia, due to its large geographic spread is rated as medium risk.

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

Collateral Analysis

Similar to counterparty credit risk, the Bank has analysed the collateral to the lending portfolio by industry and country concentrations to assess transition and physical risk that could have an impact on collateral values. The top 10 country exposures in the collateral pool account for 84% of the total collateral with the vast majority being European and UK. The main climate risk associated with these countries is flood risk however they are all considered to have high coping capacities as they are all in developed countries with strong economies. Of the residual USD 1.28bn of the collateral portfolio, USD 819mn is from countries considered to have one or more climate hazard factors in the high or very high classification. Of these, only USD 16mn is in countries considered to have limited coping capacity, the largest of which is a USD 8.35mn exposure to Pakistani government bonds. From a product perspective 33% of the portfolio is in equities, with the rest being in funds, bonds or cash like securities. Of these product classes, the Bank would see equities as being most vulnerable to any short-term market shocks. To assess the possible impacts that a severe weather event might have, CSL looked at an historical example of a localised disaster, namely the 2014 Japanese Tsunami. Whilst a tsunami is not a weather event, the impact is similar to what could be experienced. During the Japanese tsunami, the Nikkei 225 index experienced a 20% fall in value. This fall in collateral value is within the standard haircuts that Credit Suisse applies for collateral (on average 44% for equities and 36% for bonds and funds) and hence would not result in any collateral value shortfall for the portfolio.

Market Risk

FX Risk - To assess the impacts on market risk from climate events, CSL has looked at stress scenarios which might evolve from an extreme weather event. Market risks in the CSL banking book are limited to FX exposures having risk limits of USD 800k for single currencies and USD 1,200k for net exposure. For a climate scenario the Bank considers single currency exposures to be most at risk as weather events would be expected to have a severe impact on single geographic area rather than a global impact. The scenarios CSL has looked at have been those defined by the PRA, which is theoretical, as well as the Japanese Tsunami event of 2011 as an actual historic scenario. Whilst a Tsunami is not a climate event per se, the impacts are similar to what might be expected from a severe tropical cyclone. The worst-case scenario assuming full limit utilisation and no hedging actions for 10 days would result in a loss of USD 3.64mn under a Japan scenario. This equates to less than 1% of CSL's capital.

Interest Rate Risk – CSL also has Interest Rate risk exposure arising from short-dated mismatches in the banking book. This risk is limited through a risk appetite loss limit of USD 15mn when applying +/-200bp shift as determined under CSSF regulations. This USD 15mn limit corresponds also to the capitalisation CSL applies for this risk.

Under Climate scenarios used for Physical Market risk analysis (Bank of England climate scenario, Japanese Tsunami), the Bank observes limited short term interest rate shocks over a 10-day period equating to a maximum 10% relative shock for 3m interest rates. Given the very low levels of interest rates the absolute movement observed is very low. Applying this relative shock to the current EUR 3-months rates of -0.56% results in a 5.6bp movement. The anticipated impact of physical climate events on short term interest rates is very low and well within the regulatory mandated 200bp scenario.

4.5.6

Mitigating actions and roadmap

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

The development of the Climate Risk framework and the preparation of a roadmap for the implementation of the CSSF circular 21/773 has been closely monitored by CSL Audit & Risk Committee.

Several deep dive sessions dedicated to the Risk Identification outcome and introduction of the climate risk management framework were held in 2021. A further session was held in March 2022 to discuss the ICAAP treatment of ESG risk exposures and to oversee the ongoing efforts to strengthen the embedding of the framework across business lines, business processes and ensuring updates to relevant policies as well as the risk management framework.

4.5.7

Other qualitative disclosures

Business Risk

This analysis looks to assess possible impacts to future revenues from ESG risks. The CSL business primarily generates revenue through interest income and fees and commissions. These revenues may be impacted in the future if certain industries or clients are not any more in line with the CS risk appetite, e.g. CS has already stated that it will no longer finance clients with more than 5% of revenues derived from thermal coal extraction. Interest income is largely derived from direct balance sheet lending, but Fees and Commissions largely derive from off balance-sheet fund administration and custodial services. About half of the funds that CSL provides services to and that have classifications are classified under the Sustainable Financial Disclosures Directive ('SFDR') as article 6¹. Future revenues from these funds face greater uncertainty depending on how the industry and CSL risk appetites evolve. Overall, it is not expected, at this point, that there will be a material impact on CSL's revenues in the short term. But in the medium term, the business strategy will need to be kept aligned with the evolving industry ESG appetite.

Non-Financial Risk - Reputation risk

CSL could be exposed to reputation risks through greenwashing or through financing brown industries not in line with the stated risk appetite and these issues may manifest in different ways. Operational risk of categorising clients is a possibility as the ESG taxonomy is still relatively new across the industry and data is still not as good as it could be for certain sectors. Therefore, there is a risk that clients are wrongly categorised as green. CS has developed multiple approaches for reviewing clients using both internal and external methodologies. CS has adopted industry wide standards to categorise high carbon intensive sectors. Within these sectors CS has developed a Client Energy Transition Framework to assess each client's awareness and transition plans to meet the Paris net zero ambitions. CS also utilises cash flow modelling for clients in high carbon sensitive industries to assess future profitability under the Network for Greening the Financial System (NGFS) climate scenarios as well as using MSCI Low Carbon Transition scores to benchmark client's transition ability. Fund clients, who do not fall under the above frameworks, can be more challenging to categorise, especially where the underlying exposures are more complex. This risk is mitigated to a certain extent through the introduction and adoption of the ESA ESG taxonomy for categorising funds

Non-Financial Risk - Regulatory risk

CSL is on track to deliver and implement these sustainability regulations (CSSF Circular 21/773, SFDR, EU taxonomy, European Banking Authority Implementation of Technical Standards) but the efforts that are required should not be underestimated as these are very challenging regulations requiring the development of new data sets and analysis techniques.

¹ no ESG considerations in their investments

5. Own funds

5.1 Structure of own funds

In line with provisions of Regulation (EU) No 575/2013, the CRR, the regulatory own funds of the Bank are composed of:

- Common Equity Tier 1 (“CET 1”) capital as per Article 26 of the CRR: capital instruments, share premium accounts, retained earnings excluding the current year profit, accumulated other comprehensive income, other reserves and funds for general banking risks;
- Tier 1 capital as per Article 51 of the CRR: CET 1 capital and Additional Tier 1 capital;
- Tier 2 capital as per Article 62 of the CRR: Tier 1 capital and eligible portion of subordinated long-term debt.

The Bank's regulatory own funds are exclusively composed of CET 1 and Tier 2 instruments. CET 1 capital comprises permanent share capital of ordinary shares and reserves. The ordinary shares carry voting rights and the right to receive dividends. Tier 2 capital instruments comprise a subordinated loan of EUR 30mn (CHF 31,02mn). This loan was granted in 2018 by the parent company to support the development of its activities.

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

Own funds composition	As of 31/12/2021 (in CHF)
Common Equity Tier 1 capital	427.684.691
Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	258.479.954
Retained earnings	190.795.999
Accumulated other comprehensive income (and other reserves)	(3.861.645)
Deferred tax assets (“DTA”) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(9.594.875)
Insufficient coverage for non-performing exposures	(8.134.742)
Additional Tier 1 capital	–
Tier 2 capital	31.016.115
Investments in own Tier 2 instruments	31.016.115
Total regulatory capital (= CET 1 + additional Tier 1 + Tier 2)	458.700.806

5.2 Total capital ratio

5.2.1

Overview

As of December 31, 2021, the regulatory own funds amounted to CHF 458,7mn as compared to own capital requirements of CHF 180,9mn computed with the standardized approach as defined in the CRR. This leads to a total capital ratio of 20.28%, which is well above the overall capital requirement of 11.61%¹. The table below illustrates these facts.

¹ The overall capital requirement consists of the Total SREP capital requirement (“TSCR”) to which additional buffers are added. The TSCR is composed of Pillar I requirement of 8% and Pillar II requirement of 1%. In addition, the capital conservation buffer (2.5%) and the countercyclical buffer (0.11%) apply.

Capital adequacy ratio	As of 31/12/2021 (in CHF)
Total regulatory capital	458.700.806
CET 1 instruments	427.684.691
Additional Tier 1 instruments	–
Tier 2 instruments	31.016.115
Total risk exposure amount	2.261.776.277
Total capital ratio	20.28%
Total SREP capital requirement (“TSCR”)	9%
Pillar I requirement	8%
Pillar II requirement	1%
Overall capital requirement (OCR)	11.61%
Capital conservation buffer	2.5%
Countercyclical buffer	0.11%

5.2.2

Capital resources requirement

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

Own funds requirements as of 31/12/2021 (in CHF)	RWA	Pillar I capital requirements
Credit risk (excluding counterparty credit risk)	1.622.024.575	129.761.966
Of which: standardised approach	1.622.024.575	129.761.966
Of which: foundation internal ratings-based (“F-IRB”) approach	–	–
Of which: supervisory slotting approach	–	–
Of which: advanced internal ratings-based (“A-IRB”) approach	–	–
Counterparty credit risk (“CCR”)	181.133.352	14.490.668
Of which: standardised approach for counterparty credit risk	181.133.352	14.490.668
Of which: Internal Model Method (“IMM”)	–	–
Of which: other CCR	–	–
Credit valuation adjustment (“CVA”)	61.433.181	4.914.654
Market risk	87.292.097	6.983.368
Of which: standardised approach	87.292.097	6.983.368
Of which: internal models approach (IMA)	–	–
Operational risk	309.893.072	24.791.446
Of which: basic indicator approach	309.893.072	24.791.446
Of which: standardised approach	–	–
Of which: advanced measurement approach	–	–
Total	2.261.776.277	180.942.102

5.2.3

Capital conservation buffer

The Bank has to respect on top of Pillar I and Pillar II capital requirements the capital conservation buffer. The capital conservation buffer is a capital buffer of 2.5% of a bank’s total exposures that needs to be met with an additional amount of CET1 capital. The buffer sits on top of the 4.5% minimum requirement for CET1 capital. Its objective is to conserve a bank’s capital. When a bank breaches the buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make.

