

Credit Suisse Bank (Europe), S.A.



2021 Pillar 3 Disclosures



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

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

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

2021 Pillar 3 Disclosures

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Introduction

This document comprises the Pillar 3 disclosures for Credit Suisse Bank (Europe), S.A. ('CSEB' or 'Bank') as at 31 December 2021. It should be read in conjunction with CSEB 2021 Annual Report which can be found at: www.credit-suisse.com.

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

Pillar 3 aims to promote market discipline and transparency through the publication of key information on capital adequacy, risk management and remuneration.

CSEB is incorporated in Spain, as a wholly owned subsidiary of Credit Suisse AG, the main operating entity of the Credit Suisse group ('CS group'). In July 2020, as part of the EU entity strategy and with a focus on strengthening CS group's market offering in the EU, an application for authorization as a credit institution was filed with the Bank of Spain ('BoS') to convert the existing broker-dealer entity, Credit Suisse Securities, Sociedad de Valores, S.A. ('CSSSV'), into a fully licensed banking entity.

On 21 June 2021, said authorisation was notarised and the entity was transformed into a credit institution under the terms set out in the Authorisation and changed the business name of the entity to Credit Suisse Bank (Europe), S.A.

The credit institution application was approved and the conversion for CSEB was completed on August 1, 2021 the date as from when the Entity was registered with the Registrar of Companies and on the Special Register of Credit institutions of the BoS under code 0243 and Legal Entity Identifier ('LEI') 959800TMGPWX7NYM4R72. The new bank is able to provide the full suite of investment banking business EU-wide, including capital markets advice, loan origination, arranging, underwriting, distribution and securities and derivatives sales, trading and execution services and remains CS group's main legal entity through to conduct investment banking business in the EU.

Basis and Frequency of Disclosures

Where disclosures have been withheld, as permitted, on the basis of confidentiality, immateriality, or being proprietary in nature, this is indicated. Pillar3 disclosures are published annually and could be found on the Credit Suisse website at: www.credit-suisse.com.

This Pillar 3 document has been verified and approved in line with internal policy. It has not been audited by CSEB's external auditors. The Board of Directors (the 'Board') of CSEB, at its meeting held on April 20, 2022, approved this document. The information contained therein, to the extent that it is not covered by the audit of annual accounts, has been reviewed and integrated, prior to its publication, by the risk management unit.

Basis of Consolidation

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

Remuneration Disclosures

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

Regulatory Environment

Prudential Regulatory Framework

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

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

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

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

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

Basel 3 Reforms

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

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

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

During 2021, CSEB implemented the changes under CRR2, notably the changes to implement the standardised approach for measuring counterparty risk, amendments to the large exposures rules, the new leverage exposure rules and the implementation of the net stable funding ratio. The Pillar3 disclosures contained herein are prepared in the manner set out in Article 433c of CRR2 and associated EBA guidelines (EBA/ITS/2020/04).

Capital Management

Overview

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

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

Key Metrics

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

KM1 - Key metrics

| | | Amounts in EUR '000 | |
|---|--|---------------------|-----------|
| end of | | 2021 | 2020 |
| Available own funds (amounts) | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 857,860 | 654,354 |
| 2 | Tier 1 capital | 857,860 | 654,354 |
| 3 | Total capital | 1,007,860 | 654,360 |
| Risk-weighted exposure amounts | | | |
| 4 | Total risk-weighted exposure amount | 3,586,296 | 1,921,294 |
| Capital ratios (as a percentage of risk-weighted exposure amount) | | | |
| 5 | Common Equity Tier 1 ratio (%) | 23.92% | 34.06% |
| 6 | Tier 1 ratio (%) | 23.92% | 34.06% |
| 7 | Total capital ratio (%) | 28.10% | 34.06% |
| Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount) | | | |
| EU 7d | Total SREP own funds requirements (%) | 8.00% | 8.00% |
| 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 (%) | 0.04% | 0.01% |
| 11 | Combined buffer requirement (%) | 2.54% | 2.51% |
| EU 11a | Overall capital requirements (%) | 10.54% | 10.51% |
| 12 | CET1 available after meeting the total SREP own funds requirements | 696,476 | 567,896 |
| Leverage ratio | | | |
| 13 | Leverage ratio total exposure measure | 15,033,333 | 9,215,966 |
| 14 | Leverage ratio ⁽¹⁾ | 5.71% | 7.10% |
| Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) | | | |
| EU 14d | Total SREP leverage ratio requirements (%) | 3.00% | 0.00% |
| EU 14e | Overall leverage ratio requirements (%) | 3.00% | 0.00% |
| Liquidity Coverage Ratio⁽²⁾ | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value - average) | 1,966,444 | - |
| EU 16a | Cash outflows - Total weighted value | 1,447,797 | - |
| EU 16b | Cash inflows - Total weighted value | 981,499 | - |

| | | | |
|---------------------------------|--|-----------|---|
| 16 | Total net cash outflows (adjusted value) | 466,299 | - |
| 17 | Liquidity coverage ratio (%) | 421.71% | - |
| Net Stable Funding Ratio | | | |
| 18 | Total available stable funding | 4,476,353 | - |
| 19 | Total required stable funding | 2,547,025 | - |
| 20 | NSFR ratio (%) | 175.75% | - |

Notes:

- (1) Leverage ratio decreased year-on-year on account of increased business volumes as also change in methodology from Counterparty credit risk Mark-to-Market ('CCRMTM') to Standardized approach for counterparty credit risk ('SACCR') to calculate leverage exposure.
- (2) Liquidity Coverage ratio ('LCR') and Net Stable Funding ratio ('NSFR') disclosed 2021 onwards.

Own Funds

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

The CSEB'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. CSEB did not apply IFRS9 transitional arrangements specified in Article 473a.

CC1 - Composition of regulatory own funds

| end of 2021 | | Amounts in EUR '000 | |
|--|--|---------------------|---|
| | | 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 | 47,724 | (a) + (b) |
| 2 | Retained earnings | - | |
| 3 | Accumulated other comprehensive income (and other reserves) | 823,696 | (c) + (d) |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | - | |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 871,420 | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 | Additional value adjustments ⁽²⁾ | (3,043) | |
| 8 | Intangible assets (net of related tax liability) ⁽³⁾ | (2,671) | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | 0 | |
| 12 | Negative amounts resulting from the calculation of expected loss amounts ⁽⁴⁾ | (5,869) | |
| EU-20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative ⁽⁵⁾ | (220) | |
| EU-20b | of which: qualifying holdings outside the financial sector | - | |
| EU-20c | of which: securitisation positions | - | |
| EU-20d | of which: free deliveries | (220) | |
| 27a | Other regulatory adjustments ⁽⁶⁾ | (1,757) | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 (CET1) | (13,560) | |
| 29 | Common Equity Tier 1 (CET1) capital | 857,860 | |
| Additional Tier 1 (AT1) capital: instruments | | | |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 857,860 | |
| Tier 2 (T2) capital: instruments | | | |
| 46 | Capital instruments and the related share premium accounts | 150,000 | (e) |
| 51 | Tier 2 (T2) capital before regulatory adjustments | 150,000 | |
| Tier 2 (T2) capital: regulatory adjustments | | | |

| | | | |
|---|---|-----------|-----|
| 57 | Total regulatory adjustments to Tier 2 (T2) capital | - | |
| 58 | Tier 2 (T2) capital | 150,000 | |
| 59 | Total capital (TC = T1 + T2) | 1,007,860 | |
| 60 | Total risk exposure amount ⁽⁷⁾ | 3,586,296 | |
| Capital ratios and buffers | | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 23.92% | |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 23.92% | |
| 63 | Total capital (as a percentage of total risk exposure amount) | 28.10% | |
| 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) | 7.04% | |
| 65 | of which: capital conservation buffer requirement | 2.50% | |
| 66 | of which: countercyclical buffer requirement | 0.04% | |
| 68 | Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount) | 19.42% | |
| 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) are met) ⁽⁸⁾ | 18,270 | (f) |
| Applicable caps on the inclusion of provisions in Tier 2 | | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | - | |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | 1,924 | |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | - | |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | 11,880 | |

Notes:

- (1) CSEB's 2021 annual financial statements
- (2) A prudent valuation adjustment is applied in respect of fair valued instruments as required under CRDIV regulatory capital rules [CRR Articles 34, 105].
- (3) Intangible assets and goodwill do not qualify as capital for regulatory purposes under CRDIV [CRR Articles 36(1)(b), 37]. Deduction of intangible assets is calculated as per revised EBA guidelines on deduction of software assets.
- (4) Represents shortfall of credit risk adjustments to expected losses under Internal Ratings-based ('IRB') approach.
- (5) Free Deliveries which can alternatively be subject to a 1,250% risk weight are deducted [CRR Articles 36(1)(k)(ii), 243(1)(b), 244(1)(b), 258].
- (6) Losses on liabilities that are valued at fair value resulting from changes in CSEB's credit standing are deducted [CRR Article 33(1)(b)].
- (7) Total risk weighted assets of the reporting entity.
- (8) Deferred tax assets 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.

Countercyclical Capital Buffer

The countercyclical capital buffer ('CCyB') is a macroprudential instrument which calls on credit institutions and investment firms to build up a capital buffer during expansionary periods to be released in a subsequent contractionary phase. BoS calculates a buffer guide every quarter that it shall take as a benchmark for setting the CCyB rate relating to exposures located in Spain. BoS decided to hold the CCyB rate applicable to credit exposures in Spain at 0% in 2021 as a response to the financial stability risks associated with the economic disruption resulting from COVID-19 and maintain the flow of financing to economic activity.

CCyB rates have been set by Bulgaria, Hong Kong, Luxembourg and Norway for 2021 that apply to exposures to those countries. All other EEA member states had their CCyB rate set at 0%. The Financial Policy Committee ('FPC') of the Bank of England also maintained the UK CCyB rate to 0%. No further disclosures are made on CCyB on basis of materiality. The institution specific CCyB rate as at 31st December, 2021 is 0.0439%, disclosed in Table CC1.

