Pillar 3 Disclosures 2023

Credit Suisse (UK) Limited

Index

Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse (UK) Limited ('CSUK' or 'the Bank') as at 31 December 2023. It should be read in conjunction with CSUK's 2023 Annual Report which can be obtained from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

Credit Suisse (UK) Limited (the 'Bank' and 'CSUK') is a private company limited by shares, a wholly owned subsidiary of Credit Suisse AG ('CSAG'). CSUK is part of Credit Suisse AG and its subsidiaries (collectively referred to as the 'CS group'). CSUK is authorised in the United Kingdom ('UK') by the Prudential Regulation Authority ('PRA') and is regulated by the Financial Conduct Authority ('FCA') and the PRA. CSUK is a bank domiciled in the United Kingdom ('UK').

On 12 June 2023, UBS Group AG ('UBS Group') acquired Credit Suisse Group AG (the former parent company of CSAG), succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG ('Transaction'). Details on CSUK strategy and operating environment can be found in CSUK's 2023 Annual Report. The ultimate parent of the Bank is UBS Group which is incorporated in Switzerland and prepares the financial statements under International Financial Reporting Standards ('IFRS'). The financial statements and Pillar 3 disclosures are publicly available and can be found at https://www.ubs.com/global/en/investor-relations.

CSUK Legal Entity Identifier ('LEI') code is 549300GUAMON5OX2OO54.

The Pillar 3 disclosures are prepared to meet the regulatory requirements of the Basel Capital Framework as set out in Part Eight of the Regulation 575/2013 ('CRR') as amended by EU Regulation 2019/876 ('CRR2') and implemented by the Prudential Regulatory Authority ('PRA') via the PRA Rulebook. Pillar 3 aims to promote market discipline and transparency through the publication of key information on capital adequacy, risk management and remuneration.

Basis and Frequency of Disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, materiality, or being proprietary in nature, this is indicated. Pillar 3 disclosures are published annually and concurrently with the Annual Report.

The Annual Report is prepared under International Financial Reporting Standards ('IFRS') and accordingly, certain information in the Pillar 3 disclosures may not be directly comparable. A reconciliation of regulatory 'own funds' with CSUK's 2023 Statement of Financial Position is presented in the Capital Management section.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSUK's external auditors. However, it includes information that is contained within the audited Financial Statements as reported in the 2023 Annual Report.

Basis of Consolidation

These Pillar 3 disclosures are prepared on a stand-alone basis, as are CSUK's IFRS Financial Statements.

Remuneration Disclosures

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

Economic and Regulatory Environment

CSUK is impacted by a range of political, macroeconomic, social, environmental, regulatory and accounting developments. The operating environment continues to evolve rapidly resulting in the need for CSUK to continue evaluating, assessing and adapting its strategy.

Basel 3 Reforms

In 2022, PRA published final rules to implement the remaining Basel III standards and restate elements of the CRR and related onshored EU level 2 regulations made under the CRR ('CRR2'). The Pillar 3 disclosures contained herein are prepared in accordance with the scope applicable to a non-listed, other Institution as set out in CRR2 Article 433c and associated PRA guidelines in the PRA Rulebook.

In November 2022, the PRA published consultation paper CP16/22 setting out its proposed rules and expectations that remain to be implemented in the UK referred to as 'the Basel 3.1 standards'. PRA published the first set of policy statement PS17/23 in December 2023 to implement standards on market risk, operational risk, and CVA and proposed to publish remaining standards to cover credit risk, output floor, disclosures, and reporting in Q2 2024. The PRA has set the compliance date for these changes as 1 July 2025.

Subsequent Events

Information on any subsequent events can be found in the CSUK 2023 Annual Report.

Risks and Uncertainties

CSUK has established a risk framework designed to manage the full range of risks inherent in its business strategy. Within that framework, two of the most material risks for the Bank are credit risk and operational (or non-financial) risk and they attract the majority of our regulatory capital requirements. The other material risks for CSUK include business risk, capital risk, group risk, market risk, model risk, pension risk, reputational risk, sustainability (including climate risk) and treasury and liquidity risk and are described below. The details on risk monitoring metrics are covered in Appendix 2. As part of the Risk Appetite framework, the Bank manages and monitors its risks though specific risk appetites.

RISK AREA	HOW RISKS ARE MANAGED
Business Risk Business risk is the risk of underperforming against financial objectives as a result of revenue shortfalls and/or cost target overruns. Including the risk that financial targets may be missed due to failures to adapt or adverse outcomes of risk-taking business initiatives.	Business risk is identified initially through the financial and capital planning process, where the Chief Financial Officer ('CFO') reviews and challenges the proposed business strategy and articulates the financial consequences of proposed business activities and volumes. As necessary, the bank's senior management identifies overlays to the outcome of financial planning to ensure a prudent result and to reflect the execution risk associated with the Bank's strategy. Business risk is managed by the CEO and the Executive Committee and monitored as part of regular financial reporting to the Audit Committee and Board. Such reporting includes a number of KPIs that measure the quality of earnings (through the presentation of normalised, underlying results and metrics), trends in performance and progress against budget. Certain strategic metrics are also monitored as part of regular reporting to the Risk Committee.
Capital Risk Capital risk is the risk that the bank does not maintain adequate capital to support its activities while exceeding its regulatory requirements and meeting its internal capital goals. Including the risk of the mismatch between available resources and capital demand.	The UBS Group ('UBS') considers a strong and efficient capital position to be a priority. Consistent with this, CSUK closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework. Capital risk is measured and monitored through regular capital adequacy reporting produced by the Basel Measurement & Reporting team ('BMR') and provided to management to ensure the drivers of movements in capital adequacy are identified and understood. CSUK Asset and Liabilities Management Capital Allocation and Risk Management Committee ('ALM CARMC') reviews the current capital adequacy position as well as a forecast position to identify any potential adverse movements in the ratio that could require management action. Annually, the Internal Capital Adequacy Assessment Process ('ICAAP') assesses the adequacy of capital in both benign and during a range of plausible, adverse stress scenarios. The ICAAP is used to support business decision-making and informs management of what reasonable management actions may be necessary to restore the capital position, if required, during times of economic stress. Capital risk is managed through two main levers: management of the lending pipeline to reduce credit risk capital requirements; and via capital injection requests to the shareholders to increase capital resources.
Credit Risk Credit Risk refers to potential financial loss as a result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty.	Credit risk arises principally from the Bank's lending business, comprising residential and commercial mortgage products and loans secured against diversified portfolios of securities and lending. The Bank uses a credit risk management framework which provides for the consistent evaluation, measurement, and management of credit risk across the Bank. Credit risk is mitigated by conservative lending criteria, including strict affordability tests, low Loan-to-Value ('LTV') ratios and collateral held as security.

Group Risk The risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risk which may affect the financial position of the whole group, including reputational contagion. These may manifest themselves as other material risks.	The main sources of 'Group' risk for the Bank are: Capital: CSUK is a 100% owned subsidiary of its parent entity (CSAG during 2023, but shortly to become UBS AG) but is not reliant on parent for its capital requirements over the timeframe of its 3 year financial plan. The Board retains full discretion over any repayment of capital back to parent. Unsecured Funding: The parent entity provides funding typically in GBP on short to medium-terms to ensure that CSUK manages its interest rate risk exposure and maintains sufficient liquid assets. Intra-group unsecured funding is managed as part of a UBS Group-wide treasury governance framework. A CSUK ALM CARMC meeting convenes on a quarterly basis to assess the ongoing adequacy of financial resources and to ensure that potential funding issues are assessed and escalated appropriately. Reputation: The Bank is now branded as a UBS legal entity and could be impacted by reputational issues affecting other UBS legal entities. Reputational issues could cause a decline in the customer base, litigation or revenue reductions. For example, a credit rating downgrade of the parent legal entity could result in a higher cost of funding as depositors could view CSUK as a less favourable bank with which to place deposits and CSUK may be required to pay higher deposit rates to retain deposits to fund its balance sheet. UBS has a global approach to identify, assess and manage reputational risks. Infrastructure: CSUK is dependent on a variety of UBS Group services (Corporate Functions) to carry out its core activities of financial advisory, management services and credit solutions. These include, but are not limited to IT, HR, Compliance, Finance and Risk. Corporate Functions are governed through appropriate service-level agreements ('SLAs') and have senior accountable executives directly responsible in respect of CSUK. Such functions may operate from other legal entities to ensure operational continuity. Failures of the people, processes and systems operating on behalf of CSUK within the Corporate Functions are considered as part of the Operational Risk assessment.
Market Risk Potential financial losses arising from adverse changes in market factors such as equity, commodity, foreign exchange prices, interest rates, credit spreads, volatilities, correlations, cross market risks, basis and spreads risks or other relevant market factors (including concentration and illiquidity) on positions held.	CSUK's exposure to market risk typically arises from the following sources: Structural interest rate and structural FX risk arise primarily from the loan and deposit books (a core value proposition and service offering). CSUK manage this by avoiding carrying material open interest or FX rate positions; FX risk arising from trades undertaken on behalf of clients. CSUK manage this risk by ensure net FX risks are 'flat' or matched currency positions resulting in minimal net daily profit and loss; Exposure to settlement risk arising from trades executed on behalf of clients on a Delivery Versus Payment ('DVP') basis. CSUK's aggregate risk appetite for market risk arising from DVP services is subject to gross notional (oneway) and VaR thresholds, which are quantified in the Risk Appetite and monitored when failed trade levels breach appetite.
Model Risk Model risk is the potential for financial loss, negative reputational impact and/or adverse regulatory action from decisions made based on model outputs that may be incorrect or used inappropriately.	CSUK is supported by the Model Risk Management ('MoRM') function within UBS Group CRO who is responsible for reviewing all models used firm-wide (and therefore within CSUK), setting and enforcing model governance standards, performing independent technical validation, measuring and managing the model risk, and reporting on model risk to senior management and supervisors.

Non-Financial Risk Non-Financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, financial crime risk, regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways.	Effective management of Non-Financial risk requires a common framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of non-financial risks, as well as timely and meaningful management reporting. CSUK's Non-Financial Risk Framework ('NFRF') provides a structured approach to managing non-financial risks. It seeks to apply consistent standards and techniques for evaluating risks across the Bank while providing individual businesses with sufficient flexibility to tailor specific components to their own needs. Business areas take responsibility for their non-financial risk management and are supported by non-financial risk teams who are responsible for the implementation of the risk management framework, methodologies and reporting. CS group developed tools continue to be employed, including risk appetite tolerance statements in the main areas of NFR (Rules & Regulations, People, Process, Cyber & Systems, Clients & Markets, Governance and Outsourcing), reporting of 'top' non-financial risks; utilising non-financial risk registers; risk and control indicators; risk and control self-assessments ('RCSAs'); compliance risk assessments ('CRA'), financial crime risk assessments ('FCRA'), analysis of internal non-financial risk incident data; review of external loss data; and non-financial risk scenario development. During 2024, Credit Suisse entities, including CSUK, will start to migrate towards the UBS non-financial risk management framework.
Pension Risk Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to or with respect to a pension scheme (whether established for its employees or those of a related company or otherwise). It also means the risk that the firm will make payments or other contribution to or with respect to a pension scheme because of a implicit obligation or because the firm considers that it needs to do so for some other reason.	As part of the UK Entities Pension Scheme, CSUK operates a defined benefit pension arrangement. This defined benefit scheme was closed to new members at the start of 2000 and stopped accruing future benefits for existing members as of 31 March 2004. Credit Suisse International is the Principal Employer for the scheme and recognises the accounting asset and liabilities as part of its balance sheet. However, part of the accrued liability within the scheme relates to staff who worked (or still work) in CSUK. The scheme currently shows both an accounting and a funding surplus. If the scheme were to slip into deficit, however, CSUK would be liable for its share of the deficit. Potential pension risk is assessed using the internal Economic Risk Capital ('ERC') model at the 99.9% confidence interval with the resulting deficit allocated to the relevant legal entities using the Actuary's allocation of liabilities The methodology for calculating the ERC capital requirement for the defined benefit element of the UK pensions schemes is based on two key components: 1) The ERC (at 99.9% confidence level), less 2) The surplus between the value of the assets available to the scheme and the value of the pension liabilities using a technical provisions (funding) basis. The ALM CARMC is responsible for monitoring and managing the pension risks as they arise.
Reputational Risk Reputational risk is the risk arising from negative perception on the part of our stakeholders (clients, counterparties, shareholders, investors, employees, regulators) that can adversely affect our ability to maintain existing, or establish new, business relationships and continued access to sources of funding.	CSUK values its reputation and is committed fully to protecting it through a prudent approach to risk-taking and a responsible approach to its business activities. Reputational risk arising from proposed business transactions and client activity is assessed in the Reputational Risk Review Process ('RRRP'). The Bank's global policy on reputational risk requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the RRRP.

Sustainability (Including Climate) Potentially adverse impacts on the environment, on people or society, which may be caused by, contributed to or directly linked to financial service providers through the activities of their clients.	CSUK put in place a framework to manage climate risk from the end of 2021. CSUK's Chief Risk Officer ('CRO') is the Senior Manager responsible for Climate Risk. The Board Risk Committee provide oversight on behalf of the Board for climate-related risks, the PRA's requirements and the Bank's framework to address them. Climate-related risks are now included in the UBS Group-wide risk taxonomy. These risks, alongside other environmental and social risks, are considered within the UBS Group-wide Reputational Risk Review process ('RRRP'). 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. CSUK's primary exposure to physical climate risk is through the property collateral for its portfolio of commercial and residential real estate loans. 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. CSUK is exposed to climate transition risk through client portfolios on which we charge management and custody fees and, in some cases, against which we issue Lombard loans. CSUK would be able to react swiftly to emerging climate-related risks: mortgage lending is typically on a 5-year basis so decisions to renew loans can be made in the context of latest climate risks. The vast majority of CSUK mortgage properties sit in low or no river flood risk areas, with only a very small proportion in medium risk areas. No properties are located in high river flood risk areas. The risk of flood from surface water is generally higher, but is also more geographically confined and affected by local terrain. Lombard loans secured against companies that are impacted by climate change can be managed by adjusting approved LTVs. As uncommitted facilities they can be withdrawn at relatively short notice. CSUK has set a climate linked risk appetite, leveraging internally developed metrics and analysis from the Global Climate Risk team. CSUK has used a CS group simulation tool to assess forward looking flood and surface water risk on our mortgage portfolio. We have also developed transition risk financial scenarios which assess climate impacts on Lombard lending collateral.
Treasury and Liquidity Risk The risk that a firm is running large unhedged structural interest rate, FX and other ALM & Treasury Risk positions that impact its earnings and / or capital strength, as well as the firm's ability to efficiently meet both expected and unexpected current and future cash flow and collateral requirements without affecting either daily operations or the financial condition of the firm.	CSUK is in the process of transitioning to the UBS liquidity and funding framework, which includes modifications to intra-entity rebalancing policy, updates to risk appetite and changes to the liquidity crisis response process. The new framework will continue to maintain UK local regulatory compliance requirements. Such compliance requirements are measured as part of the PRA's Individual Liquidity Guidance ('ILG') resulting in requirements for CSUK to hold term-funding and a local liquidity asset buffer of qualifying high quality liquid assets ('HQLA') and cash. Interest rate risk exposures in the non-trading positions (synonymously used to the term "Banking Book") mainly arise from retail banking, and related funding activities, with the majority of interest rate risk managed by Treasury centrally on a portfolio basis within approved limits using appropriate hedging strategies. The risks associated with the non-trading interest rate-sensitive portfolios are measured using a range of tools, including the following key metrics: Interest rate sensitivity ('DV01') and Economic Value of Equity scenario analysis. CSUK aims to balance the exposure between current loans and deposits through maintaining a low level of interest rate mismatches. In cases where the mismatch is larger, it is offset through intercompany repurchase agreement transactions with Credit Suisse International ('CSi').

Risk Drivers

CSUK is closely monitoring the following key risks and global economic developments and the potential effects on our operations and business.

