Pillar III disclosures for the year ending December 31, 2022

Table of contents

1. Introduction

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

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

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

At Luxembourg level, the “Commission de Surveillance du Secteur Financier” (“CSSF”) adopted the EBA guidelines EBA/GL/2016/11 through CSSF circular 17/673.

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

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

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.

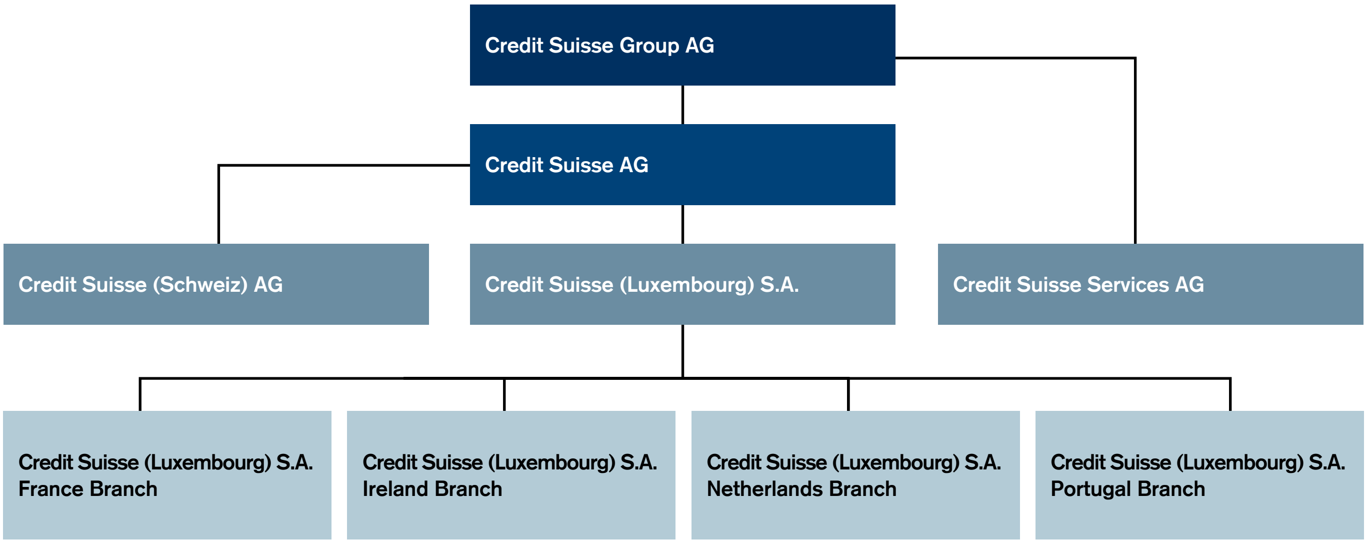
2.2 Basis and frequency for disclosures

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, 2022.

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

2.3 Ownership structure

Figure 1. Ownership structure of Credit Suisse (Luxembourg) S.A.



All entities are 100% owned unless indicated otherwise.

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 Depositary Bank (DB) services to investment funds.

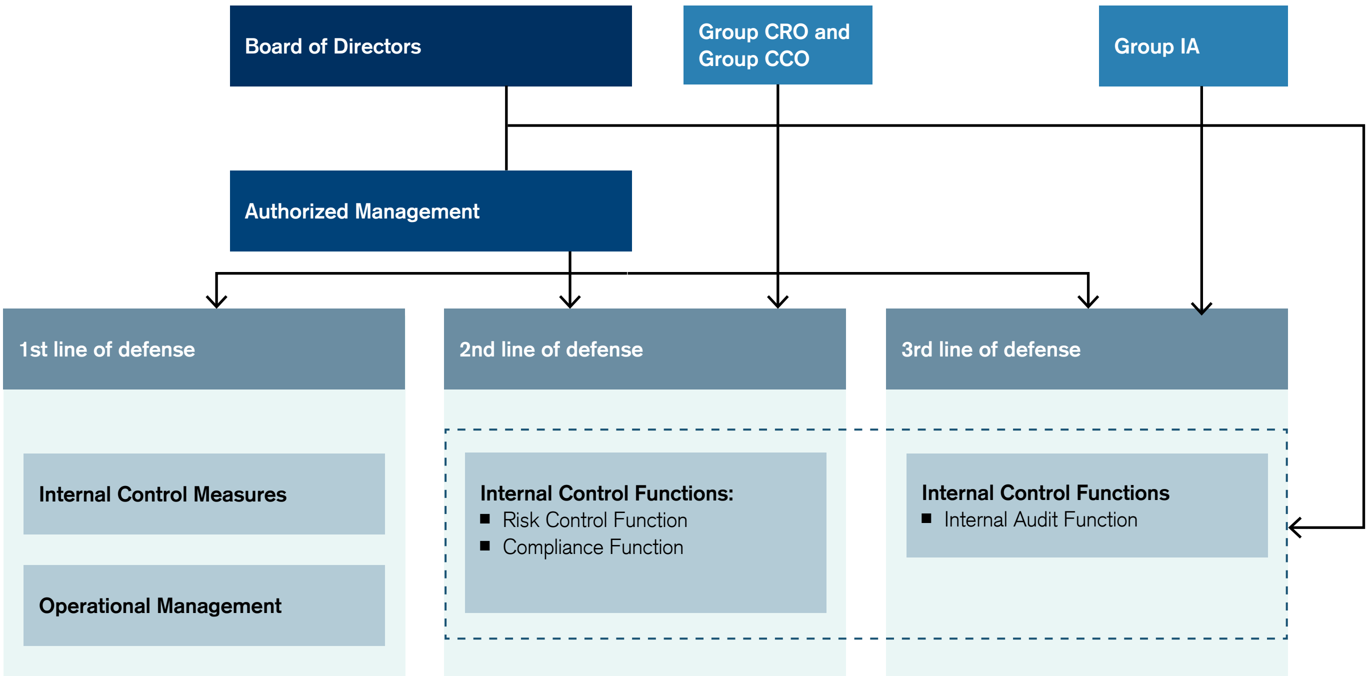
2.5 Business strategy

The Pillar 3 report was prepared as at December 31, 2022 based on business assumptions excluding the potential future impact of the announcement made on March 19, 2023 by Credit Suisse Group AG and UBS Group AG to enter into a comprehensive merger agreement, with UBS Group AG as the surviving entity. The intended merger was completed on June 12, 2023 which leads to a comprehensive business strategy review.

2.6 Governance

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

Figure 2. Credit Suisse (Luxembourg) S.A. internal governance framework



The three lines of defense are defined as follows:

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

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

2.6.1 Board of Directors

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

2.6.2 Specialized Committees

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

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

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

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

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

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

All meetings are documented through agenda and minutes.

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

2.6.3 Extended management committee

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

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

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

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

3. Key ratios

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

Figure 3. Key ratio table

In CHF	**31/12/2022**	31/12/2021
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	472.195.939	427.684.691
Tier 1 capital	472.195.939	427.684.691
Total capital	501.750.828	458.700.806
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	1.788.652.260	2.261.776.277
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	26,40%	18,91%
Tier 1 ratio (%)	26,40%	18,91%
Total capital ratio (%)	28,05%	20,28%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,00%	1,00%
of which: to be made up of CET1 capital (percentage points)	0,56%	1,00%
of which: to be made up of Tier 1 capital (percentage points)	0,75%	1,00%
Total SREP own funds requirements (%)	9,00%	9,00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2,50%	2,50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%
Institution specific countercyclical capital buffer (%)	0,10%	0,11%
Systemic risk buffer (%)	0,00%	0,00%
Global Systemically Important Institution buffer (%)	0,00%	0,00%
Other Systemically Important Institution buffer	0,00%	0,00%
Combined buffer requirement (%)	2,60%	2,61%
Overall capital requirements (%)	11,60%	11,61%
CET1 available after meeting the total SREP own funds requirements (%)	19,49%	11,28%
Leverage ratio		
Total exposure measure	5.985.443.067	9.488.762.123
Leverage ratio (%)	7,89%	4,51%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%
of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%
Total SREP leverage ratio requirements (%)	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	0,00%	0,00%
Overall leverage ratio requirements (%)	3,00%	3,00%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value - average)	1.287.328.846	2.828.334.858
Cash outflows - Total weighted value	2.480.087.752	4.251.305.399
Cash inflows - Total weighted value	1.745.934.668	3.035.195.937
Total net cash outflows (adjusted value)	734.153.084	1.216.109.463
Liquidity coverage ratio (%)	175,35%	232,57%
Net Stable Funding Ratio		
Total available stable funding	2.258.040.661	3.898.132.400
Total required stable funding	1.206.610.570	1.617.233.748
NSFR ratio (%)	187,14%	241,04%

4. Risk management objectives and policies

4.1 Risk strategy

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

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

4.2 Risk governance

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Risk management framework

5.1 Approach to risk management

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

The Risk Management Framework is designed to:

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

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

5.2 Risk identification process

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

Figure 4. 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. The ICAAP enables the bank to manage its capital adequately and is being submitted to the regulator annually.
Credit risk	The risk of financial loss arising as a result of a borrower or counterparty failing to meet its obligations or as a result of deterioration in the credit quality of the borrower or counterparty.
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.

Figure 4. CSL risk categories

Risk category	Risk definition
Operational risk, including:	The risk of financial loss arising from inadequate or failed internal processes, people or systems, or from external events.
▪ Conduct risk	The risk that poor conduct by the Group, its employees or representatives could result in clients not receiving fair treatment or fair outcomes from the transactions, damage to the integrity of the financial markets or the wider financial system, or ineffective competition that disadvantages clients.
▪ Technology risk	The risk of financial loss from failure, exploitation of vulnerabilities or other deficiencies in the platforms that support the Bank's daily operations and the system applications and infrastructure on which they reside.
▪ Cyber risk	Cyber risk is part of technology risk. It is the result of cyberattacks, security breaches, unauthorized access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact.
▪ Settlement risk	Settlement risk is the institution's exposure on the aggregate amount receivable from the point of its irrevocable commitment to a transaction until the point of final settlement.
▪ Legal, compliance and regulatory risks	Legal and compliance risks are the risk of loss arising from the failure to comply with legal obligations, applicable regulations and other related circumstances. Regulatory risk is the risk that changes in laws may affect the Bank's activities.
Reputational risk	The risk that negative perception by the Bank's stakeholders may adversely impact client acquisition and damage its business relationships with clients and counterparties, affecting staff morale and reducing access to funding sources.
	Sustainability risk includes different dimensions, such as Climate risk, and as well Environmental, Social and Governance (ESG) related factors. In this context, Sustainability Risk is part of Reputational Risk.
Fiduciary risk	The risk of financial loss arising when the Group or its employees, acting in a fiduciary capacity as trustee, investment manager or as mandated by law, do not act in the best interest of the client in connection with the advice and management of the Bank's client's assets including from a product-related market, credit, liquidity and operational risk perspective.
Strategic risk	The risk of financial loss or reputational damage arising from inappropriate strategic decisions, ineffective implementation of business strategies or an inability to adapt business strategies in response to changes in the business environment.
Sustainability risk	The first dimension of Sustainability risk is Climate risk, which results in both transitional and physical effects of climate change. The second dimension of Sustainability risk are the Environmental, Social and Governance aspects.

5.3 Risk appetite and escalation framework

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

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

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

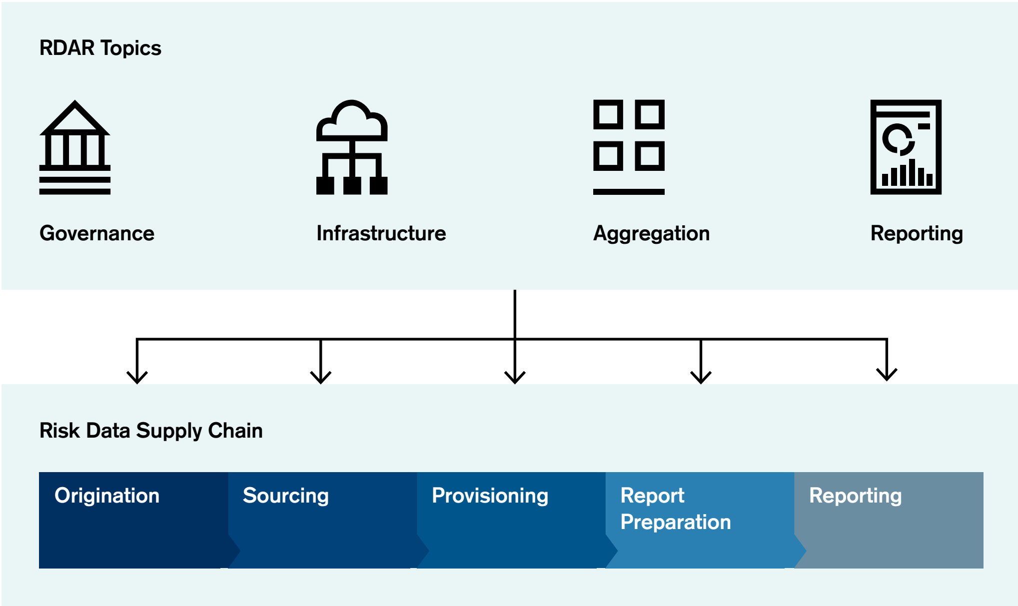
Figure 5. CSL escalation framework within the Risk Appetite Framework

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

5.4 BCBS 239

Credit Suisse has a top-down approach for Basel Committee Banking Supervision ("BCBS") 239 Principles for effective risk data aggregation and risk reporting ("RDARR"), where the CRO function defined the governance for reports. It is aimed at progressively covering all relevant risk aspects. At Credit Suisse, the 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.