Scope of application of the regulatory framework

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

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

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

| | Amounts in Euro '000 | |
|--|--|-----------|
| | Balance sheet as in published financial statements | Reference |
| end of | 2021 | |
| Cash, Cash balances at central Banks and other demand Deposits | 177,972 | |
| Financial Assets held for trading | 5,770,799 | |
| Derivatives | 2,514,679 | |
| Equity Instruments | 1,770 | |
| Loans and Advances | 3,254,350 | |
| Financial assets at amortised cost | 4,268,909 | |
| Loans and Advances | 4,268,909 | |
| Tangible Assets | 44,839 | |
| Property, Plant and Equipment | 44,839 | |
| Intangible assets | 7,989 | |
| Other Intangible assts | 7,989 | |
| Tax Assets | 34,580 | |
| Current Tax assts | 16,310 | |
| Deferred Tax assets | 18,270 | (f) |
| Other Assets | 99,543 | |
| Total assets | 10,404,631 | |
| Financial Liabilities held for trading | 5,343,024 | |
| Derivatives | 2,334,037 | |
| Short Positions | 685,509 | |
| Deposits | 2,323,478 | |
| Financial liabilities measured at amortised cost | 3,988,291 | |
| Deposits | 3,738,154 | |
| of which : Subordinated debts | 150,000 | (e) |
| Other Financial Liabilities | 250,137 | |
| Provisions | 5,948 | |
| Pensions and other post-employment defined benefit obligations | 5,329 | |
| Other Provisions | 619 | |
| Tax Liabilities | 19,612 | |
| Current Tax liabilities | 19,612 | |
| Deferred Tax liabilities | - | |
| Other Liabilities | 144,082 | |
| Total liabilities | 9,500,957 | |
| Shareholder's Equity | | |
| Shareholders' equity | 904,096 | |
| Capital | 18,000 | |
| Paid up capital | 18,000 | (a) |

| | | |
|--|----------------|-----|
| Share premium | 29,724 | (b) |
| Other reserves | 824,118 | (c) |
| Profit or loss attributable to owners of the parent | 32,254 | |
| Accumulated other comprehensive income | (422) | (d) |
| Items that will not be reclassified to profit or loss | (422) | |
| Actuarial gains or (-) losses on defined benefit pension plans | (422) | |
| Total shareholders' equity | 903,674 | |

Capital Resources Requirement

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

OV1 – Overview of risk weighted exposure amounts

| | | Amounts in Euro '000 | | |
|-----------|--|--|------------------|------------------------------|
| end of | | Risk weighted exposure amounts (RWEAs) | | Total own funds requirements |
| | | a | b | c |
| | | 2021 | 2020 | 2021 |
| 1 | Credit risk (excluding CCR) | 281,855 | 218,440 | 22,548 |
| 2 | Of which the standardised approach | 77,973 | 56,874 | 6,238 |
| 3 | Of which the foundation IRB (FIRB) approach | 178,315 | 90,090 | 14,265 |
| EU 4a | Of which: equities under the simple risk weighted approach | 757 | 26 | 61 |
| 6 | Counterparty credit risk - CCR ⁽¹⁾ | 2,691,639 | 1,241,633 | 215,331 |
| 7 | Of which the standardised approach | 963,036 | 600,135 | 77,043 |
| 8 | Of which internal model method (IMM) | 573,778 | 275,270 | 45,902 |
| EU 8a | Of which exposures to a central counterparty (CCP) | 31,729 | 139,646 | 2,538 |
| EU 8b | Of which credit valuation adjustment - CVA ⁽²⁾ | 783,849 | 145,450 | 62,708 |
| 9 | Of which other CCR | 339,247 | 81,132 | 27,140 |
| 15 | Settlement risk | 15,464 | 1,763 | 1,237 |
| 16 | Securitisation exposures in the non-trading book (after the cap) | - | - | - |
| 20 | Position, foreign exchange and commodities risks (Market risk) ⁽³⁾ | 321,883 | 163,738 | 25,750 |
| 21 | Of which the standardised approach | 56,729 | - | 4,538 |
| 22 | Of which IMA | 265,154 | 163,738 | 21,212 |
| EU 22a | Large exposures | 149,525 | 251,082 | 11,962 |
| 23 | Operational risk | 125,930 | 44,638 | 10,074 |
| EU 23a | Of which basic indicator approach ⁽⁴⁾ | 125,930 | 44,638 | 10,074 |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | 45,676 | 48,433 | 3,654 |
| 29 | Total | 3,586,296 | 1,921,294 | 286,902 |

Notes:

- (1) RWA increased in 2021 primarily on account of counterparty credit risk with increased business volumes and change from CCRMTM to SACCR methodology for exposure calculation
- (2) CVA increased in 2021 primarily on account of increased intercompany derivative exposures and withdrawal of intragroup CVA exemptions on derivative exposures with UK affiliate
- (3) Higher market risk charge is driven by higher SVAR
- (4) Increase in Operational risk due to increase in revenue for the year ended 2021

Subsequent Event

Subsequent event is described in CSEB's 2021 annual financial statement.

Corporate Governance

Overview

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

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

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

Board of Directors

CSEB's By-laws (estatutos sociales) provide, in accordance with Spanish Companies Act, that the Board of Directors will be responsible for the representation and administration of CSEB, subject to the provisions of CSEB's By-laws which provided for certain matters expressly reserved to the sole shareholder. The Board of Directors of CSEB is responsible (unless it falls to the shareholder resolutions) for approving the matters reserved for it as provided for in the law and, in all cases, pursuant to the Spanish Companies Act, the CSEB's By-laws and the Board of Directors Regulations, the following reserved matters:

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

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

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

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

Audit Committee

The primary functions to be assigned to the Audit Committee would be the following:

In relation to the Shareholders' Meeting:

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

With regard to the external auditor:

- To submit to the Board of Directors the proposals on the selection, appointment, reappointment and substitution of the auditor, assuming responsibility for the selection process, and the terms of its engagement, its remuneration (ensuring its independence and quality are not compromised), the scope of its professional mandate and the revocation or renewal of its appointment.
- To regularly collect information from the auditors on the audit plan and its implementation, as well as preserving their independence in the exercise of their functions. In particular, to ensure that CSEB and the external auditor complies with the current legislation on provision of non-audit services, the limits on the auditor's business concentration and, in general, any other rules regarding auditor independence.
- To oversee compliance with the audit agreement, ensuring that the opinion concerning the annual accounts and that the principal contents of the audit report are drafted in a clear and precise manner.
- To serve as a channel for communication between the Board of Directors and the auditors, to assess the results of each audit and the response by the management team to their recommendations, and to mediate in the event of

disputes between the auditors and the management team in relation to the principles and methods used in preparing the annual accounts.

- To review the effectiveness of the external audit process.
- To establish the appropriate relationships with the external auditor in order to receive information on matters which may jeopardize its independence and on any other matters relating to the audit process, and, as appropriate, the authorization of permissible non-audit services as legally established, as well as any other communications provided for in the audit legislation and standards.
- To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditor is compromised. This report must contain, in all cases, the assessment of the provision of the additional services referred to in the preceding paragraph, taken individually and as a whole, other than the statutory audit and in relation to the rules on independence or to audit regulations.
- In the event of the external auditor's resignation, to review any underlying circumstances and, in general, to oversee that CSEB discloses the change of auditor as price sensitive information if applicable (relevant fact), including a statement regarding any possible discrepancies with the departing auditor and, if any exist, their content.

In relation to internal control and reporting systems:

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

In relation to financial information:

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

Other responsibilities:

- To report on related transactions or on transactions that entail or may entail a conflict of interest.
- To report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the group.
- To receive information on any relevant structural or corporate transactions that CSEB plans to undertake, for its analysis and subsequent report to the Board of Directors on its economic conditions and accounting impact and particularly, when applicable, on the exchange ratio proposed.
- To review, analyse and assess the proposed appointment and/or removal of the Head of the Internal Audit Function of the Company, including the basic terms of his/her contract (e.g., remuneration), transmitting the outcome of the assessment to the Nomination Committee.
- To review, analyse and assess, together with the Risk Committee, the proposed appointment and/or removal of the Chief Compliance Officer of the Company, including the basic terms of his/her contract (e.g., remuneration), transmitting the outcome of the assessment to the Nomination Committee.

Risk Committee

The primary functions to be assigned to the Risk Committee would be the following:

In relation to internal risk management unit:

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

In relation to risk management:

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

Nominations Committee

The primary functions to be assigned to the NC would be the following:

- To report to the Board of Directors on the contractual terms on termination for the senior executives, including executive directors.
- To evaluate the competencies, knowledge and experience necessary on the Board of Directors and report on and review the criteria to be followed for its composition and the selection of candidates, defining the necessary functions and skills and evaluating the time and dedication required to correctly perform its remit.
- To submit to the Board of Directors the proposed appointments of independent directors for their designation by co-option or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the reappointment or removal of such directors by the Shareholders' Meeting.
- To report on the proposals of the Board of Directors for the appointment of the remaining directors for their designation by co-option or, as the case may be, to submit the decision to the Shareholders' Meeting, as well as proposals for the re-appointment or removal of such directors by the Shareholders' Meeting.

- To report on the proposed designation or removal from offices on the Board of Directors (including the Secretary) and propose to the Board of Directors the members that are to form each of the Board of Directors committees and their chairmen.
- To put in place plans for the succession of directors, in particular, the succession of the Chairman and the Chief Executive and, as the case may be, to make proposals to the Board of Directors so that such succession occurs in a planned and orderly manner.
- To oversee and establish guidelines relating to the appointment, recruitment, career, promotion and dismissal of senior executives in order to ensure that CSEB has the highly-skilled personnel required for its management.
- To report on the proposed appointment and/or removal of senior executives of CSEB, including the basic terms of their contracts, including but not limited to the Chief Compliance Officer, the Chief Risk Officer and the Head of the Internal Audit Function
- To identify directors qualified to fill vacancies on any committee of Board of Directors.

Remuneration Committee

The primary functions to be assigned to the Remuneration Committee would be the following:

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

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

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

Group Investment Banking Supervision Framework

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

Key components of the framework include:

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

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



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

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

Supervisory Tools:



Selection and Suitability Assessment at the Board of Directors

Selection of Board of Directors

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

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

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

The following positions are identified as subject to the policy:

- Members of the Board
- Person responsible for the compliance function
- Person responsible for the internal audit function
- Person responsible for the risk management function

- Person responsible for the financial function

Suitability Assessment

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

- Identifies and recommends for approval, by CS group, candidates to fill the Board vacancies, having evaluated, amongst others, the balance of knowledge, skills, diversity and experience of the Board of Directors.
- Periodically review the internal procedures for the selection and appointment of the Board of Directors and Key Function Holders and make recommendations to the Board of Directors.
- Assess structure, size and composition of the Board of Directors.

For the assessment of the individual suitability of the Board of Directors, the Bank uses the Suitability Matrix taking into consideration the following topics.

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

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

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

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

Selection and Assessment procedures

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

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

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

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

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

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

Diversity

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

The diversity measures should at least refer to the following diversity aspects: educational and professional background, gender, age and, in particular for institutions that are active internationally, geographical provenance.

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

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

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

- a) In reviewing Board composition, the NC will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, race, gender, in order to permit it to discharge its duties and responsibilities successfully;
- b) In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard of the benefits of diversity on the Board; and
- c) As part of the annual performance evaluation of the effectiveness of the Board, the Board Committees and individual Directors, the NC will consider the balance of skills, experience, independence and knowledge of Board members and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

The NC will review and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for approval. At any given time the Board may seek to improve one or more aspects of its diversity and will measure progress accordingly.

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

Currently the Board of Directors is made up of 3 female directors and 6 male directors. The female representation is 33.3%. This representation is below the balanced presence of women and men objective.

With a view to achieving the goal set by the Board of Directors, CSEB will attend to the following guidelines:

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

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

Risk Management

Risk Management Framework

CSEB risk management framework is based on transparency, management accountability and independent oversight. Risk management plays an important role in CSEB business planning process and is strongly supported by the management body and the Board of Directors. The primary objectives of risk management are to protect CSEB financial strength and reputation, while ensuring that capital is well deployed to support business activities and increase shareholder value. CSEB has implemented risk management processes and control systems and to limit the impact of negative developments by monitoring all relevant risks including credit, market, liquidity, operational and reputational risks as well as managing concentrations of risks.

General Principles of Risk Management and Control

In line with Credit Suisse AG, CSEB has defined a set of principles and values that are basic for the good management of the institution. The key principles below represent the foundation for the management of risk across CSEB and are embedded throughout all components of the Risk Governance and Risk Management Framework.

- **Risk Culture, Conduct and Ethics:** Risk culture encompasses a shared set of values (inclusion, meritocracy, partnership, accountability, client focus and trust) among employees which foster the importance, understanding and control of risks. The CSEB Board is committed to defining, aligning and managing a strong risk culture across all levels of the organization.
- **Three Lines of Defence (“LoD”):** the three LoD model for CSEB leverages the Group-wide approach and definitions. The model provides a clear segregation of roles and responsibilities between Risk gateway management, independent Risk oversight, and independent assurance.
- **Policy Framework and Documentation:** CSEB CRO leverages Global CRO policies to the extent they are also relevant for the Spanish entity and these are adopted as the procedures and processes for CSEB. When necessary, specific and standalone procedures and policies are issued for CSEB.