Liquidity risk

Liquidity risk was a source of major concern at the start of 2023, with the Bank having seen significant depositor outflows during Q4 2022. The first two months of 2023 were relatively benign from a liquidity risk point of view, but March 2023 saw a renewed wave of depositor withdrawals both for the Bank and for Credit Suisse as a whole. This culminated in the well publicised liquidity intervention by the Swiss National Bank from the 15-17 March 2023, and the announcement on 19 March 2023 that CS Group would be taken over by UBS Group. Since the acquisition of CS Group by UBS Group, the level of liquidity risk has declined materially. Nonetheless, given CSUK's experience with respect to liquidity and funding risk in this period, liquidity is retained as an area which has the potential to continue driving risk as CSUK moves further into the integration process with UBS Group.

People Risk

The Bank's employees are one of its most important resources. In 2023 the Bank saw a significant level of staff attrition. Following the announcement of UBS's takover of the Group, front office staff in particular began to move to a number of competitor firms. Attrition in the support functions was also high throughout the year. Management moved quickly to mitigate the risk to business operations by rehiring as quickly as possible, and by year end the resourcing situation had stabilised in most areas. As the Bank starts to execute its strategy for integration with UBS, the risk that employees will decide to leave has become particularly elevated again. Management is currently focussed on mitigating and managing this risk as part of its business integration program.

Integration Program risk

The Bank is pursuing a UBS integration strategy with tight timelines and significant amounts of preparatory and execution work to be completed. Delays to this program may have knock on consequences to the cost base and financial performance of the firm.

Safe and stable wind-down

During the upcoming business transfer to UBS, the Bank will to need to ensure that it remains solvent and well controlled throughout the process, maintaining governance and reporting standards, and continuing to deliver key analysis, such as the ILAAP and ICAAP, comprehensively. Post the point of business transfer, the entity will need to be wound up in an orderly fashion. Financial plans and associated ICAAP analysis will need to factor in downside sceanrios to this wind-down process to ensure that solvency can be maintained up to the point of entity closure in the event that business transfer does not go as planned.

Inflation concerns and recession risk

After several years of high inflation rates across the major economies, inflation has subsided since the peak in early 2023 but remains persistently higher than in recent history. The Federal Reserve ('The Fed') and other major central banks have now paused monetary policy tightening, and there is now material uncertainty around the likely future path of interest rates, depending to large extent on the stickiness of inflation over the next few years. Further significant increases in interest rates carry the risk of triggering a recession. CSUK's clients are relatively immune to recessionary conditions given their asset and wealth profile but CSUK continues to monitor the business for potential impacts.

Russia's invasion of Ukraine

In response to Russia's invasion of Ukraine in late February 2022, the US, EU, UK, Switzerland and other countries across the world imposed severe sanctions against Russia's financial system and on Russian government officials and Russian business leaders. The Russian government has also imposed certain countermeasures, which include restrictions relating to foreign currency accounts and financial securities transactions. Sanctions had already been imposed by the US, EU and UK in 2021 in response to alleged Russian activities related to Syria, cybersecurity, electoral interference, as well as other restrictions imposed following Russia's annexation of Crimea in 2014. Global governments continue to issue new sanctions against Russian individuals and interests, with the latest wave of sanctions imposed in early 2024 following the death of Russian opposition leader Alexei Navalny in custody; CSUK review the impact of new sanctions as they are issued, and continually assess the impact of existing sanctions, Russian government countermeasures and potential future escalations, on our exposures and client relationships. Up to now the impact on CSUK has not been material.

Middle East conflict

Following the Hamas attacks on Israel on the 7th October, 2023 and Israel's resulting invasion of the Gaza strip, tensions in the Middle East are at their highest level in several years. Iran is an active player across the region, with direct involvement in ship seizures in the Straights of Hormuz, and indirect engagement via proxy organisations such as the Houthis in Yemen, Hezbollah in Lebanon and Hamas in Gaza. On the 14th April, 2024 Iran launched over 300 missiles and drones at targets across Israel, in retaliation for an earlier strike on the Iranian consulate in Damascus attributed to Israel. This marked the first overt attack by Iran on the Israeli homeland, and there now is a significant risk of the current situation escalating into a wider regional conflict. CSUK clients in the Middle East could be affected by such a conflict, which may have knock on consequences for the client activity on the Bank's Middle East desk, and may affect the willingness or ability of clients to engage with the Firm.

Cyber risk

The financial industry continues to be increasingly reliant on technology, faces dynamic cyber threats from a variety of actors and new technology vulnerabilities are being discovered. Credit Suisse continues to invest in its information and cybersecurity programs in order to strengthen its ability to anticipate, detect, defend against and recover from cyber attacks. CSUK regularly assesses the effectiveness of its key controls and conduct ongoing employee training and awareness activities, including for key management personnel, in order to seek to strengthen resilience of our systems and promote a strong cyber risk culture.

Risk Management

Overview

The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Bank's business planning process and is strongly supported by senior management and the Board. The primary objective of risk management is to protect the Bank's financial strength and reputation and the interests of clients, stakeholders and employees, while ensuring that capital and liquidity are well deployed to support business activities in a regulatory compliant manner and grow shareholder value.

Governance Arrangements

Board of Directors

The Board of Directors is responsible for reviewing the effectiveness of CSUK's risk management and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss. The Board of Directors considers that adequate systems and controls are in place with regard to CSUK's risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, is in place to avoid or minimise loss.

The Board is also responsible for ensuring the business is managed within the agreed Risk Appetite, which is normally reviewed and approved at least once a year by the Board. Key risks are also formally reviewed and assessed on a quarterly basis by the Board Risk Committee and the Board as required. In addition, key business risks are identified, evaluated and managed by executive management on an ongoing basis by means of policies and processes such as credit and market risk limits and other non-financial risk metrics, including authorisation limits, and segregation of duties. The Board receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are well-established business planning procedures in place and reports are presented regularly to the Board detailing the performance of CSUK, variances against budget, prior year and other performance data.

Recruitment to CSUK's Board of Directors is governed by a nominations policy that is applied consistently to all subsidiaries within CS group. At a local level, this policy is implemented by a Nominations Committee which evaluate the balance of skills, knowledge and experience of the Board of Directors by reference to the requirements of the Bank, and similarly to consider the skills, knowledge and experience of individual candidates for appointment to the Board. As the Bank is an Equal Opportunities Employer, recruitment at all levels is based on consideration of a diverse range of candidates without discrimination or targets on the basis of any protected category. In addition, the Board has adopted a Diversity Policy, setting out the approach to diversity, including consideration of differences in skills, regional and industry experience, background, race, gender and other distinctions between Directors. The Board in 2023 exceeded its target of at least 25 per cent female representation on the Board and will continue to monitor the composition in 2024 through periodic reviews of structure, size and performance of the Board. Details of the number of directorships held by Board Members are shown in Appendix 3.

The Board supports the Whistleblowing Champion to review and assess the integrity, independence, effectiveness and autonomy of the Bank's policies and procedures on whistleblowing.

Risk Governance

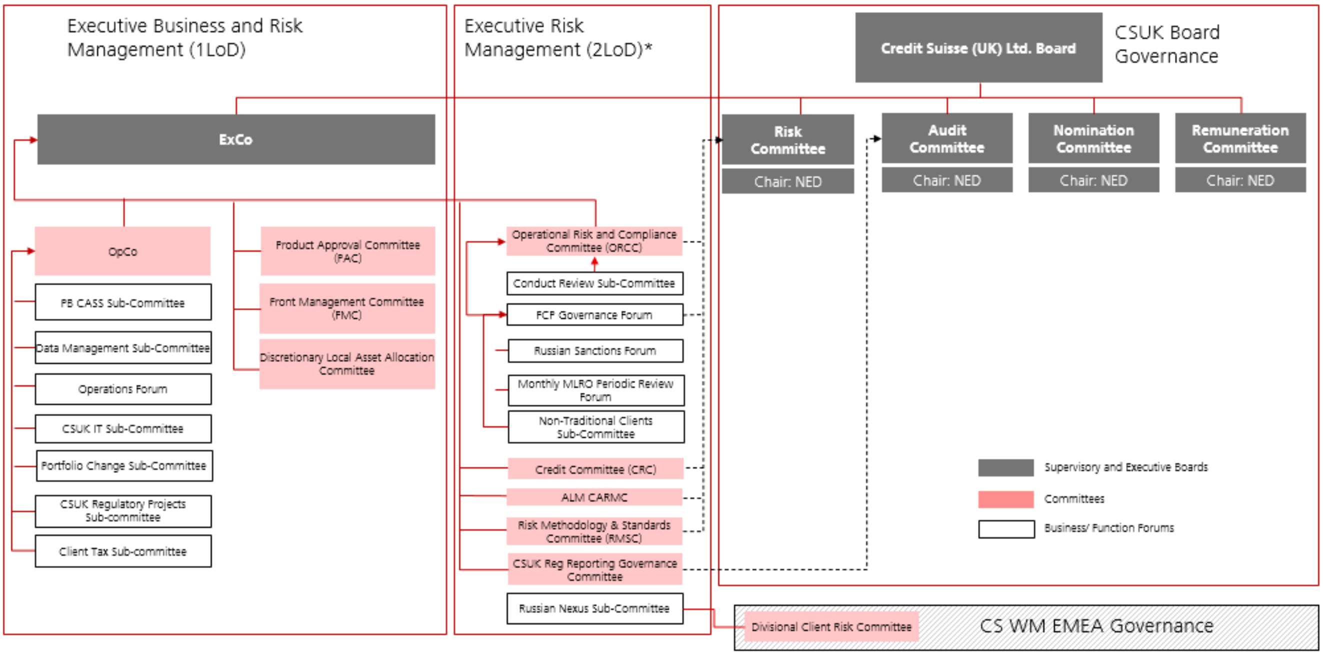
Effective risk governance sets a solid foundation for comprehensive risk management discipline. The Bank's risk governance framework is based on a "three lines of defence" governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks. Further information is provided in the Corporate Governance section:

- The first line of defence is the front office and business units, who are responsible for pursuing suitable business opportunities within the strategic risk objectives and compliance requirements of CSUK. Its primary responsibilities are to ensure compliance with relevant legal and regulatory requirements, to maintain effective internal controls and to manage risk within the agreed risk appetites. First Line of Defence Support ('FLDS') reports to the CSUK

Chief Operating Officer ('COO'). Its objectives are to ensure that existing and emerging risks in CSUK's business are identified and that controls are established to effectively mitigate and manage these risks.

- The second line of defence includes functions such as Risk, Compliance and Financial Crime Compliance ('FCC'). It articulates standards and expectations for the effective management of risk and controls, including advising on applicable legal and regulatory requirements and publishing related policies, and monitoring and assessing compliance with regulatory and internal standards. The second line of defence is separate from the front office and its independent control functions are also responsible for reviewing, measuring and challenging front office activities and producing independent assessments and risk management reporting for senior management and regulatory authorities.
- The third line of defence is internal audit, which monitors the effectiveness of controls across various functions and operations, including risk management, compliance and governance practices.

The Board of Directors is responsible for the overall risk management framework and is advised by the CSUK RC, which is chaired by a non-Executive Director. The CSUK governance and management structure is outlined in the following chart:



*Additional Notes: Reputational Risk Review Panel (RRRP) takes place on an ad-hoc basis when needed

The roles of the key CSUK's committees are outlined below.

Board Committees Overview

Certain responsibilities are delegated to Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management. Each Board Committee has a Terms of Reference, recording the scope of delegated authority and the committee's responsibilities. The Chair of each Board Committee reports to the Board on the matters discussed at Committee meetings.

The Risk Committee assists the Board in fulfilling the Board's oversight responsibilities as defined by applicable law, articles of association and internal regulations by ensuring that proper standards for risk oversight and management are established; defining and implementing a risk appetite framework covering, inter alia, credit, operational and market risks and making recommendations to the Board of Directors on risk appetite; reviewing, and recommending to the Board for approval, the Risk Appetite Statement (including specific risk thresholds for each risk metric, monitoring and escalation process / authority), reviewing the ICAAP and ILAAP, establishing risk thresholds for individual businesses within authorities delegated by the Board of Directors, and reviewing the risk portfolio, recommend and approve risk thresholds and other appropriate controls to monitor and manage the risk portfolio for the Bank.

The Audit Committee assists the Board in fulfilling the Board's oversight responsibilities defined by applicable law, articles of association and internal regulations by monitoring the integrity, adequacy and effectiveness of the financial reporting process; the internal audit process; internal controls, accounting developments processes and risk management systems; tax processes and controls; regulatory reporting; and recovery and resolution plans. The Audit Committee is responsible for contributing to the UBS Group process of the selection and recommendation of the appointment of the External Auditors, including monitoring their qualifications, independence, performance and the suitability of the provision (if any) of non-audit services to the Bank. The Audit Committee also reviews and assesses the independence, integrity, adequacy of resourcing and performance of CSUK Internal Audit. The Audit Committee is authorised to have direct access to, and receives regular reports from CFO, the External and Internal Auditors, Client Assets Sourcebook ('CASS'), Tax, General Counsel Litigation as well as CSUK's management and employees.

The Advisory Remuneration Committee advises and makes recommendations to the CSAG Governance, Nomination and Compensation Committee in respect of matters relating to remuneration for employees of CSUK including members of the CSUK Executive Committee (‘CSUK ExCo’), senior officers in Risk and Compliance and other Code Staff, as well as on the compliance of the UBS Group Compensation Policy with all relevant UK compensation regulations.

The Nominations Committee is responsible for the identification and recommendation for approval, by CS group, candidates to fill vacancies on the Board of CSUK, making recommendations to the Board concerning the role of Chair and membership of the Board Committees, in consultation with the Chairs of those committees, and leading a Board evaluation process.

Management Committees Overview

Management Committees support the CEO and Executive Directors in the implementation of strategy as set by the Board. The principal Management Committee is the CSUK ExCo. Chaired by the CEO, it is ultimately responsible for the management of the CSUK business and the execution of the strategy set by the Board. As a decision making forum, it may receive proposals escalated from other executive committees or from business unit managers.

The CSUK ExCo has delegated a number of functions and responsibilities to the following management committees, including:

Executive Business Management Committees

Product Approval Committee (‘PAC’): Chaired by the Head of Advisory & Sales ('A&S') UK, is responsible for the review and approval of relevant products and services (including service propositions) that are developed, offered for sale and/or made available by the Bank to clients or prospective clients. In addition, the PAC is responsible for monitoring compliance with all relevant market requirements.

Front Management Committee (FMC): Chaired by the Head of A&S UK as delegated by the CEO, is responsible for reviewing front office activities, and escalating necessary actions and changes to the ExCo for final decision making. Activities include reviewing financial performance, reviewing the impact of regulatory changes, oversight of sales and client engagement activities and reviewing pricing.

Discretionary Local Asset Allocation Committee ('DLAAC'): Chaired by the Head of Investment Management UK, is responsible for oversight and management of the discretionary mandates in the UK. This includes the implementation of the strategic and tactical asset allocation and security selection for all discretionary mandates across each type of investment profile, offered by CSUK, in light of our capital market assumptions and prevailing market conditions.

Operating Committee (OpCo): Chaired by the COO, is responsible for monitoring delivery of key projects within the business, including reviewing the impact of regulatory change, business improvement initiatives, the performance of the Corporate Functions, 3rd party outsourcing assessment including service monitoring, reviewing platform procedures and operational policies.

- PB UK Client Assets and Money (‘CASS’) Sub-Committee (Delegated responsibility from the Operating Committee): Chaired by the COO, is responsible for monitoring compliance with the CASS rules and sets the strategic direction for ongoing regulatory compliance within the CASS regime.
- Data Management Sub-Committee (Delegated responsibility from the Operating Committee): Chaired by the COO, this Sub-Committee is responsible for oversight and decisions over data management matters including, but not limited to, adequate ownership and control around front-to-back data, compliance with regulatory and data governance policies and visibility over data quality issues.
- The IT Sub-Committee (Delegated authority from the Operating Committee) oversees the technology agenda, initiatives, projects across local, divisional and UBS Group IT functions to ensure alignment, including decisions and prioritisation if required and in accordance with group minimum IT and regulatory standards.