Figure 6. RDAR principles



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

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

As of December 2022, 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.

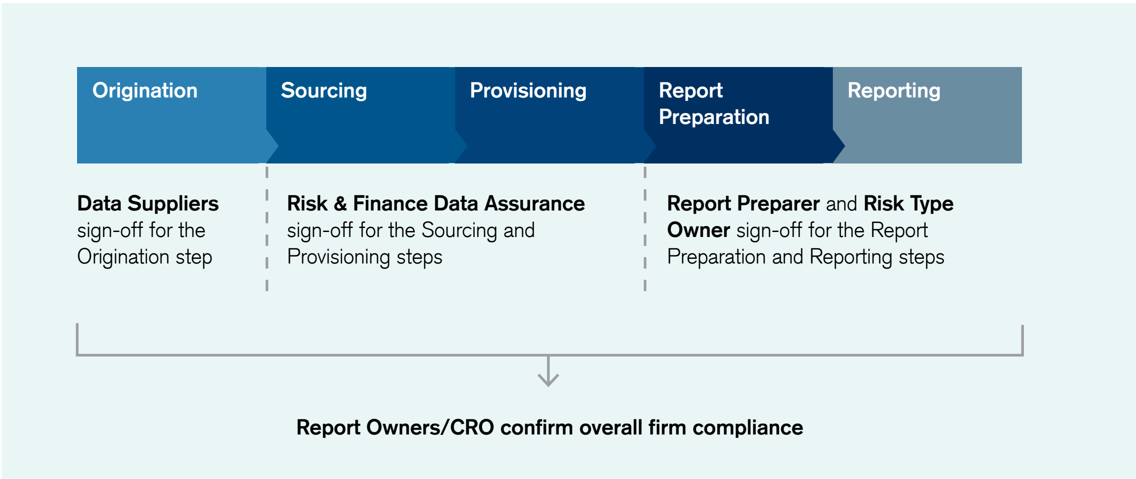
Assessments of each single type of risk for the Credit Suisse Group are aggregated. The total sum – the Economic Capital – is defined as the maximum "unexpected" loss the Group might incur over a year. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding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

Figure 7. IT signs-off for the applications, platforms and interfaces used in the risk data supply chain



5.5 Sustainability Risk disclosures

5.5.1 **Risk strategy**

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.

The CSL climate risk management framework is designed to assess the impact of physical and/or transition climate risk on the main business lines of the Bank – mortgage lending, asset management and Lombard lending, and across the traditional banking risk classes, both financially and non-financially. From this report, we can see CSL is well prepared for the challenges in climate risk, with the impact being overall low but we are somehow behind in taking full advantage of green opportunities.

Financial risks from climate change arise through two primary channels, or “risk factors”: physical and transition:

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

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

The Climate Risk Management program has been delivering and evolving along the following key pillars:

Figure 8. Climate Risk Management - key pillars

Net Zero Program	Net Zero Program	Client Energy Transition Frameworks	Sector Restrictions	Stress Testing and Client Analytics	Leadership and Governance
Key Pillars	▪ In December 2020, we committed to align our financing with the Paris Agreement objective of limiting global warming to 1.5° C ▪ Further extension to Asset Management and Wealth Management investments in progress	▪ Assess our clients’ transition readiness and progress for critical sectors including oil & gas and coal, to support our CS-internal risk analysis ▪ Ceasing financing to “unaware” clients ▪ Train employees on client engagement and transition frameworks	▪ Guardrails on financing for sensitive sectors ▪ Includes thermal coal related restrictions applicable to financing and capital market activities, alongside restrictions related to Arctic oil & gas ▪ NGOs normally require such “red lines” to be publicly announced	▪ Assessment of sectorial and geographical footprint, as well as detailed analysis of physical and transition risk ▪ Scenario stress test applied to inform client-level and portfolio analysis ▪ Impact on credit decisions	▪ Group Board and Management Board Oversight of climate and sustainability related risks ▪ Climate Risk Strategy embedded in broader Risk Management Governance [e.g., ExB, Risk Management Committee (RMC)] ▪ Global Head of Sustainability and Climate Risk, reporting to Global Head of Credit Risk Management
Covered risk types	Credit Risk	Credit Risk	Credit Risk	Credit Risk	Credit Risk
	Business Risk	Business Risk	Business Risk	Business Risk	Business Risk
	Market Risk	Market Risk	Market Risk	Market Risk	Market Risk
	Reputational Risk	Reputational Risk	Reputational Risk	Reputational Risk	Reputational Risk
	Non-financial Risk	Non-financial Risk	Non-financial Risk	Non-financial Risk	Non-financial Risk

More broadly, 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

Overall, from a business strategy and risk appetite perspective, the objective of the Bank is to have a business strategy and risk appetite that largely integrate all Climate Risk & Environmental material risk drivers. A full set of KPIs and KRIs will be defined and deployed for the Bank by 2024 according to its Climate Risk action plan. Limits and triggers will also be set in the risk appetite statement and approved by the management body to covers all material risk drivers.

Please refer to CS Group Sustainability Report 2022 for additional information related to:

- Adjustment of the entity's business strategy to integrate ESG risks and factors.
- Objectives, targets and limits for environmental risk assessment in the short, medium and long term, and evaluation of performance against these objectives and limits.
- Policies and procedures related to direct and indirect engagement with clients on their ESG risk strategies.

5.5.2 Risk Appetite Statement ('RAS')

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
- Palm oil
- Deep Sea Mining
- Forestry & Agribusiness involving loss of high conservation value, use of fire, illegal logging
- Offshore and onshore oil and gas projects in the Arctic region
- 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.
- Outside those sectors, CSL sustainability risk appetite is Modest. Credit Suisse has the respective appetite for these sub-risks:
  - Climate Physical: Minimal
  - Climate Transition: Modest
  - Environmental: Minimal
  - Social: Minimal
  - Governance: Minimal
  - Greenwashing: Minimal

In the year 2022, CSL adopted as part of its RAS, two new Strategic Risk Objectives from the CS Group with two sets of KRIs on Climate Portfolio Level Performance Sustainability Transaction and Investment Level Performance. Those KRIs are set up as monitoring mechanism for the SRO. The KRIs are already published in the CS Group 2022 Annual report and included in the CS Group Executive Board compensation scorecards.

Figure 9. KRIs on Climate Portfolio Level Performance Sustainability Transaction and Investment Level Performance from CS Group Strategic Risk Objectives

Escalation level

Climate Portfolio Level Performance		**BoD Level**	**ExB Level**
KRI 1: A positive contribution to the trajectory of our Net Zero plan 2030 and 2050 carbon reduction goals, including adherence to lending objectives in critical areas, including oil, coal and gas	Risk Appetite flag breached for Net Zero trajectory of Oil, Gas and Coal	33,4 mn T CO2	30,0 mn T CO2
	Positive and timely contribution to the sectors targets and risk appetite developments supported by the final agreements on the frameworks	2 Divisional "Red" RAG status	1 Divisional "Red" RAG status
Sustainability Transaction/Investment Level Performance			
KRI 2: There should be zero transactions or investments carrying high environmental and social risks that did not follow appropriate governance.	Number of transactions not reviewed and escalated in accordance with Risk Appetite.	3 cases total (accumulative rolling 12 months)	2 cases total (accumulative rolling 12 months)
	Metric 1: pre-sustainability risk process screen		
	Metric 2: sustainability risk process screen		
	Number of in-scope investments not in accordance with ESG Exclusion Policy.	3 cases total (accumulative rolling 12 months)	2 cases total (accumulative rolling 12 months)
	Metric 1: Investment Solutions & Sustainability (IS&S) exclusion screen		
	Metric 2: CS Asset Management (CSAM) exclusion screen		

CSL considers ESG as a transversal theme affecting other risk types rather than as a principal risk type and as a driver of financial risks (e.g., credit risk) in financial reporting. For instance, climate risk is a crosscutting risk type that manifests through most of the established principal or standalone risk types. Given the relevance of ESG for all risk types, CSL will tackle these interconnections in a staggered approach.

The global approach to climate change mitigation and adaptation is still evolving and CSL's approach will evolve in conjunction with the overall approach defined by Credit Suisse Group. As part of the CSL RAS update in December 2022, the two new flags have been added as follows:

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

Figure 10. CSL RAS flags for global approach to climate change mitigation

Metrics	Limits
Mortgage – % of properties in high current flood risk locations	▪ Maximum 10% of properties in high flood risk[1] ▪ 0 property in high pluvial risk location ▪ Maximum 4 properties in medium risk location
Mortgage – Total property valuation decline from flooding at 99,9% confidence	CHF 10mn

5.5.3 Risk Management 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:

- Revised Global Climate Change Policy covering:
  - (i) key elements of Credit Suisse's Climate Change strategy,
  - (ii) governance structure,
  - (iii) roles and responsibilities across the 3 lines of defense,
  - (iv) an overview of all frameworks in place, and
  - (v) serves as the lynchpin for all other climate related policies and procedures
- Client Energy Transition Framework (CETF)
- Global Mining Policy, Global Policy Oil & Gas, Forestry and Agribusiness Policy (including Palm Oil), Power Generation, Agricultural Commodities Guidelines

1 A few addresses in Paris are located in an area of high risk from fluvial flooding according to CatNet, whereas they are 'outside' in terms of surface-water/pluvial flooding.

In 2022 the Risk identification has been performed against the materiality assessment according to the ESG materiality matrix approved by CSL BoD. Further development will include more granularity in the materiality risk assessments of the impact of Climate Related & Environmental ('CR&E') risks.

In terms of Credit Risk management, CSL implemented EBA Loan Origination Monitoring Guidelines. As such, at the local entity level in 2022, 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 Loan-To-Value ('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.

As part of the next steps for 2023 for the risk management framework, CSL will transpose CS Group policies at local level, reflecting the business activities relevant for the Luxembourg bank and its branches. In addition, CSL will further consider material CR&E risk drivers in the Bank's internal stress test.

5.5.4 Climate change transition risk

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

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

Credit Risk

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

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

Mortgage Portfolio

The mortgage portfolio consists of 28 loans totaling CHF 220mn vs property values of CHF 541mn, showing a slight decrease from 2021, when the portfolio consisted of 36 loans for a total of CHF 270mn net exposure and CHF 555m of property values. All properties are in France and concentrated in Paris and the southern regions.

From a Client Sector Exposure, there are 5 clients who derive their wealth from industries which are considered to be climate sensitive. These clients are potentially exposed to transition risks which could impair their credit worthiness over time however, the mortgages to these clients have low loan to value ratios (highest being 63%) and the maturity dates do not extend beyond December 2025, during which time the Bank would not expect transition risks to be material (Low Risk). These figures are in line with 2021.

From a country risk perspective 35% of the portfolio is owned by clients with wealth derived from high climate sensitive countries, showing a slight decrease from the 42% of 2021. Whilst these countries are expected to be more adversely affected by transition risk, thereby affecting the credit worthiness of the clients, the impact on the mortgage portfolio is expected to be limited given low Loan To Value (LTV) ratios and short dated maturities (Weighted Average LTV of 42%, Weighted Average maturity of May 2032).

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 94% exposed to Europe and the UK, in line with the 2021 figure, although there is some exposure to Russia and the Middle East through the mortgage portfolio. Such exposure, which represents only 1% of the total CSL lending portfolio, represents the country of risk of the borrowers rather than then country where properties are located, and shows a significant reduction from 2021. For Russia, exposure dropped from CHF 240mn to CHF 37mn and for the Middle East from CHF 73mn to CHF 41mn.

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.