Internal Audit Function

As per the CS group Internal Audit charter (‘Charter’), Internal Audit is responsible for carrying out the internal audit function for all majority-owned or otherwise controlled companies of CS group, including CSEB, in Spain, and comprises 393 staff globally, including 2 in Madrid as of January 2022.

Internal Audit is an integral part of CSEB and of Credit Suisse Group’s corporate governance and risk management framework. The primary role of Internal Audit, as the third line of defense, is to assist both:

- (i) the Audit Committee, the board of directors and senior management of CSEB; and
- (ii) the Audit Committee, the board of directors and senior management of CS group

in their task to enforce, implement and monitor the bank’s guiding principles, policies and directives, thereby protecting the assets, reputation and sustainability of the organization. Internal Audit does this by providing a continuous objective and independent assessment of the associated risks, and an evaluation of the effectiveness of CSEB and CS group’s system of internal controls and governance processes.

Compliance Function

CSEB Compliance has three dedicated Compliance officers under the supervision of the Head of Compliance for all CS entities in Spain, all of which are located in Madrid. A new team member is also expected to join the Madrid team in April 2022. In addition, there is Compliance coverage in CSEB’s branches in France, Italy, Netherlands and Sweden. In addition, the Financial Crime Compliance function is a team of two based in Madrid. CSEB Compliance Function is highly outsourced, with a number of services being provided by service providers from other parts of the Global Compliance function within the CS group.

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

Risk Organisation

The CSEB CRO reports without any restriction or limitation of access to the CSEB Board Risk Committee ('BRC'), to the CSEB CEO and the EMEA CRO of CS group. The CSEB CRO is accountable for the risk decisions of his organization to the CSEB BRC.

Within the CRO matrix organization a cascade of responsibilities exists from the Group CRO the Europe Middle East and Africa ('EMEA') CRO who is mandated to perform the CRO 2nd Line of Defense Risk oversight role for selected EMEA legal entities including CSEB. The EMEA CRO has delegated their supervision mandate for CSEB to the CSEB CRO.

Crucially, each of the CSEB CRO, the EMEA CRO and the Group CRO has the authority to decline any transaction where it impacts the CSEB entity with veto powers.

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

The CSEB CRO function has the following teams:

- Credit Risk Management ('CRM')
- Treasury and Liquidity Risk Management ('TLRM');
- Enterprise Risk Management ('ERM');
- Market Risk Management ('MRM');
- Non-Financial Risk Management ('NFRM');
- Regulatory Liaison

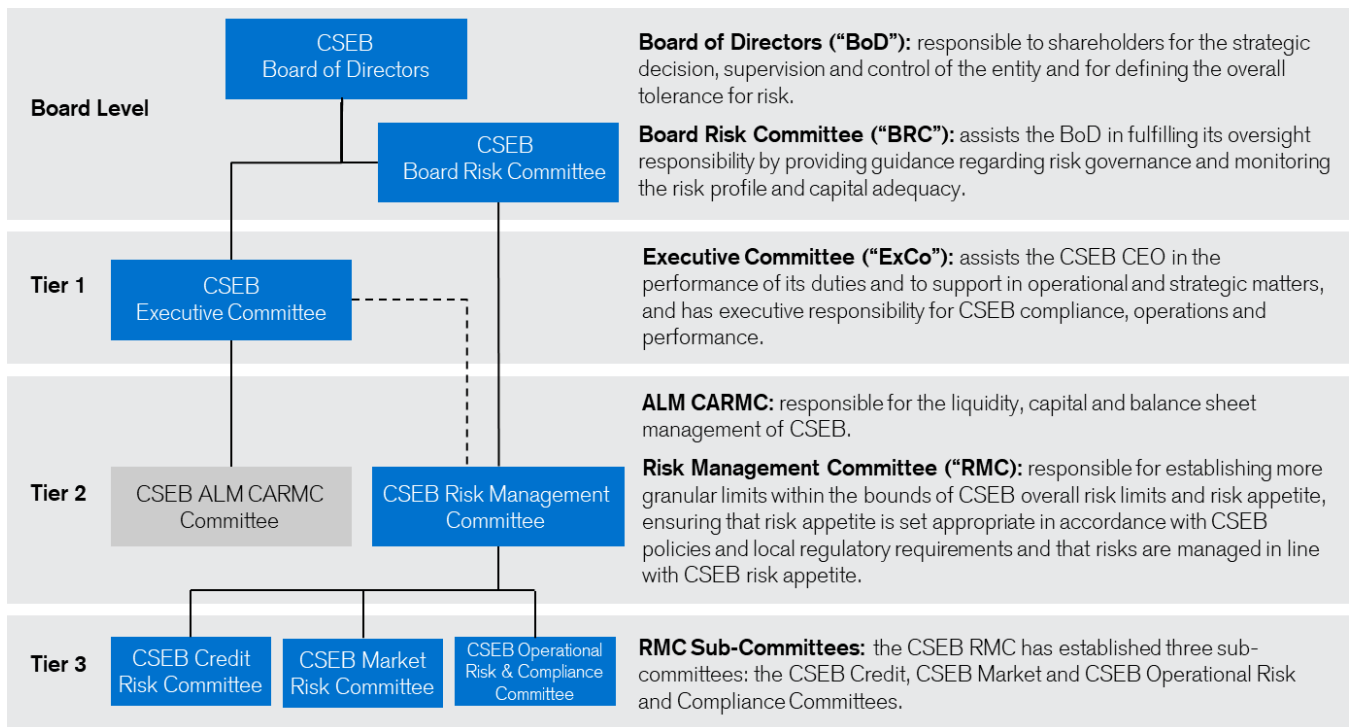
A matrix structure exists globally within the Risk Division. For the CSEB CRO function, in addition to local reporting lines to the CSEB CRO, the matrix structure establishes functional reporting lines into the risk area heads within the broader EMEA CRO organisation.

Risk Governance

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

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

CSEB has a well-established risk governance structure to monitor and escalate risk-related decisions. Functional supervision is ensured in these committees, as EMEA CRO executives are standing members of the different CSEB risk committees.

Figure - CSEB Risk Governance Committee Structure


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

Additionally, the CSEB RMC has established three sub-committees: the CSEB Market Risk Committee ('MRC'), the CSEB Credit Risk Committee ('CRC') and the CSEB Operational Risk and Compliance Committee ('ORCC') with the responsibility of overseeing those particular risks.

- CSEB Credit Risk Committee ('CRC'):** chaired by the CSEB Chief Credit Officer, defines and implements the CSEB Credit Risk Framework. It is responsible for reviewing emerging risks and assessing the impact of any issues that impact the credit portfolio including counterparty, sector, and concentration. This process is supported by the Credit Risk Management department, which is responsible for approving credit limits, monitoring and managing individual exposures, and assessing and managing the quality of credit portfolios and allowances.
- CSEB Market Risk Committee ('MRC'):** chaired by the CSEB Head of Market Risk, defines and implements the CSEB Market Risk Framework. It is responsible for reviewing emerging risks and assessing any issues that impact on the CSEB market risk profile. This process is supported by the Market Risk Management department which is responsible for assessing and monitoring the market risk profile of the Bank and recommends corrective action where necessary.
- CSEB Operational Risk & Compliance Committee ('ORCC'):** co-chaired by the CSEB Head of Non-Financial Risk Management and the CSEB Chief Compliance Officer, oversees the Operational Conduct and Compliance risks for CSEB, including monitoring the effective implementation of the Enterprise Risk Control Framework ('ERCF'), reviewing the business (1st Line of Defense) processes to manage risk in accordance with the respective frameworks and providing independent review and challenge to the second Line of Defense functions to ensure risks are managed in accordance with appetite. This process is supported by the Non-Financial Risk Management department which is responsible for the identification, assessment, and monitoring of operational risks.

Risk Management Processes

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

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

Enterprise Risk Management ('ERM') Function

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

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

The ICAAP is based on CSEB's own risk analysis and on analysis of its risk management controls. Based on these analyses, own funds requirements are calculated to enable CSEB to permanently maintain a level of capital determined to be the sum of a) legal capital requirements and b) any additional capital notified to CSEB by BoS.

In addition, to determine own funds requirements, CSEB considers capital planning and stress tests that are consistent with the risks inherent to its activity, the economic environment in which it operates, the risk management, control and governance systems in place, the strategic business plan and the quality of the available own funds. When determining own funds requirements, CSEB can take into account real possibilities of obtaining more own funds if this were to prove necessary.

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

Risk Identification

The Risk Identification phase includes the identification of risks through interviewing and partly through taking into account existing risk reports and other appropriate approaches. The CSEB CRO function is held accountable for assessing all of the risks within their areas of coverage. This includes the vulnerabilities to existing and emerging risks and associated risk consequences/impacts and likelihoods. The functional risk areas support the business in identifying all risks relevant to CSEB and mapping them to the risk taxonomy.

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

- **New Business Process ('NBP'):** The NBP is a preventative control process that requires all new business initiatives within CSEB to be implemented in a disciplined manner in order to effectively manage risk, which includes the evaluation of new products and strategies, as well as ongoing assessment of existing products. Each risk function is responsible for assessing the respective risk in new business initiatives.
- **Pre-Trade Valuation and Risk Approval Process ('PTVRA'):** The PTVRA process is a preventative control that ensures that all relevant risk factors, valuations and potential operational risks related to product variants, as well as material or unusual transactions, are reviewed, documented and validated prior to trade execution. Each risk function is responsible for ensuring that all risk factors under their function are understood, defined and adequately captures in the relevant risk management tools, and to consider the firm's capability to risk manage the trade throughout its entire lifecycle.
- **Risk Identification and Assessment Framework ('RIAF'):** The RIAF is a structured approach that engages a wide internal stakeholder group from 1st and 2nd LoD. The internal processes require each individual risk function and business area cross the entity to provide input to detect emerging risks, and the changing characteristics of existing risks already identified to assess their impact on financial resources

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

Risk Appetite & Strategic Planning

The processes, policies, controls, responsibilities and systems through which risk appetite is established or adjusted, communicated and monitored in order to achieve CSEB strategic objectives. Each risk function is required to set a risk appetite

statement in qualitative and quantitative terms (e.g. limits, flags, tolerances), and outline the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite.

Risk Measurement, Assessment and Monitoring

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

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

The Risk Profile of CSEB is monitored against defined risk constraints. This includes monitoring the CSEB exposure to material losses and reputational incidents. To meet this objective, CSEB has defined a number of risk exposure measures which are monitored against corresponding risk constraints. The utilization of these measures versus limits is reported as part of day-to-day risk reporting. Escalation procedures are in place to inform the CSEB Board of Directors, CSEB RMC, senior management and business unit management about breaches and significant incidents. Breaches are escalated with explanations of the breach, associated drivers and mitigating actions. Disciplinary action is taken where appropriate.

Risk Analysis, Mitigation and Control

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

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

Risk Reporting

CSEB CRO function is responsible for ensuring that relevant risk reports and risk information is captured, reported and escalated to the Risk Management Committee ('RMC') and the CSEB Board of Directors. In addition to internal reports, external CRO-owned risk reports to relevant regulators are prepared and issued by CSEB CRO function. CSEB risk reporting have to be follow guidelines defined the Basel Committee on Banking Supervision's document number 239: Principles for effective risk data aggregation and risk reporting.

Alignment to BCBS 239 Principles

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

To enable RDAR internal sign-off, RDAR roles are defined in line with accountabilities along the Risk Data Supply Chain. This ensures that capabilities surrounding risk data governance, origination, sourcing, provisioning, report preparation and reporting

are compliant with the RDAR principles, leading to overall sign-off of compliance by respective accountable CROs. CSEB leverages the RDAR internal sign-off coordinated by the Group to assess its compliance to all BCBS 239 principles.