5.2.4

Countercyclical capital buffer

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

As of December 31, 2021, the CCyB applicable to the Bank amounts to 0.11% of its RWA and it mainly results from the exposures the Bank has in Luxembourg. The table below discloses the geographical distribution of credit exposures relevant for the calculation of the Bank’s specific CCyB. Countercyclical capital buffer rates are determined by the Basel Committee member jurisdictions and it only concerns credit exposures on the private sector (i.e. exposure on public sector entities and on institutions are not subject to CCyB).

Total risk exposure amount	2.261.776.277
Institution specific countercyclical capital buffer rate	0.11%
Institution specific countercyclical capital buffer requirement	2.384.251

Assets as of 31/12/2021 (in CHF)	General credit exposures	Relevant credit exposures – Market risk	Total exposure value	Own fund requirements	Risk-weighted exposure amounts	Own fund requirements weights (%)	Country-cyclical buffer rate (%)
	Exposure value under the standardised approach	Sum of long and short positions of trading book exposures for exposures for SA		Relevant credit risk exposures - Credit risk	Total		
Breakdown by country:							
Luxembourg	239.924.387	0	239.924.387	17.244.937	17.244.937	215.561.714	0.21
Hong Kong	2.062.243	0	2.062.243	123.735	123.735	1.546.682	0.00
Total	241.986.630	0	241.986.630	17.368.672	17.368.672	217.108.396	-

5.2.5

Total Loss Absorbing Capacity

In addition to the system outlined above, another ratio is already applicable to estimate the adequacy of the bail-in and recapitalisation capacities of Global Systemically Important Institutions (G-SII). This Total Loss Absorbing Capacity (“TLAC”) ratio completes the tracking of the resolution ratio of the Minimum Requirement for Own Funds and Eligible Liabilities (“MREL”) as defined in the Bank Recovery and Resolution Directive (“BRRD”).

Each of these ratios link an amount of regulatory capital and instruments eligible for risk and/or leverage exposure.

As per end of 2021, the Bank is not subject to any resolution requirements regarding the loss absorbing capacity.

6. Linkages between financial statements and regulatory exposures

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

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

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

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

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

Assets as of 31/12/2021 (in CHF)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Cash and balances at central banks	2.498.188.356	2.498.188.356
Financial assets designated at fair value	7.008	7.008
Derivative financial instruments	–	31.303.024
Loans and advances to banks	2.716.438.082	2.231.933.642
Loans and advances to customers	3.724.304.274	3.742.793.741
Reverse repurchase agreements and other similar secured lending	–	478.622.151
Current and deferred tax assets		10.776.577
Prepayments, accrued income and other assets	78.125.206	64.063.177
Goodwill and intangible assets	–	–
Property, plant and equipment	3.224.936	33.753.828
Total assets	9.020.287.862	9.091.441.504
Liabilities as of 31/12/2021 (in CHF)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Deposits from banks	311.381.379	333.100.616
Customer accounts	8.098.768.682	8.129.239.942
Derivative financial instruments	–	29.012.405
Accruals, deferred income and other liabilities	37.705.122	29.531.866
Current and deferred tax liabilities	19.729.074	13.823.539
Subordinated liabilities	31.016.115	31.027.462
Provisions	778.570	461.340
Retirement benefit liabilities	15.807.621	26.249.244
Total liabilities	8.515.186.563	8.592.446.414
Shareholders' equity as of 31/12/2021 (in CHF)	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Paid-in share capital and share premium	258.479.954	258.479.954
Of which: amount eligible for CET1 capital	258.479.954	258.479.954
Retained earnings	194.351.752	191.310.351
Accumulated other comprehensive income	–	(3.861.646)
Total shareholders' equity	452.831.706	445.928.659

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

Assets as of 31/12/2021 (in CHF)	Carrying values of items:						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk frame- work	Not subject to capital requirements or subject to deduction from capital
Cash and balances at central banks	2.498.188.356	2.498.188.356	2.498.188.356	–	–	–	–
Financial assets designated at fair value	7.008	7.008	7.008	–	–	–	–
Derivative financial instruments	–	31.303.024	5.725.406	216.246.554	–	–	–
Loans and advances to banks	2.716.438.082	2.231.933.642	2.231.933.642	–	–	–	–
Loans and advances to customers	3.724.304.274	3.742.793.741	3.742.793.741	–	–	–	–
Reverse repurchase agreements and other similar secured lending	–	478.622.151	–	478.622.151	–	–	–
Current and deferred tax assets	–	10.776.577	1.181.702	–	–	–	9.594.875
Prepayments, accrued income and other assets	78.125.206	64.063.177	64.063.177	–	–	–	–
Goodwill and intangible assets	–	–	–	–	–	–	–
Property, plant and equipment	3.224.936	33.753.828	33.753.828	–	–	–	–
Total assets	9.020.287.862	9.091.441.504	8.577.646.860	694.868.705	–	–	9.594.875

Liabilities as of 31/12/2021 (in CHF)	Carrying values of items:						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk frame- work	Not subject to capital requirements or subject to deduction from capital
Deposits from banks	311.381.379	333.100.616	–	–	–	–	333.100.616
Customer accounts	8.098.768.682	8.129.239.942	–	–	–	–	8.129.239.942
Derivative financial instruments	–	29.012.405	–	–	–	–	29.012.405
Accruals, deferred income and other liabilities	37.705.122	29.531.86	–	–	–	–	29.531.866
Current and deferred tax liabilities	19.729.074	13.823.539	–	–	–	–	13.823.539
Subordinated liabilities	31.016.115	31.027.462	–	–	–	–	31.027.462
Provisions	778.570	461.340	–	–	–	–	461.340
Retirement benefit liabilities	15.807.621	26.249.244	–	–	–	–	26.249.244
Total liabilities	8.515.186.563	8.592.446.414	–	–	–	–	8.592.446.414

7. Information on credit risk

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

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

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

7.1 Credit risk management framework

7.1.1

Credit product offering

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

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

7.1.2

Credit approval process

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

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

7.1.3

Credit risk monitoring/annual review process

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

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

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

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

7.1.4

Definition of past due and impairment

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

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

7.1.5

Stress testing

Stress tests aim to assess the exposure at risk and expected loss in case of deteriorating economic conditions. In this context, the Bank has developed an internal approach, which allows incorporating derivative exposure and derivative hedging benefits. The stress testing framework also covers the Corporate loan portfolio.

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

7.2 Credit risk exposures

Under the Standardised Approach to risk weights, ratings published by External Credit Assessment Institutions ("ECAIs") are mapped to Credit Quality Steps ("CQS") according to mapping tables laid down by the EBA. The CQS value is then mapped to a risk weight percentage. The ECAIs used by the Bank are Standard & Poor's, Moody's and Fitch.

7.2.1

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

As disclosed in the table below, total credit risk exposure (on-balance and off-balance sheet exposures net of value adjustments and provisions) amounts to CHF 8.794mn as of December 31, 2021.

Exposure amounts as of 31/12/2021	On-balance sheet amount	Off-balance sheet amount	Total exposure
Sovereigns and their central banks	2.498.188.356	–	2.498.188.356
Non-central government public sector entities	–	–	–
Multilateral development banks	–	–	–
Banks	2.231.933.646	143.984	2.232.077.630
Securities firms	–	–	–
Corporates	3.461.758.828	189.399.400	3.651.158.238
Regulatory retail portfolios	72.512.608	32.428.575	104.941.183
Secured by residential property	165.961.645	–	165.961.645
Secured by commercial real estate	–	–	–
Equity	7.008	–	7.008
Past-due loans	33.234.686	–	33.234.686
Higher-risk categories	9.325.974	–	9.325.974
Other assets	98.998.708	–	98.998.708
Total	8.571.921.459	221.971.959	8.793.893.418

7.2.2

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

As disclosed in the table below, total non-performing exposures (on-balance and off-balance sheet exposures net of value adjustments and provisions) amount to CHF 47,5mn as of December 31, 2021.

As of 31/12/2021 (in CHF)	Gross carrying amount/nominal amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures		Non-performing exposures			Performing exposures - Accumulated impairment and provisions				Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3				
Cash balances at central banks and other demand deposits	3.037.098.246,65	3.037.098.246,65	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		0,00	0,00
Loans and advances	5.873.405.827,64	5.793.966.282,92	79.439.544,73	47.528.009,48	0,00	47.528.009,48	-1.501.356,44	-485.841,74	-1.015.514,70	-4.992.838,54	0,00	-4.992.838,54	-315.359,41	3.701.615.401,03	36.227.015,86
Credit institutions	2.171.749.667,19	2.171.749.667,19	0,00	0,00	0,00	0,00	-103.765,58	-103.765,58	0,00	0,00	0,00	0,00	0,00	478.622.151,00	0,00
Other financial corporations	2.622.204.274,57	2.583.289.020,68	38.915.253,89	22.905.034,65	0,00	22.905.034,65	-938.289,73	-674,66	-937.615,07	-348.131,52	0,00	-348.131,52	0,00	2.251.131.944,35	22.556.903,13
Non-financial corporations	508.077.404,50	467.553.113,67	40.524.290,84	24.621.367,02	0,00	24.621.367,02	-408.933,00	-331.033,37	-77.899,63	-4.643.785,01	0,00	-4.643.785,01	0,00	427.722.550,04	13.670.112,72
Households	571.374.481,38	571.374.481,38	0,00	1.607,81	0,00	1.607,81	-50.368,13	-50.368,13	0,00	-922,01		-922,01	-315.359,41	544.138.755,64	0,00
Debt Securities											0,00				
Off-balance sheet exposures	2.440.283.058,12	2.440.283.058,12	0,00	103,40	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		1.571.069.027,05	0,00
Credit institutions	143.983,95	143.983,95	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		0,00	0,00
Other financial corporations	1.832.754.290,40	1.832.754.290,40	0,00	103,40	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		1.489.359.214,47	0,00
Non-financial corporations	49.070.870,85	49.070.870,85	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		9.317.650,10	0,00
Households	558.313.912,92	558.313.912,92	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		72.392.162,48	0,00
Total	11.350.787.132,41	11.271.347.587,69	79.439.544,73	47.528.112,88	0,00	47.528.009,48	-1.501.356,44	-485.841,74	-1.015.514,70	-4.992.838,54	0,00	-4.992.838,54	-315.359,41	5.272.684.428,08	36.227.015,86