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

For industry analysis, the Bank uses the MSCI Low Carbon Transition (LCT) scores, which are assigned at a corporate level, and use these to apply haircuts to collateral values to run transition risk stress scenarios. While on an individual basis, companies will be exposed to physical risks, physical risks for Industries are difficult to assess, as they tend to be spread globally rather than concentrated in a geographic location. Therefore, CSL focused only on transition risks for industry sectors and drilled down on any significant exposures on a name-by-name basis. The industry concentrations of the borrowers in the portfolio have been analyzed to assess the amount of exposure to high carbon and climate sensitive sectors. These sectors will be most exposed to transition risk moving to a low carbon economy. Overall, exposure to carbon-related and climate-sensitive sectors represents only 1,7% and 17%, respectively, of the total exposure of the lending portfolio. For the Oil & Gas carbon-related sector exposure has reduced significantly from 2021 (CHF 45mn versus CHF 468mn), though the overall exposure to the combined climate risk sensitive sectors has remained constant at approximately 18%. To assess the overall level of risk from these clients, CSL needs to consider the fact that collateral has been posted as a risk mitigant. This portfolio is heavily weighted towards the IT software and hardware sectors and therefore shows limited correlation with the carbon-related and climate-sensitive ones.

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

Collateral Analysis
Similar to counterparty credit risk the Bank has analyzed the collateral to the lending portfolio by industry and country concentrations to assess transition and physical risk that could impact 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 analyzing the individual items of security by utilizing MSCI LCT scores. Looking at the industry sector concentrations the Bank sees a reasonable amount of diversification which is weighted towards IT software (23%), IT hardware (20%), and banks, funds and trusts and other financial companies (33% combined) sectors. Exposure to high carbon intensive sectors amounts to 3% of the portfolio, a considerable decrease from the 14% of 2021. However, this can be misleading since individual companies within the same sectors have very different transition plans. Therefore, CSL performed a company level analysis and found that only 1,3% (4,4% in 2021) of the portfolio is classified as moderately high or high risk from a transition perspective, based on the MSCI LCT score.

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

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

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

In line with the 2021 analysis, the results show that CSL would not incur in any collateral shortfall. This is a reflection of the levels of collateralization in the portfolio and the low exposure to transitions risks.

From a country analysis perspective, the collateral portfolio has a 60% exposure to countries with low or very low transition risk scores, while only 1,8% (CHF 74mn) of the portfolio is exposed to countries ranked as very high or high transition risk. As with the industry analysis, CSL would not expect sudden shocks to collateral values from transition risk, but rather a gradual decline. Since the Lombard product requires recalculation of collateral values through the life of the transaction and posting of additional collateral in the event of any shortfall, we would not expect transition risks to materialize in any financial losses.

Liquidity Risk
CSL is predominantly funded through deposits. These deposits are largely provided by fund clients (88%) with the rest from private individuals (9%) and other corporates (3%). The fund deposits are mostly associated with funds which CS provides additional services to either through administration or custodial and so are based on an ongoing multifaceted business relationship. From a transition risk perspective, these fund clients are considered low risk since their business models are flexible and diversified. The country of origin for these is mostly Luxembourg (73%), followed by other European countries (16%), and Switzerland (6%) providing the bulk of the rest. These countries are rated as low risk from a transition and physical risk perspective. Deposits could be affected by reputational headlines if clients decide that they no longer wish to work with CSL.

5.5.5 Climate change physical risk

Credit Risk

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

The results of this simulation show that at a 99,99% confidence level a facility level collateralization shortfall would amount to CHF 5,3m (CHF 5,8m in 2021) and the overall reduction in collateral value would be CHF 80,4m or 14,9%, well within the overall LTV of the portfolio of 36%.

Figure 11. Collateralization shortfall simulation results

Confidence Level	Aggr. Loss (collateral shortfall) (CHF mn)	Loss vs Exposure (%)	Coll. Portfolio Total Devaluation (CHF mn)	Coll. Portfolio Total Devaluation (%)
99%	2,0	0,9%	32,2	6,0%
99,90%	4,8	2,2%	52,4	9,7%
99,99%	5,3	2,4%	80,4	14,9%

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

Lombard lending, Securities based lending
To assess the Physical risks of individual countries, CSL utilizes the 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 analyzed the collateral to the lending portfolio by industry and country concentrations to assess transition and physical risk that could have an impact on collateral values.

The top 10 country exposures in the collateral pool account for 89% (84% in 2021) of the total collateral, with the vast majority being European and UK. The main climate risks associated with these countries is flood risk, However, they are all considered to have high coping capacities as they all are developed countries with strong economies.

Of the residual CHF 618m of the collateral portfolio, CHF 102m is from countries considered to have one or more climate risk factors in the high or very high classification, though none of these countries have a limited coping capacity. This compares favorably with the 2021 portfolio where CHF 755m was from countries with one or more climate risk factors in the high or very high classification.

From a product perspective, 51% (33% in 2021) of the portfolio is in equities, with the rest being in funds or corporate and government bonds. Of these product classes CSL 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 localized disaster, namely the 2014 Japanese Tsunami. Whilst a tsunami is not a weather event, the impact is similar to what could be experienced. During the Japanese tsunami, the Nikkei 225 index experienced a 20% fall in value. This fall in collateral value is within the standard haircuts that Credit Suisse applies for collateral (on average 44% for equities and 36% for bonds and funds) and hence would not result in any collateral value shortfall for the portfolio.

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

While transition risk impacts are expected to result in longer term market trends, physical risks are most likely to be single country events rather than global and could result in short term FX shocks. Hence, FX exposure is stressed under a CS Severe Flight to Quality (SFTQ) scenario, with the assumption an extreme climate event could generate a significant outflow of investments and a consequent FX shock. The use of the max FX SFTQ scenario is justified by the fact the FX limit is on the daily max delta and not on single country exposure. On any given day, the max exposure could potentially be for any country, so we make the conservative assumption to apply the most extreme shock to any country. The scenarios CSL looked at is the maximum CS SFTQ FX shock:

Figure 12. Market risk scenario impacts - SFTQ max shock

Scenario	10d Shock	Scenario Impacts (USD mn)		
		Avrg 2022 Exposure	Peak 2022 Exposure	Max Exposure
SFTQ Max Shock	6,75%	-0,72	-4,31	-5,4

The worst-case scenario assuming full limit utilisation and no hedging actions for 10 days would result in a loss of USD 5,4mn

This equates to less than 1% of CSL capital.

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

5.5.6 Mitigating actions and roadmap

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

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

Several deep dive sessions dedicated to the Risk Identification outcome and introduction of the climate risk management framework were held in 2022. 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.

In September 2022 CSL delivered to the CSSF its first Self-Assessment Questionnaire (SAQ) on CSSF circular 21/773 covering embedded actions & implementation roadmap.

The CSSF provided in February its feedback asking CSL to provide a Climate risk roadmap covering years 2023-2024. CSSF recognized that CSL is half-way through the journey with the setup of a dedicated climate risk management framework for CSL in the first half. The following supervisory assessment were made:

Figure 13. Climate risk supervisory assessment

#	Section	Supervisory assessment
1-2	Risk identification & materiality assessment	Mostly aligned
3-5	Business strategy & risk appetite	Partially aligned
6-12	Risk management framework	Mostly aligned
13-19	Internal governance	Partially aligned

Going forward CSL will continue to share its Sustainability progress as part of the supervisory dialogue according to its ESG activity plan for 2023-2024 covering Business and climate change risk Strategy & Risk Appetite Statement (including metrics), Risk identification & materiality assessment, Risk management framework, Internal governance, Disclosures and Reporting. The CSL Climate risk roadmap needs to be approved by CSL Board of Directors and endorsed by Authorized Management and CSL Risk Committee and ARC following local governance. The second half of the journey will focus on further embedding climate risk into CSL operating model.

In parallel, CSL produced for the first time its first Task-force on Climate-related Financial Disclosures (TCFD). Overall portfolio's share of Carbon-related sectors reduced by 66% from Q3 2022. Climate Sensitive sectors reduced by 3% from Q3 2022 and on aggregate decreased by 9% from 2021 YE. From Q4 2022 reporting currency for the following metric has been updated from USD to CHF in line with the external disclosure requirement.

- **Oil & Gas** exposure decreased by 66% (from CHF 2,18mn in Q3 to CHF 0,78mn in Q4). This is mainly driven by the decreased exposure of CHF 1,41mn (from CHF 2,18mn to CHF 0,78mn) for the only counterparty within this climate sensitive sector (CETF: Not Classified)
- **Metals and Mining (ex. Coal)** exposure increased by 106% (from CHF 9,57mn in Q3 to CHF 19,75mn in Q4) due to a unique counterparty belonging to the Wealth Management division.

Figure 14. Climate Sensitive Sector metric results

Climate Sensitive Sector	Q4 2022 [CHFmn]	Q3 2022	QoQ [%]	QoQ [CHFmn]	Q4 2021 [CHFmn]	Aggregate [%]	Aggregate [CHFmn]
Carbon Related	1	2	-66%	-1	-	100%	1
Oil & Gas	1	2	-66%	-1	-	100%	1
Metals and Mining (Coal)	-	-	-	-	-	-	-
Power Generation (Fossil Fuels)	-	-	-	-	-	-	-
Climate Sensitive	345	355	-3%	-10	378	-9%	-33
Agriculture	1	1	3%	0	-	100%	1
Industrials – Cement or Concrete	-	-	-	-	-	-	-
Industrials – Chemicals	0	-	0%	0	-	100%	0
Industrials – Machinery and Equipment Manufacturing	-	-	-	-	-	-	-
Industrials – Textiles & Clothing	13	13	-1%	-0	15	-12%	-2
Metals and Mining (ex. Coal)	20	10	106%	10	0	>100%	20
Non-power generating utilities - sewage, waste management	-	-	-	-	-	-	-
Transportation	29	32	-8%	-3	0	>100%	29
Transportation: Automotive	-	-	-	-	-	-	-
Transportation: Aviation	29	32	-8%	-3	0	>100%	29
Transportation: Other	-	-	-	-	-	-	-
Transportation: Shipping	-	-	-	-	-	-	-
Mortgage Related Lending	282	299	-6%	-17	363	-22%	-81

Climate Sensitive Sector	Q4 2022 [CHFmn]	Q3 2022	QoQ [%]	QoQ [CHFmn]	Q4 2021 [CHFmn]	Aggregate [%]	Aggregate [CHFmn]
Commodity Trade Finance	-	-	-	-	-	-	-
Other Lending	2.792	2.418	15%	373	3.620	-23%	-828
Total Exposure	3.137	2.775	13%	362	3.998	-22%	-861

5.5.7 Other qualitative disclosures

Business Risk – Revenue Risk
Here CSL assessed possible impacts of ESG risks on future revenues.

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 deemed not to be aligned with CS risk appetite. For example, 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.

Fees and Commissions largely derive from off balance sheet fund administration and custodial services. Of the funds that CSL provides services to, and that have classifications, 38% by volume are classified under the Sustainable Financial Disclosures Directive (SFDR) as Article 6 (no ESG considerations in their investments). Future revenues from these funds face greater uncertainty depending on how the industry and CSL risk appetites evolve.

As a mitigation to this risk, these Article 6 funds will also need to evolve their strategies to meet with industry appetites. Additionally, over time, CSL will see an increasing number of new funds falling under Article 8 and 9 classifications.

Strategic & Profitability Risk from ESG products
A qualitative risk assessment of the short-, medium- and long-term impact of ESG was completed for both wealth management and depositary bank profitability, as per Commission de Surveillance du Secteur Financier (CSSF) request.

Wealth Management: In the long run, CSL expects a virtuous trend to sustainability investment, both in terms of CSL products offering and demand from wealthy investors. However, in 2022 several factors have contributed to a less than expected increase in investor's appetite towards ESG products and services: Sustainable investments may have not delivered returns comparable to more classic investments. This, combined with complex rules and methodologies around ESG ranking, is slowing down investors shift to sustainable products.

The current geopolitical scenario, with the war in Ukraine, is giving a strong impetus to industries which are not particularly ESG focused.

Depositary Bank: Currently ESG regulations focus primarily on the responsibilities of the Management Companies and portfolio managers when taken in the context of the investment fund industry; implementing ESG will require further qualitative and quantitative supervisory checks which potentially makes ESG products more costly to service and could lead to higher costs amongst the service provider chain and lower margins for market participants.

Before such conclusions can be arrived at for depositary banks, further regulatory guidance regarding qualitative checks the broader roles and responsibilities of a depositary bank with regard to ESG are ongoing with both the Luxembourg banker's Association (ABBL) and the Association of the Luxembourg Fund Industry (ALFI), while the European Securities and Market Authority (ESMA), in its latest guidelines on funds, names suggests quantitative checks which can be automated in the investment restrictions tool.

Currently, short term profitability is not materially impacted, though the issue might become more relevant in the medium and long term, due to difficulties in increasing revenues in line with cost of business.