Risk Profile

Risk Identification

The first stage of the Risk Identification process involves the nomination of 1st and 2nd Line of Defence risk identifiers, risk assessors and risk owners, who will utilise local processes to identify risks within their respective areas. CSEB has adopted the Global Risk Taxonomy managed by CS group to ensure alignment in the classification of the risks identified for its business model as well as alignment with the Group Risk Appetite. Risk identifiers (or their delegates) should be selected to ensure adequate coverage of the Global Risk Taxonomy, and business profile of CSEB. As a minimum, risk identifiers are expected to provide information on the risks that should allow adequate understanding of the nature, cause, consequence, controls, financial impact, non-financial impact and likelihood.

Risk Assessment

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

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

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

Risk Inventory

CSEB Risk Inventory is a comprehensive list of risks which the entity may be exposed to as a result of its business model, which are classified based on materiality assessment: Low, Medium, High and Very High materiality impact. The Full Risk Inventory is the complete population of all information submitted by risk identifiers. This population is used in supporting more detailed discussions and assessment. The Material Risk Inventory is a subset of the Full Risk Inventory, and includes the risks with an overall assessment of High or Very High. The Material Risk Inventory is a reflection of the inherent and residual risk in the business model, and it is discussed and approved through the Risk Governance.

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

- **Market Risk:** Market Risk refers to potential financial losses arising from adverse changes in market factors such as equity, commodity, foreign exchange prices, interest rates, credit spreads, volatilities, correlations, cross market risks, basis and spreads risks or other relevant market factors (including concentration and illiquidity) on positions held. The material market risks identified for the entity include Credit Spreads/Price.
- **Credit Risk:** Credit Risk refers to potential financial loss as a result of a borrower or counterparty failing to meet its financial obligations, or as a result of a deterioration in the credit quality of the borrower or counterparty. The material credit risks identified for the entity include Counterparty Default, Settlement Risk, Collateral Credit Migration and Underwriting.
- **Concentration Risk:** A concentration risk refers to an exposure which, were it realized, could result in a material financial loss, threaten the financial institution's liquidity or capital position, materially change the risk profile, generate a material operational control breach or result in an unacceptable level of damage to its reputation. The size of impact will reflect the underlying exposure as well as an adverse circumstance. The material concentration risks identified for the entity include Single Name Concentration, Industry Concentration and Country Concentration.

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

CSEB Material Transactions and Booking Model

The CS group strategy is to use CSEB as the passported entity in the European Union ('EU') to provide EEA-domiciled clients access to EEA and non-EEA markets through CS network of affiliates and market access to EU Markets for CS affiliates, through IB regulated activities such as:

- Execution of new derivatives with EU Clients
- Membership on behalf of CS group to EU based Central Counterparty clearing houses ('CCPs') and Exchanges executing orders in those venues for the global franchise
- Execution of secured financing trades with EU Clients
- Primary issuance of equity capital markets/debt capital markets ('ECM/DCM') with EU Clients and distribution to EU investors
- Capital Markets and Advisory ('CM&A') advisory with EU Clients
- Settlement of securities with EU Clients
- Unique IB Hub in the EU adding loans and loans underwriting, as well as secondary loan trading to its activity

CSEB operates a Back-to-Back pass-through operating model where CSEB transfers most market risk associated with contractual products (e.g. derivatives and repo) to the global risk hubs, mostly CSi, the CS's IB hub in London. However, CSEB retains credit risk, settlement risk, operational risk, collateral adjusted valuation ('CAV'), counterparty valuation adjustment ('CVA') and certain market risk that rises from cash equities, the counterparty and funding valuation adjustment for fair valued activities (XVA management), Secondary Loan Trading, corporate bank and loan underwriting, which is managed locally. The remaining risk is retained by CSEB unless it exceeds CSEB risk appetite, in which case the excess risk is transferred into CS group.

The two business lines of CSEB are Investment Banking ('IB') Markets and Investment Banking Capital Markets ('IBCM'):

- **Investment Banking ('IB') Markets Overview:** Incorporates the Credit, Equities, Global Trading Solutions and Securitized Products business lines. The services provided under this area include global securities and derivative sales, trading and execution, ECM/DCM and loan underwriting, and investment research.
- **Investment Banking Capital Markets ('IBCM'):** Assists clients across regions and industries in achieving their strategic and financial goals, advising on mergers and acquisitions as well as equity, debt and other capital raisings, offers advisory, structuring and execution expertise to a broad range of corporate clients and financial sponsors.

Risk Appetite

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

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

The development, maintenance and enhancement of an effective RAF is an iterative and evolutionary process that requires ongoing dialogue between the Board and the Board Risk Committee, CSEB CRO which is supported by ex ante analysis discussed at the CSEB Risk Management Committee, including the CRO organization and the Business and as appropriate other controls functions. It is updated at least annually or in the event of any material change in the CSEB Risk Appetite due to a change in business or market conditions. Whether more frequent update are required is left at the discretion of the CSEB CRO and the Chair of the Board Risk Committee.

Risk Appetite Statement

The CSEB Risk Appetite Statement ('RAS') articulates the aggregate level and types of material risks that CSEB is willing to accept or to avoid in order to achieve its business objectives. The RAS is stated in qualitative and quantitative risk statements, which are reviewed and approved by the CSEB BoD on an annual basis as part of the financial planning process.

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

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

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

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

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

The RAS is signed-off by the Board of Directors and includes key metrics used to measure utilisation against a risk limit. The full risk appetite is submitted for review and approval to the CSEB BoD following a review by the CSEB Board Risk Committee.

Specifically, at Board level, following limits are in place: limits for CET1 ratio and the stress CET1 ratio, limits against credit risk capital consumption, market risk and CVA capital consumption, operational risk capital consumption and IRRBB capital consumption, and also has limits against certain scenarios and liquidity measures like the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR').

Underneath the Board level limits and part of the RAS, CSEB CRO and his Executives has rolled a granular suite of controls (operating limits or tolerances) rooted into the aforementioned Board level capital and liquidity limits and following a cascade

logic. Sometimes, operating limits are applicable to all CSEB and sometimes they are applicable only to certain CSEB business as relevant. We enclose few specific examples of operating limits owned by CSEB CRO and his Executives:

- Operating limits against the credit risk capital consumption, market risk and CVA capital consumption, operational risk capital consumption and IRRBB capital consumption whose limit values are necessarily more constraining than the equivalent Board level limits (controlling the same underlying risk parameter)
- Limits against risk sensitivities (e.g. FX delta, interest rates delta, equity vega etc)
- Potential exposure limits showing the credit exposure accounting for margins and stressing the market to market risk and potential lags in margining. Potential exposures limits are set for single name, set cumulatively by credit rating. The potential exposure limits are calculated under baseline conditions and stressed conditions. In particular, CSEB applies credit limits against CS group and its inter-affiliates in line with the treatment of third party exposures.
- Limits against the observed losses originating from operational incidents inclusive of a maximum limit for any operational loss
- Value at Risk limits
- Scenario based limits, for example credit country stress loss, earning stability scenario stressing non-investment grades counterparties
- Limits against the LCR, the NSFR whose limit's values are necessarily more constraining than the equivalent Board level limits as well as internal metrics stressing the liquidity inflows and outflows.

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

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

The CSEB Directors are responsible for reviewing the effectiveness of the CSEB systems of internal control and risk management arrangements providing assurance that the systems put in place are adequate with regard to the institution's profile and strategy as required for CSEB by EBA/ITS/2020/04 Article 3 and also by CRR 2 Article 435(1) point (e). The risk management and internal controls systems are designed to manage rather than eliminate the risks of not achieving business objectives, and, as such, offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The CSEB Board of Directors has established a CSEB BRC chaired by and majority composed by Independent Non-Executive Directors and attended as invited by the chair, members of CSEB Management. Ordinary meetings of the Board Risk Committee are required to take place at least four times each year. The CSEB BRC oversees the activities and ensures the independence of Risk Management led by the CSEB CRO, the Head of the CSEB Risk Management Unit. The CSEB risk governance operates under the authority of the CSEB BRC and is made of a cascade of CSEB risk committees and working groups reporting into the CSEB RMC. The CSEB Risk Committees are chaired by senior members of the CSEB CRO organization. The CSEB CRO and the senior risk executives are located in Madrid and are employed by CSEB. The CSEB CRO has no dual hatting role, exclusively focuses on CSEB and has no registered conflicts in the CSEB conflict of interests registry. The CSEB CRO reports without any restriction or limitation of access to the CSEB BRC, and also to the CSEB CEO and the EMEA CRO of CS group. The CSEB CRO is accountable for the risk decisions of his organization to the CSEB BRC. We also take note that CSEB uses systems, models and procedures in place in CS group and outsources a large part of the execution of those procedures to CS group while CSEB management is supervising the execution of those procedures and the Risk Management Unit executes its 2nd Line of Defence duties.

In 2021, CS group identified several gaps in the risk management control infrastructure which hampered its overall effectiveness in particular for counterparty credit risk. The Archegos events have further underlined the need to uplift risk management disciplines for selected businesses as well as improving visibility and controls on the risk exposure being booked in the CSEB. We observe that CS group is taking reasonable steps to ensure that the enhancements identified are implemented in a robust and sustainable manner, creating 'The Risk Enhancement Plan' as the mechanism to deliver the aforementioned enhancements this year and beyond. The aforementioned enhancements will apply to CSEB. The CSEB Management is represented in the CS group governance that supervises the implementation of the enhancement plan globally; while local compensating controls for risk supervision have been put in place.

Current and Emerging Risks

Significant events impacting CS group – Archegos

Under the leadership of the CS group Board, Credit Suisse published on its website the report based on this independent external investigation, as well as a summary of management's responses to this report. Since then, CS group have continued to further implement a Group-wide remediation program (being applied to CSEB among others) to facilitate the execution of key activities including:

- strengthening the risk management environment through the streamlining of governance and oversight structures and through the reinforcement of a Group-wide risk mindset and speak-up culture;
- holistically reviewing client relationships to identify and manage similar risk concentrations; and
- reinforcing and extending risk capabilities and frameworks, especially in the areas of credit risk, counterparty risk and stress testing, including the related models employed.

The Archegos review contains a broader aspect of leveraging remediation efforts in specific functions and business lines to identify areas across the CS Group where similar risks may exist and to identify and implement solutions in response to lessons learned, including key controls and requisite risk metrics. While many of the key actions have already been completed or are in the process of being completed in 2022, CS group expects certain aspects of our remediation activities, particularly to the extent they require infrastructure changes, to continue into 2023 and beyond as CS group seeks to strengthen specific risk management capabilities, expertise and culture. The roll out into CSEB of this Group-wide effort is a core focus of the CSEB Board of Directors.

Credit Risk

Credit Risk Organization

Credit Risk Management ('CRM') is the responsibility of CSEB CCO, based in Madrid, who is supported by five other professionals (three credit officers, one portfolio manager and one quantitative analyst to be appointed). The CSEB CCO reports to CSEB CRO and has a functional reporting line into the IB CCO via the EMEA CCO. The CSEB CCO is a member of CSEB Risk Management Committee and chairs the CSEB Credit Risk Committee, which is a sub-committee of the RMC.

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

CRM performs the following key risk management activities:

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

Credit Risk Governance and Control

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

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

CSEB CRM interacts with other groups outside of CRM as part of its governance and control framework, including but not limited to the following (third line of defence functions):

- **Credit Risk Review ('CRR')**: CRR is an independent global control function that provides assessments of CSEB credit exposures and practices related to the management of Credit Risk. CRR executes its objectives through a combination of cycled reviews and continuous monitoring activities in order to evaluate the quality and transparency of the credit analysis and ratings assigned for regulatory and capital purposes.