- The Operations Forum is responsible for ensuring adequate oversight over Operational matters: adequate ownership and control around front-to-back data and processes. Issues and items requiring decisions are escalated via the OpCo.
- The Portfolio Change Sub-Committee (Delegated Authority from the Operating Committee) is responsible for setting the overall priority for the CSUK and CSAG Guernsey Branch Project Portfolio. The committee ensures adequate project oversight is maintained and the allocation of key resources are aligned to the UK and Guernsey's key Regulatory, Critical Risk and Strategic initiatives.
- Regulatory Change Sub-Committee (Delegated Authority from the Operating Committee) is a governing body for regulatory change including strategic decisions on initiatives impacting CSUK, ensuring adequate project oversight, collective decision, and approval of regulatory solutions, and providing updates on the regulatory agenda.
- The Client Tax Sub-Committee (Delegated responsibility from the Operating Committee): Chaired by the COO, this Sub-Committee is responsible to oversee the operational and client tax reporting requirements applicable to CSUK. This includes reviewing the adequacy of the operational framework and infrastructure including processes and procedures applicable to each tax regime. Reviewing the impact of Tax authority change on processes and procedures, overseeing the annual reporting requirements, managing control attestations, and reporting approvals, and tracking successful submissions to the applicable tax authority.

Executive Risk Management Committees

The Credit Risk Committee is chaired by the CRO, and members consist of senior management. It meets to discuss issues and risks relating to the credit exposures arising from the Bank's business activities. The committee is responsible for approving, monitoring, and controlling all credit exposures of CSUK and managing the risks associated with the loan portfolio, including reviewing, and monitoring adherence to, CSUK's Credit Policies and Credit Risk Appetite Framework.

ALM Capital Allocation and Risk Management Committee ('ALM CARMC'): The CSUK ALM CARMC is chaired by the CSUK Chief Financial Officer ('CFO'). It is responsible for the management of Asset and Liability Management ('ALM') risks, including: the CSUK capital and liquidity position vs. internal and external limits; current, future and stressed liquidity and capital positions of CSUK; and, the impact of current and future regulatory changes on the capital and liquidity position. ALM CARMC advises the CSUK Board RC in respect of capital and liquidity stress testing, capital and liquidity buffers and the setting of risk thresholds, and has oversight of the ICAAP and ILAAP processes. In addition, the CSUK Funding Execution Committee is formed on activation of the CSUK crisis management plans and is responsible for ensuring that the CSUK adopts an appropriate response to significant liquidity and funding issues impacting the UK entities during periods of stress.

Risk Methodology Standard Forum ('RMSF'): The purpose of RMSF, chaired by the CRO, is to review and approve stress testing model design, scenarios, methodology and results as per the entity's stress testing model. The Forum also reviews independent model validations for CSUK stress testing.

CSUK Regulatory Reporting Governance Committee: The committee is responsible for the governance and oversight of CSUK's regulatory reporting. The meeting has delegated authority from the EMEA Regulatory Reporting Framework Steering Committee. The function of the committee is to enable senior management oversight of CSUK's regulatory reporting under the SMCR of the Financial Conduct Authority in the UK.

The Russian Nexus Committee assesses the reputational risk of the following: 1) Onboarding of Russian nexus clients in scope of EU/CH deposit restrictions (particularly those who are transferring assets from EU/CH jurisdictions); 2) Assess the reputational risk of asset transfers of Russian nexus clients in scope of EU/CH deposit restrictions (particularly from EU/CH jurisdictions). Approval to proceed from this Committee is required in order to continue with the onboarding process/asset transfer under review.

Operational Risk and Compliance Committee: Co-chaired by the CRO and the Chief Compliance Officer ('CCO') is responsible for maintaining sound and robust operational risk management across CSUK by acting as a central business governance committee to discuss, understand, measure, and access key operational and compliance risks to the Bank.

- The Conduct Review Sub-committee (Delegated responsibility from the ORCC) is responsible for maintaining sound and robust oversight of the employee conduct related matters to provide decisions on potential conduct breaches escalated for review.

- The Financial Crime Prevention (FCP) Governance Forum is responsible for effectively managing the financial crime risks to which CSUK is exposed by providing a forum to enable active discussion of key financial crime MI and emerging financial crime issues and trends. The Forum does not take collective decisions, the purpose of the forum is discussion and information sharing. The Forum tracks breaches or near breaches of financial crime risk limits that will then be escalated to the CSUK Operational Risk Management Committee (ORCC).
- The Russian Sanction Forum (Delegated authority from the ORCC) assesses restrictions and manages delivery of processes and controls required to manage them (e.g. Accounts blocks, Euroclear segregation, Trust restrictions, EU/Swiss residence permit tracking process), including, where relevant, internal and external client communications.
- The MLRO Periodic Review Forum provides active discussion and focus on Periodic Review KYC cases that are overdue by >120 days, and affords the MLRO and FCC team the opportunity to (a) raise any FC-related concerns they have, (b) request the 1LOD to further control or to close accounts depending on the circumstances and progress of each case.
- The Non-Traditional Clients Sub-Committee (Delegated authority from the ORCC): Assess and make decisions on a potential the on-boarding offering from a Relationship Manager for the commercial, regulatory licensing, and operational viability of the onboarding.

Risk Culture

The Bank bases its business operations on conscious and disciplined risk-taking. We believe that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. Our risk culture is supported by the following principles:

- We establish a clear risk appetite that sets out the types and levels of risk we are prepared to take;
- Our risk management and compliance policies set out authorities and regulatory responsibilities for taking and managing risks;
- We actively monitor risks and take mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analysed and escalated, and large, repeated or unauthorized exceptions may lead to terminations, adverse adjustments to compensation or other disciplinary action; and
- We seek to establish resilient risk constraints that promote multiple perspectives on risk and reduce the reliance on single risk measures.

The Bank actively promotes a strong risk culture where employees are encouraged to take accountability for identifying and escalating risks and for challenging inappropriate actions. The businesses are held accountable for managing all of the risks they generate, including those relating to employee behaviour and conduct, in line with our risk appetite. Expectations on risk culture are regularly communicated by senior management, reinforced through policies and training, and considered in the performance assessment and compensation processes and, with respect to employee conduct, assessed by formal disciplinary review committees.

The Bank seeks to promote responsible behaviour through the UBS Group's Code of Conduct, which provides a clear statement on the conduct standards and ethical values that we expect of our employees and members of the Board, so that we maintain and strengthen our reputation for integrity, fair dealing and measured risk-taking. In addition, our six conduct and ethics standards are a key part of our effort to embed our core ethical values into our business strategy and the fabric of our organisation.

The conduct and ethics standards are designed to encourage employees to act with responsibility, respect, honesty and compliance to secure the trust of our stakeholders. Initiatives in this area have provided employees with practical guidance on careful and considered behaviour and the importance of acting ethically and learning from mistakes and promoting positive culture. Our employee performance assessment and compensation processes are linked to the conduct and ethics standards and the UBS Group's Code of Conduct.

Risk Management Framework

Risks arise in all of CSUK's business activities and cannot be completely eliminated, but they are monitored and managed through its limits, policies and internal control environment to the Bank's agreed risk appetite. CSUK's risk management organisation is aligned to the specific nature of the various risks to ensure that risks are taken within risk appetite and set in a transparent and timely manner.

Risk Appetite

CSUK's risk appetite establishes a direct link between its strategy and performance management, its risk management and its capital structure. This approach ensures that CSUK incorporates risk factors in decision making, so that actions are compatible with an agreed appetite for risk.

- Risk thresholds are identified for all key risks identified by the risk management process. This will determine the specific maximum or residual risk, as appropriate, that CSUK is willing to accept for each risk category;
- Risk thresholds may be established to monitor the actual risk against limits or guidelines, with any breaches triggering appropriate review and corrective actions, if required.

Within the bounds of the overall risk appetite of CSUK, as defined by the limits set by the Board, the CSUK Board Risk Committee ('BRC') and CRO are responsible for setting specific risk thresholds deemed necessary to manage the concentration of risk within individual lines of business and across counterparties.

CSUK defines its appetite for risk through its risk appetite process. Risk constraints are established by key risk category and reported to the CSUK BRC and to the Board of Directors. These risk categories are constantly reviewed as part of CSUK's ongoing risk assessment process.

Key risk categories, their mitigation and associated metrics are discussed further in Appendix 2, with additional disclosures on CSUK's risk management framework detailed in the 2023 Annual Report.

Risk Organisation

The prudent taking of risk in line with the Bank's strategic priorities is fundamental to its business as part of a leading global banking group. To meet the challenges in a fast changing industry with new market players and innovative and complex products, the Bank seeks to continuously strengthen the risk function, which is independent of but closely interacts with the businesses.

The Bank's risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in the Bank's business planning process and is strongly supported by senior management and the Board. The primary objectives of risk management are to protect the Bank's financial strength and reputation, while ensuring that capital and liquidity are well deployed to support business activities in a regulatory compliant manner, and grow shareholder value.

Risk Functions

The Bank's second line of defence is led by the CRO and the Chief Compliance Officer ('CCO'), who report to the Bank's CEO and, respectively, to CS group EMEA Chief Risk Officer ('CS EMEA CRO') and the UBS Wealth Management Compliance and Operational Risk Control ('WM CORC') management. The CS group EMEA CRO has a secondary reporting line into the UBS EMEA CRO.

The CCO is responsible for monitoring and setting risk appetite for conduct risks and regulatory risks from the non-financial risk ('NFR') taxonomy. In addition the CCO has responsibility for financial crime risk via the Money Laundering Reporting Officer ('MLRO'). The CRO is responsible for overseeing the Bank's risk profile across financial risks and operational risks from the NFR taxonomy, and all other risks, including reputational risk. In combination, the CRO and CCO are responsible for providing oversight and establishing a framework and policies to monitor and manage all risk matters.

<u>Chief Risk Officer</u>

To manage the material risks, the CRO function comprises of:

- <u>Credit Risk Management</u> is responsible for approving credit limits, monitoring, and managing individual exposures, and assessing and managing the quality of credit portfolios;

- Market Risk Management is responsible for managing FX and interest rate exposures to specific risk thresholds;
- Operational Risk Management is responsible for the identification, assessment and monitoring of operational risks in the NFR taxonomy, relating to systems, people and processes and external events;
- Reputational Risk Management is key to identifying both internal and external incidents which may result in damage to the Bank's reputation; and
- Treasury & Liquidity Risk Management is responsible for assessing and monitoring the non-traded market and liquidity risk profiles of the Bank and recommending corrective action, where necessary.

These areas form part of a matrix management structure with reporting lines into both the CRO and the relevant CS group Risk Head.

Furthermore, an Enterprise Risk Management ('ERM') function is responsible for covering cross-business and cross-functional approaches towards identifying and measuring risks as well as defining and managing risk appetite levels. The ERM function is also responsible for coverage of material risks without a dedicated risk management function such as Business Risk, Capital Risk and Sustainability (incl Climate Risk) .

The CRO, on behalf of the Board, is responsible for providing risk management oversight and establishing an organisational basis to manage all risk management matters through its primary risk functions. In addition, the Bank's CRO Function leverages support from central Group Risk functions to assist with the management of model risk (relating primarily to the use of models in the ICAAP, ILAAP and the estimation of Expected Credit Loss), cyber and technology risk.

Chief Compliance Officer

The Bank's Compliance function, headed by the CSUK Chief Compliance Officer, is responsible for providing compliance advice, monitoring and support in respect of all activities of CSUK and for providing effective and robust challenge as it assists senior management in effectively managing regulatory compliance and conduct risks. It advises on Compliance rules and regulations, including informing management and employees of relevant developments to enable them to comply with their regulatory obligations.

The CSUK Compliance function fulfills its responsibilities by establishing relevant policies and procedures, delivering training and education programmes, providing day to day compliance advice, overseeing the implementation of monitoring, surveillance and testing programmes, and escalating potential compliance and/or control issues to the CSUK Executive Committee and the CSUK Board Risk Committee. The Compliance coverage team provides advice and support to senior management in managing and mitigating compliance related risks faced by CSUK.

Compliance responsibility encompasses, amongst other items, the following:

- Conduct matters including: i) investor protection (suitability and appropriateness); ii) markets rules (i.e. Market Abuse, Inside information, best execution and conflicts of interest) and Employee compliance matters (outside interests, personal account trading)
- Cross-border
- Regulatory Compliance in relation to Markets in Financial Instruments Directive ('MiFID'); Conduct of Business Rules ('CBOs'), Mortgage Conduct Rules ('MCOBs'), Consumer Duty rules amongst others
- Marketing materials and financial promotions
- Fraud and data theft

In relation to its responsibilities to oversee and report on conduct risks, the CCO function chairs the Conduct Review Panel, attended by representatives from CRO, FLDS and Human Resources ('HR'). CCO is responsible for ensuring matters are progressed through the internal conduct review process where appropriate and where necessary refers to the UK Conduct and Ethics Review Panel for further determination. The CCO function will determine when it is necessary to refer matters to the Compliance Investigations team for formal investigation. The CCO function monitors key risk indicators contained within the CSUK Conduct Risk Appetite and reports any breaches of agreed tolerances to the CSUK Board Risk Committee.

The CSUK compliance function is supported by other Compliance functions including but not limited to Compliance Core Services (including monitoring, testing, trade surveillance and anti-fraud) and CCO Investigations.

Money Laundering Reporting Officer (“MLRO”)

CCO is supported by the Money Laundering Reporting Officer whose responsibilities include (but are not limited to) oversight of implementation of the UK legislation with regards to financial crime, Proceeds of Crime Act ('POCA'), UK Bribery Act, etc, researching and providing advice in relation to high risk client types including Politically Exposed Persons (‘PEP’) relationships and those with heightened financial crime and related reputational risks.

Financial Crime Prevention fulfills its responsibilities by ensuring that there are appropriate and proportionate risk management systems and controls in place to counter the risk that the entity might be used to further financial crime, overseeing the implementation of an adequate monitoring, surveillance and testing programme, specific to Anti-Money Laundering (‘AML’) , Sanctions, Anti-Bribery and Corruption (‘ABC’) and Financial Crime prevention, and providing guidance and training to CSUK employees in relation to financial crime matters. FCP receives disclosures under the UK legislation with regards to suspicions and assesses the need for onward reporting to the appropriate external authorities.

Capital Risk

Overview

Capital Risk is the risk that the Bank does not maintain adequate capital to support its activities and maintain the minimum capital requirements, including the risk of the mismatch between available resources and capital demand. UBS Group considers a strong and efficient capital position to be a priority. Consistent with this, Capital Risk is measured and monitored by CSUK through regular capital adequacy reporting produced by the Basel Measurement & Reporting team (‘BMR’). Internal Capital Reports are distributed to management including period-on-period variance analysis to ensure the drivers of movements in capital adequacy are identified and understood. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework.

Multi-year business forecasts and capital plans are prepared by CSUK, taking into account the business strategy and the impact of known regulatory changes. These plans are subjected to various stress tests reflecting both macroeconomic and specific risk scenarios as part of the ICAAP. Within these stress tests, potential management actions are identified. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms an input into the Supervisory Review and Evaluation Process ('SREP') conducted by the PRA when assessing the Bank’s minimum level of regulatory capital.

Each quarter, the ALM CARMC reviews the current capital adequacy position as well as a forecast position to identify any potential adverse movements in the CET1 and Total Capital ratios that could require management action. The CRO has established a risk appetite for capital risk and this is monitored quarterly by the ALM CARMC and Risk Committee. Annually, the ICAAP assesses the adequacy of capital in both benign and during a range of plausible, adverse stress scenarios. The ICAAP informs management of what reasonable actions may be necessary to restore the capital position, if required, during times of economic stress.