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 categorizing 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 categorized as green. CS has developed multiple approaches for reviewing clients using both internal and external methodologies.
CS has adopted industry wide standards to categories 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 utilizes 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 categorize, 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 categorizing funds.

Non-Financial Risk – Regulatory risk
There are several sustainability regulations which need to be implemented over the next 1-2 years (CSSF Circular 21/773, Sustainable Finance Disclosure Regulation, European Banking Authority Implementation of Technical Standards). CSL is on track to implement these regulations, but the effort required should not be underestimated as these are all challenging regulations requiring the development of new data sets and analysis techniques.

CSSF recognized that CSL is halfway through the journey with the setup of a dedicated climate risk management framework for CSL in the first half. The second half of the journey will focus on further embedding of climate risk to CSL.

Litigation Risk
Currently, there is no climate-related litigation for CSL, though recent number of contentious cases for banks and corporations, related to cases of greenwashing of sustainability investments, is noteworthy. In addition, the current trends of climate-related litigations are expected to extend to banks more generally, alongside the elevated regulatory scrutiny and potential for reputational impacts.

The risk for CSL of being exposed to reputation risks through greenwashing or through financing brown industries out of line with the stated risk appetite is particularly significant and could manifest in different ways. Operational errors should not be too impactful on the reputation of CSL; however, any larger scale greenwashing negative headlines could be damaging.

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 high quality 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 (CETF) to assess each client's awareness and transition plans to meet the Paris net zero ambitions. CS also use 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 clients' transition ability. Fund clients, not falling under the above frameworks, can be more challenging 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.

Overall, reputational risk and legal/compliance risks have been risk assessed as material.

Business Continuity (BCM)
Climate events can have significant impacts on business continuity. For CSL the two main geographic locations which are operationally significant are Luxembourg and Switzerland.

Luxembourg – Luxembourg is considered a low risk country for severe weather events. The most likely risk would be from flooding due to heavy rainfall. This could result in travel difficulties resulting in staff not being able to come to the office. Work from home protocols have been established and well tested over the COVID-19 crisis and these would be utilised to mitigate these problems.

Power cuts could also occur; however, Luxembourg is considered to have a high coping capacity for such events, and we would expect any power disruption to be very short term and not create significant operational issues.

Switzerland – CSL is dependent on Switzerland for providing the banking platform for its operations. Switzerland is also considered a low risk country for climate events and also to have a high coping capacity, so again it is expected that any disruption to operations would be short lived and not to create significant operational issues.

CSL also has in place Service Level Agreements with CS which include requirements for any disruption in platform services to be rectified within pre-determined timelines. These business continuity plans are tested by CS to ensure that these requirements can be fulfilled therefore CSL is reliant on the group business continuity plans.

Capital Adequacy Conclusion
CSL's analysis concludes that it would not expect to see any additional capital losses arising from climate risk factors, other than for market risk where it is possible that losses could arise from a severe weather event. However, these losses are well within the already envisioned market moves that have been capitalised under Pillar 1 and 2 and therefore CSL does not see any need for additional capital buffers to cover this event.

6. Own Funds

6.1 Structure of own funds

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

- Common Equity Tier 1 ("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 29,55mn). 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:

Figure 15. Composition of regulatory own funds

As of 31/12/2021 (in CHF)	Own funds composition
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Capital instruments and the related share premium accounts	**258.479.954**
Retained earnings	225.809.874
Accumulated other comprehensive income (and other reserves)	235.045
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**484.524.872**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Intangible assets (net of related tax liability) (negative amount)	(227.482)
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(1.135.430)
Other regulatory adjustments	(10.966.022)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(12.101.452)
Common Equity Tier 1 (CET1) capital	**472.195.939**
Additional Tier 1 (AT1) capital	**-**
Tier 1 capital (T1 = CET1 + AT1)	**472.195.939**
Tier 2 (T2) capital: instruments	
Capital instruments and the related share premium accounts	29.554.889
Tier 2 (T2) capital before regulatory adjustments	29.554.889

As of 31/12/2021 (in CHF)	Own funds composition
Tier 2 (T2) regulatory adjustments	
Tier 2 (T2) capital	**29.554.889**
Total capital (TC = T1 + T2)	**501.750.828**
Total risk exposure amount	**1.788.652.260**
Capital ratios and requirements including buffers	
Common Equity Tier 1	26,40%
Tier 1	26,40%
Total capital	28,05%
Institution CET1 overall capital requirements	7,66%
of which: capital conservation buffer requirement	2,50%
of which: countercyclical capital buffer requirement	0,10%
of which: systemic risk buffer requirement	0,00%
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,56%
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	**19,49%**

6.2 Total capital ratio

6.2.1 Overview

As of December 31, 2022, the regulatory own funds amounted to CHF 501,8mn as compared to own capital requirements of CHF 143,1mn computed with the standardized approach as defined in the CRR. This leads to a total capital ratio of 28,05%, which is well above the overall capital requirement of 11,6%[2]. The table below illustrates these facts.

Figure 16. Capital adequacy

As of 31/12/2022 (in CHF)	Capital adequacy ratio
Total regulatory capital	**501.750.828**
CET 1 instruments	472.195.939
Additional Tier 1 instruments	-
Tier 2 instruments	29.554.889
Total risk exposure amount	**1.788.652.260**
Total capital ratio	**28,05%**
Total SREP capital requirement ("TSCR")	**9%**
Pillar I requirement	8%
Additional local requirement	1%
Overall capital requirement (OCR)	**11,6%**
Capital conservation buffer	2,5%
Countercyclical buffer	0,1%

[2]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 (0,1%) apply.

6.2.2 Capital resources requirement

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

Figure 17. Overview of total risk exposure amounts

Own funds requirements as of 31/12/2022 (in CHF)	RWA	Pillar I capital requirements
Credit risk (excluding counterparty credit risk)	**1.312.525.138**	**105.002.011**
Of which: standardized approach	1.312.525.138	105.002.011
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")	**112.273.782**	**8.981.903**
Of which: standardized approach for counterparty credit risk	78.863.244	6.309.059
Of which: Internal Model Method ("IMM")	–	–
Of which: credit valuation adjustment – CVA	3.407.439	272.595
Of which: other CCR	30.003.100	2.400.248
Market risk	**49.728.267**	**3.978.261**
Of which: standardized approach	49.728.267	3.978.261
Of which: internal models approach (IMA)	–	–
Operational risk	**314.125.074**	**25.130.006**
Of which: basic indicator approach	314.125.074	25.130.006
Of which: standardized approach	–	–
Of which: advanced measurement approach	–	–
Total	**1.788.652.260**	**143.092.181**

6.2.3 Capital conservation buffer

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

6.2.4 Countercyclical capital buffer

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

Figure 18. Amount of institution-specific countercyclical capital buffer

As of 31/12/2022 (in CHF)	
Total risk exposure amount	**1.788.652.260**
Institution specific countercyclical capital buffer rate	0,10%
Institution specific countercyclical capital buffer requirement	1.786.166

As of December 31, 2022, the CCyB applicable to the Bank amounts to 0.10% 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).

Figure 19. Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Asset classes	General credit exposures - SA	Total exposure value	Total exposure value	Own fund requirements	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Czechia	1.369	-	1.369	82	1.027	0,0%	1,5%
Denmark	128.665	-	128.665	10.293	128.665	0,0%	2,0%
Hong Kong	684.550	-	684.550	41.073	513.413	0,1%	1,0%
Iceland	1.097	-	1.097	66	823	0,0%	2,0%
Luxembourg	165.333.867	-	165.333.867	12.460.141	155.751.767	19,7%	0,5%
Sweden	403.508	-	403.508	32.040	400.505	0,1%	1,0%
Total	**166.553.056**	**-**	**166.553.056**	**12.543.696**	**156.796.199**		

6.2.5 Total Loss Absorbing Capacity

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

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

As per end of 2022, the Bank is not subject to any resolution requirements regarding the loss absorbing capacity.

7. Linkages between financial statements and regulatory exposures

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

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

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

- 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.

Figure 20. Assets - financial statements and regulatory exposures

Assets as of 31/12/2022 (in CHF)	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
Cash and balances at central banks	1.216.542.400	1.216.532.395
Financial assets designated at fair value	77.319	77.319
Derivative financial instruments	-	42.034.609
Loans and advances to banks	1.260.565.002	1.145.376.463
Loans and advances to customers	2.652.780.534	2.611.948.191
Reverse repurchase agreements and other similar secured lending	-	150.015.500
Current and deferred tax assets	-	1.866.265
Prepayments, accrued income and other assets	76.695.958	56.970.060
Goodwill and intangible assets	227.482	227.482
Property, plant and equipment	2.612.691	30.220.209
Total assets	**5.209.501.386**	**5.255.268.492**

Figure 21. Liabilities - financial statements and regulatory exposures

Liabilities as of 31/12/2022 (in CHF)	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
Deposits from banks	310.155.072	278.825.048
Customer accounts	4.229.227.819	4.261.340.466
Derivative financial instruments	-	40.296.301
Accruals, deferred income and other liabilities	87.561.864	85.234.374
Current and deferred tax liabilities	22.789.499	6.011.824
Subordinated liabilities	29.554.889	30.108.348
Provisions	663.685	333.567
Retirement benefit liabilities	16.081.028	20.348.374
Total liabilities	**4.696.033.856**	**4.722.498.301**

Figure 22. Equity - financial statements and regulatory exposures

Shareholders' equity as of 31/12/2022 (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	226.621.345	225.809.874
Accumulated other comprehensive income	-	235.045
Total shareholders' equity	**485.101.299**	**484.524.872**

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

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

Assets as of 31/12/2022 (in CHF)

	Carrying values as reported in published financial statements	**Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitization framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Cash and balances at central banks	1.216.542.400	1.216.532.395	1.216.532.395	-	-	-	-
Financial assets designated at fair value	77.319	77.319	77.319	-	-	-	-
Derivative financial instruments	-	42.034.609	569.097.634	145.733.498	-	-	-
Loans and advances to banks	1.260.565.002	1.145.376.463	1.145.376.463	-	-	-	-
Loans and advances to customers	2.652.780.534	2.611.948.191	2.611.948.191	-	-	-	-
Reverse repurchase agreements and other similar secured lending	-	150.015.500	-	150.015.500	-	-	-
Current and deferred tax assets	-	1.866.265	730.834	-	-	-	1.135.430

Assets as of 31/12/2022 (in CHF)

Prepayments, accrued income and other assets	76.695.958	56.970.060	56.970.060	-	-	-	-
Goodwill and intangible assets	227.482	227.482	-	-	-	-	227.482
Property, plant and equipment	2.612.691	30.220.209	30.220.209	-	-	-	-
Total assets	**5.209.501.386**	**5.255.268.492**	**5.630.953.105**	**295.748.998**	**-**	**-**	**1.362.912**

Figure 24. Liabilities - mapping of financial statement categories with regulatory risk categories

Liabilities as of 31/12/2022 (in CHF)

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Deposits from banks	310.155.072	278.825.048	-	-	-	-	278.825.048
Customer accounts	4.229.227.819	4.261.340.466	-	-	-	-	4.261.340.466
Derivative financial instruments	-	40.296.301	-	-	-	-	40.296.301
Accruals, deferred income and other liabilities	87.561.864	85.234.374	-	-	-	-	85.234.374
Current and deferred tax liabilities	22.789.499	6.011.824	-	-	-	-	6.011.824
Subordinated liabilities	29.554.889	30.108.348	-	-	-	-	30.108.348
Provisions	663.685	333.567	-	-	-	-	333.567
Retirement benefit liabilities	16.081.028	20.348.374	-	-	-	-	20.348.374
Total liabilities	**4.696.033.856**	**4.722.498.301**	**-**	**-**	**-**	**-**	**4.722.498.301**

8. Information on credit risk

The Bank defines credit risk as the risk of financial loss arising as a result of a borrower or counterparty failing to meet its obligations or as a result of deterioration in the credit quality of 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 standardized approach for credit risk, which is documented in Articles 111 to 141 of the CRR. This approach relies on the application of risk weights, which are based on:

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

8.1 Credit risk management framework

8.1.1 **Credit product offering**

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

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

8.1.2 **Credit approval process**

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

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

8.1.3 Credit risk monitoring/annual review process

Compliance of all credit exposures with approved credit limits and the availability of sufficient collateral are monitored by a fully automated tool 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 initiate liquidation of the client's portfolio (margin call process) to recover the full loan amount including interest, if deemed necessary.

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

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

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

8.1.4 Definition of past due and impairment

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

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

8.1.5 Stress testing

Stress tests aim to assess the exposure at risk and expected loss in case of deteriorating economic conditions. In this context, the Bank has developed an internal approach, which allows incorporating derivative exposure and derivative hedging benefits.