CRR responsibilities include the assessment of the accuracy and timeliness of counterparty PD, transaction LGD and regulatory risk ratings, where applicable; assessing the quality of credit portfolios and the quality and transparency of credit analyses; evaluating the effectiveness of management of Credit Risk within the business units and supporting governance functions (i.e. 1st and 2nd lines of defence); assessing the appropriateness and compliance with relevant Credit Risk policies, manuals, procedures and guidelines and adherence to CS risk rating methodologies and their appropriate use.

- **Internal Audit**: Internal Audit is an integral part of the Group's corporate governance and risk management framework. The primary role of IA, acting in its capacity as a 3LoD, is to assist the Audit Committee, BoD and Senior Management in

their task to enforce, implement and monitor CS's guiding principles, policies and directives, thereby protecting the assets, reputation and sustainability of the organization.

Credit Risk Management

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

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

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

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

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

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

- **Counterparty Credit Risk ('CCR') Management:** The risk that the counterparty to a derivative or securities financing transaction could default before the final settlement of the transaction's cash flows, creates a bilateral risk of loss because the market value of the transaction can be positive or negative to either counterparty to the transaction. As such, CCR exposures are typically netted and collateralized under a master agreement and are often subject to detailed regulatory requirements designed to minimize inherent systemic risk that could be caused by a default of one or more major market participants.
- **Workout and Recovery:** The Recovery Management International team ('RMI') is a global CRM team managing and/or overseeing recoveries and impairment for CS. The Global Credit Recovery Manual outlines the roles and responsibilities of RMI, including the classification of impairment assets, structuring workout plans and exist strategies, management of bankruptcy cases and identifying loan sale opportunities, shadowing Watchlist cases to provide advice/guidance on stress situations, determination of allowable valuation methods and provisions. A London based RMI team covers EU clients for CSEB.

Credit Risk Measurement & Reporting

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

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

Risk Data Management ('RDM') assists CRM with effective risk and capital decision making by delivering and reporting Risk and Financial information and by providing a single source of data and related calculations.

Credit Officers rely on the credit risk system Insight, a Credit Suisse proprietary system, as the primary reporting tool to monitor exposures directly. Additional reporting is provided to credit officer teams and management as required. They include, but are not limited to:

- On-going operational and exposure reporting.
- Country limit reporting.
- Collateral concentration reporting
- Scenario reporting, including Wrong Way Risk
- Watch list and RMI reporting
- Global Chief Credit Officer (GCCO) Dashboard

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

Credit Risk Hedges and Mitigation

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

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

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

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

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

Credit Risk Appetite

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

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

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

- **Layer 1) Total Portfolio:** Establishes risk appetite in relation to the overall risk profile of the CSEB's credit risk portfolio measured through metrics such as Credit Risk Capital, overall Portfolio Credit Quality, as well as Portfolio Earning Stability which is the credit risk component of an enterprise-wide scenario, designed to consider the impact of modest economic shocks on legal entity profitability. The limit is calibrated in conjunction with ERM using a top-down allocation across risk-types. The scenario captures the potential loss from 1) non-investment grade rated watchlist counterparties; and 2) an idiosyncratic counterparty default, sized by taking the average PE across the top 100 BBB-/BBB/BBB+ rated counterparties.
- **Layer 2) Sub-Portfolio:** Established risk appetite in relation to sub-portfolios, which can be defined as concentration along different dimensions such as: single product type (e.g. Security Financing Transaction, Loan Underwriting, etc.), Inter-affiliates, industries (e.g. sectorial appetite, climate-sensitive sectors, shadow banking) and country concentration, including Country PE Limits as well as Country Stressed Losses.
- **Layer 3) Single Name Concentration:** Establishes risk appetite with respect to exposures towards a single client/name and specific escalation requirements which depend on the client's rating. These controls are set up for the different risk measurements: PE, settlement and Counterparty stressed MTM. This stressed exposure is managed against both multi-factor and single factor scenario appetite thresholds. Scenario breaches will be triggered only if not cured within 30 business days of the breach occurring. Main scenarios are:
 - Severe Flight To Quality ('SFTQ'): This multi-factor scenario is used throughout Credit Suisse. For Investment Advisors, the scenario appetite limit is monitored by the CSEB CRC only at the Indirect Principal level.
 - Single Factor Scenario: There are ten single-factor scenarios used in CRM with upward/downward shocks applied to FX, commodities, equities, interest rates and credit spreads. The severity of the single-factor equity rally scenario is recalibrated from a 20% "bad month" to a 10% "bad week" scenario for CCPs. This approach may be used for other counterparties if their default is considered inconsistent with an equity rally.
- **Layer 4) Financial Collateral:** Concentrations in the CSEB financial collateral portfolio and the risk of material losses due to financial collateral concentrations under projected economic stress. Risk Appetite is measured through the use of a Collateral Concentration Scenario, assuming the triple default of a single issuer and the top two counterparties posting its securities as collateral. Both sovereigns (rated A or better) and qualifying CCPs are executed from this scenario loss

Within the CRM organization, a Head of Environmental, Social and Governance ('ESG') risk was appointed and is now a member of the CSEB RMC. From 2022 onwards, CSEB Risk Appetite Statement will have monitoring metrics for ESG related risks.

Market Risk

Market Risk Organization

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

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

- Developing the CSEB market risk qualitative and quantitative risk appetite based on the available and allocated market risk capital.
- Cascading the risk appetite via a set of market risk limits.
- Monitoring market risk exposures against these limits.
- Identifying, escalating and enforcing remediation of any market risk limit excess.
- Challenging the Front Office on significant risk taking as appropriate.
- Providing review and approval of material or unusual transactions to ensure that any concern with respect to risk appetite/risk capture/risk valuation is addressed before these transactions are executed when required. Pre-Trade Valuation and Risk Approval ('PTVRA') sign-off, and in which case is expected to be provided by a representative from the CSEB market risk team.

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

Market Risk Governance and Control

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

- Periodic review of any material current risks and potential forward-looking risks, PTVRA exceptions and material PTVRAs/New Business.
- Periodic review of current scenarios and highlight any scenario framework updates.
- Review of key regulatory changes that impact market risk areas and significant regulatory requests.
- Perform periodic review of the illiquid positions and ensure these are consistently treated across the ICAAP, internal management tools and regulatory reporting.
- Approve new policies or material changes to existing policies related to market risk.
- Review the risk appetite framework for appropriateness, including any changes, exceptions and temporary increases to risk constraints. Recommend potential changes to risk appetite (including remotely booked) for individual businesses.
- Define and implement market risk framework consistent with business strategy for CSEB, and periodically assess the design and operational effectiveness of the framework implemented, to ensure ongoing compliance (internal & regulatory).
- Supervise the daily execution of the VaR backtesting process.

Market Risk Management

The market risk exposures of CSEB remain limited given the back-to-back and pass-through operating model in place. CSEB operates a 'Back-to-Back/Pass-Through' operating model, where CSEB transfers most market risk originated from contractual products (e.g. derivatives and repos) to the global risk hubs, mostly the UK entity of CS group, CSi. For example, rates/credit/equity derivatives market risk is transferred to CSi, and FX related risk is transferred to CS AG London Branch. This is typically done on a micro-hedging basis, leveraging the switch ticketing functionality. However, CSEB retains credit risk, settlement risk, operational risk, CVA/CAV and certain market risk that rises from Cash Equities, XVA Management, Secondary Loan Trading, Corporate Bank and Underwriting Loan.

One of the core responsibilities of the CSEB MRM team is to ensure that the back-to-back operating model is effectively in place at all time. The CSi Market Risk team provides support on a number of areas, including specialist advice on products or risks and when required. The market risks that result from the counterparty adjusted valuation and the collateral adjusted valuation also fall under the remit of the market risk team.

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

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

FO challenge is supported by CRO Divisions/LE Risk Managers analysis, knowledge and insight into the markets and positions in the portfolios. CRO Divisions/LE Risk Managers may initiate challenges on a micro or macro level, at their discretion. The following includes, but is not limited to, potential reasons for which a challenge may be initiated:

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

Market Risk Measurement & Monitoring

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

- **Value-at-Risk:** CSEB uses a historical simulation approach in modelling VaR. The model used for both Regulatory and Risk Management purposes is calculated as the 99th percentile measure using a 10-day or 1-day holding period respectively. Both measures use a 2-year data period, which is updated weekly, and apply exponential weighting with a time decay factor of 0.994 to provide sufficient responsiveness to market regime changes.
- **Stressed Value-at-Risk:** CSEB uses a 99th percentile, one tailed confidence interval for a 1-year period of financial stress without a time decay factor. No difference exists between the SVaR model used for management purposes and the model used for regulatory purposes. As of December 2021, CSEB uses a stressed VaR window running from the one-year period from July 1, 2008 to June 30, 2009.

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

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

Under the Full Simulation approach, scenario P&Ls incorporating both specific and general risk are aggregated in the Historical Simulation VaR. Under the Regression approach, scenario P&Ls corresponding to general risk are aggregated in the Historical Simulation VaR, while for each specific risk, a VaR is calculated by applying either a 1st or a 99th percentile historical move (depending on the direction of the position). Specific risk VaR components are aggregated with Historical Simulation VaR under a zero-correlation assumption (square root sum of squares).

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

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

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

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

- **Sensitivity Analysis:** The sensitivity analysis for the trading activities includes a wide range of measures such as sensitivities, both net and gross, long and short, notional and sensitivity impacts under scenarios. This family of measures allow to quantify the potential profit or loss resulting from specified, generally small, hypothetical shocks to market factors.

Similarly, to stress testing, the majority of sensitivities are specifically tailored towards the risk profile of particular businesses, and limits may be established for some of them. Sensitivity analysis may also be used to identify, monitor and control areas of risk concentration at the Bank's level across a broad range of markets, products, and asset classes.

- **Scenario Analysis:** Stress testing complements other risk measures by quantifying the potential losses arising from moves across financial markets in response to plausible external events. Stress test scenarios are often specifically tailored toward the risk profile of particular businesses, and limits may be established for some of them. In addition, to identify areas of risk concentration and potential vulnerability to stress events at the Bank's level, a set of scenarios (Earning Loss scenario, Global Recession – Euro Crisis, Global Interest Rate Turnaround, Ukraine/Russia Conflict, Taper Tantrum, Fed Hike,...) is consistently applied across all businesses to assess the impact of significant, simultaneous movements across a broad range of markets and asset classes. Additionally, scenarios targeted at a specific market, product or risk type are used to better understand the risk profiles and concentrations, to monitor and control the exposure.

Scenarios can be defined with reference to historic events or based on forward-looking, hypothetical events that could impact the Bank's positions, capital, or profitability. The scenarios used within the Bank are reviewed at the relevant risk committees as well as by a dedicated scenario design forum. The scenarios used within the Bank continuously evolve to reflect changes in market conditions and any change in business strategy.

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

Market Risk Reporting

In order to ensure that risk exposures are comprehensively and accurately captured within CSEB, risk reports are generated on a regular and basis. Risk Reporting refers to the definition, development, production, commenting, and distribution of internal and external risk reports for CSEB, including Board and Senior Management. The set of CSEB risk reports currently produced shows risk sensitivities of CSEB sliced and diced by currency, tenor buckets, expiry buckets, referenced index or underlyings etc. Those reports also show complex metrics like VaR by CSEB business lines as well as stress scenarios.

The RDM team, a Global function of the Group CRO provides the CSEB MRM team with the service of risk reporting. RDM owns the overall risk reporting process along with the data aggregation elements that come with this risk reporting.

CSEB utilizes the global site of CS Market Risk systems currently in use and that are appropriate for the business model.