7.2.3

Credit quality of assets

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

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

As of 31/12/2021 (in CHF)

Gross carrying amount/nominal amount

	Performing exposures					Non-performing exposures						
	Not past due or Past due < 30 days	Past due > 30 days < 90 days	Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days < = 180 days	Past due > 180 days < = 1 year	Past due > 1 year < = 2 years	Past due > 2 year < = 5 years	Past due > 5 year < = 7 years	Past due > 7 years	Of which defaulted		
Cash balances at central banks and other demand deposits	3.037.098.246,65	3.037.098.246,65	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Loans and advances	5.873.405.827,64	5.867.693.327,26	5.712.500,38	47.528.009,48	1.599.727,02	0,00	24.547.524,69	0,00	17.504.946,01	3.875.811,76	0,00	47.528.009,48
<i>Credit institutions</i>	2.171.749.667,19	2.171.749.667,19	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<i>Other financial corporations</i>	2.622.204.274,57	2.616.736.240,66	5.468.033,91	22.905.034,65	0,00	0,00	22.905.034,65	0,00	0,00	0,00	0,00	22.905.034,65
<i>Non-financial corporations</i>	508.077.404,50	508.005.785,40	71.619,10	24.621.367,02	1.599.727,02	0,00	1.640.882,23	0,00	17.504.946,01	3.875.811,76	0,00	24.621.367,02
Debt Securities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Off-balance sheet exposures	2.440.283.058,12			103,40								103,40
<i>Credit institutions</i>	143.983,95			0,00								0,00
<i>Other financial corporations</i>	1.832.754.290,40			103,40								103,40
<i>Non-financial corporations</i>	49.070.870,85			0,00								0,00
<i>Households</i>	558.313.912,92			0,00								0,00
Total	11.350.787.132,41	8.904.791.573,91	5.712.500,38	47.528.112,88	0,00	0,00	24.547.524,69	0,00	17.504.946,01	3.875.811,76	0,00	47.528.112,88

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

Assets as of 31/12/2021 (in CHF)	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-perform- ing exposures
	of which: non-performing		of which: loans and advances subject to impairment			
		of which: defaulted				
Manufacturing	14.732.069,36	0,00	0,00	14.732.069,36	(44.644,22)	0,00
Construction	4.519.706,12	0,00	0,00	4.519.706,12	0,00	0,00
Wholesale and retail trade	22.503.336,67	0,00	0,00	22.503.336,67	0,00	0,00
Transport and storage	10,61	0,00	0,00	10,61	0,00	0,00
Accommodation and food service activities	159.641,50	0,00	0,00	159.641,50	0,00	0,00
Information and communication	48.012.354,17	0,00	0,00	48.012.354,17	0,00	0,00
Real estate activities	397.656.968,12	24.621.367,02	24.621.367,02	397.656.968,12	(4.974.818,38)	0,00
Financial and insurance activities	4.048.173,35	0,00	0,00	4.048.173,35	0,00	0,00
Professional, scientific and technical activities	41.066.252,10	0,00	0,00	41.066.252,10	(33.255,41)	0,00
Other services	259,53	0,00	0,00	259,53	0,00	0,00
Total	532.698.771,53	24.621.367,02	24.621.367,02	532.698.771,53	(5.052.718,01)	0,00

7.2.4

Changes in stock of defaulted loans and debt securities

The table below provides an overview of the evolution of the stock of defaulted loans between December 31, 2020 and December 31, 2021. As illustrated below, the stock between 2020 and 2021 decreased by CHF 7,9mn mainly due the reduction of the defaulted exposure of one client in 2021.

Changes in stock of defaulted items in 2021	Amounts in CHF
Defaulted loans and debt securities as of 31/12/2020	55.465.219
Loans and debt securities that have defaulted since the last reporting period	1.642.490
Returned to non-defaulted status	(1.209.890)
Amounts written off	(315.359)
Other changes	(8.054.450)
Defaulted loans and debt securities as of 31/12/2021	47.528.009

7.2.5

Credit risk mitigation techniques

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

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

As of 31/12/2021 (in CHF)	Unsecured carrying amount		Secured carrying amount		
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	5.220.192.535	3.737.842.417	3.580.409.887	938.778.494	781.345.964
Debt securities					
Total	5.220.192.535	3.737.842.417	3.580.409.887	938.778.494	781.345.964
<i>Of which non-performing exposures</i>	83.755.025	36.227.016	36.225.268	1.748	0
<i>Of which defaulted</i>	41.371.709	1.188.951	0	1.188.951	0

7.2.6

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

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

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

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

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

Asset classes	Risk weight									On- and off-balance sheet exposures net of value adjustments and provisions as of 31/12/2021 (in CHF)	
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
Sovereigns and their central banks	2.498.188.356	-	-	-	-	-	-	-	-	-	2.498.188.356
Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Banks	-	-	2.232.077.630	-	-	-	-	-	-	-	2.232.077.630
Securities firms	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	9.599.686	-	3.641.558.542	-	-	-	3.651.158.228
Regulatory retail portfolios	-	-	-	-	-	104.941.183	-	-	-	-	104.941.183
Secured by residential property	-	-	-	165.961.645	-	-	-	-	-	-	165.961.645
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	7.008	-	-	-	7.008
Past-due loans	-	-	-	-	-	-	33.324.686	9.325.974	-	-	42.560.660
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	98.998.708	-	-	-	98.998.708
Total	2.498.188.356	-	2.232.077.630	165.961.645	9.599.686	104.941.183	3.773.798.944	9.325.974	-	-	8.793.893.418

7.2.7

Credit risk exposure and credit risk mitigation effects

The table below provides an overview of the effects of credit risk mitigation. As illustrated, most exposures are covered by collateral, which is eligible from a credit risk management perspective. This explains why the on-balance sheet exposure post CCF (credit conversion factor) and CRM (credit risk mitigation technique) is significantly lower for corporate and retail exposure classes. All this leads to an overall RWA density of 18.44%.

Assets as of 31/12/2021 (in CHF)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	2.498.188.356	-	2.498.188.356	-	-	0.00%
Non-central government public sector entities	-	-	-	-	-	0.00%
Multilateral development banks	-	-	-	-	-	0.00%
Banks	2.231.933.646	143.984	3.116.262.397	9.448.819	628.243.855	28.15%
Securities firms	-	-	-	-	-	0.00%
Corporates	3.461.758.828	189.399.400	758.885.012	25.698.758	779.783.927	21.36%
Regulatory retail portfolios	72.512.608	32.428.575	15.543.165	2.633.998	13.632.866	12.99%
Secured by residential property	165.961.645	0	159.765.690	0	55.917.992	33.69%
Secured by commercial real estate	-	-	-	-	-	0.00%
Equity	7.008	-	7.008	-	7.008	100.00%
Past-due loans	33.234.686	-	33.234.686	-	33.234.686	100.00%
Higher-risk categories	9.325.974	-	8.137.023	-	12.205.534	130.88%
Other assets	98.998.708	-	98.998.708	-	98.998.708	100.00%
Total	8.571.921.459	221.971.959	6.689.022.045	37.781.575	1.622.024.575	18.44%

7.2.8

Geographical breakdown of quality of non-performing exposures

Concerning the performing exposure the other country split refers to a large extent to Swiss Institutions which are intra-group related.

In addition, CSL has a lot of its corporate and retail exposure in Luxembourg mostly dominated by Lombard business with Investment Funds and Private Banking clients.

Another relevant country for CSL is France, the French exposure to Corporates is mainly Private Banking related and to a much smaller extent Corporate Lending; mortgage business pertains only to the CSL French branch and is secured by French properties. The most non-performing exposures are currently of French origin.

Asset classes	Gross carrying/nominal amount	Of which non-performing	Of which defaulted	Of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On balance sheet exposures	5.920.933.837,14	47.528.009,48	47.528.009,48	5.920.933.837,14	-6.494.194,98		
FR	1.435.232.235,78	47.527.073,67	47.527.073,67	1.435.232.235,78	-5.322.949,90		-
Other countries	4.485.701.601,36	935,81	935,81	4.485.701.601,36	-1.171.245,08		-
Off balance sheet exposures	2.440.283.161,52						
FR	261.971.636,01	103,40	103,40			-	
Other countries	2.178.311.525,51	-	-			-	
Total	8.361.216.998,66	47.528.112,88	47.528.112,88	5.920.933.837,14	-6.494.194,98	-	-

7.3 Counterparty credit risk

Counterparty credit risk ("CCR") arises from over-the-counter ("OTC") and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities such as structured or securities financing transactions ("SFT"). The related credit risk exposures depend on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature.