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

8.2 Credit risk exposures

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

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

As disclosed in the table below, total credit risk exposure (on-balance and off-balance sheet exposures net of value adjustments and provisions) amounts to CHF 5.777mn as of December 31, 2022.

Figure 25. Breakdown of on- and off-balance sheet exposures according to regulatory exposure classes

Exposure amounts as of 31/12/2022 (in CHF)	On-balance sheet amount	Off-balance sheet amount	Total exposure
Central governments or central banks	1.216.532.395	-	1.216.532.395
Regional government or local authorities	-	-	-
Public sector entities	-	-	-
Multilateral development banks	-	-	-
International organizations	-	-	-
Institutions	1.145.376.463	137.201	1.145.513.664
Corporates	2.346.428.516	669.941.160	3.016.369.676
Retail	46.231.379	44.752.673	90.984.051
Secured by mortgages on immovable property	157.173.067	-	157.173.067
Exposures in default	62.115.229	99	62.115.327
Exposures associated with particularly high risk	-	-	-
Covered bonds	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-
Collective investment undertakings	-	-	-
Equity	77.319	-	77.319
Other items	87.921.103	-	87.921.103
TOTAL	**5.061.855.471**	**714.831.132**	**5.776.686.603**

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

As disclosed in the table below, total non-performing exposures (on-balance and off-balance sheet exposures before value adjustments and provisions) amount to CHF 69,9mn as of December 31, 2022.

Figure 26. Breakdown of performing and non-performing exposures according to regulatory exposure classes

Exposure amounts as of 31/12/2022 (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	1.658.111.538	1.658.111.538	-	-	-	-	(192)w	(192)	-	-	-	-	-	-	-
Loans and advances	3.404.424.474	3.390.029.132	14.395.342	69.946.831	-	69.946.831	(778.500)	(744.417)	(34.083)	(7.831.602)	-	(7.831.602)	(315.359)	2.305.633.351	44.872.557
Credit institutions	854.010.045	854.010.045	-	-	-	-	(197.034)	(197.034)	-	-	-	-	-	150.015.500	-
Other financial corporations	1.764.714.167	1.762.905.374	1.808.793	32.407.852	-	32.407.852	(1.766)	(1.605)	(161)	(2.803.492)	-	(2.803.492)	-	1.461.326.687	29.541.721
Non-financial corporations	311.911.768	299.325.219	12.586.549	36.534.317	-	36.534.317	(574.941)	(541.019)	(33.922)	(5.025.437)	-	(5.025.437)	-	223.198.736	14.345.673
Households	473.788.494	473.788.494	-	1.004.662	-	1.004.662	(4.759)	(4.759)	-	(2.674)	-	(2.674)	(315.359)	471.092.428	985.163
Debt Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	3.189.544.474	3.189.544.474	-	99	-	-	4.691	4.691	-	-	-	-		1.908.645.953	-
Credit institutions	137.201	137.201	-	-	-	-	4.691	4.691	-	-	-	-		-	-
Other financial corporations	2.975.666.797	2.975.666.797	-	99	-	-	-	-	-	-	-	-		1.798.545.948	-
Non-financial corporations	80.018.629	80.018.629	-	-	-	-	-	-	-	-	-	-		24.972.280	-
Households	133.721.847	133.721.847	-	-	-	-	-	-	-	-	-	-		85.127.725	-
Total	**8.252.080.487**	**8.237.685.144**	**14.395.342**	**69.946.930**	**-**	**69.946.831**	**(774.001)**	**(739.917)**	**(34.083)**	**(7.831.602)**	**-**	**(7.831.602)**	**(315.359)**	**4.214.279.305**	**44.872.557**

8.2.3 Credit quality of assets

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

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

Figure 27. Credit quality of performing and non-performing exposures by past due days

Exposure amounts as of 31/12/2022 (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	1.658.111.538	1.658.111.538	-	-	-	-	-	-	-	-	-	-
Loans and advances	3.404.424.474	3.394.192.097	10.232.377	69.946.831	1.511.506	1.010.730	46.187.448	46.187.448	2.117	47.114	20.579.781	69.946.831
Credit institutions	854.010.045	854.010.045	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1.764.714.167	1.754.531.321	10.182.846	32.407.852	5.738	14	32.352.885	32.352.885	2.101	47.114	-	32.407.852
Non-financial corporations	311.911.768	311.911.418	351	36.534.317	1.505.768	6.280	13.834.336	13.834.336	15	-	20.579.781	36.534.317
Households	473.788.494	473.739.313	49.180	1.004.662	-	1.004.436	227	227	-	-	-	1.004.662
Debt Securities	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	3.189.544.474			99	-							99
Credit institutions	137.201			-								-
Other financial corporations	2.975.666.797			99								99
Non-financial corporations	80.018.629			-								-
Households	133.721.847			-								-
Total	**8.252.080.487**	**5.052.303.635**	10.232.377	69.946.930	1.511.506	1.010.730	**46.187.448**	**2.117**	**47.114**	**20.579.781**	**608.136**	**69.946.930 -**

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

Figure 28. Credit quality of loans and advances to non-financial corporations by industry

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-performing exposures
		of which: non-performing		of which: loans and advances subject to impairment		
			of which: defaulted			
Agriculture, forestry and fishing	594.924	-	-	594.924	-	-
Mining and quarrying	723.385	-	-	723.385	-	-
Manufacturing	32.351.731	1.121	1.121	32.351.731	(33.922)	-
Construction	4.311.156	15	15	4.311.156	-	-
Wholesale and retail trade	7.977.008	-	-	7.977.008	(541.019)	-
Transport and storage	29.560.629	-	-	29.560.629	-	-
Information and communication	40.478.946	-	-	40.478.946	-	-
Real estate activities	227.703.512	36.533.180	36.533.180	227.703.512	(5.025.437)	-
Financial and insurance activities	4.459.430	-	-	4.459.430	-	-
Professional, scientific and technical activities	282.683	-	-	282.683	-	-
Other services	2.680	-	-	2.680	-	-
Total	**348.446.085**	**36.534.317**	**36.534.317**	**348.446.085**	**(5.600.378)**	**-**

8.2.4 Changes in stock of defaulted loans and debt securities

The table below provides an overview of the evolution of the stock of defaulted loans between December 31, 2021 and December 31, 2022. As illustrated below, the stock between 2021 and 2022 increased by CHF 22,4mn mainly due to the defaulted exposure of two sanctioned clients in 2022.

Figure 29. Overview of the evolution of the stock of non-performing loans and advances

Changes in the stock of non-performing loans and advances as of 31/12/2022	Amounts in CHF
Initial stock of non-performing loans and advances	**47.528.009**
Inflows to non-performing portfolios	25.562.675
Outflows from non-performing portfolios	(3.146.388)
Outflows due to write-offs	(315.359)
Outflow due to other situations	(2.831.029)
Final stock of non-performing loans and advances	**69.944.297**

8.2.5 Credit risk mitigation techniques

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

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

Figure 30. CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

As of 31/12/2022 (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	2.773.366.648	2.350.505.901	1.795.345.974	555.159.927	-
Debt securities	-	-	-	-	-
Total	**2.773.366.648**	**2.350.505.901**	**1.795.345.974**	**555.159.927**	**-**
Of which non-performing exposures	17.242.672	44.872.557	36.257.264	8.615.293	-
Of which defaulted	52.514.822	9.600.505	-	9.600.505	-

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

The table below provides a breakdown of on- and off-balance sheet exposures (net of impairments and provisions) per regulatory exposure class and per risk weight. As illustrated, the Bank's main exposures are to 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%, 50% and 100%. This results from the fact that exposures to sovereign and central banks consist of central bank reserves that are risk weighted at 0% according to Article 114(4) of the CRR.

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

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

Figure 31. Standardized approach - On- and off-balance sheet exposures net of value adjustments and provisions

Exposure amounts as of 31/12/2022 (in CHF)	Risk weight								
Asset classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**TOTAL**
Central governments or central banks	1.216.532.395	–	–	–	–	–	–	–	1.216.532.395
Regional government or local authorities	–	–	–	–	–	–	–	–	–
Public sector entities	–	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–	–	–
International organizations	–	–	–	–	–	–	–	–	–
Institutions	–	1.152.912.103	–	721.426.976	–	137.201	–	–	1.874.476.279
Corporates	–	2.736	–	16.795.364	–	494.400.296	75	–	511.198.470
Retail	–	–	–	–	21.997.609	–	–	–	21.997.609
Secured by mortgages on immovable property	–	–	155.266.124	–	–	–	–	–	155.266.124
Exposures in default	–	–	–	–	–	38.637.228	13.877.594	–	52.514.822
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–
Covered bonds	–	–	–	–	–	–	–	–	–
Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–
Unit or shares in collective investment undertakings	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	77.319	–	–	77.319
Other items	–	–	–	–	–	87.921.103	–	–	87.921.103
Total	**1.216.532.395**	**1.152.914.839**	**155.266.124**	**738.222.340**	**21.997.609**	**621.173.146**	**13.877.669**		**3.919.984.122**

8.2.7 Credit risk exposure and credit risk mitigation effects

The table below provides an overview of the effects of credit risk mitigation. As illustrated, most exposures are covered by collateral, which is eligible from a credit risk management perspective. This explains why the on-balance sheet exposure post CCF (credit conversion factor) and CRM (credit risk mitigation technique) is significantly lower for corporate and retail exposure classes. All this leads to an overall RWA density of 33,5%.

Figure 32. Standardized approach – Credit risk exposure and CRM effects

Assets as of 31/12/2022 (in CHF)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Central governments or central banks	1.216.532.395	-	1.216.532.395	-	-	0,0%
Regional government or local authorities	-	-	-	-	-	0,0%
Public sector entities	-	-	-	-	-	0,0%
Multilateral development banks	-	-	-	-	-	0,0%
International organizations	-	-	-	-	-	0,0%
Institutions	1.135.590.006	137.201	1.653.933.558	220.542.721	591.433.109	31,6%
Corporates	2.356.214.973	669.941.160	436.981.113	74.217.357	502.798.637	98,4%
Retail	46.231.379	44.752.673	3.834.496	18.163.113	16.498.207	75,0%
Secured by mortgages on immovable property	157.173.067	-	155.266.124	-	54.343.143	35,0%
Exposures in default	62.115.229	99	52.514.773	49	59.453.619	113,2%
Exposures associated with particularly high risk	-	-	-	-	-	0,0%
Covered bonds	-	-	-	-	-	0,0%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0,0%
Collective investment undertakings	-	-	-	-	-	0,0%
Equity	77.319	-	77.319	-	77.319	100,0%
Other items	87.921.103	-	87.921.103	-	87.921.103	100,0%
TOTAL	**5.061.855.471**	**714.831.132**	**3.607.060.882**	**312.923.240**	**1.312.525.138**	**33,5%**

8.2.8 Geographical breakdown of quality of non-performing exposures

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

Figure 33. Quality of non-performing exposures by geography

As of 31/12/2022 (in CHF)	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	**3.474.371.305**	**69.946.831**	**69.946.831**	**3.474.371.305**	**(8.610.102)**		-
FR	1.069.055.803	58.198.344	58.198.344	1.069.055.803	(6.309.951)		-
JE	39.440.221	10.681.277	10.681.277	39.440.221	(2.064.755)		-
PT	77.169.084	993.452	993.452	77.169.084	(2.674)		-
Other countries	2.288.706.197	73.757	73.757	2.288.706.197	(232.723)		-
Off balance sheet exposures	**3.189.544.573**	**99**	**99**			**4.691**	
FR	597.711.478	99	99			-	
Other countries	2.591.833.095	-	-			4.691	
Total	**6.663.915.878**	**69.946.930**	**69.946.930**	**3.474.371.305**	**(8.610.102)**	**4.691**	**-**

8.3 Counterparty credit risk

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

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

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

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

Figure 34. Analysis of CCR exposure by 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)	29.464.972	74.630.384		1,40	145.733.498	145.733.498	145.733.498	78.863.244
IMM (for derivatives and SFTs)			-	-	-	-	-	-
Financial collateral simple method (for SFTs)						-	-	-
Financial collateral comprehensive method (for SFTs)					150.015.500	150.015.500	150.015.500	30.003.100
VaR for SFTs					-	-	-	-
Total					**295.748.998**	**295.748.998**	**295.748.998**	**108.866.344**

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

Figure 35. Standardized approach – CCR exposures by regulatory exposure class and risk weights

Regulatory portfolio as of 31/12/2022 (in CHF)	**Risk weight**								
	0%	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total exposure value**
Central governments or central banks	-	-	-	-	-	-	-	-	-
Regional government or local authorities	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-
Institutions	-	-	66.082.918	107.967.900	-	-	-	-	274.050.818
Corporates	-	-	-	-	-	21.568.699	-	-	21.568.699
Retail	-	-	-	-	129.482	-	-	-	129.482
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-
Total exposure value	**-**	**-**	**166.082.918**	**107.967.900**	**129.482**	**21.568.699**	**-**	**-**	**295.748.998**

The table below shows the composition of collateral for the CCR exposures as of 31.12.2022 in CHF.