Stress testing complements other risk measures by capturing CSUK’s exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets, impacting CSUK’s overall capital position. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile of the business and limits may be established if they are considered the most appropriate control. Additionally, a set of scenarios are used which assess the impact of significant, simultaneous movements across a broad range of markets and asset classes to identify areas of risk concentration and potential vulnerability to stress events at the CSUK level.

Capital risk exposures are managed through two main levers: management of the lending pipeline to reduce credit risk capital requirements; and via capital injection requests to the shareholders to increase capital resources. Management of the lending pipeline would involve curtailment of new lending or amendments to underwriting standards, however, such actions would need to consider the potentially damaging consequences on the franchise. Capital injections would follow the CS group policy on the Capitalisation of Branches and Subsidiaries and would require a business plan, a strong rationale for the injection and an assessment of the required types of capital.

Capital Resources

Article 437 of the CRR requires disclosure of the main features of any Common Equity Tier 1 (‘CET1’), Additional Tier 1 (‘AT1’) and Tier 2 instruments that make up an institution’s regulatory own funds (or capital resources).

CSUK’s CET1 capital comprises ordinary shares. These shares carry voting rights and the right to receive dividends. CSUK has not issued any AT1 instruments and details of its Tier 2 subordinated loan capital can be found in Appendix 1. CSUK’s capital composition and principal capital ratios are presented in the following tables, together with a reconciliation to CSUK’s 2023 IFRS Statement of Financial Position. No amount shown under own funds is subject to CRD V transitional provisions. CSUK did not apply the transitional arrangements specified in Article 473a for IFRS 9 and the own funds, capital and leverage ratios already reflect the full impact of IFRS 9.

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

KM1 - Key metrics

Amounts in GBP '000

end of		2023	2022
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	291,388	330,376
2	Tier 1 capital	291,388	330,376
3	Total capital	344,861	385,376
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	999,597	1,123,970
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	29.15%	29.39%
6	Tier 1 ratio (%)	29.15%	29.39%
7	Total capital ratio (%)	34.50%	34.29%
	Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	1.77%	1.77%
UK 7b	Additional AT1 SREP requirements (%)[1]	0.59%	0.59%
UK 7c	Additional T2 SREP requirements (%)	0.79%	0.79%
UK 7d	Total SREP own funds requirements (%)	11.15%	11.15%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.80%	0.49%
11	Combined buffer requirement (%)	3.30%	2.99%
UK 11a	Overall capital requirements (%)	14.45%	14.14%
12	CET1 available after meeting the total SREP own funds requirements (%)	22.88%	23.12%
	Leverage ratio		
13	Leverage ratio total exposure measure excluding claims on central banks[2]	2,409,589	2,899,039
14	Leverage ratio excluding claims on central banks (%)	12.09%	11.40%
	Liquidity Coverage Ratio[2]		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	494,954	884,980
UK 16a	Cash outflows - Total weighted value	241,742	640,811
UK 16b	Cash inflows - Total weighted value	174,440	244,370
16	Total net cash outflows (adjusted value)	83,862	396,440
17	Liquidity coverage ratio (%)[3]	729.77%	229.60%
	Net Stable Funding Ratio[4]		
18	Total available stable funding	1,398,068	1,773,117
19	Total required stable funding	1,076,052	1,328,489
20	NSFR ratio (%)	129.96%	133.33%

Notes:

(1) CSUK has no AT1 capital. The additional SREP requirement of 3.15% is entirely satisfied by CSUK's CET1 capital.

(2) Leverage ratio total exposure measure for CSUK includes total balance sheet assets, off-balance sheet credit equivalent post credit conversion factor ('CCF') and potential future exposure on derivatives. CSUK not being a LREQ firm, is not subject to minimum leverage ratio capital requirement.

(3) Liquidity coverage ratio computed as an average of 12 month-end observations to the reporting date. LCR increased year on year due to decrease in net cash outflows driven by decrease in deposits from financial customers partially offset by reduction in HQLA.

(4) Net Stable Funding Ratio is computed as an average of the last four spot quarter end positions.

Own Funds

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

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

CC1 - Composition of regulatory own funds

Amounts in GBP '000

end of 2023		Amounts	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation(1)
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	256,430	Note 21
	of which: Share Capital	*245,230*	*Note 21*
	of which: Share Premium	*11,200*	*Note 21*
2	Retained earnings	36,122	Page 39
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	292,552	Page 39
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)(2)	(27)	
8	Intangible assets (net of related tax liability) (negative amount)(3)	(1,137)	Note 15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)(4)	—	Note 14
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(1,164)	
29	**Common Equity Tier 1 (CET1) capital**	291,388	
45	**Tier 1 capital (T1 = CET1 + AT1)**	291,388	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	55,000	Note 20
51	Tier 2 (T2) capital before regulatory adjustments	55,000	Note 20
56b	Other regulatory adjustments to T2 capital	(1,527)	
58	**Tier 2 (T2) capital**	53,473	Note 20
59	**Total capital (TC = T1 + T2)**	344,861	
60	**Total risk exposure amount**	999,597	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	29.15%	
62	Tier 1 (as a percentage of total risk exposure amount)	29.15%	
63	Total capital (as a percentage of total risk exposure amount)	34.50%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.57%	

65	*of which: capital conservation buffer requirement*	*2.50%*	
66	*of which: countercyclical buffer requirement*	*0.80%*	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	22.88%	
Amounts below the thresholds for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	—	
Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	9,732	

Notes:

(1) 2023 Statement of Financial Position for (i) Total Equity and (ii) Subordinated Debt values are prepared under IFRS.

(2) A prudent valuation adjustment is applied in respect of fair valued instruments as required under CRD V regulatory capital rules [CRR Articles 34, 105].

(3) Intangible assets do not qualify as capital for regulatory purposes under CRD V [CRR Article(s) 36(1)(b), 37].

(4) Deferred tax assets ('DTA') that rely on future profitability and do not arise from temporary differences net of associated tax liabilities are deducted from regulatory capital under Articles 36(1) point (c) and 38 of CRR. No deductions as DTA reduced to zero as at year-end 2023.

Own Funds Requirement

The Pillar 1 capital requirements of the CSUK are summarised below, along with the relevant RWA values. Credit risk capital requirements and RWA are further broken down by risk-weight methodology.

OV1 – Overview of risk weighted exposure amounts

Amounts in GBP '000

		Risk weighted exposure amounts		**Total own funds requirements**
end of		**2023**	**2022**	**2023**
1	Credit risk (excluding CCR)(1)	750,436	884,443	60,035
2	*of which the standardised approach*	*750,436*	*884,443*	*60,035*
6	Counterparty credit risk - CCR	30,969	30,213	2,478
7	*of which the standardised approach*	*28,100*	*28,319*	*2,248*
UK 8b	*of which credit valuation adjustment - CVA*	*2,869*	*1,894*	*229*
15	Settlement risk	—	3	—
20	Position, foreign exchange and commodities risks (Market risk)(2)	15,933	—	1,275
21	*Of which the standardised approach*	*15,933*	*—*	*1,275*
23	Operational risk(3)	202,259	209,312	16,181
UK 23a	*of which basic indicator approach*	*202,259*	*209,312*	*16,181*
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	—	4,910	—
29	**Total**	**999,597**	**1,123,970**	**79,969**

Notes:

(1) Credit risk RWA decreased due to repayments in mortgage exposures, Lombard credit and overdrafts.

(2) Market risk RWA is account of total non-GBP FX exposures exceeding 2% of total capital resources as at year-end 2023.

(3) Operational risk RWA calculated using the Basic Indicator Approach ('BIA') considers the average of last three years (2021, 2022 and 2023) audited revenues. The decrease is due to lower audited revenues in 2023.

The CSUK Total Capital Requirement (the sum of Pillar 1 and Pillar 2A) is 11.15% as set out in PRA notification relating to Policy Statement PS15/20 Pillar 2A: Reconciling capital requirements and macro-prudential buffers ('PS15/20').

Scope of application of the Regulatory Framework

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

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

Amounts in GBP '000

		Balance sheet as in published financial statements	**Note reference**
end of		**Dec-2023**	
Assets - Breakdown by asset class according to the balance sheet in the published financial statements			
1	Cash and due from banks	548,659	
2	Interest-bearing deposits with banks	17,198	
3	Securities purchased under resale agreements	455,796	10
4	Trading financial assets mandatorily at fair value through profit or loss	13,630	
	of which positive market value from derivative instruments	*13,630*	
5	Loans and advances	1,307,573	11
6	Current tax assets	2,058	
7	Other assets	46,419	13
8	Deferred tax assets	—	14
9	Intangible assets	1,137	15
	Total assets	**2,392,470**	

Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements			
1	Deposits	654,960	16
2	Trading financial liabilities mandatorily at fair value through profit or loss	13,496	
	of which negative market value from derivative instruments	13,496	
3	Current income tax liability	—	
4	Other liabilities	43,883	17
5	Provisions	1,403	18
6	Short-term borrowings	831,176	19
7	Long term debt	555,000	20
	of which : Subordinated debt	*55,000*	
	Total liabilities	**2,099,918**	

Shareholders' Equity			
1	Share capital	245,230	21
2	Share premium	11,200	21
3	Capital contribution	27,500	21

4	Retained earnings	8,622
	Total shareholders' equity	**292,552**
	Total liabilities and shareholders' equity	**2,392,470**

As at 31 December 2023 there is no difference between the carrying values reported in financial statements and those under the scope of regulatory consolidation. For this reason, only balances under financial statements are disclosed.

Countercyclical Capital Buffer ('CCyB')

The Financial Policy Committee ('FPC') of the Bank of England is responsible for setting the UK Countercyclical Capital Buffer ('CCyB') rate, i.e. the CCyB rate that applies to the UK exposures of banks, building societies and large investment firms incorporated in the UK. In setting the CCyB, the FPC considers a number of core indicators such as credit to GDP ratios and enables FPC to adjust the resilience of the UK banking system to the changing risks it faces over time. CRD IV, as implemented in the UK, includes a transitional period, during which the FPC is responsible for deciding whether CCyB rates set by EEA States should be recognised and for taking certain decisions about third country rates, including whether a higher rate should be set for the purposes of UK institutions calculating their CCyBs. CCyBs can be applied at a CS group, sub-consolidated or legal entity basis.

The UK CCyB rate increased from 1% to 2% in 2023. CCyB rates have also been set by Australia, Denmark, Hong Kong, Iceland, Luxembourg, Netherlands and Sweden and apply to exposures to those countries. All other EEA member states where CSUK had exposures had CCyB rate at 0%. No further disclosures are made on CCyB on the basis of materiality.

Leverage Ratio

In conjunction with other regulatory and capital metrics such as RWA levels, leverage ratios are actively monitored and managed within CSUK's capital and risk management governance processes. Similar to CS group level, internal targets (including the setting of internal management buffers where required) are developed and monitored and this process is flexible, reflecting changing regulatory expectations.

Longer-term strategies will consider the leveraging or deleveraging impacts resulting from both business development and the impact of future regulatory change to ensure CSUK continues to meet external and internal expectations. CSUK's stress testing framework will consider the impact on leverage ratios of both internal and regulator-prescribed stress tests.

CSUK's leverage ratio increased to 12.09% as at 31 December 2023 from 11.40% as at 31 December 2022, mainly driven by a reduction in the bank's loan book. A reconciliation of accounting assets and leverage ratio exposure is provided in the table below.

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

Amounts in GBP '000

end of 2023		**Applicable amount**
1	Total assets as per published financial statements	2,392,470
8	Adjustment for derivative financial instruments	8,147
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	10,136
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(27)
12	Other adjustments	(1,137)
13	**Total exposure measure**	**2,409,589**

Internal Capital Adequacy Assessment Process ('ICAAP')

Approach to assessing the Adequacy of Internal Capital

The purpose of the ICAAP is to provide the CSUK Board with an assessment of the Bank's risks and the capital necessary to hold against these risks, having considered mitigating factors. The ICAAP assessment is conducted using a three-year business and capital plan, taking into account the business strategy, economic environment and the impact of known regulatory changes.

CSUK believes in a strong risk identification framework to identify Internal & External threats, to capture material risks to business strategy and highlight vulnerabilities from our existing processes. Material risks (as set out in the Material Risks section) identified using this framework are subject to capital assessment and the sufficiency of overall capital is based on the aggregate assessment of each risk as follows:

- **Pillar 1:** Calculation of regulatory capital of material risk types captured within the Pillar 1 framework: for CSUK this is primarily Credit Risk (including the Credit Valuation adjustment ('CVA')) and Operational risk.
- **Pillar 2A:** Based on individual risk type analysis across all material risks and designed to cover risks not adequately captured within the Pillar 1 framework.
- **Pillar 2B:** To ensure CSUK remains adequately capitalised on an on-going basis, CSUK management has conducted stress testing to assess the impact on capital of a three-year protracted economic downturn with sudden combined with severe idiosyncratic events. The results of these stress tests have been used to self-assess the need for a PRA Buffer.
- **Reverse Stress Testing**: Reverse stress testing ('RST') is a risk management tool used to increase a firm's awareness of its business model vulnerabilities. The firm is required to conduct scenario analyses that test its business plan to failure.The overall narrative is broken down into nine components, and business impacts for each component are analysed using existing stressed capital plan infrastructure. RST provides one potential trigger situation for the recovery and resolution plan ('RRP').

Stress Testing and Scenario Analysis

The firm's financial plans are subjected to various stress tests reflecting both macroeconomic and specific risk scenarios as part of the ICAAP. Within these stress tests, potential management actions are identified. Stress testing is a fundamental element of CSUK's risk control framework, with results used in risk appetite discussions and strategic business planning, and to support the CSUK's internal capital adequacy assessment. The results of these stress tests and associated management actions are updated regularly, as part of the ICAAP, with results documented and reviewed by the Board of Directors. The ICAAP then forms the basis for the Supervisory Review and Evaluation Process ('SREP') conducted by the PRA when assessing the Bank's minimum level of regulatory capital.

This stress testing complements other risk measures by capturing CSUK's exposure to unlikely but plausible events, which can be expressed through a range of significant moves across multiple financial markets, impacting CSUK's overall capital position. The majority of scenario analysis calculations performed are specifically tailored toward the risk profile of the business, and limits may be established if they are considered the most appropriate control. Additionally, to identify areas of risk concentration and potential vulnerability to stress events at CSUK level, a set of scenarios are used which assess the impact of significant, simultaneous movements across a broad range of markets and asset classes.

Stress testing is a fundamental element of CSUK's risk control framework, with results also used in risk appetite discussions and strategic business planning, and to support the CSUK's internal capital adequacy assessment. Stress test scenarios are conducted on a regular basis and the results are reported to the Board of Directors and senior management.

ICAAP Governance Process

CSUK's stress testing framework is governed through a dedicated steering committee: the CSUK Risk Methodology and Standards Committee ('RMSC'). Scenarios can be defined with reference to historic events or based on forward-looking, hypothetical events that could impact CSUK's capital, liquidity or profitability. The scenarios are reviewed and updated as markets and business strategies evolve, and new scenarios are designed by CS group Global CRO in collaboration with Global Research and business divisions.

ICAAP Governance at Board Level

The ultimate owners of the ICAAP assessment and results are the CSUK Board. They are responsible for:

- Ensuring that a clear process and adequate controls are in place for the ICAAP assessment and results.
- Discussion and final approval of the ICAAP results.

Board Risk Committee ('CSUK RC')

The Risk Committee provides advice to the Board in fulfilling its role as the ultimate owners of the CSUK ICAAP by:

- Reviewing the ICAAP and providing input into the range of scenarios and analyses that management have used.
- Review and challenge the adequacy of the ICAAP control landscape
- Review and challenge of ICAAP results at the Risk Committee meetings before Board discussions.

Chief Risk Officer ('CRO') & Chief Financial Officer ('CFO')

The CRO and CFO, as joint owners of the ICAAP, are responsible for ensuring that proper standards as well as practices and controls for the ICAAP are established and that these are followed.