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

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

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

Amounts as of 31/12/2021 (in CHF)	Replacement cost	Potential future exposure	Effective EPE (expected positive exposure)	Alpha used for computing regulatory EAD	EAD pre-CRM	EAD post-CRM	Exposure value	RWA
EU - Original Exposure Method (for derivatives)	-	-	-	-	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-	-	-	-	-	-	-
SA-CCR (for derivatives)	42.298.108	112.163.717	-	1,40	216.246.554	216.246.554	216.246.554	85.408.922
IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-	-
Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	478.622.151	478.622.151	95.724.430
VaR for SFTs	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	181.133.352

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

Regulatory portfolio	Risk weight								
	0%	10%	20%	50%	75%	100%	150%	Others	Exposures net of value adjustments and provisions as of 31/12/2021 (in CHF)
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	-	478.622.151	-	-	-	-	-	478.622.151
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	163.855.334	-	-	51.735.729	547.344	-	216.138.407
Regulatory retail portfolios	-	-	-	-	108.147	-	-	-	108.147
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	642.477.485	-	108.147	51.735.729	547.344	-	694.868.705

The table below shows the composition of collateral for the CCR exposures as of 31.12.2021 in CHF.

Collateral type	Collateral used in derivative transactions												Collateral used in SFTs					
	Fair value of collateral received				Fair value of posted collateral				Fair value of collateral received				Fair value of posted collateral					
	Segregated		Unsegregated		Segregated		Unsegregated		Segregated		Unsegregated		Segregated		Unsegregated			
	Initial margin	Variation margin	Initial margin	Variation margin	Initial margin	Variation margin	Initial margin	Variation margin	Initial margin	Variation margin	Initial margin	Variation margin	SFT security	Initial margin	Variation margin	Initial margin	Variation margin	SFT security
Cash – domestic currency	–	–	3.478.915,82	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Cash – other currencies	–	–	107.980.680,03	–	–	–	–	632.119,73	–	–	–	–	–	–	–	–	–	–
Domestic sovereign debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other sovereign debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity securities	–	–	445.139.338,80	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other collateral	–	–	1.851.640,65	–	–	–	–	–	–	–	–	–	–	–	–	478.631.250,00	–	–
Total	–	–	558.450.575,30	–	–	–	–	632.119,73	–	–	–	–	–	–	–	478.631.250,00	–	–

7.4 Credit valuation adjustment

The Credit Valuation Adjustment (“CVA”) is a capital charge under Basel III (CRD IV) covering the risk of mark-to-market losses on expected counterparty risk on derivative exposure arising from deterioration in a counterparty’s credit worthiness. The CRR/CRD IV package requires credit institutions to compute capital requirements for CVA for all OTC derivative instruments, other than credit derivatives intended to mitigate risk weighted exposure amounts for credit risk.

As illustrated in the below table, CSL computes the CVA using the standardised approach, which is described in Article 384 of the CRR. As of December 31st, 2021, the CVA capital charge amounts to CHF 4,9mn.

December 31, 2021 (in CHF)	EAD post-CRM	RWA	Own funds requirements
Total portfolios subject to the Advanced CVA capital charge	–	–	–
(i) VaR component (including the 3×multiplier)		–	–
(ii) Stressed VaR component (including the 3×multiplier)		–	–
All portfolios subject to the Standardised CVA capital charge	210.929.378	61.433.181	4.914.655
Total subject to the CVA capital charge	210.929.378	61.433.181	4.914.655

8. Information on market risk

8.1 Overview

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

8.2 Market risk management framework

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

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

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

- Foreign exchange risk;
- Interest rate risk.

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

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

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

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

8.2.1

Foreign exchange risk

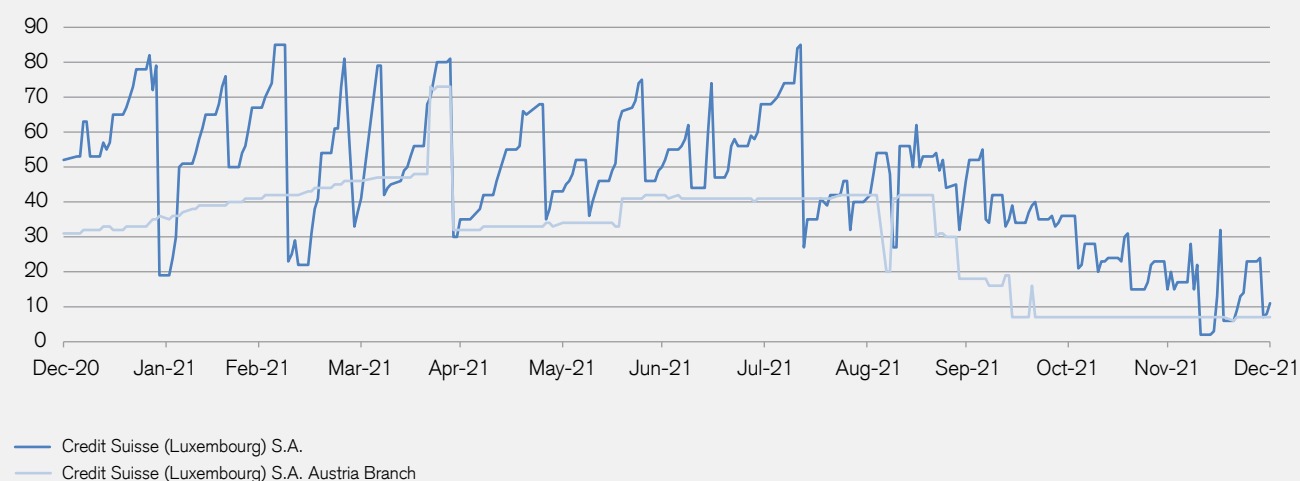
Foreign exchange risk ("FX risk") arises as a consequence of intraday exposures from foreign exchange trading on behalf of clients to facilitate the bulking of client positions. As foreign exchange risk is not part of core activities of the Bank, the appetite for this risk is minimal. When exposures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

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

FX Flag (in USD mn)	Limit	Utilization 31/12/21	Reporting frequency
CS Luxembourg	1,2	46%	Daily
CSL Austria Branch	0,4	31%	Daily

Over 2021, no breach of foreign exchange exposure limit has been reported. The compliance with the foreign exchange exposure limit over 2021 is presented on the below graph.

FX flag usage (in % – overview 2021)



8.2.2

Interest rate risk (IR)

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

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

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

- a) the stress test framework according to the CSSF circular 08/338 (as amended by Circulars CSSF 16/642 and CSSF 20/762) adopting the EBA/GL/2018/02 and
- b) the CSG interest rate risk in the Banking Book methodology

8.3 Market risk exposures

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

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

Products	RWA as of 31/12/2021 (in CHF)
Outright products	
Interest rate risk (general and specific)	–
Equity risk (general and specific)	–
Foreign exchange risk	87.292.097
Commodity risk	–
Options	
Simplified approach	–
Delta-plus method	–
Scenario approach	–
Securitisation	
	–
Total	87.292.097

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

The Bank has adopted the regulatory stress test defined in the CSSF circular 08/338 (as amended by Circulars CSSF 16/642 and CSSF 20/762) and in line with Credit Suisse global methodology. The circular adopted in 2020 the nature and specification of the stress test as referred to in guidelines EBA/GL/2018/02. In accordance with these guidelines, institutions shall measure the exposure to interest rate risk arising from non-trading book activities in terms of both change in economic value of equity (“EVE”) and change in future earnings (also called Net Interest Income) under each of the prescribed interest rate shock scenarios.

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

As of December 31, 2021, the overall negative impact of the regular Interest Rate Risk in the Banking Book Stress Test i.e. a parallel shift of the interest rate curve by +/- 200 bps was as follows:

Parallel shift of +200 bps	Parallel shift of -200 bps
USD (7,69mn)	USD 1,17mn

The Bank has implemented the FINMA-mandated scenarios on the regulatory Economic Value of Equity (“ Δ EVE”) and Net Interest Income (“ Δ NI”) risk measures.

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

The impact of interest rate shocks on their change in Economic Value of Equity (Δ EVE) and net interest income (Δ NI), are computed based on a set of prescribed interest rate shock scenarios (see below tables).

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

The impact on the Bank’s capital for equity value of equity (Δ EVE) would be less than USD 15mn. For net interest income (Δ NI) impact would be less than CHF 30mn.

Measured Δ EVE

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, and the worst case is compared to regulatory own funds.

(USD thousands)	Stress Value 31/12/2021	Worst Scenario	BIS Usage
Parallel Up	(7.470)		
Parallel Down	1.167		
Steeper	571		
Flattener	(5.520)		
Short Up	(7.542)	Short Up	1,60%
Short Down	1.083		

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

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

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

Measured Net Interest Income (Δ NII)

On the top of the Δ EVE calculation as per EBA requirements, CSL has also developed NII risk measurement. Throughout 2021, the various scenarios have not led to any breach of the CHF 30m risk limit. The level of consumption of the risk limit remained at low level throughout the year.

The risk worst pain scenario for the NII has been the CHF-EUR Up scenario which, if materialized, could impact the NII by 15% (the difference between the baseline and the worst pain scenario leading to an amount of CHF 5,29mn).

Regulatory Net Interest Income:

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

9. Information on operational risk

9.1 Overview

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

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

Year End (in CHF)	2021	2020	2019
Positive annual gross income	158.589.682	170.059.486	167.179.746

Own funds requirements for operational risk are computed as follows:

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

The relevant indicator is the positive annual gross income as per audited CSL Finrep year-end figures (i.e. the above 2021 figure is still referring to the audited Finrep of 2020 as the Finrep as per 31.12.2021 is not audited yet when the Corep needs to be reported to the CSSF). This leads to capital requirements for operational risk amounting to CHF 24.791.446 which corresponds to CHF 309.893.072 of RWA.

9.2 Operational risk management framework

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

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

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

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

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

10. Information on liquidity risk

10.1 Overview

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

Liquidity risk is addressed in Part Six of the CRR, which requires banks to compute the liquidity coverage ratio ("LCR") and the net stable funding ratio ("NSFR"). These two ratios have been introduced after the financial crisis and their purpose is to provide visibility on the exposure of an institution to liquidity risk.