Market Risk Appetite

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

process. This interaction with strategy is central to a consistent approach to risk management and strategy management across the entities.

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

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

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

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

Non-Financial Risk

Non-Financial Risk Organization

Non-Financial Risk (NFR) is the responsibility of the Head of CSEB NFR who reports to the CSEB CRO and has a functional reporting line into the Head of EMEA (non UK or CH) NFR in Dublin. The Head of CSEB NFR is a member of the CSEB RMC and co-chairs the CSEB Operational Risk and Compliance Committee ('ORCC'), which is a sub-committee of the CSEB RMC.

CSEB NFR function has the following responsibilities:

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

Non-Financial Risk Governance and Control

The mandate of the CSEB NFR function stems directly from the CS group Chief Risk Officer's mandate given to the NFR Department as well as from the mandate of the CSEB CRO to supervise CSEB risks on behalf of the CSEB Board of Directors. For CSEB, operational risk is supervised as a 2nd Line of Defense activity by the NFR Team reporting into the CSEB CRO.

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

- Review risk appetite framework for appropriateness, including any changes, exceptions and temporary increases to risk appetite.
- Monitor significant exposure or developments for the in-scope risks, including independent review and challenge of first line of defense updates and consideration of internal /external incidents and investigations
- Review and challenge Key Risks and proposals to accept or mitigate them, appropriateness of remediation actions and approve closure of risks
- Review the suitability and effectiveness of controls operated by the first line of defense to mitigate in-scope risks (e.g. through RCSA / CRA) and escalate material issues to the respective legal entity RMCs
- Periodically assess the frameworks for managing in-scope risks to establish the appropriate standards
- Provide independent oversight of activities that could materially impact the in-scope risks, including governance and controls, remote booking, major change, outsourcing and New Business
- Review the operational risk section of the ICAAPs for CSEB and make recommendations on the capital assessment for operational risk, including stress testing scenarios
- Review effectiveness of conduct risk management and embedding of conduct risk awareness in the first line of defense for reporting to the committees which the CSEB ORCC receives authority from.
- Review internal operational risk incidents occurring in CSEB and its Branches and ensure classification is correct.

Non-Financial Risk Management

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

- **Qualitative Risk Appetite:** qualitative Risk Appetite is based on self-imposed constraints which define the level of risk (considering all controls in place) the Bank is willing to take in pursuit of its business activities. It articulates the motivations for accepting or avoiding certain types of risks, products or exposures. Non-Financial Risk Appetite is translated into a system of non-financial risk tolerance levels and qualitative tolerance statements which are measured against relevant NFR Risk and Control Indicators and which guide the businesses in order to achieve.
- **Incident Management:** The Incident Management Responses Framework provides guidance on the approach to be adopted in the case of new operational risk incidents. Each incident should be categorized on a four-point scale, taking both the financial impact and non-financial factors into account. The categorization determines the approach taken to investigating the incident. The framework provides a timeline that outlines what actions are required at each stage of the process.

- **Stress Testing:** Stress Testing is the process where a number of defined economic or market scenarios are evaluated to determine the impact they would have on the Bank's financial position. The Stress Testing approach aggregates loss components of the non-financial risk loss estimates to review and assess material non-financial risks. This includes the assessment, by relevant business experts, of the likelihood and expected size of losses under stress conditions. Stress Testing results are incorporated in the Non-Financial Risk Loss Projections, specific to relevant regulatory requirements, and used for the Operational Risk Capital calculations.
- **Scenario Analysis:** Credit Suisse uses scenario analysis based on expert opinion in conjunction with internal and external loss data to evaluate its exposure to high severity 'tail end' loss events. Other forms of scenario testing e.g. evaluations where the bank's viability is threatened, capital planning adequacy, capital benchmarking, scenario planning and sensitivity analysis are considered as part of the wider capital planning, stress testing and risk model sensitivity analysis programs. Scenario analysis provides a forward looking examination of material operational risks by anticipating the plausibility and severity of extreme loss events which increases awareness among senior management. Discussion of risk levels and drivers increase upstream and downstream visibility of potential or previously uncovered dependencies and potentially improved control processes.

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

Non-Financial Risk Measurement & Monitoring

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

- **My Incident:** (tool for reporting operational risk incidents): an operational risk incident is an event that can end up in a loss for the Entity (occasionally could be a profit though) and could indicate a weakness in the internal control system that should be reviewed. My Incidents is a web-based tool globally used by front office, operations, and other support areas in order to capture and monitor operational risk incidents. All incidents are recorded into the tool and monitored into the monthly CSEB RMC and the quarterly CSEB ORCC.
- **Risk and Control Self-Assessment (RCSA):** RCSAs are defined as a systematic and regular business process aimed at reviewing specific inherent operational risks that Business Divisions, Corporate Functions and Legal Entities/ locations are exposed to, as well as an assessment of the control landscape that is in place to mitigate these risks. Moreover, it comprises an assessment of the residual risks that persist once the mitigating effect of the control landscape to reduce the inherent risks is taken into account.
- **Business Continuity Plans:** these are the plans for mitigating risks in case of interruption or disruption of the availability of business critical products, execution of business critical processes and execution of business critical activities triggered by a major internal or external event, including pandemic.
- **Training Plan:** focused on Operational Risk and Conduct & Ethic topics (embedded into the Non-Financial Risk Framework).

Non-Financial Risk Reporting

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

NFRM uses the following internal reporting to fulfill its remit:

- Monthly Quantitative Risk Appetite Report
- Monthly Qualitative Risk Appetite Report
- Branches & Remote Booking Risk and Control Committee – Branches Operational Risk Incidents
- Internal Incident Analysis

Non-Financial Risk Appetite

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

NFR Risk Appetite is separated in two categories:

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

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

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

Quantitative baseline tolerance levels are determined using an enhanced methodology as Top-Down proposals from Group-wide Stress testing projections. In addition to Baseline tolerances, Stress and Extreme stress tolerance are also derived using stress scenarios; these additional levels will allow for dynamic monitoring of quantitative risk appetite in response to sustained change in market condition and operating environment. In addition, historic non-financial risk incidents for the prior 3 years (absolute value of all gains and losses), on both a cumulative and individual impact basis are also considered. Business Divisions and Corporate Functions can request to adjust the calculated tolerance levels if reasonable documented rationale is provided to the CSEB RMC and approval is obtained from the CSEB ORCC.

Qualitative non-financial risk tolerance statements are defined as CSEB-wide statements that link back to the NFR Taxonomy. For each tolerance statement, a portfolio of Risk and Control Indicators is assigned where feasible to monitor the level of compliance with the statements.

Technology Risk

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

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

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

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

While the Group has not experienced any major impactful cyber incidents, it is recognized that cyber risk represents a rapidly evolving and generally worsening external risks. The financial industry continues to face cyber threats from a variety of actors who are driven by monetary, political and other motivations. CS group actively monitor external incidents and threats and assess

and respond accordingly to any potential vulnerabilities that this may reveal. CS group are also an active participant in industry forums and information exchange initiatives and engage in regulatory consultation on this subject.

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

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

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

- **First Line of Defence:** Implements security solutions to deliver security control requirements and manages security operations including threat intelligence and cyber incident management. Implements cybersecurity safeguards and acts as first response to cybersecurity issues. Ensures performance and effectiveness of cybersecurity controls. Sets the security control requirements, reviews control effectiveness and ensures management of residual risk. Accountable for managing Information Technology and Information Security risk inherent in their activities
- **Second Line of Defence:** Serves as a proactive risk monitoring and challenge function, bringing an independent, expert perspective on the identification, assessment, and mitigation (or acceptance) of current and emerging Information Technology and Information Security Risks. Develops a consistent risk taxonomy and assesses whether the risk exposure is within the risk appetite, as well as ensures that the cross-business risk exposure and remediation are well understood.
- **Third Line of Defence:** Provides independent assurance on the adequacy of the overall risk and control framework directly to the Audit Committee

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

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

Information Security

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

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

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

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

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

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

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

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

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

Treasury and Liquidity Risk

Treasury and Liquidity Risk Organization

Treasury and Liquidity Risk Management in CSEB is the responsibility of the CSEB Head of Treasury and Liquidity Risk Management ('TLRM'), based in Madrid who is supported by a senior TLRM risk manager. The responsibilities of TLRM with respect to Treasury and Liquidity Risk are the following:

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

CSEB's liquidity is managed by the local Treasury Department based in Madrid and is strongly aligned to the global governance structure. The Treasury Departments' mandate is to manage day-to-day liquidity, to oversee funding activities, and for that purpose to liaise with the money market funding desks within the Global Liquidity Group ('GLG') function.

The functional reporting line is led by the Global Head of Liquidity Risk Management and is responsible for establishing global minimum standards, which are intended to provide a basis for the consistent application of risk management frameworks to the legal entity Liquidity Risk Management teams. Additions or changes to the global minimum standards must be approved by the relevant governance bodies. Similarly, the Treasury Risk Management is aligned to the Group's organization.

Treasury and Liquidity Risk Governance and Control

The mandate of the CSEB TLRM function stems directly from the CS group Chief Risk Officer's mandate given to the Treasury Risk and Liquidity Risk Management global teams, as well as, from the mandate of the CSEB CRO to supervise CSEB risks on behalf of the CSEB Board of Directors. CSEB's Head of TLRM is a member of CSEB RMC, and of the CSEB ALM CARMC which are the main committees oversee the Treasury Risk and Liquidity Risk exposures.

The CSEB Asset and Liability Capital Allocation & Risk Management Committee ('ALM CARMC') is the primary governance forum for CS group's funding, liquidity, and capital management, while the CSEB RMC is responsible to set Treasury and Liquidity risk constraints in place to strictly control the risk profile within the Board risk appetite. A breach of a limit requires immediate mitigating action to reduce risk below the limit.

CSEB is aligned with the Three Lines of Defence Model adopted by the CS group for managing Treasury and Liquidity risks. The current operating model for Treasury and Liquidity risk establishes a clear delineation between Treasury/GLG, Liquidity Measurement and Reporting ('LMR'), Risk Data Management and Reporting ('RDAR') and CSEB Legal Entity Finance ('LEF') as the First Line of Defence. The TLRM function within the CSEB CRO team act as the Second Line of Defence. Third Line of Defence sits with Internal Audit. The segregation of mandates ensures controlled and cohesive management of these risks.

Liquidity Risk Management

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

The Global Liquidity Group centralises the control of liability and collateral management with the aim of optimising liquidity sourcing, funding costs, and HQLA portfolio. This approach enhances CS's ability to manage potential liquidity and funding risks, and to promptly adjust liquidity and funding levels to meet stress situations. GLG, sitting within Treasury, are responsible for executing the unsecured and HQLA transactions on Treasury's behalf. Treasury in CSEB is not carrying out any trading activity.

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

The Liquidity Risk Management Processes are based on the following:

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

Funding Concentration and Funding Profile

Funding concentration risk is addressed as part of the overall global liquidity risk control framework. In line with the centralized funding approach, CS's funding strategy is to ensure that CS has access to a diversified range of funding sources by customer base, financial market and geography to cover short-term and medium to long-term requirements, without any significant reliance on a particular funding source, counterparty, tenor or product.

CSEB primary source of unsecured funding is via borrowings from its Parent, CS AG. CSEB holds a mix of unsecured funding supplied by CS AG London Branch, which mitigates its short-term, and longer tenor funding risk. Treasury works closely with business divisions to understand material changes in activity. CSEB Treasury manages the unsecured funding profile to minimize liquidity risk as well as ensuring compliance with the most restrictive of either internal or external liquidity metrics (Barometer or EBA regulatory requirements). CSEB's approach to currencies is to borrow from CSAG in the currencies of its underlying funding requirement, hence it is not entering into FX transactions to finance its needs. This approach minimizes currency mismatch in the entity.