Risk Methodology and Standards Forum

RMSF has delegated authority from the CSUK Executive Committee ('ExCo') regarding the ICAAP primarily for:

- Review and assessment of the scenario analysis framework in relation to capital specific stresses
- Review and challenge of scenario methodology, outcome of stress test results including key management actions scenarios design, model assumptions and overlays.
- Review and approval of the macro economic and financial validity of the scenarios based on prevailing economic conditions, political and regulatory development.

CSUK ALM CARMC

ALM CARMC is responsible for the review and challenge of the ICAAP results and make recommendations regarding capital adequacy to the CSUK Board and Risk Committee.

CSUK Operational Risk and Compliance Committee ('ORCC')

CSUK ORCC has delegated authority from the CSUK ExCo to review the operational risk assessment approach within the ICAAP and input into the capital assessment for operational risk for Pillar 2A.

Credit Risk

Overview

Credit Risk refers to potential financial loss as a result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty.

In the event of a default, a bank generally incurs a loss equal to the amount owed by the debtor, less any recoveries resulting from foreclosure, liquidation of collateral or the restructuring of the debtor. Credit risk exists within lending products, commitments, and results from counterparty exposure arising from foreign exchange derivative and other transactions.

CSUK primarily undertakes secured lending activity to a client base that comprises individuals, trusts and small corporates, as well as Operating Companies in approved jurisdictions. Collateral is pledged via effective security agreements and charges over assets to support the two categories of lending:

- Lombard, which is primarily uncommitted lending collateralised by cash, marketable securities, or guarantees; and
- Real estate finance for commercial and residential properties, including buy-to-let and development finance.

Concentration risk is managed via limits setting and sub-participation to CSAG via its Guernsey Branch.

Credit Risk Management Approach

Effective credit risk management requires a structured process to assess, monitor and manage risk on a consistent basis. Accordingly, CSUK gives careful consideration of any proposed granting of credit, the setting of specific risk thresholds, diligent ongoing monitoring during the life of the exposure and a disciplined approach to recognising credit impairment and pursuing recoveries.

The CSUK credit risk management framework is regularly refined and covers all banking business areas that are exposed to credit risk. The framework is designed to cover all of the credit exposures in the banking business and comprises seven core components:

- an individual client rating system;
- a transaction rating system;
- a client credit limit system;
- country, regional, sector and client rating concentration limits;
- a risk-based pricing methodology;
- active credit portfolio management; and
- a credit risk provisioning methodology.

Credit risk is evaluated through a credit request and approval process, ongoing credit and counterparty monitoring and a credit quality review process. Experienced credit officers analyse credit requests and assign internal ratings based on their analysis and evaluation of the client's creditworthiness and the type of credit transaction.

CS has developed a set of credit rating models tailored for different client segments (e.g. international corporates, financial institutions, asset finance, small and medium enterprises, commodity traders and residential mortgages) for the purpose of internally rating counterparties to whom CS is exposed to credit risk as the contractual party to a loan, loan commitment or exchange-traded/over-the-counter derivative contract. The models are built from statistical data and then subject to a thorough business review before implementation. Each credit rating model is validated independently prior to implementation and on a regular basis. At the time of initial credit approval and review, relevant quantitative data (e.g. financial statements and financial projections) as well as qualitative factors relating to the counterparty are used in the models and result in the assignment of a credit rating or probability of default (‘PD’), which measures the counterparty's risk of default over a one-year period.

To ensure that ratings are consistent and comparable across all businesses, CS has used an internal rating scale which is benchmarked to the external rating agencies, using the historical PD associated with external ratings. The relationship between the PD and external agency ratings is reviewed on a regular basis and adjustments are made to calibrate the internal rating classification to the assumed PD in the external ratings.

Additionally, an estimate of expected loss in the event of a counterparty default is assigned based on the structure of each transaction. The counterparty credit rating is used in combination with credit (or credit equivalent) exposure and the loss given default ('LGD') assumption to estimate the potential credit loss. LGD represents the expected loss on a transaction should default occur and takes into account structure, collateral, seniority of the claim and, in certain areas, the type of counterparty.

CSUK Credit approval process and provisioning

Senior credit managers make credit decisions on a transaction-by-transaction basis, at authority levels reflecting the size and complexity of the transactions and the overall exposures to counterparties and their related entities. These approval authority levels are set both at a parent functional and a legal entity level.

A system of credit limits is used to manage individual counterparty credit risk. Other limits are also established to address concentration issues in the portfolio and limits for certain products. Credit exposures to individual counterparties or product groupings and adherence to the related limits are monitored by credit officers and other relevant specialists.

In addition, credit risk is regularly reviewed by the Credit Risk Committee taking current market conditions and trend analysis into consideration. The committee regularly analyses diversification and concentrations in selected areas as well as emerging risks in lending sectors.

A credit quality review process provides an early identification of possible changes in the creditworthiness of clients and includes asset and collateral quality reviews, business and financial statement analysis and relevant economic and industry studies. Other key factors considered in the review process include current and projected business and economic conditions, historical experience, regulatory requirements and concentrations of credit by product and counterparty rating. Regularly updated watch-lists and review meetings are used for the identification of counterparties where adverse changes in creditworthiness could occur.

Regular watch-list meetings are used to determine whether certain positions should be transferred to, and managed by Recovery Management International ('RMI'), an independent function that is responsible for setting the strategy and determining provision levels for impaired facilities. A systematic provisioning methodology is used to identify potential credit risk-related losses and impaired transactions are classified as potential problem exposure, non-performing exposure, or non-interest earning exposure. Such provision levels are reviewed on an ongoing basis by RMI with any proposed changes advised to CSUK.

Credit Risk Mitigation and Collateral

The Bank regularly agrees upon collateral in the lending contracts to be received from borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default.

Collateral is pledged via effective security agreements and charges over properties to support both mortgage and Lombard lending activities. CSUK has a very limited appetite for unsecured credit facilities.

The policies and processes for collateral valuation and management are defined by:

- a legal document framework that is bilaterally agreed with our clients; and
- a collateral management risk framework enforcing transparency through self-assessment and management reporting.

Collateral securing loan transactions primarily includes:

- Physical collateral in the form of real estate for mortgages – mainly residential, but also multi-family buildings, and commercial properties (office, retail units, serviced apartments and student housing); and
- Financial collateral pledged against loans collateralised by securities (mostly cash and marketable securities), and bank guarantees from other Credit Suisse legal entities.

Physical Real Estate Collateral

Legal charge over and periodic re-valuation of the real estate collateral is a key risk management tool for financing transactions through mortgage lending. Subject to a satisfactory valuation report, Credit Risk Management ('CRM') will issue a facility letter ('FL') to the client, incorporating the information set out in the term sheet/key facts illustration, including the estimated costs incurred for the mortgage contract. Formal documentation may include:

- Facility Agreement
- Legal Charge (issued by Solicitors)
- Personal Guarantee of the beneficial owner, when lending to a Special Purpose Vehicle ('SPV')
- Security Agreement
- Board Resolution
- Charge over shares of the direct property holding company (if owned by a SPV)
- Deed of confirmation (This document confirms that the Legal Charge is still in place and is only issued for renewed facilities in certain scenarios.)

For residential mortgages exceeding EUR 3m, the Bank must obtain a valuation of the property from an independent valuer every three years. For all other mortgages, an annual review and trend analysis of the UK real estate market is undertaken by Credit Risk Management to assess whether a revaluation is necessary.

The criteria used for the analysis includes the following:

- The level of activity in the market;
- Price trends;
- The impact of interest rate levels on the property market; and
- The spread of geographic locations within the portfolio and the requisite comfort level.

Lombard Collateral

Collection of financial collateral is a key risk management tool for securities financing transactions through Lombard lending. Subject to legally enforceable agreements, collateral may be accepted in many different currencies and jurisdictions, and the collateral process creates potentially significant legal, tax, credit, regulatory and operational issues for the business, in addition to the liquidity issues involved in managing a large portfolio of collateral assets and liabilities. CSUK's strategy with respect to collateral is subject to a robust collateral policy, which details standards of acceptable collateral (including collateral type, liquidity, quality, and jurisdiction), valuation frequency, haircuts and agreement type. Utilisation under the facility is restricted to the lower of the credit limit or the collateral value held. Additionally, thresholds are established for the management of collateral concentrations, in line with CSUK's business strategy and risk appetite.

For portfolios collateralised by marketable securities, the valuation is performed daily. Exceptions are governed by the calculation frequency described in the legal documentation. The mark-to-market prices used for valuing collateral are a combination of internally calculated and market prices sourced from trading platforms and service providers, where appropriate. The management of collateral is standardised and centralised to ensure complete coverage of traded products.

Collateral held against financial guarantees and loan commitments typically includes securities and inward guarantees (almost exclusively from other parts of CS group).

Netting

CSUK only applies on-balance sheet netting to financial assets and liabilities where it:

- has a legally enforceable right to set off the recognised amounts; and
- intends to settle on a net basis, or to realise the asset and liability simultaneously.

For intra-group transactions, CSUK's net position on multiple transactions with the same counterparty is legally protected by 'master netting agreements'. Such agreements ensure that the net position is settled in the event of default of either counterparty or effectively limit credit risk on gross exposures.

Regulatory Risk Weighting Approach

CSUK applies the Standardised Approach in determining the risk weights applied for the calculation of regulatory capital requirements for credit and counterparty risk under Pillar 1. Under this approach, ratings published by External Credit Assessment Institutions (‘ECAIs’) are mapped to Credit Quality Steps (‘CQS’) according to mapping tables laid down by the PRA. The CQS value is then mapped to a risk weight percentage. The ECAI used by CSUK for all types of exposures is Standard & Poor’s.

Impaired and Past Due Exposures, Credit Risk Adjustments and Specific and General Credit Risk Adjustments

CSUK’s accounting policies relating to impairment can be found in the 2023 Annual Report, Note '2(j)' to the Financial Accounts, along with the definition for accounting purposes of ‘impaired’. Information on impairment losses can be found in Note 18.

Effect of a Credit Rating Downgrade

CSUK itself is not a rated entity. CSUK relies on other companies in UBS Group for funding and capital, and therefore would be affected by any change to the ratings of those companies. The impact of downgrades of UBS Group long-term debt ratings is considered in the stress assumptions used to determine the conservative funding profile of the balance sheet and would not be material to the CSUK’s liquidity and funding needs.

Counterparty Credit Risk

Counterparty credit risk (‘CCR’) arises from OTC and exchange-traded derivatives, repurchase agreements, securities lending and borrowing and other similar products and activities. The related credit risk exposures depend on the value of underlying market factors (e.g. interest rates and foreign exchange rates), which can be volatile and uncertain in nature. CSUK enters into derivative contracts primarily in connection with managing its liquidity requirements and hedging residual market risk.

CSUK uses the Standardised Approach to Counterparty Credit Risk ('SA-CCR') to calculate the counterparty credit risk EAD on the derivative trades.

Market Risk

Overview

Market risk arises from potential adverse changes in interest rates, foreign currency exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatilities. CS defines its market risk as the risk to earnings or capital due to adverse changes in market factors, including equity, credit spreads, commodity prices, FX, interest rates and other factors. A typical transaction may be exposed to a number of different market risks.

CS has policies and processes in place to ensure that market risk is captured, accurately modelled and reported, and effectively managed. Furthermore, CSUK adopts these policies from a legal entity perspective. Trading and non-trading portfolios are managed at various organisational levels, from the overall risk positions at CS level down to specific portfolios. CS uses market risk measurement and management methods in line with industry standards. Measurement tools are used for internal market risk management, internal market risk reporting and external disclosure purposes. The principal measurement methodologies are Value at risk (‘VaR’) and scenario analysis. The risk management techniques and policies are regularly reviewed to ensure they remain appropriate.

CS group’s VaR model is subject to internal governance including model validation independent from model developers. Validation includes identifying and testing the model’s assumptions and limitations, investigating its performance through historical and potential future stress events, and testing that the live implementation of the model behaves as intended.

Criteria for Inclusion in the Trading Book Policy

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

The criteria for Trading Book classification are, broadly, that the position must be a transferable or hedgeable financial instrument; that there must be trading intent or a hedging relationship with another Trading Book item; and that daily fair value methodology must be applied for regulatory and risk management purposes.

Exposure to Market Risk

The Bank has a policy of not taking proprietary market risk positions. Trading transactions are generally entered into on either an agency or back-to-back basis with other CS entities. Therefore CSUK’s exposure to market risk typically arises from three sources:

- Structural interest rate and structural FX risk arise primarily from the loan and deposit books (a core value proposition and service offering). CSUK will avoid carrying material open interest or FX rate positions;
- FX risk arising from trades undertaken on behalf of clients. CSUK will aim to ensure net FX risks are neutral or matched currency positions resulting in minimal net daily profit and loss; and
- Exposure to settlement risk arising from trades executed on behalf of clients on a Delivery Versus Payment (‘DVP’) basis. CSUK’s aggregate risk appetite for market risk arising from DVP services is subject to gross notional (oneway) and VaR thresholds, which are quantified in the Risk Appetite and monitored when failed trade levels breach appetite.

Typically CSUK’s loan book is GBP denominated, whilst the deposit book is spread across a number of currencies. FX risk arising from this currency mismatch in the Banking Book is managed for CSUK by CS Global Treasury. The mandate given to CS Global Treasury is to run a matched currency book. Currency positions for CSUK are aggregated with currency positions of other CS entities and, where possible, internally matched before any hedging with external counterparties are undertaken.

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Foreign exchange risk related to accrued net income and net assets is centrally and systematically managed on a CS group basis with a focus on risk reduction and diversification. Risk is monitored and managed at an entity level through the levelling of accrued profit and losses that are incurred in a currency other than the entity's functional currency. Where there is active market risk taking due to a client order, the Bank will aim to eliminate any open non-GBP FX exposure as soon as possible, thus reducing currency risk.

Treasury and Liquidity Risk

Treasury Risk:

Interest Rate Risk in the Banking Book

The interest rate risk exposures in the non-trading positions (interchangeably called "Banking Book") mainly arise from retail banking, and related funding activities, with the majority of interest rate risk managed by Treasury centrally on a portfolio basis within approved limits using appropriate hedging strategies.

CSUK monitors and manages interest rate risk in the Banking Book by established systems, processes and controls. Risk sensitivity figures are provided to estimate the impact of changes in interest rates, which is one of the primary ways in which these risks are assessed for risk management purposes. In addition, CSUK confirms that the economic impacts of adverse shifts in interest rates, including a 200 basis points parallel shift in the yield curve and non parallel shifts, are significantly below the regulatory capital threshold used by regulators to identify excessive levels of non-trading interest rate risk.

Risk Measurement

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

- Interest rate sensitivity (DV01): expresses the linear approximation of the impact on a portfolio's present value resulting from a one basis point (0.01%) parallel shift in yield curves, where the approximation tends to be closer to the true change in the portfolio's present value for smaller parallel shifts in the yield curve. The DV01 is a transparent and intuitive indicator of linear directional interest rate risk exposure, which does not rely on statistical inference.
- Economic value scenario analysis: expresses the impact of several pre-defined scenarios (e.g. instantaneous changes in interest rates) on a portfolio's fair value. This metric does not rely on statistical inference.

The impacts of adverse shifts in interest rates on the economic value and net interest income of the Bank are significantly below the regulatory capital threshold used by regulators to identify excessive levels of non-trading interest rate risk. Therefore this risk is not capitalised within the Pillar 1 regime rather, it is analysed within the ICAAP and addressed in the PRA's determination of the CSUK's Pillar 2 capital requirements.

Monitoring and Review

The limits and flags defined by books, collections of books, businesses or legal entities relating to interest rate risk in the Banking Book are monitored by at least on a monthly basis (if deemed necessary or suitable, the monitoring may be as frequent as daily), by using the metrics and methodologies outlined above. In case of breaches, this is escalated to the limit-setting body. The CS group assesses compliance with regulatory requirements regarding appropriate levels of non-trading interest rate risk by estimating the economic impact of a range of adverse shifts in yield curves and then relating those impacts to the total eligible regulatory capital. Consistent with regulatory requirements, CRO ensures that the economic value impact of this analysis is below the regulatory threshold to ensure there are no requirements to hold additional capital. This analysis is performed for the CSUK on a monthly basis.