10.2 Liquidity risk management framework

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

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

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

(1) Liquidity strategy

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

(2) The Bank Risk Appetite for Liquidity.

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

(3) Liquidity management principles

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

10.2.1

Funding strategy

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

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

CSL does not face any major concentration risk with regards to the source of customer deposits: the largest client deposit represents 6.2% and the largest clients with deposits greater than 1% of the Bank's Total liabilities represent 53.7% of the total deposits amount.

10.2.2

Liquidity risk mitigation techniques

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

10.2.3

Stress testing

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

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

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

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

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

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

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

10.2.4

Contingency funding plan

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

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

The crisis management framework is designed to apply to conditions on the continuum between the ordinary course of business, i.e. business as usual ("BAU"), and failure. The crisis continuum outlines specific action steps that the Bank would take following the activation of each crisis level, including implementing enhanced reporting and monitoring processes, escalating key issues along defined escalation paths, following specific internal and external communication plans, and assessing and implementing recovery options as appropriate.

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

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

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

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

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

10.3 Liquidity Coverage Ratio

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

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

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

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

In this context, the Bank computes and reports its LCR to the CSSF and BCL on a monthly basis. The table below shows the average LCR calculated over a period of 3 months (October, November, December 2021) which amounts to 230.09%. As per this Q4 2021 average, a cap of 75% of the total expected outflows is set for the amount of inflows leading to CHF 1.193.723.722 of net cash outflows.

LCR (average) as of 31/12/2021 (amounts in CHF)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets		
1 Total HQLA		2.746.603.259
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:	1.302.796.781	260.559.356
3 Stable deposits	–	–
4 Less stable deposits	1.302.796.781	260.559.356
5 Unsecured wholesale funding, of which:	7.110.929.731	4.216.744.871
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	5.922.367.214	3.094.199.175
7 Non-operational deposits (all counterparties)	1.188.562.517	1.122.545.696
8 Unsecured debt	–	–
9 Secured wholesale funding		–
10 Additional requirements, of which:	218.761.003	130.899.576
11 Outflows related to derivative exposures and other collateral requirements	68.467.922	68.467.922
12 Outflows related to loss of funding on debt products	–	–
13 Credit and liquidity facilities	150.293.081	62.431.654
14 Other contractual funding obligations	32.866.799	32.866.799
15 Other contingent funding obligations	2.295.875.637	–
16 Total cash outflows		4.641.070.602
Cash inflows		
17 Secured lending (eg reverse repos)	478.697.541	71.804.632
18 Inflows from fully performing exposures	4.329.030.989	3.375.542.248
19 Other cash inflows	–	–
20 Total cash inflows	4.807.728.530	3.447.346.880
LCR Ratio		
21 Total HQLA		2.746.603.259
22 Total net cash outflows		1.193.723.722
23 Liquidity Coverage Ratio (%)		230.09%

10.4 Net Stable Funding Ratio

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

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

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

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

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

In this context, the Bank computes and reports its NSFR to the CSSF and BCL on a quarterly basis. The table below shows that the NSFR as of December 31, 2021 amounts to 241.04%.

NSFR as of 31/12/2021 (amounts in CHF)	Unweighted value by residual maturity			Weighted value	
	< 6 months	6 months to < 1 year	≥ 1 year	HQLA	
Available stable funding (ASF) item					
1 Capital:	–	–	427.684.691	–	427.684.691
2 Regulatory capital	–	–	427.684.691	–	427.684.691
3 Other capital instruments	–	–	–	–	–
4 Retail deposits and deposits from small business customers:	1.274.307.682	–	–	–	1.146.876.914
5 Stable deposits	–	–	–	–	–
6 Less stable deposits	1.274.307.682	–	–	–	1.146.876.914
7 Wholesale funding:	7.219.060.338	–	–	–	2.283.036.672
8 Non-financial customers liabilities	1.156.293.758	–	–	–	578.146.879
9 Financial customers and central banks liabilities	5.942.974.978	14.055.304	105.736.298	–	1.704.889.793
10 Liabilities with matching interdependent assets	–	–	–	–	–
11 Other liabilities:	–	–	–	–	–
12 NSFR derivative liabilities	30.604.699	–	–	–	–
13 All other liabilities and equity not included in the above categories	29.132.087	–	40.534.123	–	40.534.123
14 Total ASF					3.898.132.400
Required stable funding (RSF) item					
15 Cash, reserves and HQLA exposures to central banks	76.190.480	–	–	2.421.997.875	–
16 Liquid assets	–	–	–	478.043.509	71.706.526
17 Performing loans and securities:	5.798.637.361	199.440.165	453.883.531	–	1.433.171.296
18 Securities financing transactions with financial customers	478.622.151	–	–	–	23.931.107
19 Operational deposits	–	–	–	–	–
20 Other loans and advances to financial customers	4.429.795.990	156.262.810	288.309.253	–	809.420.257
21 Loans to non-financial customers with a risk weight of less than or equal to 35%	122.096.526	43.177.355	38.082.460	–	107.390.540

NSFR as of 31/12/2021 (amounts in CHF)	Unweighted value by residual maturity			Weighted value	
	< 6 months	6 months to < 1 year	≥ 1 year	HQLA	
22 Of which, residential mortgages	122.096.526	43.177.355	38.082.460	–	107.390.540
23 Other loans to non-financial customers	768.122.694	–	127.491.818	–	492.429.392
24 Trade finance on-balance sheet product	–	–	–	–	–
25 Assets with matching interdependent liabilities	–	–	–	–	–
26 Other assets:	99.528.669	–	183.661.189	–	112.355.926
27 Physical traded commodities, including gold	–	–	–	–	–
28 Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties	–	–	–	–	–
29 NSFR derivative assets	28.488.545	–	–	–	28.488.545
30 NSFR derivative liabilities before deduction of variation margin posted	–	–	–	–	–
31 All other assets not included in the above categories	64.063.178	–	44.530.406	–	76.551.595
32 Off-balance sheet items	6.976.946	–	139.130.783	–	7.305.386
33 Total RSF					1.617.233.748
Total ASF					3.898.132.400
Total RSF					1.617.233.748
Net Stable Funding Ratio (%)					241.04%

10.5 Unencumbered assets

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

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

Sources of encumbrance as of 31/12/2021 (in CHF)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
	of which: central bank's eligible		of which: central bank's eligible		of which: central bank's eligible		of which: central bank's eligible	
	010	030	040	050	060	080	090	100
010 Assets of the reporting institution	76.190.480	–			9.015.251.024	–		
020 Loans on demand	76.190.480	–			2.960.907.766	–		
030 Equity instruments	–	–	–	–	7.008	–	7.008	–
040 Debt securities	–	–	–	–	–	–	–	–
050 of which: covered bonds	–	–	–	–	–	–	–	–
060 of which: asset-backed securities	–	–	–	–	–	–	–	–
070 of which: issued by general governments	–	–	–	–	–	–	–	–
080 of which: issued by financial corporations	–	–	–	–	–	–	–	–
090 of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
100 Loans and advances other than loans on demand	–	–			5.914.439.642	–		
110 of which: mortgage loans	–	–			344.256.007	–		
120 Other assets	–	–			139.896.608	–		

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

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	010	030	040	060
Collateral received by the reporting institution as of 31.12.2021 (in CHF)				
Debt securities	0,00	0,00	478.043.509,13	478.043.509,13
of which: covered bonds	0,00	0,00	478.043.509,13	478.043.509,13
of which: issued by non-financial corporations	0,00	0,00	478.043.509,13	478.043.509,13
Own debt securities issued other than own covered bonds or securitisations	0,00	0,00	0,00	0,00
Own covered bonds and asset-backed securities issued and not yet pledged			0,00	0,00
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	76.190.480,38	0,00		

11. Leverage ratio

11.1 Overview

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

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

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

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

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

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

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

11.2 Capital measure

According to Article 429(3) of the CRR, the capital measure should be the Tier 1 capital. As of December 31, 2021, the Tier 1 capital of CSL amounts to CHF 427.684.691. It corresponds to CET 1 capital as the Bank does not have any additional Tier 1 instruments.

11.3 Exposure measure

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

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

The adjustment for derivatives is linked to the difference between accounting values and the prudential values calculated with the SA-CCR approach for counterparty credit risk. Other adjustments refer to the Tier 1 capital deductions as well as to GAAP differences.

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

	As of 31/12/2021
Leverage ratio exposure	(in CHF)
1 Total consolidated assets as per published financial statements	9.020.287.862
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–
4 Adjustments for derivative financial instruments	184.943.530
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	221.971.959
7 Other adjustments	61.558.772
8 Leverage ratio exposure measure	9.488.762.123

11.4 Leverage ratio computation

As of December 31, 2021, the leverage ratio amounts to 4.51%. This is above the regulatory limit of 3%. The table below provides an overview of the different components of the ratio as well as the evolution between 2020 and 2021.