Figure 36. Composition of collateral for CCR exposures

As of 31/12/2022 (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
Cash – domestic currency	-	27.999	–	–	–	–	–	–
Cash – other currencies	–	73.494.365	–	–	–	–	–	–
Domestic sovereign debt	–	–	–	–	–	–	–	–
Other sovereign debt	–	–	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–	–
Equity securities	–	344.999.053	–	–	–	–	–	–
Other collateral	–	931	–	–	–	–	–	–
Total	–	**418.522.347**	–	–	–	–	–	–

8.4 Credit valuation adjustment

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

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

Figure 37. Transactions subject to own funds requirements for CVA risk

December 31, 2022 (in CHF)	Exposure value	RWEA
Total portfolios subject to the Advanced CVA capital charge	–	–
(i) VaR component (including the 3×multiplier)		–
(ii) Stressed VaR component (including the 3×multiplier)		–
All portfolios subject to the Standardized CVA capital charge	21.071.949	3.407.439
Total subject to the CVA capital charge	**21.071.949**	**3.407.439**

8.5 Intragroup Credit Concentration Risk

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

In terms of concentration risks linked to business strategy and earnings, the Bank's business model with its strong diversification in terms of products and client groups constitutes an efficient mitigation. However, the Bank's main material concentration risk is the intra-group exposure, especially considering the outsourcing of operations and IT services to CS AG, CS (Schweiz) AG and CS Services AG. The Bank considers its governance structure as well as the control framework being efficient and effective as mitigating factors for the potential concentration risk resulting from intra-group dependencies.

Other intra-risk concentration has been identified in the area of credit risk. As highlighted in section 5.1, the Bank's policies as well as its supportive IT systems in Credit Risk Management are deemed efficient in order to manage concentration risks in this area.

Besides the CSSF asked CSL to explain how and how often the Bank's internal reports and procedures allow the AM and the BoD to monitor intra-group credit concentration risk.

As prompted by the local CSSF regulator mid-October, four new indicators (absolute and relative measures of CS CDS Euro 5 years and CS Group share price) started to be monitored in November 2022, as per the proposed Risk Appetite Statement, on top of the already monitored indicators for CS Group (CS Group AG rating, CS Buffer capital note trade price). This change was approved by the Board of Directors duly communicated to the CSSF in a series of calls and meetings in Q4 2022.

Figure 38. Intragroup indicators

No.	Intragroup Indicators	Limit	Flag/RAG status	Monitoring
	CS Group AG CDS	N/A	< 250 bps (Green) 250 to 350 bps (Amber) > 350 bps or +100 bps increase (Red)	Treasury meeting (daily) Bi-weekly (every two weeks) Recovery Indicators (monthly) ALCO (monthly) Risk Committee (monthly)

No.	Intragroup Indicators	Limit	Flag/RAG status	Monitoring
	CS Group AG CDS vs. peers	N/A	CS/peer Group: < 50 bps (Green) 50 to 100 bps (Amber) > 100 bps (Red) Or + 100 bps increase	Bi-weekly (every two weeks)
	CS Group share price vs. index (USD)	N/A	<= -5% (Green) > -5% and <= -10% (Amber) Escalation (on a relative basis vs. BBG World Bank Index)	Bi-weekly (every two weeks)
Already Existing	CS Group AG rating	N/A	BB- (Recovery Alert)	Recovery Indicators (monthly) ALCO (monthly) CRO Risk report (quarterly)

A description of the escalation mechanisms applicable to the monitored intra-group metrics has been added in CSL Risk Appetite Statement. This includes:

- Monitoring of CS Group share price, rating and Credit Suisse CDS in the daily Treasury meeting.
- If two or more flags are triggered (amber territory):
- Ad hoc LCR calculation and upstreaming (>30d) to Parent would need to be assessed.
- Escalation to EMEA/Group Treasury.
- The adjustment in the upstreaming to parent company would be assessed on a case-by-case basis and would be decided by Treasury/CFO in Luxembourg. Authorized Management will be informed about the decision and will assess the severity and, if CSSF needs to be informed.
- An ad-hoc ALCO and/or Risk Committee will be invoked.
- The monitoring of those indicators takes place in the Treasury meeting (daily), in the Bi-weekly Risk report (every two weeks), in the Recovery Indicators Dashboard (monthly), in the ALCO (monthly) and in the Risk Committee (monthly).

In line with the Entity Liquidity Capacity Aggregate (ELCA) CSL participates on an ad-hoc basis to rebalancing towards CS Group by terming out cash. For this purpose, CSL uses its KAS860, 31d call accounts held with CS Group.

In January the portion of termed out cash amounted CHF 300mn and reached a peak of CHF 1,25bn in August 2022. It has been reduced several times in Q4 and showed a total balance of USD 125mn and CHF 400mn (pending a reduction of CHF 125mn instructed mid-December) at YE 2022.

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

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

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

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

Figure 39. Intra-group credit concentration risk capital Pillar 2 add on

Year-End 2022 (CHF mn)		Value	I/C RWAs	Percentage
Cash	HQLA	1.216,5	-	
	Cash deposits IC	-	75,2	6,1%
Securities	SLB,Repo N-FVO	150,0	30,0	2,5%
	Trading assets	145,7	78,9	6,4%
Loans	Loans NON FVO THP	2.703,7	793,3	64,9%
	Loans NON FVO IC	677,9	157,9	12,9%
Receivables	Receivables THP	87,0	87,0	7,1%
	Receivables IC	0,9	0,9	0,1%
Total Assets		5.357,5	1.223,1	HHI = 0,45
CAPITAL BUFFER ALLOCATION			1.223,1 * 3,5% = 42,8	

Concluding the overall concentration risk assessment, the additional Pillar II capital charge on intra-group credit concentration risk added in 2022 amounts to CHF 42,8mn as a management buffer.

9. Information on market risk

9.1 Overview

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

9.2 Market risk management framework

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

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

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

- Foreign exchange risk;
- Interest rate risk.

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

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

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

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

9.2.1 Foreign exchange risk

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

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

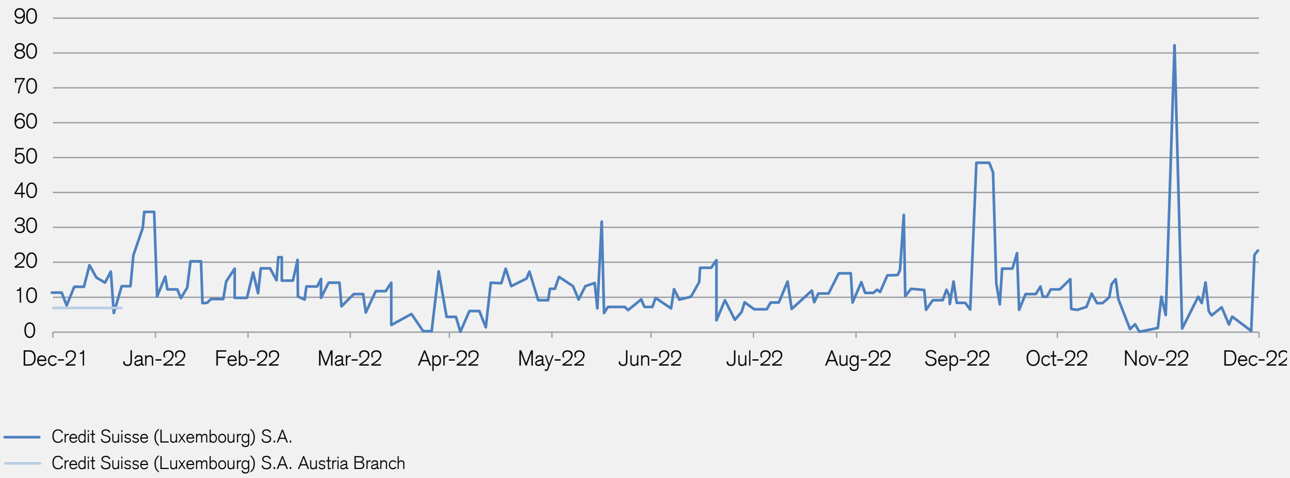
FX risk is managed through daily monitoring and the utilization of exposures limits.
The table below presents the limits that are in place.

Figure 40. FX flag limit

FX Flag (in USD mn)	Limit	Utilization 31/12/21	Reporting frequency
CS Luxembourg	1,2	23%	Daily

Over 2022, no breach of foreign exchange exposure limit has been reported. The compliance with the foreign exchange exposure limit over 2022 is presented on the below graph.

Figure 41. FX flag usage (in % – overview 2022)



9.2.2 Interest rate risk (IR)

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

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

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

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

9.3 Market risk exposures

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

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

Figure 42. Market risk under the standardized approach

As of 31/12/2022 (in CHF)	RWEAs
Outright products	
Interest rate risk (general and specific)	–
Equity risk (general and specific)	–
Foreign exchange risk	49.728.267
Commodity risk	–
Options	
Simplified approach	–
Delta-plus method	–
Scenario approach	–
Securitisation	–
Total	**49.728.267**

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, 2022, the overall negative impact of the regular Interest Rate Risk in the Banking Book Stress Test, i.e. a parallel shift of the interest rate curve by +/- 200 bps was as follows:

Figure 43. Parallel shift of the interest rate

Parallel shift of +200 bps	Parallel shift of -200 bps
USD (4,28mn)	USD 2,11mn

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

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

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

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

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

Measured ΔEVE

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

Figure 44. Worst case EVE scenarios remained within risk limits

Stress Test	(USD thousands)	Stress Value 31/12/2021	% of Tier capital	Limit (CHF mn)
CSSF	Parallel shift of +200 bps	-3,96	-0,84%	-15
	Parallel shift of -200 bps	1,95	0,41%	
EBA 6 Scenarios	Parallel Up	-3,78	-0,80%	-15
	Parallel Down	1,84	0,39%	
	Steepener	1,01	0,21%	
	Flattener	-2,80	-0,59%	
	Short Up	-3,82	-0,81%	
	Short Down	1,85	0,39%	

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:

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

Measured Net Interest Income (ΔNII)

On the top of the ΔEVE calculation as per EBA requirements, CSL has also developed NII risk measurement. Throughout 2022, the various scenarios have not led to any breach of the CHF 30mn risk limit. The level of consumption of the risk limit remained at low level throughout the year.

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

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

Regulatory Net Interest Income:

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

10. Information on operational risk

10.1 Overview

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

The Bank has opted for the Basic Indicator Approach ("BIA")[3] to compute the regulatory capital requirements to cover operational risks of the Bank, which is outlined in the following:

Figure 45. Operational risk own funds requirements and risk-weighted exposure amounts

	Relevant indicator				
Year End (in CHF)	**2020**	**2021**	**2022**	**Own funds requirements**	**Risk Exposure amount**
Banking activities subject to basic indicator approach (BIA)	170.059.486	158.589.682	173.950.949	25.130.006	314.125.074

Own funds requirements for operational risk are computed as follows:

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

The relevant indicator is the positive annual gross income as per audited CSL Finrep year-end figures (i.e. the above 2022 figure is still referring to the audited Finrep of 2021 as the Finrep as per 31.12.2022 is not audited yet when the Corep needs to be reported to the CSSF). This leads to capital requirements for operational risk amounting to CHF 25.130.006 which corresponds to CHF 314.125.074 of RWA.

10.2 Operational risk management framework

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

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

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

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

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

11. Information on liquidity risk

11.1 Overview

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

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

11.2 Liquidity risk management framework

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

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

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

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

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

(3) Liquidity management principles

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

11.2.1 Funding strategy

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

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

CSL does not face any major concentration risk with regards to the source of customer deposits: the largest client deposit represents 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.

11.2.2 Liquidity risk mitigation techniques

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

11.2.3 Stress testing

Barometer 2.0 (B2.0) is Credit Suisse' internal liquidity risk model. B2.0 is a global model which is consistently applied on the Credit Suisse network (including CSL). It incorporates various stress scenarios across different time horizons. The two main scenarios are a 30-day severe combined stress event (B2.0 30d) and a 365 days less severe scenario (B2.0 365d). Key assumptions of the Barometer 2.0 stress testing framework incorporate 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 behavioral assumptions for up to 365 days to perform stress testing analysis and reporting across long term structural scenarios. The rationale supporting the Barometer 2.0 shares similarities with the Liquidity Coverage Ratio ("LCR") as it addresses acute short-term liquidity issues.