Liquidity Risk:

The risk refers to the Bank's ability to efficiently meet both expected and unexpected current and future cash flow and collateral requirements without affecting either daily operations or the financial condition of the Bank.

UBS Group Management of Liquidity Risk

CSUK's liquidity is in the process of aligning to being monitored and managed within the UBS Group wide liquidity management framework which applies these general principles:

UBS adheres to all regulatory liquidity risk regulations at UBS Group and subsidiary entity levels. UBS uses a centralised funding model, ensuring that the UBS Group and its local entities remain appropriately funded, both under business as usual and in the event of a liquidity stress period – as defined by both the UBS and the regulatory stress testing frameworks.

The UBS Group liquidity and funding strategy is set by Treasury, and the implementation and execution of the funding and liquidity strategy is managed by Treasury. Treasury ensures adherence to the funding policy and the efficient coordination of the secured funding desks.

This approach enhances the ability to manage potential liquidity and funding risks and to promptly adjust the liquidity and funding levels to meet stress situations. The liquidity and funding profile is reported to senior UBS Group governance committees. There is also an independent risk management function that proposes the risk threshold, and monitors the liquidity risk of our businesses. UBS Group is responsible for defining the overall threshold for risk in the form of a risk appetite statement.

The liquidity and funding profile reflects the strategy and risk appetite and is driven by business activity levels and the overall operating environment. The liquidity and funding profile has been adapted to reflect lessons learned from the financial crisis and more recent market stresses, the subsequent changes in the business strategy and regulatory developments.

The lessons learned from the acquisition of CS by UBS Group in Q2 2023 are subject to ongoing review and will be built into future updates to the liquidity and funding management framework of UBS Group.

The funding sourced by UBS Group is part of an liquidity and funding strategy aimed at maintaining a funding structure with long term stable funding sources being in excess of illiquid assets. UBS Group primarily funds the balance sheet through core customer deposits, long-term debt and shareholders' equity.

To address short-term liquidity needs, a portfolio of highly-liquid securities and cash is maintained. This liquidity buffer is managed to sustain operations for an extended period of time in the event of a crisis.

The targeted funding profile is designed to enable UBS Group to continue to pursue activities for an extended period of time without changing business plans during times of stress. The principal measures used to monitor the liquidity position of UBS Group are the regulatory metric Liquidity Coverage Ratio ('LCR') and internal liquidity metric ('Liquidity Stress Test'), the former a 30-day short-term stress metrics, and the latter operating at a stressed horizon between 90 days and 36 days. The Liquidity Stress Test requires UBS Group to manage the liquidity position over a pre-defined time horizon over which the adjusted market value of unencumbered assets (including cash) exceeds the aggregate value of contractual outflows of unsecured liabilities plus a conservative forecast of anticipated contingent commitments. This framework is supplemented by the modelling of additional stress events and additional liquidity risk measurement tools.

In the event of a liquidity crisis, UBS Group activates its Crisis Management Plan ('CMP'), which focuses on the specific actions that can be taken in the event of a crisis, including a detailed communication plan for creditors, investors and customers.

The CFP is activated by the Liquidity Crisis Task Force ('LCTF'), which includes senior business line, funding and finance department management adapted to include the relevant stakeholders depending upon the degree and nature of stress. This task-force would meet frequently throughout the crisis to ensure that the plan is executed.

The Basel Committee on Banking Supervision ('BCBS') issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The framework includes a LCR and Net Stable Funding Ratio ('NSFR'). Both metrics are incorporated into the overall risk management framework of UBS Group as mentioned above. The BCBS has stated that it will review the effect of these liquidity standards on financial markets, credit extension and economic growth to address unintended consequences.

The LCR aims to ensure that banks have a stock of unencumbered HQLA available to meet liquidity needs for a 30-day time horizon under a severe stress scenario. The LCR is comprised of two components: the value of the stock of high quality liquid assets in stressed conditions and the total net cash outflows calculated according to specified scenario parameters. The ratio of liquid assets over net cash outflows is subject to an ongoing PRA minimum requirement of 100%.

The NSFR establishes criteria for a minimum amount of stable funding based on the liquidity of a bank's assets and activities over a one-year horizon. The NSFR is intended to ensure banks maintain a structurally sound long-term funding profile beyond one year and is a complementary measure to the LCR. The standard is defined as the ratio of available stable funding over the amount of required stable funding. From January 2022, the NSFR became a PRA regulatory requirement, set at a level of 100%.

Legal Entity Management of Liquidity Risk

The liquidity risk of the Bank is managed as part of the overall UBS Group liquidity risk management framework. The Bank manages a series of regulatory legal entity liquidity metrics including LCR and NSFR. Such compliance requirements are measured as part of the Prudential Regulation Authority's Individual Liquidity Guidance ('ILG') which results in the Bank holding a local liquid asset buffer of qualifying securities and cash.

The Bank has implemented a liquidity risk management framework including legal entity governance, systems and controls and frequent management information to effectively measure, monitor and manage liquidity risk.

Key characteristics determining the Bank's liquidity risk management approach include, but are not limited to:

- Board approved legal entity risk thresholds; Compliance with local regulatory requirements;
- Funding of illiquid assets on a term basis;
- Holding a liquid asset portfolio composed of highly liquid unencumbered assets;
- Internal stress testing of the liquidity profile
- Independent risk management function
- Liquidity limits and monitoring; and
- The liquidity value of assets, liabilities and calibration of contingent liabilities being aligned with the UBS Group global liquidity risk methodologies.

The legal entity risk tolerance and assumptions underlying the relevant stress tests, which form part of the Bank's liquidity risk management framework, are proposed via the CSUK ALM CARMC by LRM and CRO and are approved by the Board Risk Committee, on at least an annual basis or as market conditions dictate.

Treasury is responsible for maintaining a CMP that details specific dealing strategies, actions and responsibilities required under distinct stages of increasing severity. Treasury supports the plan with key liquidity tools, including early warning indicators. The CMP gives consideration to the impact of operational constraints in terms of time and ability to monetise assets, trapped liquidity and daylight collateral requirements.

Most of the cash held by the Bank is placed with related parties within the CS group. This concentration risk is managed through appropriate limit setting and daily monitoring of the net cash exposure to the CS group. Treasury monitors the cash balances with CS group at a maturity and currency level to ensure the optimal balance to meet internal and external liquidity requirements at the lowest cost to the Bank.

In addition, auxiliary metrics are risk managed, such as currency coverage ratios – measuring liquidity risk on a single currency level – as well as the reliance CSUK places on other legal entities within CS group. Liquidity risks are assessed annually as part of the ILAAP. This includes analysis of the internal liquidity stress model over a 30 day and 90 days time horizon to ensure that the legal entity can fund expected cash withdrawals independent of additional CS group funding support. The NSFR is used to monitor liquidity and funding requirements over a 365 day horizon.

CSUK also complies with the regulatory LCR requirements by maintaining an adequate stock of unencumbered HQLA that can be converted easily and immediately into cash to meet its liquidity needs for a 30 calendar day regulatory liquidity stress scenario.

For the purpose of Pillar 3, the LCR values are calculated as the simple average of the month-end observations over the preceding twelve months. The HQLA and LCR reported as at 31 December 2023 in CSUK Annual Report represents the spot value as of the reporting date. CSUK remained complaint with regulatory minimums for LCR, Internal Stress and NSFR throughout 2023.

Non-Financial Risk

Overview

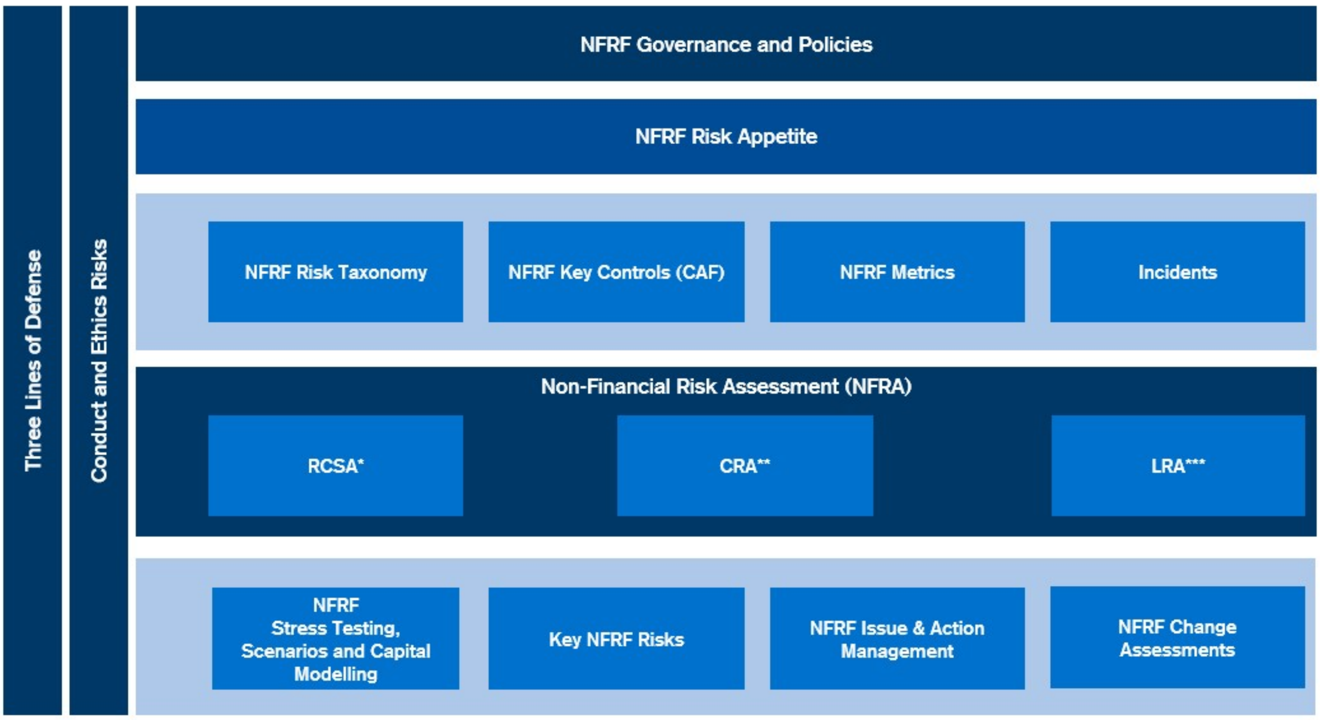
Basel 3 defines Operational Risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. This definition includes legal risk, which is the risk of loss resulting from failure to comply with laws and regulations as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of the Bank's activities.

CSUK defines Non-Financial Risk as the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, regulatory risk, legal risk and conduct risk. It’s inherent in most aspects of our business, including the systems and processes that support our activities, and comprises a large number of disparate risks that can manifest in a variety of ways.

Operational Risk and Non-Financial Risk are used interchangeably.

Operational Risk Management

At CSUK operational risk management is a continual cyclical process which includes risk assessment, risk decision making and implementation of risk controls, which results in acceptance, mitigation or avoidance of risk. The Non-Financial Risk Framework ('NFRF') provides the framework for identifying, measuring and managing operational risk within CSUK. The NFRF utilises both a top down approach, by setting governance, polices and a risk appetite, as well as a bottom up approach to identify risks, controls, metrics, incident data and assessments. These responsibilities are complementary and mutually supporting within the NFRF:



* Risk and Control Self-Assessment ** Compliance Risk Assessment *** Legal Risk Assessment

Governance and Policies

CSUK is in the process of aligning to the UBS Group's NFRF. In the interim, the existing CSUK framework continues to ensure robust and sustainable risk management at a granular level for each key component, which would allow for:

- Unified approach regarding risk and control identification and assessment

- Standardised process framework
- Clear and effective policy framework

In CSUK, Non-Financial risk is governed by the Operational Risk & Compliance Committee ('ORCC') at an executive level and the Board Risk Committee.

Risk Appetite

The CSUK Legal Entity Risk Appetite Framework provides the overarching framework to formalise a consistent approach to risk appetite for CSUK. The CSUK framework is in the process of alignment with the UBS Group Risk Appetite Framework, which incorporates the NFRF Risk Appetite as a sub-framework within this. Quantitative thresholds have been set against operational risk incidents on an aggregated and individual basis for any economic impact (loss or gain, measured on an absolute basis). These thresholds are set at both the overall entity level and for each of the NFRF Risk Appetite categories, and these are measured based on an accumulated twelve month rolling basis. The approach for qualitative NFRF risk appetite is based on the same NFRF risk categories. For each category, a set of risk and control indicators has been identified and is reported within the ORCC to inform a more qualitative assessment of where the risk profile has exceeded risk appetite. Within CSUK, the risk appetite, which is set annually, approved by the various governance forums and monitored monthly, fulfills the objective of providing the general risk principles, the key responsibilities, as well as the risk framework in order to manage risk.

NFRF Risk Taxonomy

The CS group risk taxonomy defines over 90 operational and compliance risks inherent in business divisions and corporate functions. This comprehensive standard taxonomy allows for a holistic and consistent risk definition for conducting Risk & Control Self-Assessment (RCSA)s, Compliance Risk Assessments ('CRAs') and for the identification of Key Non-Financial Risks. The taxonomy is categorised and structured along the Basel 2 event categorisation tree and under seven Qualitative Risk Appetite Tolerance Statements (Rules & Regulations, People, Process, Cyber & Systems, Clients & Markets, Governance and Outsourcing) and links back to the Risk Appetite.

CSUK will migrate to the UBS NFRF Risk Taxonomy during the course of 2024.

The roles and responsibilities for the maintenance and update of the risk register are as follows:

Function	Roles and Responsibilities
Business (1LoD)	Requesting amendments to the Risk Register as part of annual Risk Register review or when triggered by exceptional events
	Reviewing Risk Register change request raised as part of the annual Risk Register review
2LoD Independent Risk Oversight Ownership Functions	Ensuring new risks impacting their area of responsibility are analysed for inclusion in the Risk Register
	Supporting Business Divisions / Corporate Functions / legal entities in the identification of required amendments to the Risk Register
	Reviewing Risk Register change request raised as part of the annual Risk Register review.
	Owning the descriptions of their respective Risk Register items
Control Practices Oversight Group	The Control Practices Oversight Group is the final approval authority for amendments to the Risk Register.

NFR Monitoring

A number of NFR metrics are monitored to provide information on the level of exposure to a risk at a particular point in time. Specific approval, documentation, monitoring, and escalation standards are required for metrics linked to:

- Capital Allocation (including for ICAAP purposes)
- Risk Appetite
- Key NFR risks which are reported to ORCC / Risk Committee. This architecture of metrics is designed to provide warning of potentially escalating threat levels. In the event that any risk threshold is breached, it is the responsibility of the CRO to escalate to the various ExCo and Board level committees

Incidents

As part of the monitoring framework, Non-Financial Risk incidents are monitored and investigated to provide insights into the evolving risk profile of the business.

A non-financial risk incident refers to incidents driven by operational risk events which can result in a variety of impacts including financial, regulatory, reputational, client, market & competition, internal system disruption, employee or physical damage and can either be triggered by external or internal events. All internal incidents are required to be captured in MyIncidents as soon as detected and an initial booking of the P&L impact must be performed within the subsequent thirty calendar days. Internal incidents always constitute one of the three following incident types:

- Operational risk losses
- Operational risk gains
- Internal operational risk incidents with zero P&L impact including near misses

MyIncidents is the primary system for capturing and managing operational risk events and Legal and Compliance matters, and serves as a platform for line managers and FLDS to document concerns brought to their attention. MyIncidents is an integrated solution featuring a variety of functionalities, including front-to-back Operational Risk ('OpRisk') record and case management, general ledger interface, as well as sensitive Legal and Compliance capture and reporting.