Leverage ratio computation	31/12/2021	31/12/2020
	(in CHF)	(in CHF)
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	8.581.516.334	8.592.066.785
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(9.594.875)	(4.473.548)
3 Total on-balance sheet exposures	8.571.921.459	8.587.593.237
Derivative exposures		
4 Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	59.217.351	40.130.828
5 Add-on amounts for potential future exposure (PFE) associated with all derivatives transactions	157.029.203	70.489.025
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–
8 (Exempted central counterparty, or CCP, leg of client-cleared trade exposures)	–	–
9 Adjusted effective notional amount of written credit derivatives	–	–
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11 Total derivative exposures	216.246.554	110.619.853

Leverage ratio computation	31/12/2021 (in CHF)	31/12/2020 (in CHF)
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	478.622.151	276.122.518
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 Counterparty credit risk exposure for SFT assets	-	-
15 Agent transaction exposures	-	-
16 Total securities financing transaction exposures	478.622.151	276.122.518
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	221.971.959	367.114.407
18 (Adjustments for conversion to credit equivalent amounts)	-	-
19 Off-balance sheet items	221.971.959	367.114.407
Capital and total exposures		
20 Tier 1 capital	427.684.691	406.073.418
21 Total exposures	9.488.762.123	9.341.450.015
Leverage ratio		
22 Basel III leverage ratio	4.51%	4.35%

11.5 Leverage ratio - Split-up of on balance sheet exposures

As of December 31, 2021, the total on-balance sheet exposure amount (excluding derivatives, SFTs, and exempted exposures) is CHF 8.581mn.

As of 31/12/2021 (in CHF)	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	8.581.516.333,56
Trading book exposures	0,00
Banking book exposures, of which:	8.581.516.333,56
Covered bonds	0,00
Exposures treated as sovereigns	2.498.188.355,63
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0,00
Institutions	2.231.933.646,59
Secured by mortgages of immovable properties	165.961.644,82
Retail exposures	72.512.607,79
Corporates	3.461.758.828,16
Exposures in default	42.560.659,76
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	108.600.590,81

12. Remuneration policy

12.1 Overview

Disclosures on remuneration policy are made in accordance with Article 450 of the CRR, the BCBS Pillar III disclosure requirements standards and the EBA's Guidelines on sound remuneration policies and its Final draft 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 December 31, 2021 with respect to Credit Suisse (Luxembourg) S.A. and including its branches.

The Group is committed to responsible compensation practices. The need to reward Credit Suisse (Luxembourg) S.A.'s employees fairly and competitively based on performance is balanced with the requirement to do so within the context of principled behaviour and actions, particularly in the areas of risk, compliance, control, conduct and ethics. Compensation contributes to the achievement of the Group's objectives in a way that does not encourage excessive risk-taking or the violation of applicable laws, guidelines, and regulations, taking into account the capital position and economic performance of the Group over the long term.

Credit Suisse (Luxembourg) S.A. applies the Credit Suisse Compensation Policy, which applies to all employees and compensation plans of the Group.

The institution's remuneration policy is consistent with the objectives of Credit Suisse Group's business and risk strategy, cultural values, including with regard to environmental, social and governance ("ESG") risk factors, long-term interests of the institution, and the measures used to avoid conflicts of interest, and should not encourage excessive risk taking. The key objectives of the Group Compensation Policy as set out in the chart below:

<p>Proportion of variable compensation is appropriate for the role and encourages appropriate behaviors and actions</p>	<p>Effective risk management practises that are aligned with the Group's compliance and control culture</p>	<p>High conduct and ethical standards through a system of malus and rewards</p>
<p>Teamwork and collaboration across the Group</p>	<p>Our Compensation Policy objectives</p>	<p>Balanced distribution of profitability between shareholders and employees over the long term</p>
<p>Create sustainable value for the Group's shareholders</p>	<p>Performance culture based on merit that differentiates and rewards excellent performance</p>	<p>Attraction and retention of employees, motivated to achieve results with integrity and fairness</p>

Additionally, the Bank implemented a local appendix to CSG Compensation Policy in order to define the local regulation applicability as well as Material Risk Takers related treatment as per the Luxembourg Regulatory framework. The Luxembourg law of April 5, 1993 on the financial sector, as amended by the law of July 23, 2015 transposing Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 (CRD) and as amended by EU Directive 2019/878 (CRD V) imposes additional obligations relating to remuneration for certain individuals defined as Material Risk Takers (“MRTs”).

Furthermore, CSSF circular 11/505 sets out details relating to the application of the principle of proportionality when establishing and applying remuneration policies that are consistent with sound and effective risk management.

On June 16, 2017, the CSSF additionally issued circular 17/658 transposing the EBA guidelines on sound remuneration policies with effective date January 1, 2017. The circular clarifies the CSSF’s expectation regarding implementation towards credit institutions domiciled in Luxembourg and highlights that circular provisions 11/505 remain applicable.

This appendix relates to Material Risk Takers identified for CSL and its branches.

This local appendix is reviewed and submitted to the Bank’s Remuneration Committee for review and to the Board of Directors for annual approval. This document is also shared on an annual basis with the Luxembourg Regulator.

12.2 Compensation governance

Credit Suisse Group has a policy of a clear separation of responsibilities between the recommendation, review and approval of compensation plans.

Governance Body	Responsibilities in relation to Compensation Policy
Board of Directors	<ul style="list-style-type: none"> ■ Approves: <ul style="list-style-type: none"> - Implementation and changes to Compensation Policy as well as related rules and regulations - Overall changes to compensation plans - Compensation expenses - Variable incentive compensation pools for the Group and the divisions - ExB compensation, including the CEO - BoD compensation, including the Chairman ■ Implements the Compensation Policy as well as related rules and regulations
Compensation Committee	<ul style="list-style-type: none"> ■ Recommends to BoD: <ul style="list-style-type: none"> - Annual changes to Compensation Policy - Overall changes to the compensation plans - Variable incentive compensation pools for the Group and the divisions - ExB compensation, including CEO - BoD compensation, including the Chairman ■ Approves: <ul style="list-style-type: none"> - Compensation for the Head of Internal Audit - Compensation for Material Risk Takers and Controllers (MRTCs) and other selected members of management ■ Supervises compensation policies and practices within the Group ■ Procures independent external compensation advice or external legal advice as appropriate
Executive Board and other senior management	Makes proposals to the CC based on performance and other sources of information, such as external market compensation benchmarking

As set out in the chart above, the Group Board of Directors is responsible for the implementation of the Compensation Policy as well as related rules and regulations, including overall responsibility for the approval of compensation plans and expenses. The Compensation Committee (GCC) consists of independent directors, and does not include either the BoD Chair or

the Chief Executive Officer (CEO). The GCC reviews proposals regarding compensation of the Group, compensation payable to members of Board and Executive Board, the head of Internal Audit and certain other members of senior management, and makes recommendations to the Board for approval, assisted by an independent external consultancy. Deloitte LLC (Deloitte) has appointed a senior consultant to advise the Compensation Committee in 2021. The Compensation Committee's Charter is available [here](#).

Following Group principles, Credit Suisse (Luxembourg) S.A. has a policy of a clear separation of responsibilities between the recommendation, review and approval of compensation plans. The Board of Directors of the Bank is responsible for the local implementation of the Group Compensation Policy as well as related rules and regulations, including overall responsibility for the approval of compensation plans and expenses of CSL.

Credit Suisse (Luxembourg) S.A. has a Remuneration Committee, the purpose and key objectives of which are to advise the BoD of CSL in respect of matters relating to compensation for the employees of the Bank. The Remuneration Committee is based on the organizational guidelines and regulations ("OGR") and on the local requirements (e.g. CSSF circular 12/552). The Remuneration Committee is responsible for ensuring on behalf of the BoD that CSL has implemented effective remuneration policies and practices, which are in line with both, the Group Compensation Policy and the applicable remuneration legislation.

The Remuneration Committee has a specific duty to inform and/or make recommendations to the Bank's BoD on any of the following matters for which the BoD is responsible:

- Compliance with the Group Compensation Policy and Implementation Standards ("CPIS") and Luxembourg Appendix with Luxembourg compensation regulation;
- Ensure correspondence and filing of requested documents with the local regulator;
- Identification of Credit Suisse (Luxembourg) S.A. Material Risk Takers/EU regulated employees including Material Risk Taker Exclusion process;
- Determination of impact on variable compensation for those employees with regards to performance and risk compliance;
- Approval of individual compensation, with particular focus on members of the Bank's Authorised Management, Material Risk Takers and EU regulated employees;
- Informing on local disciplinary cases and recommending the impact on the variable compensation of concerned employees to the BoD taking into account the Group Disciplinary Review Committee's requirements.

Internal Audit, as part of standard procedures, conducts regular reviews of compensation practices to ensure that Compensation Policy and Implementation Standards, external regulations and guidelines are adhered to, and that processes for achieving and maintaining balanced incentive compensation arrangements are consistently followed.

12.3 Compensation structure and instruments

Following the approach of the Group, Credit Suisse (Luxembourg) S.A. takes a total compensation approach, based on two principal components: fixed compensation and variable compensation. The mix of fixed and variable compensation is designed to ensure adequate consideration of risk and conduct in compensation decisions and varies according to the employee's position and role within Credit Suisse (Luxembourg) S.A.. For example, the targeted compensation mix of individuals working in control functions is designed to have a higher proportion in fixed compensation, and a smaller proportion in variable compensation. While those on the revenue-generating side will typically have a higher proportion in variable compensation.

12.3.1

Fixed compensation

Fixed compensation, which is most commonly paid in the form of base salary, is based on the skills, qualifications and relevant experience of the individual, as well as the responsibilities required by the role and external market factors. Fixed compensation may include role-based allowances, determined based on the role and organizational responsibilities of the individual.

Additionally, in accordance with the Capital Requirements Directive ("CRD"), the variable component for MRTs compensation is capped at 200% of the fixed component, as approved by the shareholders of CSL on October 8, 2021 and is subject to periodic review and confirmation by the GCC.

The Bank reviews on an annual basis and submits to the regulator any case of Material Risk Takers where the fixed to variable compensation ratio exceeds 100% and confirms the respect of the 200% cap. Two annual notification Forms (A and B) relating to the procedure to increase the ratio of fixed to variable remuneration from 100% to 200% according to Article 38-6 (g) (ii) of the Law of April 5, 1993 as amended and Article 94(1) (g) (ii) of EU Directive 2019/878 (CRD V) for CSL including its branches are provided to the local regulator on an annual basis. These notifications are sent to the regulator together with the BoD and Shareholders annual recommendation to allow the increase of the maximum amount of variable compensation components for MRTs depending on their performance (an extraordinary Shareholder meeting was held in this respect on October 8, 2021).