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

Processes for Hedging and Mitigating Liquidity Risk

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

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

Liquidity Risk Measurement & Monitoring

CSEB monitors its Treasury and Liquidity Risk compliance with regulatory and internal risk appetite constraints. The regulatory liquidity metrics required for CSEB are the Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ratio ('NSFR'). These metrics are complemented by internal liquidity metrics.

In the context of the internal model, CSEB liquidity risk is stressed under a scenario covering market stress and CS specific idiosyncratic stress. B2.0 captures the liquidity positions and flows over a stressed horizon, with the absolute surplus or deficit position determined by deducting outflows from unencumbered assets and inflows.

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

- Barometer 2.0 Severe Combined Stress 30 Day and
- Barometer 2.0 Less Severe Combined Stress 365 Day

Liquidity Risk Reporting

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

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

Liquidity Risk Appetite

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

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

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

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

Internal Liquidity Adequacy Assessment Process

CSEB is submitting its inaugural Internal Liquidity Adequacy Assessment Process (ILAAP) with results analysed as of December 2021.

The ILAAP is based on CSEB's own risk analysis and on analysis of its risk management controls. Based on these analyses, the adequacy on the calibration of the established risk appetite is assessed as well as, the size of the liquidity buffer.

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

Managing Interest Rate Risk in the Banking Book

CSEB manages the Interest Rate Risk in the Banking Book ("IRRBB") which includes monitoring the potential impact of changes in interest rates. CSEB's interest rate risk exposures in non-trading positions include Treasury and funding activity, with the majority of interest rate risk transferred to and centrally managed by Treasury on a portfolio basis. The Board defines interest rate risk appetite for Delta EVE on an annual basis. Furthermore, the CSEB Board and the CSEB RMC Delta EVE established controls for interest rate risk in the banking book are monitored on at least a monthly basis.

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

Risk Measurement

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

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

Monitoring and Reporting

IRRBB is not capitalised within the Pillar 1 regime, rather, it is analysed within the ICAAP and addressed within CSEB's Pillar 2 capital requirement. From a Treasury Risk Management perspective, CSEB monitors the interest rate exposure through the calculation of EVE under different stress scenarios, against a defined constraint included as part of the entity's risk appetite. Reporting related to the Delta EVE calculation is produced by the RDM team and leverages MaRS, which is a market risk management system. The TLRM team also calculates and monitors Delta Net Interest Income results under two scenarios +200 and -200bps.

Remuneration Disclosure

1. Overview

These disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, the Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standards and the EBA's Guidelines on sound remuneration policies.

They are made in respect of the remuneration period ending 31 December 2021 with respect to Credit Suisse Bank (Europe), S.A. and its Branches, (together CSEB). CSEB is a 100% subsidiary of Credit Suisse AG. CSEB's branches are the following:

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

This document sets out remuneration practices in relation to all the firms noted above. Where a response differs for a firm, it is specified accordingly. For Identified Employees and Material Risk Takers (MRTs), references may be made to reflect requirements under Capital Requirements Directive (CRD) V.

2. Group Compensation Policy

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

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



The Compensation Policy adheres to the compensation principles set out by the Swiss Financial Market Supervisory Authority (FINMA) and similar guidelines adopted by other regulators in locations where the Group has operations. Furthermore, the Compensation Policy is in compliance with the Swiss Ordinance against Excessive Compensation with respect to Listed Stock Companies (VegüV) as well as other applicable legislation and regulations.

3. Compensation Governance

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

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

■ As set out in the chart above, the Group Board of Directors is responsible for the implementation of the Group Compensation Policy as well as related rules and regulations, including overall responsibility for the approval of compensation plans and expenses. The Compensation Committee (CC) consists of independent directors, and does not include either the BoD Chair or the Chief Executive Officer (CEO). The CC reviews proposals regarding compensation of the Group, compensation payable to members of Board and Executive Board, the head of Internal Audit and certain other members of senior management, and makes recommendations to the Board for approval, assisted by an independent external consultancy. Deloitte LLC (Deloitte) has appointed a senior consultant to advise the Compensation Committee in 2021. The Compensation Committee's Charter is available here. [link](#)

■ CSEB additionally has a Remuneration Committee, ("RemCo"). The RemCo have a specific duty to advise and make recommendations to the Group Compensation Committee on matters for which the Compensation Committee is responsible under the relevant EBA rules, specifically on compliance of the CSEB Remuneration Policy.

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

4. Compensation Structure and Instruments

The Group takes a Total Compensation approach, based on two principle components: fixed compensation and variable compensation.

■ The mix of fixed and variable compensation is designed to ensure adequate consideration of risk and conduct in compensation decisions, and varies according to the employee's position and role within the Group. For example, the targeted

compensation mix of individuals working in control functions is designed to have a higher proportion in fixed compensation, and a smaller proportion in variable compensation. While those on the revenue-generating side will typically have a higher portion in variable compensation.

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

4.1. Fixed Compensation

Fixed compensation, which is most commonly paid in the form of base salary, is based on the skills, qualifications and relevant experience of the individual, as well as the responsibilities required by the role and external market factors. Fixed compensation may include non-discretionary allowances as well as, for certain MRTs, role-based allowances granted in relation with Identified Employee place of work, role and organisational responsibilities. Pension and other benefits are non-discretionary and are categorised as fixed compensation.

4.2. Variable Compensation

The level of variable compensation granted is entirely at the discretion of the Group, and may be zero in cases of substandard performance or other reasons. Variable compensation, which includes non-deferred and deferred portions, may be impacted by various factors, including absolute and relative performance of the Group and its divisions, performance ratings and achievement of pre-agreed individual performance objectives of employees, non-financial performance indicators, market positioning, and a variety of other factors.

Above a certain threshold, a portion of variable compensation is subject to mandatory deferral to reflect the nature of the Group's business, its risk profile, and the desire to have compensation plans that are based on sustainable performance criteria. Generally, the higher an individual's total compensation, the higher the percentage that is deferred. Deferral percentages are regularly reviewed by the Compensation Committee, and are internally communicated. Deferral percentages also take into consideration market practice and applicable regulations, and may differ in certain markets. For 2021, the maximum deferral rate was set at 50%. Deferred compensation elements are typically subject to a vesting period of three years (with equal amounts vesting each year) for Non-Identified Employees and a minimum four to five years for Identified Employees. Other deferral periods may be decided upon by the CC based on a number of factors, including further regulatory requirements.

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

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

4.3. Identified Employees

The 2021 Identified Employees of the CSEB consist of senior individuals identified in accordance with the Capital Requirements Directive (CRD) V. The population includes individuals holding Senior Management Function, the non-executive and executive members of the Board, heads of material business units within CSEB, control and corporate functions, as well as other individuals who meet the CRD V criteria. The population may also include other categories of staff identified based on regulatory feedback and/or internal assessments of those taking material risk. Finally, Identified Employees are identified under the quantitative criteria on the basis of their total compensation awarded for the prior year and where the firm has determined that individual's professional activities are considered to have a material impact on the firm's risk profile. Certain exclusions may apply, and are subject to final ratification by the RemCo.

The Identified Employee population is subject to scrutinised compensation structuring rules. Generally, for Identified Employees at least 40 % of variable compensation is subject to a deferral period of four years, which can be increased typically to five years for senior individuals holding senior positions within our material business units, our corporate or control functions.

Additionally, at least 50% of both, deferred and non-deferred variable compensation awarded to Identified Employees, is awarded in shares or share-linked instruments under the Plan that are subject to a retention period of twelve months following vesting during which they cannot be sold or transferred. Deferred instruments granted to Identified Employees are not entitled to dividend or interest payments.

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

CSEB reviewed and approved the Identified Employees and MRTs within CSEB on January 27th, 2022.

5. Determination of Variable Compensation Pools

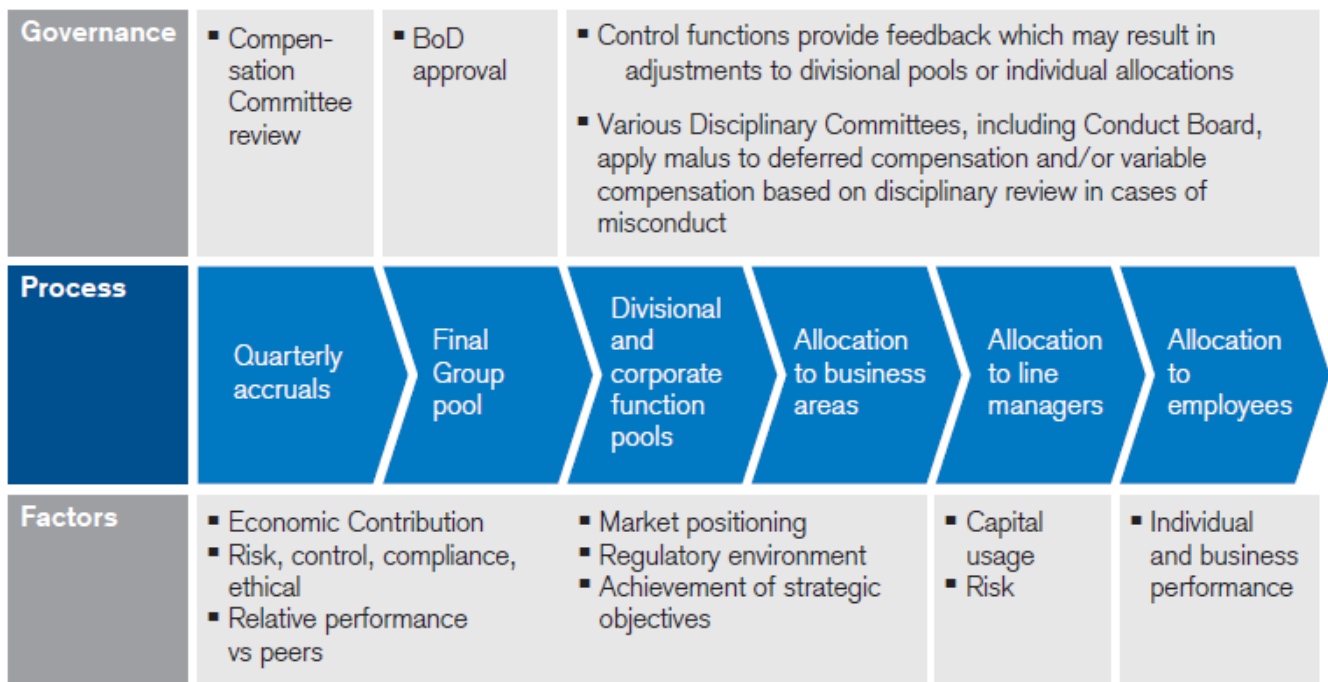
In determining the global variable compensation pools, the Compensation Committee (CC) aims to balance the distribution of the Group's profits between shareholders and employees. The starting point of the bonus pool development is the Group's financial performance in terms of economic contribution, measured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

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

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

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

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



6. Determination of Variable Compensation Awards

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

To support this process, the Group uses a comprehensive performance management system based on two performance ratings: Contribution and Behaviour. Contribution ratings are typically based on objective criteria, such as achieving budget targets, increasing market share or successful completion of a project - though they are not limited to financial criteria. For the 2021 performance year, the behaviour standards covering conduct, ethics, risk and control are embodied by six key cultural values that support the Group’s branding strategy and purpose: Inclusion, Meritocracy, Partnership, Accountability, Client focus and Trust (IMPACT).

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

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

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

CSEB RemCo, reviews, analyses and proposes to Line Managers changes in the bonus proposals based on the information that the Remco has of each CSEB employees, which covers all analysed above.