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

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

11.2.4 Contingency funding plan

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

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

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

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

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

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

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

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

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

11.3 Liquidity coverage ratio

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

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

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

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

In this context, the Bank computes and reports its LCR to the CSSF and BCL on a monthly basis. The table below shows the average LCR calculated over a period of 3 months (October, November, December 2022) which amounts to 160%.

Figure 46. Quantitative information of LCR

LCR (average) (amounts in CHF)	Total unweighted value (average)				Total weighted value (average)			
	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
High-quality liquid assets								
1 Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					1.649.985.521	2.630.567.066	2.673.841.138	2.777.011.274
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	733.475.793	1.248.111.190	1.243.104.392	1.233.714.856	137.335.589	246.222.668	248.620.878	246.742.971
3 Stable deposits	–	–	–	–	–	–	–	–
4 Less stable deposits	686.677.944	1.231.113.342	1.243.104.392	1.233.714.856	137.335.589	246.222.668	248.620.878	246.742.971
5 Unsecured wholesale funding	4.273.663.103	6.035.256.193	6.766.016.091	7.105.591.691	2.393.272.837	3.396.342.018	3.837.709.432	4.037.305.641
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	2.024.100.285	2.694.233.704	3.014.156.282	3.304.633.799	506.025.071	673.558.426	753.539.070	826.158.450
7 Non-operational deposits (all counterparties)	2.249.562.817	3.341.022.489	3.751.859.809	3.800.957.891	1.887.247.766	2.722.783.592	3.084.170.361	3.211.147.191
8 Unsecured debt	–	–	–	–	–	–	–	–
9 Secured wholesale funding	–	–	–	–	–	–	–	–
10 Additional requirements	250.116.246	251.160.572	229.423.139	211.094.458	163.558.325	166.633.768	145.831.896	140.429.399
11 Outflows related to derivative exposures and other collateral requirements	38.631.977	47.363.898	60.186.874	60.855.418	38.631.977	47.363.898	60.186.874	60.855.418
12 Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
13 Credit and liquidity facilities	211.484.268	203.796.674	169.236.265	150.239.040	124.926.348	119.269.870	85.645.023	79.573.981
14 Other contractual funding obligations	79.742.081	57.403.235	39.316.153	46.476.216	79.742.081	57.403.235	39.316.153	46.476.216
15 Other contingent funding obligations	2.616.128.294	2.598.204.824	2.453.879.045	2.234.456.974	–	–	–	–
16 Total cash outflows					2.773.908.832	3.866.601.690	4.271.478.360	4.470.954.226
17 Cash inflows								
18 Secured lending (e.g. reverse repos)	215.226.149	492.907.965	469.647.426	481.010.206	32.283.922	66.358.768	67.485.887	72.151.531
19 Inflows from fully performing exposures	1.676.360.258	2.285.818.392	2.607.989.983	2.420.461.212	1.532.630.001	2.171.785.989	2.537.220.086	2.338.323.309
20 Other cash inflows	548.827.117	631.960.554	824.938.974	1.932.491.363	154.499.749	171.188.477	238.016.849	461.017.658
21 (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					–	–	–	–
22 (Excess inflows from a related specialized credit institution)					–	–	–	–
23 Tortal cash inflows	2.440.413.523	3.410.686.911	3.902.576.384	4.833.962.782	1.719.413.672	2.409.333.234	2.842.722.823	2.871.492.498
24 Fully exempt inflows	–	–	–	–	–	–	–	–
25 Inflows subject to 90% cap	–	–	–	–	–	–	–	–
26 Inflows subject to 75% cap	2.440.413.523	3.410.686.911	3.902.576.384	4.823.749.213	1.719.413.672	2.409.333.234	2.842.722.823	2.871.492.498
27 Total adjusted value								
28 Liquidity buffer					1.649.985.521	2.630.567.066	2.673.841.138	2.777.011.274
29 Total net cash outflows					1.054.495.160	1.457.268.456	1.428.755.484	1.599.461.728
30 Liquidity coverage ratio					160%	189%	189%	174%

11.4 Net stable funding ratio

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

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

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

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

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

In this context, the Bank computes and reports its NSFR to the CSSF and BCL on a quarterly basis. The table below shows that the NSFR as of December 31, 2022 amounts to 187%.

Figure 47. Net Stable Funding Ratio

	ASF and RSF as of 31/12/2022 (in CHF)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to 1 year	≥ 1 year	
1	Capital items and instruments	484.524.872	–	–	29.554.889	514.079.761
2	Own funds	484.524.872	–	–	29.554.889	514.079.761
3	Other capital instruments		–	–	–	–
4	Retail deposits		395.050.957	17.187.888	2.189.561	373.204.522
5	Stable deposits		–	–	–	–
6	Less stable deposits		395.050.957	17.187.888	2.189.561	373.204.522
7	Wholesale funding:		3.952.337.306	76.910.308	89.857.286	1.344.062.613
8	Operational deposits		1.978.899.061	–	–	989.449.530
9	Other wholesale funding		5.931.236.367	76.910.308	89.857.286	2.333.512.143
10	Interdependent liabilities		–	–	–	–
11	Other liabilities:	–	116.278.141	–	26.693.765	26.693.765
12	NSFR derivative liabilities	–				
13	All other liabilities and equity not included in the above categories		116.278.141	–	26.693.765	26.693.765
14	**Total available stable funding (ASF)**					**2.258.040.661**

ASF and RSF as of 31/12/2022 (in CHF)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to 1 year	≥ 1 year	
15 Total high-quality liquid assets (HQLA)					–
16 Assets encumbered for a residual maturity of one year or more in a cover pool		–	–	–	–
17 Deposits held at other financial institutions for operational purposes		–	–	–	–
18 Performing loans and securities:		3.309.310.171	90.293.081	435.368.359	1.047.224.721
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2.654.849.920	82.996.244	312.004.885	611.487.224
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		654.460.250	7.296.837	123.363.475	435.737.497
21 Interdependent assets		–	–	–	–
22 Other assets:		207.429.846	–	32.391.275	127.430.263
23 Physical traded commodities				–	–
24 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		4.459.430	–	–	3.790.515
25 NSFR derivative assets		1.323.748			1.323.748
26 NSFR derivative liabilities before deduction of variation margin posted		31.083.633			1.554.182
27 All other assets not included in the above categories		170.563.036	–	32.391.275	120.761.818
28 Off-balance sheet items		101.807.774	197.033	537.105.044	31.955.586
33 Total required stable funding (RSF)					**1.206.610.570**
Net Stable Funding Ratio (%)					**187%**

11.5 Unencumbered assets

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

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

Sources of encumbrance are minimum central bank reserves held at central bank and reverse repurchase agreements.

Figure 48. Encumbered and unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	55.937.177	–			5.199.331.316	–		
Equity instruments	–	–	–	–	77.319	–	7.008	–
Debt securities	–	–	–	–	–	–	–	–
of which: covered bonds	–	–	–	–	–	–	–	–
of which: securitisations	–	–	–	–	–	–	–	–
of which: issued by general governments	–	–	–	–	–	–	–	–
of which: issued by financial corporations	–	–	–	–	–	–	–	–
of which: issued by non-financial corporations	–	–	–	–	–	–	–	–
Other assets	55.937.177	–			5.199.253.996	–		

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

Figure 49. Collateral received and own debt securities issued

			Unencumbered	
	Fair value of encumbered collateral received or own debt securities issued		**Fair value of collateral received or own debt securities issued available for encumbrance**	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution as of 31.12.2022 (in CHF)	–	–	**149.098.385**	**149.098.385**
Debt securities	–	–	149.098.385	149.098.385
of which: covered bonds	–	–	149.098.385	149.098.385
of which: issued by non-financial corporations	–	–	149.098.385	149.098.385
Own debt securities issued other than own covered bonds or securitisations	–	–	–	–
Own covered bonds and asset-backed securities issued and not yet pledged			–	–
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**55.937.177**	**55.937.177**		

12. Leverage ratio

12.1 Overview

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

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

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

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

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

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

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

12.2 Capital measure

According to Article 429(3) of the CRR, the capital measure should be the Tier 1 capital. As of December 31, 2022, the Tier 1 capital of CSL amounts to CHF 472.195.939. It corresponds to CET 1 capital as the Bank does not have any additional Tier 1 instruments.

12.3 Exposure measure

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

OBS items arise from transactions such as credit and liquidity commitments (revocable and irrevocable), guarantees and standby letters of credit. The amount that is included in the exposure measure is determined by multiplying the notional amount of an OBS item by the relevant credit conversion factor from the Basel III standardized approach for credit risk. The adjustment for derivatives is linked to the difference between accounting values and the prudential values calculated with the SA-CCR approach for counterparty credit risk.

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

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

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

As of 31/12/2022 (in CHF)		
1	Total consolidated assets as per published financial statements	5.255.268.492
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	–
3	(Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference)	–
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	–
5	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	–
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	–
7	Adjustment for eligible cash pooling transactions	–
8	Adjustments for derivative financial instruments	103.698.889
9	Adjustment for securities financing transactions (SFTs)	–
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	638.804.620
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	–
12	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	–
13	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	–
14	Other adjustments	(12.328.934)
15	**Total exposure measure**	**5.985.443.067**

12.4 Leverage ratio computation

As of December 31, 2022, the leverage ratio amounts to 7,89%. 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 2021 and 2022.

Figure 51. Leverage ratio common disclosure

Leverage ratio computation		31/12/2022 (in CHF)	31/12/2021 (in CHF)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	5.063.218.383	5.063.218.383
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(12.328.934)	(9.594.875)
3	**Total on-balance sheet exposures**	**5.050.889.449**	**8.571.921.459**
Derivative exposures			
4	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	41.250.961	59.217.351

Leverage ratio computation	31/12/2022 (in CHF)	31/12/2021 (in CHF)
5 Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	104.482.537	157.029.203
6 (Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	–	–
7 (Exempted CCP leg of client-cleared trade exposures) (simplified standardized approach)	–	–
8 (Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	–	–
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	**145.733.498**	**216.246.554**
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	150.015.500	478.622.151
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	**150.015.500**	**478.622.151**
Other off-balance sheet exposures		
17 Off-balance sheet exposures at gross notional amount	714.831.132	221.971.959
18 (Adjustments for conversion to credit equivalent amounts)	(76.026.512)	-
19 Off-balance sheet exposures	**638.804.620**	**221.971.959**
Capital and total exposures		
20 Tier 1 capital	472.195.939	427.684.691
21 Total exposures	5.985.443.067	9.488.762.123
Leverage ratio		
22 Basel III leverage ratio	**7,89%**	**4,51%**

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

As of December 31, 2022, the total on-balance sheet exposure amount (excluding derivatives, SFTs, and exempted exposures) is CHF 5.063mn.

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

As of 31/12/2022 (in CHF)	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5.063.218.383**
Trading book exposures	–
Banking book exposures, of which:	5.063.218.383
Covered bonds	–
Exposures treated as sovereigns	1.216.532.395
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	–
Institutions	1.135.590.006
Secured by mortgages of immovable properties	157.173.067
Retail exposures	46.231.379
Corporates	2.356.214.973
Exposures in default	62.115.229
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	89.361.334

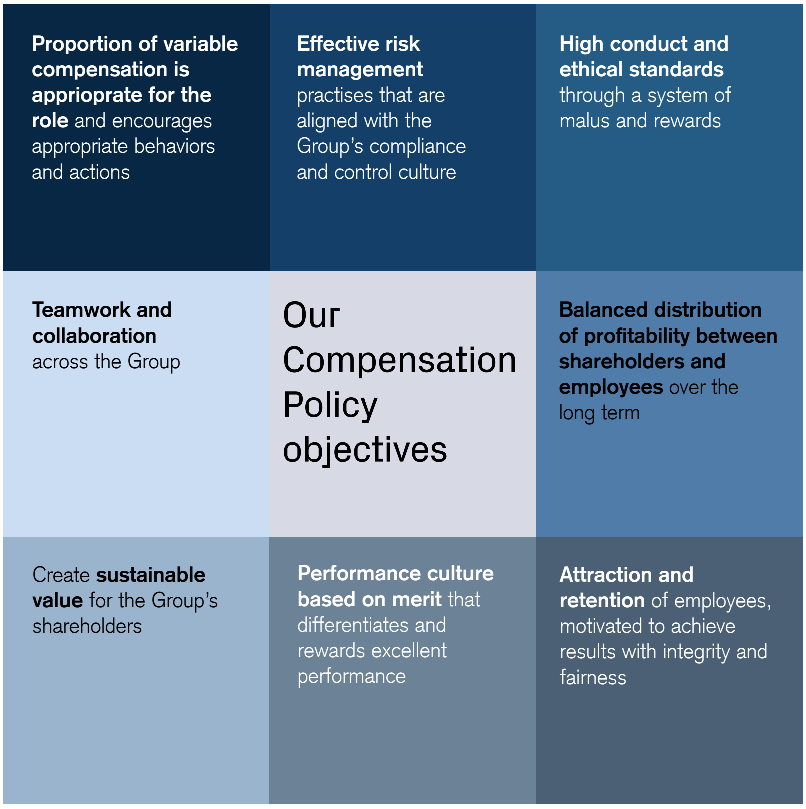
13. Remuneration policy

13.1 Overview

The Group-wide Compensation Policy and Implementation Standards (Compensation Policy) apply to Credit Suisse Group AG ('the Group') and all its affiliated companies and branches and is consequently applicable for CSL and its branches.