12.3.2

Variable compensation

The level of variable compensation granted is entirely at the discretion of the Group and may be zero in cases of substandard performance or conduct or other reasons. The Group makes decisions on variable compensation based on absolute and relative performance of Credit Suisse (Luxembourg) S.A., as well as achievement of pre-agreed individual performance objectives of employees, market compensation levels, and a variety of other factors.

Above a certain threshold, a portion of variable compensation is subject to mandatory deferral to reflect the nature of the Group's business, its risk profile, and the desire to have compensation plans that are based on sustainable performance criteria. Generally, the higher an individual's total compensation, the higher the percentage that is deferred. Deferral percentages are regularly reviewed by the GCC and are internally communicated. Deferral percentages also take into consideration market practice and applicable regulations and may differ in certain markets. For 2021, the maximum deferral rate was set at 50%. Higher deferral rates may be applied to MRTs in order to meet the minimum regulatory deferral. Deferred compensation elements are typically subject to a vesting period of three years (ratably) for non-MRTs and a minimum four to five years for MRTs.

Other deferral periods may be decided upon by the GCC based on a number of factors, including regulatory requirements.

The Group's primary long-term incentive compensation plan is the CSG Master Share Plan (the "Plan"). Deferred compensation instruments are designed to align the interests of employees with the interests of shareholders. The Group seeks to achieve this by providing deferred instruments, the value of which are either tied to the share price performance of the Group, the pre-tax profit of the Divisions, or the Return on Equity ("ROE") of the Group.

In exceptional and justified circumstances, the Credit Suisse (Luxembourg) S.A. may award guaranteed variable compensation, granted as part of a contractual obligation. Guarantees, which are subject to appropriate level of approvals, are limited for the first year of employment only and are awarded to attract new employees into the firm where they have no established performance or reputation. Additionally, the pay out of the guaranteed variable remuneration is also subject to individual's adherence to firm's policies and procedures and is subject to minimum conditions, such as that the employment is not terminated, or notice is given and employee is not subject to a disciplinary sanction. It is the Group's policy to not award multi-year guarantees to any employees. Guaranteed compensation arrangements to existing employees are strictly prohibited.

12.3.3

Material Risk Takers

The MRTs of the Bank consist of senior individuals identified in accordance with the Final 2021 Regulatory Technical Standards ("RTS") and the Article 92(3) of the CRD, without omission of the 604/2014 RTS criteria as applied to CSL. The population may also include other categories of staff identified based on regulatory feedback and/or internal assessments of those taking material risk.

The MRT population is subject to scrutinized compensation structuring rules. Variable compensation awarded to MRTs is subject to at least 40% deferral. Generally, for 2021 MRTs' variable compensation is subject to a deferral period of three years and of increased four years for Senior Management. Additionally, at least 50% of both, deferred and non-deferred variable compensation awarded to MRTs, is awarded in shares or share-linked instruments under the Plan that are subject to an appropriate retention period following vesting during which they cannot be sold or transferred. Deferred instruments granted to MRTs are not entitled to dividend or interest payments.

In certain circumstances, severance payments made to MRTs are also treated as variable compensation and follow similar structuring rules as described above.

12.4 Determination of variable compensation pools

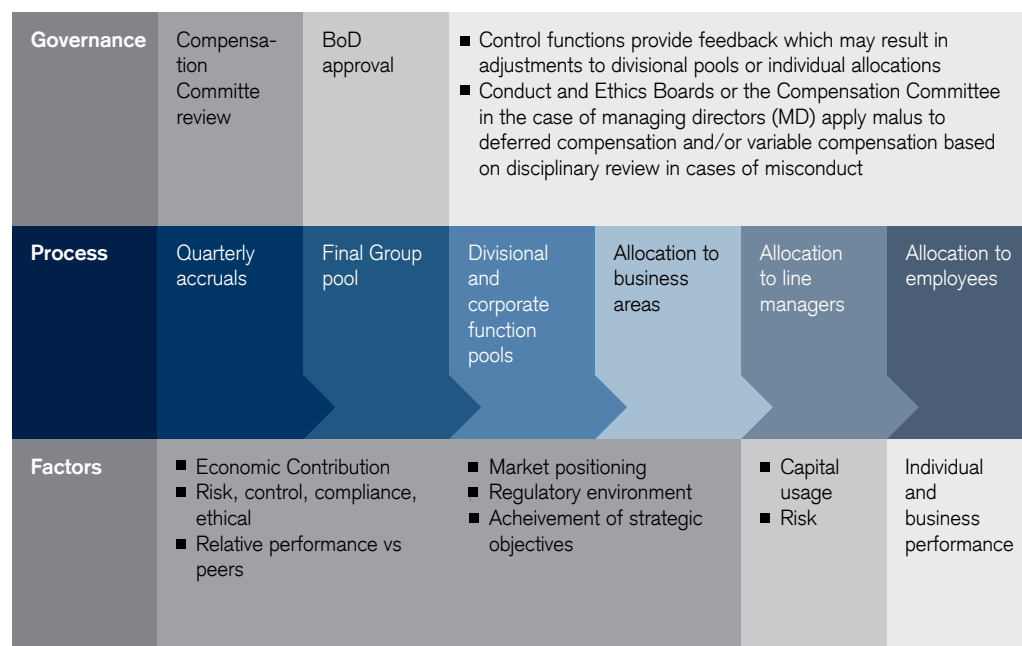
In determining the global variable compensation pools, the GCC aims to balance the distribution of the Group's profits between shareholders and employees. The starting point of the bonus pool development is the Group's financial performance in terms of economic contribution, measured as adjusted income before taxes excluding variable incentive compensation expenses, after deducting a capital usage charge. The methodology to determine the Group and divisional pools also takes into account key performance metrics and certain non-financial criteria, including risk and control, compliance and ethical considerations and relative performance compared with peers, as well as the market and regulatory environment and any extraordinary events, such as, but not limited to, company reorganizations, major legacy settlements or any other exceptional circumstances.

The allocation of variable compensation varies by division and the risk-adjusted performance of each division is factored into an appropriate extent. Adjustments of divisional allocations are at the discretion of the BoD based on recommendations by the GCC and are influenced by the long-term strategic direction and objectives of the divisions. The GCC can apply discretion to make adjustments (including negative adjustments) to the variable compensation pools.

The total amount of the pool for the corporate functions is not linked to the performance of the particular divisions that employees of the corporate functions support but takes into account the Group-wide financial performance, measured in the form of Group economic contribution and qualitative measures. Therefore, employees working in the corporate functions, including those performing control functions, are remunerated independently from the performance of the businesses they oversee and support. As with the business divisions, risk, control, compliance and ethical considerations and relative performance compared to peers, as well as the market and regulatory environment, are taken into account.

Once the pools have been set at the Group and divisional levels, each business division allocates its pool to its business areas, based on the same or similar factors as used to determine the divisional pool. Capital usage and risk are factored into the pools as they are allocated within business areas. The corporate functions pool is allocated to the various functions within the corporate functions based on factors such as the achievement of performance objectives, compliance with policies and regulations, and market conditions.

The following chart illustrates the determination of Variable Incentive Compensation Pools:



12.5 Determination of variable compensation awards

The allocation of variable compensation to individuals is primarily based on manager assessment of the performance and conduct of each individual, subject to the constraints of the pool size. The Group adopts a performance culture that places a strong emphasis on disciplined risk management, ethics and compliance-centered behaviour.

To support this process, the Group uses a comprehensive performance management system based on two performance ratings: contribution and behaviour. Contribution ratings are typically based on objective criteria, such as achieving budget targets, increasing market share or successful completion of a project - though they are not limited to financial criteria. Behaviour standards covering conduct, ethics, risk and control are defined by six key standards that support the Group's branding strategy and overall business vision: Inclusion, Meritocracy, Partnership, Accountability, Client focus and Trust (IMPACT).

Depending on role, many of Bank's employees will be subject to additional performance ratings, including Risk, Compliance and Leadership, meant to ensure that the individual has multilateral scrutiny on various aspects of both the HOW and the WHY of what they do.

Employees are expected to display the Group's ethical values and professional standards in all business activities and, employees' failure to adhere can result in either a zero or reduced variable compensation, and in certain cases, disciplinary action, up to and including dismissal.

MRTs are subject to a heightened level of scrutiny over the alignment of their compensation with performance, conduct and risk considerations. MRTs and their managers are required to define role specific risk objectives and to incorporate risk considerations, both realised and potential, in their performance evaluations when setting variable compensation.

12.6 Malus and clawback provisions

All deferred compensation awards granted contain malus provisions that enable the Group to reduce or cancel the awards prior to settlement if the participant engages in certain detrimental conduct. For the MRTs this includes a provision to reduce the awards in case of a downturn

in performance of the entity or other similar issues on a broad basis even if not specifically attributable to that person's actions/conduct.

12.7 Further information

Additional information can be found within the Group Compensation Policy and the Group/ Credit Suisse (Luxembourg) S.A. Annual Reports.

12.8 Remuneration awarded in 2021

Total staff expenses for the year 2021 amount to CHF 65.203.568. The table below provides a summary of fixed and variable remunerations granted to Senior Management and Other MRTs.