Non-Financial Risk Assessments

In order to assess the operational, compliance and legal risk within the entity, CSUK focuses on three assessments:

- Risk and Control Self-Assessment Report ('RCSA')
- Compliance Risk Assessment ('CRA')
- Legal Risk Assessment ('LRA')

RCSAs are defined as a systematic and regular business process aimed at reviewing specific inherent operational risks that CSUK is exposed to, as well as an assessment of the control landscape that is in place to mitigate these risks. Moreover, it comprises an assessment of the residual risks that persist once the mitigating effect of the control landscape to reduce the inherent risks is taken into account.

The RCSA approach comprises the following five steps:

- **Risk profiling:** This involves the determination of which risks from the NFRF Risk Taxonomy are applicable to the RCSA unit. Applicability is based on whether the risk is inherent to the unit's business or functional processes, people, systems or from external events.
- **Inherent risk assessment:** Inherent risk is defined as the risk of a loss that the RCSA unit is exposed to before taking into account the effectiveness of the control landscape. It is assessed using the inherent Risk Rating Matrix across two dimensions of financial and / or non-financial impact and likelihood
- **Control landscape assessment** - The RCSA process requires a control landscape assessment for Very High / High and selected Medium risks based on Inherent Risk Appetite.
- **Residual risk assessment** - Residual risk rating is derived by applying the inherent risk assessment rating and the control landscape assessment rating.
- **Mitigating actions** - Actions must be documented in detail to provide for a reduction in risk and tracked through MICOS, which is a bank-wide platform built for the Management of Control Activities as well as Issue/ Action Management.

During 2024, CSUK will migrate to the UBS approach for conducting RCSAs, the Integrated Risk Assessment ('IRA'). The IRA is conducted based on the UBS taxonomy of non-financial risks, performing inherent risk, control landscape and residual risk assessments to determine the current level of risk in each risk theme. The IRA prioritises 25% of the risks in the taxonomy for detailed review each quarter, while ensuring that all risks in the taxonomy are reviewed over the course of the year.

Operational Risk Own Funds Requirement

Pillar 1

Operational risk is capitalised under Pillar 1 and the regulatory method applied is the Basic Indicator Approach ('BIA'), which is calibrated to CSUK net income. As at 31 December 2023, the BIA calculation for CSUK resulted in a Pillar 1 capital charge of £16.2m. This is calculated using the average of audited revenues of the last three years (year-ended 2021, 2022 and 2023).

Operational risk - Basic Indicator Approach

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

Amounts in GBP '000

Banking activities	Relevant indicator			Own funds requirements	Risk weighted exposure amount
	2021	2022	2023		
Banking activities subject to basic indicator approach (BIA)	105,302	114,237	104,075	16,181	202,259

Pillar 2

CSUK management acknowledge that the BIA calculation does not fully capture the risks for the entity and have considered this in the approach to assessing the amount of OpRisk Pillar 2A capital required.

CSUK's assessment of the operational risk capital requirement is derived by assessing a series of four benchmarks, looking at the historical loss data (since 2005) and overlaying those with a forward looking view incorporating business and control environment change to build a picture of the operational risk loss landscape. CSUK has referred to the PRA's Statement of Policy, 'The PRA's methodologies for setting Pillar 2 capital,' and has implemented two distinct approaches to assessing the OpRisk Pillar 2A capital charge.

A. **Benchmarking:** CSUK has used CS group derived benchmarking methodologies that use historical data to estimate potential operational losses. Operational risk events and losses are recorded in the Operational Risk incidents database (MyIncidents) in each Basel loss categories, and these form the starting point for assessing the expected operational losses over the next 12 months.

B. **Scenarios:** CSUK has also considered forward-looking tail risk scenarios to assess potential Operational Risk Losses and calibrate Pillar 2A requirements. CSUK Key Risks were taken as a starting point and scenarios were then developed in conjunction with business subject matter experts to ensure plausibility.

The Pillar 2A assessment is the higher of the average of the benchmarks (Approach A) and the scenario analysis (Approach B). A management buffer is applied to the results of this analysis to ensure prudence in the final Pillar 2A charge.

The above analysis is used for the self assessment of Operational Risks that is an input into the PRA's view of capital requirements for the firm which has been 1.52% of RWA since 2022. This had significantly reduced from 4.20% of RWA as at 31 December 2021.

Appendix 1: CCA – Capital Instruments' Main Features

Issuer	**Credit Suisse (UK) Limited**	**Credit Suisse (UK) Limited**	**Credit Suisse (UK) Limited**
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A
Governing law(s) of the instrument	English	English	English
Regulatory treatment			
Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
Eligible at solo / (sub-)consolidated / solo & (sub-) consolidated	Solo	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	Common Shares	Subordinated Debt	Subordinated Debt
Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£245.23	£25.00	£28.00
Nominal amount of instrument	£245.23	£25.00	£30.00
Issue price	Par	Par	Par
Redemption price	Par	Par	Par
Accounting classification	Shareholders Equity	Liability -amortised cost	Liability -amortised cost
Original date of issuance	26-Mar-97	07-Jan-11	27-Sep-18
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	No Maturity	31-May-31	27-Sep-28
Issuer call subject to prior supervisory approval	N/A	Yes	Yes
Optional call date, contingent call dates, and redemption amount	N/A	Optional, not before 7 January 2016, subject to prior PRA approval	Optional, not before 27 September 2023, subject to prior PRA approval
Fixed or floating dividend/coupon	N/A	Floating	Floating
Coupon rate and any related index	N/A	ARR Sonia rate	ARR Sonia rate
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	N/A	No	No
Noncumulative or cumulative	Non-Cumulative	Cumulative	Cumulative
Convertible or non-convertible	N/A	Non-convertible	Non-convertible
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 1	Unsecured and subordinated to the claims of unsubordinated creditors	Unsecured and subordinated to the claims of unsubordinated creditors
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A
		https://www.credit-suisse.com/corporate/en/investor-relations/financial-and-regulatory-disclosures/regulatory-disclosures/capital-instruments.html	https://www.credit-suisse.com/corporate/en/investor-relations/financial-and-regulatory-disclosures/regulatory-disclosures/capital-instruments.html

RISKS, MITIGANTS AND CORE METRICS

RISK AREA	HOW RISKS ARE MANAGED	INDICATIVE CORE METRICS MONITORED
Business Risk Business risk is the risk of underperforming against financial objectives as a result of revenue shortfalls and/or cost target overruns. Including the risk that financial targets may be missed due to failures to adapt or adverse outcomes of risk-taking business initiatives.	Business risk is identified initially through the financial and capital planning process, where the Chief Financial Officer ('CFO') reviews and challenges the proposed business strategy and articulates the financial consequences of proposed business activities and volumes. As necessary, the bank's senior management identifies overlays to the outcome of financial planning to ensure a prudent result and to reflect the execution risk associated with the Bank's strategy. Business risk is managed by the CEO and the Executive Committee and monitored as part of regular financial reporting to the Audit Committee and Board. Such reporting includes a number of KPIs that measure the quality of earnings (through the presentation of normalised, underlying results and metrics), trends in performance and progress against budget. Certain strategic metrics are also monitored as part of regular reporting to the Risk Committee.	• Earnings at risk ratio • Cost to income ratio • Assets at Risk • Target Return on AuM • Loan interest margin
Capital Risk Capital risk is the risk that the bank does not maintain adequate capital to support its activities while exceeding its regulatory requirements and meeting its internal capital goals. Including the risk of the mismatch between available resources and capital demand.	The UBS Group ('UBS') considers a strong and efficient capital position to be a priority. Consistent with this, CSUK closely monitors its capital position on a continuing basis to ensure ongoing stability and support of its business activities. This monitoring takes account of the requirements of the current regulatory regime and any forthcoming changes to the capital framework. Capital risk is measured and monitored through regular capital adequacy reporting produced by the Basel Measurement & Reporting team ('BMR') and provided to management to ensure the drivers of movements in capital adequacy are identified and understood. CSUK Asset and Liabilities Management Capital Allocation and Risk Management Committee ('ALM CARMC') reviews the current capital adequacy position as well as a forecast position to identify any potential adverse movements in the ratio that could require management action. Annually, the Internal Capital Adequacy Assessment Process ('ICAAP') assesses the adequacy of capital in both benign and during a range of plausible, adverse stress scenarios. The ICAAP is used to support business decision-making and informs management of what reasonable management actions may be necessary to restore the capital position, if required, during times of economic stress. Capital risk is managed through two main levers: management of the lending pipeline to reduce credit risk capital requirements; and via capital injection requests to the shareholders to increase capital resources.	• CET1 Ratio • Total Capital Ratio • Capital Surplus over Management Buffer • Leverage Ratio
Credit Risk Credit Risk refers to potential financial loss as a result of a borrower or counterparty failing to meet its financial obligations or as a result of a deterioration in the credit quality of the borrower or counterparty.	Credit risk arises principally from the Bank's lending business, comprising residential and commercial mortgage products and loans secured against diversified portfolios of securities and lending. The Bank uses a credit risk management framework which provides for the consistent evaluation, measurement, and management of credit risk across the Bank. Credit risk is mitigated by conservative lending criteria, including strict affordability tests, low Loan-to-Value ('LTV') ratios and collateral held as security.	• Credit Risk Capital • Risk Rated Assets in Commercial Real Estate and Development Finance • Counterparty concentration • Average Portfolio Loan to Value (LTV)

Group Risk The risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risk which may affect the financial position of the whole group, including reputational contagion. These may manifest themselves as other material risks.	The main sources of 'Group' risk for the Bank are: Capital: CSUK is a 100% owned subsidiary of its parent entity (CSAG during 2023, but shortly to become UBS AG) but is not reliant on parent for its capital requirements over the timeframe of its 3 year financial plan. The Board retains full discretion over any repayment of capital back to parent. Unsecured Funding: The parent entity provides funding typically in GBP on short to medium-terms to ensure that CSUK manages its interest rate risk exposure and maintains sufficient liquid assets. Intra-group unsecured funding is managed as part of a UBS Group-wide treasury governance framework. A CSUK ALM CARMC meeting convenes on a quarterly basis to assess the ongoing adequacy of financial resources and to ensure that potential funding issues are assessed and escalated appropriately. Reputation: The Bank is now branded as a UBS legal entity and could be impacted by reputational issues affecting other UBS legal entities. Reputational issues could cause a decline in the customer base, litigation or revenue reductions. For example, a credit rating downgrade of the parent legal entity could result in a higher cost of funding as depositors could view CSUK as a less favourable bank with which to place deposits and CSUK may be required to pay higher deposit rates to retain deposits to fund its balance sheet. UBS has a global approach to identify, assess and manage reputational risks. Infrastructure: CSUK is dependent on a variety of UBS Group services (Corporate Functions) to carry out its core activities of financial advisory, management services and credit solutions. These include, but are not limited to IT, HR, Compliance, Finance and Risk. Corporate Functions are governed through appropriate service-level agreements ('SLAs') and have senior accountable executives directly responsible in respect of CSUK. Such functions may operate from other legal entities to ensure operational continuity. Failures of the people, processes and systems operating on behalf of CSUK within the Corporate Functions are considered as part of the Operational Risk assessment.	• A range of KRIs are used to monitor the risks under capital (see capital risk), Funding (see liquidity risk), reputational (see reputational risk). For infrastructure there are a range of KRIs including Performance of Internal Outsourcing and IT systems and Cyber performance
Market Risk Potential financial losses arising from adverse changes in market factors such as equity, commodity, foreign exchange prices, interest rates, credit spreads, volatilities, correlations, cross market risks, basis and spreads risks or other relevant market factors (including concentration and illiquidity) on positions held.	CSUK's exposure to market risk typically arises from the following sources: Structural interest rate and structural FX risk arise primarily from the loan and deposit books (a core value proposition and service offering). CSUK manage this by avoiding carrying material open interest or FX rate positions; FX risk arising from trades undertaken on behalf of clients. CSUK manage this risk by ensure net FX risks are 'flat' or matched currency positions resulting in minimal net daily profit and loss; Exposure to settlement risk arising from trades executed on behalf of clients on a Delivery Versus Payment ('DVP') basis. CSUK's aggregate risk appetite for market risk arising from DVP services is subject to gross notional (oneway) and VaR thresholds, which are quantified in the Risk Appetite and monitored when failed trade levels breach appetite.	• Net open FX positions (overnight, intraday) • Net interest sensitivity (DV01) • Economic Value Scenario impact (EBA & PRA/BCBS scenarios) • Settlement Risk VaR • Notional Failed Trades on Balance Sheet

Model Risk Model risk is the potential for financial loss, negative reputational impact and/or adverse regulatory action from decisions made based on model outputs that may be incorrect or used inappropriately.	CSUK is supported by the Model Risk Management ('MoRM') function within UBS Group CRO who is responsible for reviewing all models used firm-wide (and therefore within CSUK), setting and enforcing model governance standards, performing independent technical validation, measuring and managing the model risk, and reporting on model risk to senior management and supervisors.	• A range of KRIs tracking the use of models within CSUK including validation results, validation issues remediation and model development
Non-Financial Risk Non-Financial risk is the risk of an adverse direct or indirect impact originating from sources outside the financial markets, including but not limited to operational risk, technology risk, cyber risk, compliance risk, financial crime risk, regulatory risk, legal risk and conduct risk. Non-financial risk is inherent in most aspects of our business, including the systems and processes that support our activities. It comprises a large number of disparate risks that can manifest in a variety of ways.	Effective management of Non-Financial risk requires a common framework that focuses on the early identification, recording, assessment, monitoring, prevention and mitigation of non-financial risks, as well as timely and meaningful management reporting. CSUK's Non-Financial Risk Framework ('NFRF') provides a structured approach to managing non-financial risks. It seeks to apply consistent standards and techniques for evaluating risks across the Bank while providing individual businesses with sufficient flexibility to tailor specific components to their own needs. Business areas take responsibility for their non-financial risk management and are supported by non-financial risk teams who are responsible for the implementation of the risk management framework, methodologies and reporting. CS group developed tools continue to be employed, including risk appetite tolerance statements in the main areas of NFR (Rules & Regulations, People, Process, Cyber & Systems, Clients & Markets, Governance and Outsourcing), reporting of 'top' non-financial risks; utilising non-financial risk registers; risk and control indicators; risk and control self-assessments ('RCSAs'); compliance risk assessments ('CRA'), financial crime risk assessments ('FCRA'), analysis of internal non-financial risk incident data; review of external loss data; and non-financial risk scenario development. During 2024, Credit Suisse entities, including CSUK, will start to migrate towards the UBS non-financial risk management framework.	• 12 month rolling value of economic incidents above £20k overall • 12 month value of losses above £20k by tolerance statement (Rules & Regulations, People, Process, Systems & Cyber, Clients & Markets, Governance and Outsourcing) • A range of KRIs are used to provide an aggregate index level of Non-Financial risks by Tolerance Statement. Example KRIs include: number of regulatory reporting issues, incidents relating to AML issues, cross border regulatory breaches, trade monitoring issues, complaints, CASS breaches and control deficiencies