The Group Compensation Policy 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:

Figure 53. Group Compensation Policy



13.2 Credit Suisse Group Compensation Policy

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 behavior and actions, particularly in the areas of risk, compliance, and control as reinforced by the Group's cultural values: Inclusion, Meritocracy, Partnership, Accountability, Client Focus and Trust (IMPACT). 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.

Consistent with 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.

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. Additionally, all variable compensation awards granted to the Bank's Material Risk Takers ('MRTs') are subject to claw back provisions for a minimum the sum of vesting period plus any blocking/retention or deferral period specified in the Award Certificate.

Sustainability in compensation

Environmental, Social and Governance (ESG) related factors are considered in various stages of the compensation process:

- **Group variable incentive pool:** the Group Compensation Committee considers audit, disciplinary, risk and regulatory-related issues, among other factors, in order to determine appropriate adjustments to the Group, divisional and corporate functions pools. In addition, one of the key drivers of bonus pool development at the divisional level is economic contribution, which factors in the level of risk taken to achieve profitability;
- **Executive Board variable compensation:** Since 2022, 30% of the total Executive Board variable compensation pool is assessed based on ESG-related factors, with measurable objectives within the three non-financial categories of Risk and Control, Values and Culture, and Sustainability;
- **Equal pay policy:** Credit Suisse does not tolerate any form of discrimination, in particular discrimination based on ethnicity, nationality, gender, sexual orientation, gender identity, religion, age, marital or family status, pregnancy, disability, or any other status that is protected by local law. We recognize and value diversity and inclusion as a driver of success. Our policies and practices support a culture of fairness, where employment-related decisions, including decisions on compensation, are based on an individual's qualifications, performance and behavior, or other legitimate business considerations, such as the profitability of the Group or the division and department of the individual, and the strategic needs of the Group. Consistent with our long-term commitment to fair pay, the Compensation Committee reviews our pay practices on a regular basis to identify potential areas requiring more attention. In 2022, we engaged a third-party consultant to conduct a gender pay equity analysis for certain major locations. The analysis confirmed that we provide "equal pay for equal work" for women and men in the same job and at the same level. This analysis covered employees at all levels within the Group, who were based in Switzerland, Germany, Spain, France, the United Kingdom, Hong Kong, India, Italy, Luxembourg, Poland and Singapore. Taking into account factors such as role, experience, tenure, and geography, the analysis concluded that, in these major locations, women earned 99% of what men earned on a total compensation basis. In recognition of Credit Suisse's commitment to gender pay equity, the largest Credit Suisse employing entities in Switzerland

were awarded the quality label from the Social Partnership Centre for Equal Pay in the Banking Industry and have been certified with the "Fair Pay" label (most recently in 2021). We will continue to review compensation to ensure that our commitment to equal pay is upheld.

Compliance with the applicable CSSF circulars – proportionality principle

The Group's Compensation Policy is supplemented by a Luxembourg appendix to ensure that the provisions of the Luxembourg law of April 5, 1993 on the financial sector (LSF), as amended by the law of July 23rd, 2015, and by the law of 30 May 2021 transposing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (hereafter, "CRD IV") as amended by EU Directive 2019/878 (hereafter, "CRD V"), are applied to all employees of CSL.

CSL however applies, on a voluntary basis, a certain number of the specific remuneration requirements it could have neutralized on an individual basis, which are added to the rules set out in the circular mentioned above.

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

Figure 54. Decision making process

Governance Body	Responsibilities in relation to Compensation Policy
Board of Directors	■ Approves: - 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
Group Compensation Committee	■ Recommends to BoD: - 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: - 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 (CC) consists of independent directors, and does not include neither the BoD Chair nor the Chief Executive Officer (CEO). The CC reviews proposals regarding compensation of the Group, compensation payable to members of Board and Executive Board, the head of Internal Audit and certain other members of senior management, and makes recommendations to the Board for approval, assisted by an independent external consultancy.

Consistent with 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.

13.3 Further information

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

Recent events
On 5 April 2023, the Swiss Federal Council announced its decisions on the outstanding deferred variable compensation awards previously granted to employees of Credit Suisse Group AG, following its decree of 21 March 2023. The Federal Council have instructed the Federal Department of Finance (FDF) to fully or partially cancel all outstanding variable remuneration for the top three levels of management at Credit Suisse. These cancellations will vary from 25% to 100% of outstanding variable awards, determined by employee seniority. The impact of responding to these instructions will alter levels of outstanding deferred variable compensation awards for Luxembourg MRTs set out in the tables which follow in the remainder of this document. However, at the time of filing this document it is not yet possible to disclose the final impact on Luxembourg MRTs.

13.4 Remuneration awarded in 2022

Total staff expenses for the year 2022 amount to CHF 60.245.584. 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.

Figure 55. Template EU REM1 - Remuneration awarded for the financial year

	As of 31/12/2022	MB Supervisory function (1)	MB Management function	Other senior manaegment	Other identified staff	Total
Fixed remuneration (2)	Number of identified staff	7	4	8	17	36
	Total fixed remuneration	**327.500**	**2.009.151**	**2.022.613**	**4.166.427**	**8.525.692**
	Of which: cash-based	327.500	2.009.151	2.022.613	4.166.427	8.525.692
	(Not aplicable 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 aplicable in the EU)					
	Of which: other forms	–	–	–	–	–
	(Not aplicable in the EU)					

Variable remuneration (3) (4)	Number of identified staff	7	4	8	17	36
	Total variable remuneration	**–**	**561.165**	**1.024.567**	**476.000**	**2.061.732**
	Of which: cash-based	–	190.328	311.175	292.300	793.803
	Of which: deferred	–	–	126.892	–	126.892
	Of which: shares or equivalent ownership interest	–	370.837	713.392	183.700	966.919
	Of which: deferred	–	214.509	638.609	113.800	1.267.930
	Of which: share-linked instruments or equivalent non-cash instruments	–	370.837	713.392	183.700	966.919
	Of which: deferred	–	214.509	638.609	113.800	–
	Of which: other instruments	–	–	–	–	–
	Of which: deferred	–	–	–	–	–
	Of which: other forms	–	–	–	–	–
	Of which: deferred	–	–	–	–	–
Total remuneration		**327.500**	**2.570.316**	**3.047.180**	**4.642.427**	**10.587.424**

(1) Excludes further four internal 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 2022. 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 2022 performance year as communicated via 2022 compensation statements. Values include the discretionary part of severance awarded to MRTs who left the firm in 2022 performance year and that is part to the 2022 bonus cap and structuring.

(4) Variable Compensation share awards include the restricted stock awards that form part of the non-deferred element of the variable compensation and are subject to a 12-month retention period.

Figure 56. Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

As of 31/12/2022	**MB Supervisory function**	**MB Management function**	**Other senior manaegment**	**Other identified staff**
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	–	–	–	–
Guaranteed variable remuneration awards -Total amount	–	–	–	–
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
Severance payments awarded in previous periods, that have 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	0	1	0
Severance payments awarded during the financial year - Total amount	–	–	42.000	–
Of which paid during the financial year	–	–	42.000	–
Of which deferred	–	–	–	–
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	–	–	–	–
Of which highest payment that has been awarded to a single person	–	–	42.000	–

Figure 57. Template EU REM3 - Deferred remuneration

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	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 (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	-	-	-	-	-	-	-	-
MB Management function	**791.990**	**223.694**	**568.296**	**-**	**-**	**(917.583)**	**474.995**	**48.951**
Cash-based	391.825	111.228	280.597	-	-	(201.160)	153.866	-
Shares or equivalent ownership interest	400.165	112.466	287.699	-	-	(716.423)	321.129	48.951
Other forms	-	-	-	-	-	-	-	-
Other senior manaegment	**1.209.729**	**329.997**	**879.731**	**-**	**-**	**(1.228.993)**	**294.183**	**179.800**
Cash-based	590.364	98.199	492.165	-	-	(151.314)	26.508	-
Shares or equivalent ownership interest	619.365	231.798	387.567	-	-	(1.077.680)	267.675	179.800
Other forms	-	-	-	-	-	-	-	-
Other identified staff	**764.006**	**251.854**	**512.152**	**-**	**64.796**	**(857.330)**	**546.760**	**94.672**
Cash-based	343.443	106.899	236.544	-	809	(137.077)	148.612	-
Shares or equivalent ownership interest	420.563	144.955	275.608	-	63.987	(720.253)	398.148	94.672
Other forms	-	-	-	-	-	-	-	-
Total amount	**2.765.725**	**805.546**	**1.960.179**	-	**64.796**	**(3.003.907)**	**1.315.938**	**323.423**

Figure 58. Template EU REM4 - Remuneration of 1 million EUR or more per year

EUR	Identified staff that are high earners as set out in Article 450(i) CRR
n/a – below 1m	31
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

To be extended as appropriate if further payment bands are needed.

Figure 59. Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Management body remuneration			Business areas						
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**36**
Of which: members of MB	7	4	11							
Of which: other senior menagement				–	7.0	–	1.0	–	–	
Of which: other identified staff				–	9.0	–	5.0	3.0	–	
Total remuneration of identified staf	327.500	2.570.316	9.328.499	–	5.384.417	–	1.556.477	748.714	–	
Of which: variable remuneration	–	561.165	3.953.239	–	1.236.567	–	190.000	74.000	–	
Of which: fixed remuneration	327.500	2.009.151	5.375.260	–	4.147.850	–	1.366.477	674.714	–	

13.5 Role of the Board of Directors

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

14. Glossary

Term	Definition
A-IRB	Advanced Internal Ratings-Based
ALCO	Asset and Liability Committee
AM	Authorized Management
ARC	Audit & Risk Committee
ASF	Total Available Stable Funding
BAU	Business As Usual
BCBS	Basel Committee on Banking Supervision
BCL	Banque Centrale du Luxembourg
BIA	Basic Indicator Approach
BoD	Board of Directors
BRRD	Bank Recovery and Resolution Directive
CARMC	Capital Allocation & Risk Management Committee
CC	Credit Committee
CCF	Credit Conversion Factor
CCO	Chief Compliance Officer
CCR	Counterparty credit risk
CCRMTM	Counterparty Credit Risk Mark-to-market Method
CCyB	Countercyclical Capital Buffer
CDE	Critical Data Elements
CEBS	Committee of European Banking Supervisors
CEO	Chief Executive Officer
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	Fnancial Reporting
F-IRB	Foundation Internal Ratings-Based
FR	France
FX risk	Foreign Exchange Risk
GCC	Group Compensation Committee
G-SII	Global Systemically Important Institutions
HQLA	High-Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ICF	Internal Control Functions
IFRS	International Financial Reporting Standards
IMA	Internal Models Approach
IMM	Internal Model Method
IR	Interest Rate
IRRBB	Interest Rate Risk 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
MARS	Market Risk System
MC	Management Committee
MiFID	Markets in Financial Instruments Directive
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
MSCI	Morgan Stanley Capital International
MSR	Mortgage Servicing Rights
MTM	Mark-to-Market
NFRM	Non Financial Risk Management
NL	The Netherlands
NSFR	Net Stable Funding Ratio
OBS	Off-Balance Sheet
OCR	Overall Capital Requirement
OGR	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
SREP	Supervisory Review and Evaluation Process
SRO	Strategic Risk Objectives
TLAC	Total Loss Absorbing Capacity
TLOF	Total Liabilities And Own Funds
TSCR	Total SREP Capital Requirement
UHNW	Ultra High Net Worth
UK	United Kingdom
USD	United States Dollar
VaR	Value-At-Risk
VG	Virgin Islands
ΔEVE	Economic Value of Equity
ΔNII	Net Interest Income

15. Tables of figures

CREDIT SUISSE (LUXEMBOURG) S.A.
Registered office: 5, rue Jean Monnet, L-2180 Luxembourg
R.C.S. Luxembourg B 11756

Contact:
Postal address: P.O. Box 40, L-2010 Luxembourg
Phone: +352 46 00 11-1
credit-suisse.com