The number of individuals being remunerated EUR 1 million or more per financial year:

- 2 falling into band from 1 million to 1,5 million

Template EU REM1 – Remuneration awarded for the financial year

		A	B	C	D	Total
		MB Supervisory function	MB Management function	Other senior management	Other identified staff	
Fixed remuneration	Number of identified staff	8	4	9	17	38
	Total fixed remuneration	240.000	1.653.428	2.102.879	4.461.503	8.457.809
	Of which: cash-based	240.000	1.653.428	2.102.879	4.461.503	8.457.809
	(Not applicable in the EU)					
	Of which: shares or equivalent ownership interest	–	–	–	–	–
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–	–
	Of which: other instruments	–	–	–	–	–
	(Not applicable in the EU)	–				
	Of which: other forms	–	–	–	–	–
(Not applicable in the EU)						
Variable remuneration	Number of identified staff	8	4	9	17	38
	Total variable remuneration	–	726.423	1.139.100	1.792.734	3.658.257
	Of which: cash-based	–	212.863	441.957	604.031	1.258.851
	Of which: deferred	–	35.040	47.182	77.251	159.472
	Of which: shares or equivalent ownership interest	–	513.560	697.143	1.188.703	2.399.406
	Of which: deferred	–	382.160	519.937	911.317	1.813.415
	Of which: share-linked instruments or equivalent non-cash instruments	–	–	–	–	–
	Of which: deferred	–	–	–	–	–
	Of which: other instruments	–	–	–	–	–
	Of which: deferred	–	–	–	–	–
	Of which: other forms	–	–	–	–	–
	Of which: deferred	–	–	–	–	–
	Total remuneration (2 + 10)	240.000	2.379.851	3.241.979	6.254.237	12.116.067

(1) Excludes further four supervisory board members who sit on various management committees and hence are identified as MRTs. These individuals are at the same time employees of Credit Suisse Group Switzerland and are not compensated for their BoD role for CSL.

(2) Fixed Compensation, that is typically awarded in cash, includes base salaries, total compensation relevant allowances as well as pension and benefits paid in 2021. Fixed compensation does not include contractual severance payments. These amounts are disclosed under the separate severance table.

- (3) Discretionary variable incentive awards granted to MRTs relating to the 2021 performance year as communicated via 2021 compensation statements. Values include the discretionary part of severance awarded to MRTs who left the firm in 2021 performance year and that is part to the 2021 bonus cap and structuring. Values also include Strategic Delivery Plan (SDP). The SDP has been awarded as a further motivation for senior management to remain in employment with the firm, to deliver the planned new strategy and to generate share value i.e., to act as a catalyst in further developing "ownership" mindset among this group.
- (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.

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

	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards – number of identified staff	–	–	–	–
Guaranteed variable remuneration awards – total amount	–	–	–	–
Of which: guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Severance payments awarded in the previous periods, that has been paid out during the financial year				
Severance payments awarded in the previous periods, that has been paid out during the financial year – number of identified staff	0	0	–	0
Severance payments awarded in the previous periods, that has been paid out during the financial year – total amount	–	–	–	–
Severance payments awarded during the financial year				
Severance payments awarded during the financial year – number of identified staff	0	1	2	0
Severance payments awarded during the financial year – total amount	–	241.768	803.911	–
Of which: paid during the financial year	–	241.768	803.911	–
Of which: deferred	–	–	–	–
Of which: Severance payments paid during the financial year, that are not taken into account in the bonus cap	–	215.345	597.211	–
Of which: highest payment that has been awarded to a single person	–	241.768	534.500	–

Template EU REM3 - Deferred remuneration

	Total amount of deferred remuneration awarded for previous performance period	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (e.g. changes of value of deferred remuneration due to changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total amount of deferred remuneration awarded for previous performance periods that had vested but is subject to retention periods
MB Supervisory function	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interest	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
MB Management function	1.218.511	11.439	1.207.073	-	-	284.329	488.159	11.439
Cash-based	420.506	-	420.506	-	-	25.937	96.244	-
Shares or equivalent ownership interest	798.005	11.439	786.655	-	-	258.392	391.916	11.439
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management	1.690.280	414.607	1.275.673	-	-	49.171	572.608	230.083
Cash-based	544.808	115.273	420.506	-	-	23.735	143.151	-
Shares or equivalent ownership interest	1.145.472	299.334	846.138	-	-	467.435	429.457	230.083
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other identified staff	1.818.891	146.895	1.671.996	-	-	433.063	841.316	146.895
Cash-based	565.689	-	565.689	-	-	13.989	108.593	-
Shares or equivalent ownership interest	1.253.203	146.895	1.106.307	-	-	419.075	732.723	146.895
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total	4.727.683	572.942	4.154.741	-	-	1.208.563	1.902.083	388.417

Template EU REM4 – Remuneration of 1 million EUR or more per year

2021	
EUR	Identified staff that are high earners as set out in Article 450(i) CRR
N/a below 1m	36
1 000 000 to below 1 500 000	2
1 500 000 to below 2 000 000	0
2 000 000 to below 2 500 000	0
2 500 000 to below 3 000 000	0
3 000 000 to below 3 500 000	0
3 500 000 to below 4 000 000	0
4 000 000 to below 4 500 000	0
4 500 000 to below 5 000 000	0
5 000 000 to below 6 000 000	0
6 000 000 to below 7 000 000	0
7 000 000 to below 8 000 000	0
8 000 000 and more	0

Template EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) Template EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Management body remuneration			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Independent Internal Control Functions	All other	
Total number of identified staff										38
Of which: members of MB	8	4	12							
Of which: other senior management	–			–	8.0	–	1.0	–	–	
Of which: other identified staff	–			–	9.0	–	4.0	4.0	–	
Total remuneration of identified staff	240.000	2.379.851	2.619.851	–	7.038.252	–	1.368.807	1.089.156	–	
Of which: variable remuneration	–	726.423	726.423	–	2.229.396	–	385.500	316.939	–	
Of which: fixed remuneration	240.000	1.653.428	1.893.428	–	4.808.857	–	983.307	772.218	–	

- (1) Value of deferred variable compensation awarded to MRT prior to or in 2021 in relation to the previous performance periods; based on the share price as of 30 December 2021. Includes outstanding vested and unvested awards not yet delivered to MRTs in 2021 based on the same share price calculation. Excludes any awards that were forfeited during the performance year, i.e. due to resignation. Also does not include potential Dividend Equivalents or Interests attached to the awards on the basis that these forms of compensation are not attached to the respective performance year and/or the value is only known at the time of payment.
- (2) Cancelled or forfeited awards due to resignation or explicit performance adjustments. No such adjustments have been made to the remuneration that was due to vest in the financial year. Outstanding deferred variable compensation has not been factored into these adjustments however all outstanding deferred compensation is exposed to potential risk adjustment.
- (3) Implicit value changes reflect adjustment primarily due to market driven effects. Includes changes in share price valuation based on shares undelivered as of 31 Dec 2021. Cash value based on change in the fair market value of cash-linked instruments during the performance year.
- (4) Actual value delivered to MRT during 2021 from the vesting of prior years' deferred variable compensation awards. Based on share price as at the time of vest. Values include Dividend Equivalents and Interest payments attached to the original awards.

12.9 Role of the Board of Directors

The BoD is in charge of the application and the annual review of the CSG Compensation Policy and Implementation Standards to the employees of the Bank, as well as of the Luxembourg Appendix for CSL. In this regard, the BoD has implemented and mandated a Remuneration Committee to govern the local compensation process. This committee is composed of at least two Non-Executive Directors (acting as permanent members and of which one is the chairman), the Head of Human Resources (acting as Secretary) and other permanent guests (e.g. CEO of CSL, CRO, CCO or Regulatory Compensation).

Glossary

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

Term	Definition
ECAIs	External Credit Assessment Institutions
ECL	Expected Credit Loss
ESG	Environment Social and Governance
EU	European Union
EUR	Euro
FINMA	Swiss Financial Market Supervisory Authority
Finrep	Financial Reporting
FR	France
F-IRB	Foundation Internal Ratings-Based
FX risk	Foreign Exchange Risk
GCC	Group Compensation Committee
G-SII	Global Systemically Important Institutions
HQLA	High-Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ICF	Internal Control Functions
IFRS	International Financial Reporting Standards
IMA	Internal Models Approach
IMM	Internal Model Method
IR	Interest Rate
IRRBB	Interest Rate Risk On The Banking Book
ISO	Information Security Officer
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LEF	Legal Entity Finance
LMR	Liquidity Measurement and Reporting
LTV	Loan to Value
LU	Luxembourg
Lux GAAP	Luxembourg Generally Accepted Accounting Principles
MC	Management Committee
MARS	Market Risk System
MiFID	Markets in Financial Instruments Directive
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
MSCI	Morgan Stanley Capital International
MSR	Mortgage Servicing Rights
MTM	Mark-to-Market
NFRM	Non Financial Risk Management
NL	The Netherlands
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
OCR	Overall Capital Requirement
OGR	Organisational Guidelines And Regulations
OROC	Operational Risk and Oversight Committee
OTC	Over-The-Counter
PEP	Global Political Exposed Persons
PFCE	Potential Future Credit Exposure
PSE	Public Sector Entity
RAS	Risk Appetite Statement
RC	Risk Committee
RDAR	Risk Data Aggregation and Reporting

Term	Definition
RDARR	Risk Data Aggregation And Risk Reporting
RFDG	Risk & Finance Data Governance
RM	Relationship Manager
ROE	Return On Equity
RP	Recovery Plan
RRF	Regulatory Reporting Framework
RSF	Total Required Stable Funding
RTS	Regulatory Technical Standards
RWA	Risk-Weighted Asset
SFT	Securities financing transactions
SRO	Strategic Risk Objectives
SREP	Supervisory Review and Evaluation Process
TLAC	Total Loss Absorbing Capacity
TLOF	Total Liabilities And Own Funds
TSCR	Total SREP Capital Requirement
UHNW	Ultra High Net Worth
UK	United Kingdom
USD	United States Dollar
VaR	Value-At-Risk
VG	Virgin Islands
ΔEVE	Economic Value of Equity
ΔNII	Net Interest Income



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