Pension Risk Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to or with respect to a pension scheme (whether established for its employees or those of a related company or otherwise). It also means the risk that the firm will make payments or other contribution to or with respect to a pension scheme because of a implicit obligation or because the firm considers that it needs to do so for some other reason.	As part of the UK Entities Pension Scheme, CSUK operates a defined benefit pension arrangement. This defined benefit scheme was closed to new members at the start of 2000 and stopped accruing future benefits for existing members as of 31 March 2004. Credit Suisse International is the Principal Employer for the scheme and recognises the accounting asset and liabilities as part of its balance sheet. However, part of the accrued liability within the scheme relates to staff who worked (or still work) in CSUK. The scheme currently shows both an accounting and a funding surplus. If the scheme were to slip into deficit, however, CSUK would be liable for its share of the deficit. Potential pension risk is assessed using the internal Economic Risk Capital ('ERC') model at the 99.9% confidence interval with the resulting deficit allocated to the relevant legal entities using the Actuary's allocation of liabilities The methodology for calculating the ERC capital requirement for the defined benefit element of the UK pensions schemes is based on two key components: 1) The ERC (at 99.9% confidence level), less 2) The surplus between the value of the assets available to the scheme and the value of the pension liabilities using a technical provisions (funding) basis. The ALM CARMC is responsible for monitoring and managing the pension risks as they arise.	• ERC Loss metric
Reputational Risk Reputational risk is the risk arising from negative perception on the part of our stakeholders (clients, counterparties, shareholders, investors, employees, regulators) that can adversely affect our ability to maintain existing, or establish new, business relationships and continued access to sources of funding.	CSUK values its reputation and is committed fully to protecting it through a prudent approach to risk-taking and a responsible approach to its business activities. Reputational risk arising from proposed business transactions and client activity is assessed in the Reputational Risk Review Process ('RRRP'). The Bank's global policy on reputational risk requires employees to be conservative when assessing potential reputational impact and, where certain indicators give rise to potential reputational risk, the relevant business proposal or service must be submitted through the RRRP.	• A range of KRIs are used to provide a aggregate index level of reputational risks. Example KRIs include Product Governance, Conflicts management, Reputational Risk Review approvals and Complaints

Sustainability (Including Climate) Potentially adverse impacts on the environment, on people or society, which may be caused by, contributed to or directly linked to financial service providers through the activities of their clients.	CSUK put in place a framework to manage climate risk from the end of 2021. CSUK's Chief Risk Officer ('CRO') is the Senior Manager responsible for Climate Risk. The Board Risk Committee provide oversight on behalf of the Board for climate-related risks, the PRA's requirements and the Bank's framework to address them. Climate-related risks are now included in the UBS Group-wide risk taxonomy. These risks, alongside other environmental and social risks, are considered within the UBS Group-wide Reputational Risk Review process ('RRRP'). 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. CSUK's primary exposure to physical climate risk is through the property collateral for its portfolio of commercial and residential real estate loans. 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. CSUK is exposed to climate transition risk through client portfolios on which we charge management and custody fees and, in some cases, against which we issue Lombard loans. CSUK would be able to react swiftly to emerging climate-related risks: mortgage lending is typically on a 5-year basis so decisions to renew loans can be made in the context of latest climate risks. The vast majority of CSUK mortgage properties sit in low or no river flood risk areas, with only a very small proportion in medium risk areas. No properties are located in high river flood risk areas. The risk of flood from surface water is generally higher, but is also more geographically confined and affected by local terrain. Lombard loans secured against companies that are impacted by climate change can be managed by adjusting approved LTVs. As uncommitted facilities they can be withdrawn at relatively short notice. CSUK has set a climate linked risk appetite, leveraging internally developed metrics and analysis from the Global Climate Risk team. CSUK has used a CS group simulation tool to assess forward looking flood and surface water risk on our mortgage portfolio. We have also developed transition risk financial scenarios which assess climate impacts on Lombard lending collateral.	• % of properties in high current flood risk locations • % of properties with EPC Energy Efficiency rating band F or worse • % of properties with EPC CO2 rating Band F or worse • Physical scenario: total incremental loss from flooding at 99.9% confidence - mortgage lifetime • Physical scenario: total property valuation decline from flooding at 99.9% confidence - mortgage lifetime • Overall ESG score on all client assets • Overall LCT score on all client assets • Client financed carbon emissions • Fossil Fuel and Extractive sectors concentration • Transition scenario: AUM/AUC volume decline over one year horizon under disorderly/delayed transition scenario

Treasury and Liquidity Risk The risk that a firm is running large unhedged structural interest rate, FX and other ALM & Treasury Risk positions that impact its earnings and / or capital strength, as well as the firm's ability to efficiently meet both expected and unexpected current and future cash flow and collateral requirements without affecting either daily operations or the financial condition of the firm.	CSUK is in the process of transitioning to the UBS liquidity and funding framework, which includes modifications to intra-entity rebalancing policy, updates to risk appetite and changes to the liquidity crisis response process. The new framework will continue to maintain UK local regulatory compliance requirements. Such compliance requirements are measured as part of the PRA's Individual Liquidity Guidance ('ILG') resulting in requirements for CSUK to hold term-funding and a local liquidity asset buffer of qualifying high quality liquid assets ('HQLA') and cash. Interest rate risk exposures in the non-trading positions (synonymously used to the term "Banking Book") mainly arise from retail banking, and related funding activities, with the majority of interest rate risk managed by Treasury centrally on a portfolio basis within approved limits using appropriate hedging strategies. The risks associated with the non-trading interest rate-sensitive portfolios are measured using a range of tools, including the following key metrics: Interest rate sensitivity ('DV01') and Economic Value of Equity scenario analysis. CSUK aims to balance the exposure between current loans and deposits through maintaining a low level of interest rate mismatches. In cases where the mismatch is larger, it is offset through intercompany repurchase agreement transactions with Credit Suisse International ('CSi').	• Liquidity Coverage Ratio (LCR) • Net Stable Funding Ratio (NSFR) • Internal Liquidity Barometer (30day and 90day) • Currency Coverage Ratios (GBP, USD, EUR) • Stressed Asset Encumbrance Ratio

Appendix 3: Directorships

CSUK's Board Members hold the following number of directorships as at 19 April 2024:

Name	Gender	Independent	Appointment Date*	Total Number of Directorships
Maureen Erasmus	F	Independent	24/10/2017	4
David Todd	M	Independent	05/03/2024	2
David Atkinson	M	Independent	05/03/2024	4
Stefanie Blaettler	F		02/12/2020	1
Thomas Hill	M		28/11/2023	1
Ian Hale	M		08/12/2014	1
David Spiteri	M		15/03/2023	1
Shaun Tibbatts	M		03/08/2023	1

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

Note:

The following management and governance changes have been effected since 1 January 2023:

- David Spiteri was appointed as an Executive Director in March 2023
- Christian Berchem resigned as CEO and Executive Director in June 2023
- Shaun Tibbatts was appointed as COO and an Executive Director in August 2023
- Philippe Theytaz resigned as Non-Executive Director in September 2023
- Thomas Hill was appointed as notified Non-Executive Director in November 2023
- Ian Hale was appointed as CEO in November 2023
- Alexandra Kinney resigned as an Independent Non-Executive Director in February 2024
- Richard Metcalf resigned as an Independent Non-Executive Director in February 2024
- David Todd was appointed as an Independent Non-Executive Director in March 2024
- David Atkinson was appointed as an Independent Non-Executive Director in March 2024

Appendix 4: List of Abbreviations and Glossary

Term	Definition
B	
Banking Book	Classification of assets outside the definition of Trading Book (also referred to as the 'Non-Trading Book').
Back-testing	A technique (typically applied to trading strategies) where a specific strategy is applied to historical data to assess the effectiveness of that strategy.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision (June 2006). From 1 January 2007, The European Union's Capital Requirements Directive ('CRD') was effective. The CRD was derived from the Basel II Accord ('Basel II').
Basel III	Basel II was subsequently replaced in the EU, from 1 January 2014, by the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (collectively 'CRD IV'). Basel III requirements will be fully implemented by 1 January 2019.
C	
CCyB	*Countercyclical Capital Buffer*: prescribed under Basel III and CRD IV and aims to ensure that capital requirements mitigate potential future losses arising from excess credit growth and hence increased system-wide risk.
CCRMTM	*Counterparty Credit Risk Mark to Market method.* A regulatory prescribed method for calculating exposure values in respect of counterparty credit risk.
CET1	*Common Equity Tier 1:* the highest quality level of regulatory capital prescribed under Basel III (and by CRD V in the EU).
CET1 ratio	CET1 expressed as a percentage of RWA.
CRD	*Capital Requirements Directive*: EU legislation implementing Basel III (and previously Basel II) in the EU.
CRR	*Capital Requirements Regulation*: EU legislation implementing Basel III in the EU.
CVA	*Credit Valuation Adjustment:* a capital charge under Basel III (and CRD V) covering the risk of mark-to-market losses on expected counterparty risk on derivative exposure arising from deterioration in a counterparty's credit worthiness.
D	
DVP	A securities industry settlement procedure in which the buyer's payment for securities is due at the time of delivery. Delivery versus payment (DVP) is a settlement system that stipulates that cash payment must be made prior to or simultaneously with the delivery of the security. This form of settlement applies where the client custodies cash / securities external to CSUK, but executes market trades via CSUK.
E	
EaR	Earnings at Risk. A measure of the potential change in Net Interest Income (NII) due to an adverse interest rate movement over a predefined time horizon.
Exposure value	The maximum loss that a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations or if assets and off-balance sheet positions have to be realised.
EBITDA	*Earnings before interest, taxation, depreciation and amortisation*.
F	
FCA	*Financial Conduct Authority* - The UK regulator responsible for conduct of business regulation and supervision.
H	
Haircut	A discount applied to reflect the amount at which an asset can be realised.
HQLA	*High Quality Liquid Assets:* consists of cash or assets that can be easily converted into cash at little or no loss of value in private markets.
I	
ICAAP	*Internal Capital Adequacy Assessment Process*: a risk-based assessment of the level of regulatory capital to be held by a bank or firm. This may exceed the Pillar 1 capital requirements.
IFRS	*International Financial Reporting Standards*.
ILAAP	*Internal Liquidity Adequacy Assessment Process:* involves identification, measurement, management and monitoring of liquidity required to be implemented in accordance with the provisions in Article 86 of CRD IV.
ISDA	*International Swaps and Derivatives Association*.
ISDA master agreement	Standardised contract developed by ISDA to facilitate bilateral derivatives trading.

L	
LCR	*Liquidity coverage ratio:* refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations.
Leverage ratio	A calculation prescribed under Basel III (and CRD IV) to measure the ratio of total exposures to available Tier 1 capital.
LGD	*Loss given Default:* the estimated ratio of loss to the amount outstanding at default (EAD) as a result of any counterparty default.
K	
KYC	*Know Your Client*. The information that a bank collects to correctly identify clients and their source of wealth to prevent criminals and terrorists from using financial products or services to store or move the proceeds of crime.
M	
Master netting agreement	An agreement between two counterparties who have multiple contracts with each other that provides for the net settlement of all contracts in the event of default on, or termination of any one contract.
MiFID II	*Markets in Financial Instruments Directive.* MiFID II directive together with Markets in Financial Instruments Regulation (MiFIR) and commonly referred to as MiFID II is EU legislative framework to regulate financial markets in the region by creaing a single market for investment services and ensure harmonised protection for investors in financial instruments.
Minimum capital requirements	The minimum amount Pillar 1 requirements to be held for credit, market and operational risk.
N	
Netting	Netting is a means to reduce on- and off- balance sheet credit risk exposures by offsetting the value of any contracts or other positions held with the same counterparty.
O	
OTC	*Over-the-counter*: A security or other financial instrument not traded on a formal exchange.
P	
PD	*Probability of Default:* is the probability of an obligor defaulting within a one-year horizon.
PFE	*Potential Future Credit Exposure:* is the maximum expected credit exposure over a specified period of time.
Pillar 1	Minimum regulatory capital requirements to be held by a bank or investment firm as prescribed by Basel III (and CRD IV).
Pillar 2	Regulator imposed risk-based capital requirements to be held in excess of Pillar 1.
Pillar 3	CRD IV prescribed capital, risk and remuneration disclosure requirements.
PRA	*Prudential Regulation Authority* - The UK regulator responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms
R	
RCSA	*Risk and Control Self Assessment:* is a process through which operational risks and the effectiveness of controls are assessed and examined.
Reverse repurchase agreement	An agreement that allows a borrower to use a financial security as collateral for a cash loan.
RWA	*Risk-weighted asset*: derived by assigning risk weights to an exposure value.
S	
SA-CCR	Standardised approach for measuring counterparty credit risk
SAR	*Suspicious activity report.* An SAR is a piece of information alerting law enforcement agencies (such as the National Crime Agency) that a certain customer activity is in some way suspicious and may indicate money laundering or terrorist financing
SFT	*Securities Financing Transaction*: lending or borrowing of securities (or other financial instruments), a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.
SREP	*Supervisory Review and Evaluation Process*.
Stressed VaR	A market risk capital charge derived from potential market movements applied over a continuous one-year period of stress to a Trading Book portfolio.
T	
Tier 1 capital	A component of regulatory capital, comprising CET1 and Additional Tier 1 capital as defined by Basel III and the CRD IV.

Tier 1 capital ratio	The ratio of Tier 1 capital to total RWA.
Tier 2 capital	A lower quality of capital (with respect to 'loss absorbency') also known as 'gone concern' capital.
TLRM	Treasury and Liquidity Risk Management
Trading Book	Positions held with intent to trade or to hedge other items in the Trading Book.
V	
VaR	*Value-at-risk*: loss estimate from adverse market movements over a specified time horizon and confidence level.

Cautionary Statement Regarding Forward-looking Information

This document contains forward looking statements that involve inherent risks and uncertainties, and we might not be able to achieve the predictions, forecasts, projections and other outcomes we describe or imply in forward looking statements. In addition to our ability to successfully implement our strategic objectives, a number of important factors could cause results to differ materially from the plans, targets, goals, expectations, estimates and intentions we express in these forward looking statements.

Words such as “may,” “could,” “achieves,” “believes,” “anticipates,” “expects,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We do not intend to update these forward-looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, targets, goals, expectations, estimates and intentions expressed in such forward-looking statements. Additionally, many of these factors are beyond our control. These factors include, but are not limited to:

a. the ability to maintain sufficient liquidity and access capital markets;
b. market and interest rate fluctuations and interest rate levels;
c. the strength of the global economy in general and the strength of the economies of the countries in which Credit Suisse conducts operations, in particular but not limited to, the risk of negative impacts of COVID-19 on the global economy and financial markets, Russia’s invasion of Ukraine, the resulting sanctions from the US, EU, UK, Switzerland and other countries and the risk of continued slow economic recovery or downturn in the EU, the US or other developed countries or in emerging markets in 2024 and beyond;
d. the emergence of widespread health emergencies, infectious diseases or pandemics, such as COVID-19, and the actions that may be taken by governmental authorities to contain the outbreak or to counter its impact;
e. potential risks and uncertainties relating to the severity of impacts from the COVID-19 pandemic, including potential material adverse effects on our business, financial condition and results of operations;
f. the direct and indirect impacts of deterioration or slow recovery in residential and commercial real estate markets;
g. adverse rating actions by credit rating agencies in respect of us, sovereign issuers, structured credit products or other credit-related exposures;
h. adverse rating actions by credit rating agencies in respect of sovereign issuers, structured credit products or other credit-related exposures;
i. the ability to achieve strategic objectives, including improved performance, reduced risks, lower costs and more efficient use of capital;
j. the ability of counterparties to meet their obligations to Credit Suisse;
k. the effects of, and changes in, fiscal, monetary, trade and tax policies, and currency fluctuations; political and social developments, including war, civil unrest or terrorist activity;
l. the possibility of foreign exchange controls, expropriation, nationalisation or confiscation of assets in countries in which Credit Suisse conducts operations;
m. operational factors such as systems failure, human error, or the failure to implement procedures properly;
n. actions taken by regulators with respect to business and practices in one or more of the countries in which Credit Suisse conducts operations;
o. the effects of changes in laws, regulations or accounting policies or practices;
p. competition in geographic and business areas in which Credit Suisse conducts operations;
q. the ability to retain and recruit qualified personnel;
r. the ability to maintain Credit Suisse’s reputation and promote its brand;
s. the ability to increase market share and control expenses;
t. technological changes;
u. the timely development and acceptance of new products and services and the perceived overall value of these products and services by users;
v. acquisitions, including the ability to integrate acquired businesses successfully, and divestitures, including the ability to sell non-core assets;
w. the adverse resolution of litigation and other contingencies;
x. the ability to achieve cost efficiency goals and cost targets; and
y. Credit Suisse’s success at managing the risks involved in the foregoing.

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

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