7. Malus and Clawback Provisions

All deferred compensation awards granted contain reduction (malus) provisions that enable the Group to reduce or cancel the awards prior to settlement if the participant engages in certain detrimental conduct

Additionally, all variable compensation awards granted to Identified Employees are subject to recovery (clawback) Such Malus and clawback clauses ensure that variable compensation is not linked to performance in the current year, but also conditional on sustained future performance.

8. Further Information

Additional information can be found within the [Group Compensation Policy](#) and the [Group Annual Report](#).

CSEB personnel expenses amount to EUR 106.5 million, of which EUR 32.2 million is for variable compensation. This total excludes both social security contributions and training expenses. In 2021, the average number of CSEB employees was 292.

9. Compensation for Identified Employees

The following table relate to Identified Employees compensation.

2021 Remuneration awarded for the financial year (EUR)

| | MB Supervisory function ¹ | Management function | Other identified staff | Total |
|---|--|------------------------|------------------------------|-------------------|
| Number of MRTs | 7 | 7 | 37 | 51 |
| Fixed Compensation ² | 386'760 | 5'524'817 | 24'559'576 | 30'510'589 |
| Cash | 386'760 | 5'524'817 | 24'599'012 | 30'510'589 |
| Shares | - | - | - | - |
| Other instruments/Other forms | - | - | - | - |
| Variable Compensation ³ | - | 3'853'640 | 22'981'174 | 26'834'814 |
| Cash awards | - | 1'028'558 | 6'401'154 | 7'429'712 |
| <i>Deferred cash-based awards</i> | - | 216'538 | 1'686'201 | 1'902'739 |
| Share awards ⁴ | - | 2'825'083 | 16'580'019 | 19'405'102 |
| <i>Deferred share-based awards</i> | - | 2'013'064 | 12'085'006 | 14'098'070 |
| Total Compensation | 386'760 | 9'378'457 | 47'580'186 | 57'345'403 |

1. MB Supervisory function comprises of our Non-Executive Directors who sit on the Credit Suisse Europe (Bank) S.A Board and oversee the management decision-making. These individuals are awarded fixed fees only and are not eligible to receive any variable compensation for their supervisory roles.
2. Fixed Compensation, that is typically awarded in cash, includes base salaries, total compensation relevant allowances as well as pension and benefits paid in 2021. Fixed compensation does not include contractual severance payments of EUR 3'690'438. These amounts are disclosed under the separate severance table.
3. Discretionary variable incentive awards granted to Identified Employees relating to the 2021 performance year as communicated via 2021 compensation statements. Values include the discretionary part of severance awarded to Identified employees who left the firm in 2021 performance year and that is part to the 2021 bonus cap and structuring. Values also include Strategic Delivery Plan (SDP). The SDP has been awarded as a further motivation for senior management to remain in employment with the firm to deliver the planned new strategy and to generate share value i.e. to act as a catalyst in further developing "ownership" mindset among this group.
4. Variable Compensation share awards include the restricted stock awards that form part of the non-deferred element of the variable compensation and are subject to a 12-month retention period.

2021 Remuneration – Split into Business Areas (EUR)

| | Management | Investment banking | Independent internal control functions | Total |
|---|------------|--------------------|--|-------------------|
| Total number of identified staff | | | | 51.0 |
| Of which: members of the MB | 9 | | | |
| Of which: other senior management | 5 | - | - | |
| Of which: other identified staff | | 35.0 | 2.0 | |
| Total remuneration of identified staff | 9'765'217 | 47'189'143 | 391'043 | 57'345'403 |
| Of which: variable remuneration | 3'853'640 | 22'932'174 | 49'000 | 26'834'814 |
| Of which: fixed remuneration | 5'911'577 | 24'256'969 | 342'043 | 30'510'589 |

2021 Total Compensation: Identified staff that are high earners as set out in Article 450(i) CRR

| | Total |
|------------------------------|-----------|
| 1 000 000 to below 1 500 000 | 10 |
| 1 500 000 to below 2 000 000 | 4 |
| 2 000 000 to below 2 500 000 | 7 |
| 2 500 000 to below 3 000 000 | 3 |
| 3'500'000 EUR and more | 0 |

1. Values calculated using the December EUR FX rates of the used by the Commission for financial programming and the budget

Deferred Variable Compensation Awards as at 31 December 2021 (EUR)

| Deferred and retained remuneration | Total amount of deferred remuneration awarded for previous performance periods (1) | Of which due to vest in the financial year | Of which vesting in subsequent financial years | Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year (2) | Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods |
|--|--|--|--|---|--|
| MB Supervisory function | - | - | - | - | - |
| Management function | 4'317'308 | 284'718 | 4'032'590 | 742'523 | 284'718 |
| Cash-based | 1'569'289 | - | 1'569'289 | 3'476 | - |
| Shares or equivalent ownership interests | 2'748'018 | 284'718 | 2'463'300 | 739'047 | 284'718 |
| Other identified staff | 33'407'361 | 5'337'346 | 28'070'015 | 10'455'882 | 4'597'905 |
| Cash-based | 10'931'573 | 502'446 | 10'429'128 | 786'338 | - |
| Shares or equivalent ownership interests | 22'475'788 | 4'834'901 | 17'640'887 | 9'669'545 | 4'597'905 |
| Total amount | 37'724'669 | 5'622'065 | 32'102'604 | 11'198'405 | 4'882'623 |

1. Value of deferred variable compensation awarded to Identified Employee prior to or in 2021 in relation to the previous performance periods; based on the share price as at 31 December 2021. Includes outstanding vested and unvested awards not yet delivered to MRTs in 2021 based on same share price calculation. Excludes any awards that were forfeited

during the performance year i.e. due to resignation. Also does not include potential Dividend Equivalents or Interests attached to the awards on the basis that these forms of compensation are not attached to the respective performance year and/or the value is only known at the time of payment.

2. Actual value delivered to Identified Employees during 2021 from the vesting of prior years deferred variable compensation awards. Based on share price as at the time of vest. Values include Dividend Equivalents and Interest payments attached to the original awards.

| Deferred and retained remuneration | Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year | Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years | Total amount of adjustment during the financial year due to ex post implicit adjustments |
|--|---|---|--|
| MB Supervisory function | - | - | - |
| MB Management function | - | - | (1'694'943) |
| Cash-based | - | - | (89'488) |
| Shares or equivalent ownership interests | - | - | (1'605'455) |
| Other identified staff | - | 573'775 | (6'393'442) |
| Cash-based | - | 162'224 | (162'378) |
| Shares or equivalent ownership interests | - | 411'551 | (6'231'064) |
| Total amount | - | 573'775 | (8'088'385) |

Adjustments consist of cancelled or forfeited awards due to resignation or explicit performance adjustments. No such adjustments have been made to the remuneration that was due to vest in the financial year. Outstanding deferred variable compensation has not been factored into these adjustments however all outstanding deferred compensation is exposed to potential risk adjustment.

Implicit value changes reflect adjustment primarily due to market driven effects. Includes changes in share price valuation based on shares undelivered as at 31 Dec 2021. Can be positive or negative. Cash value based on change in the fair market value of cash-linked instruments during the performance year.

2021 Special payments to staff whose professional activities have a material impact on institutions' risk profile (EUR)

Guaranteed variable remuneration

Guaranteed variable remuneration can be awarded in the context of a contractual obligation, for the first year of employment, to attract new employees into the firm where they have no established performance or reputation. All guaranteed variable remuneration is taken into account when calculating the bonus cap.

| Guaranteed variable remuneration awards | Other identified staff |
|---|------------------------|
| Number of MRTs | 2 |
| Total Amount | 3,125,552 |

Severance payments

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

| Severance Payments | Other identified staff |
|--|---------------------------------------|
| Severance payments awarded in previous periods, that have been paid out during the financial year ¹ | |
| Number of MRTs | - |
| Total Amount | - |
| Severance payments awarded during the financial year ² | |
| Number of MRTs | 2 |
| Total Amount | 3'715'438 |
| Of which: | |
| Paid during 2021 | 3'715'438 |
| Deferred | - |
| Not subject to the bonus cap ³ | 3'690'438 |
| Highest severance award | 2'615'438 |

1. Typically includes Severances paid to Identified Employees who left prior to 2021, where the severance has been paid out in 2021 performance year, either as deferred compensation or due to late termination date. No such payments were made in 2021 performance year.
2. Severances awarded to 2021 Identified Employee leavers.
3. Includes standard statutory and other contractual severance payments that are deemed fixed and are not subject to the bonus cap.

All values have been converted to EUR using the relevant exchange rate as at 31 December 2021.

Appendix 1: Directorships

CSEB's Board Members as at March 24, 2022

| Name | Gender | Position | Appointment Date | Number of Directorships |
|---------------------------------|--------|--|------------------|-------------------------|
| Emilio Ramón Gallego Neira | Male | COO (Executive Director) | 07/03/2008 | 1 |
| Elodie Angelique Helene Blanc | Female | Member of the Nominations Committee (Proprietary Director) | 07/06/2019 | 1 |
| Francisco Rodríguez-Rey Alegría | Male | Chair of the Risk Committee Member of the Audit Committee Member of the Nominations Committee Member of the Remunerations Committee (Independent Director) | 18/06/2021 | 4 |
| Gabriel Alonso Savarino | Male | Chair of the Nominations Committee Chair of the Remunerations Committee Member of the Risk Committee (Independent Director) | 18/06/2021 | 4 |
| Nicholas James Alexander Lovett | Male | Member of the Risk Committee (Proprietary Director) | 07/06/2019 | 1 |
| Paula Hadjisotiriou | Female | Chair of the Audit Committee Member of the Risk Committee (Independent Director) | 18/06/2021 | 2 |
| Simon Harry Tasker | Male | Member of the Audit Committee Member of the Remunerations Committee (Proprietary Director) | 07/06/2019 | 1 |
| Wenceslao Bunge Saravia | Male | Managing Director (Executive Director) | 09/10/2015 | 1 |

Appendix 2: 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 'CRDIV'). Basel III requirements will be fully implemented by 1 January 2019. |
| C | |
| CCB | <i>Countercyclical capital buffer</i> : prescribed under Basel III and CRDIV and aims to ensure that capital requirements mitigate potential future losses arising from excess credit growth and hence increased system-wide risk. |
| CCRTM | Counterparty credit risk exposure calculation using mark to market method |
| CET1 | <i>Common Equity Tier 1</i> : the highest quality level of regulatory capital prescribed under Basel III (and by CRD IV in the EU). |
| CET 1 ratio | CET1 expressed as a percentage of RWA. |
| CNMV | Comisión Nacional del Mercado de Valores |
| CRD | <i>Capital Requirements Directive</i> : EU legislation implementing Basel III (and previously Basel II) in the EU. |
| CRR | <i>Capital Requirements Regulation</i> : EU legislation implementing Basel III in the EU. |
| CVA | <i>Credit valuation adjustment</i> : a capital charge under Basel III (CRD IV) covering the risk of mark-to-market losses on expected counterparty risk on derivative exposure arising from deterioration in a counterparty's credit worthiness. |
| 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 | |
| Exposure value | The maximum loss that a financial institution might suffer if a borrower, counterparty or group fails to meet their obligations or if assets and off-balance sheet positions have to be realised. |
| EBITDA | <i>Earnings before interest, taxation, depreciation and amortisation</i> . |
| F | |
| FCA | <i>Financial Conduct Authority</i> - 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. |
| I | |
| ICAAP | <i>Internal capital adequacy assessment process</i> : a risk-based assessment of the level of regulatory capital to be held by a bank or firm. This may exceed the Pillar 1 capital requirements. |
| IFRS | <i>International Financial Reporting Standards</i> . |
| ISDA | <i>International Swaps and Derivatives Association</i> . |
| ISDA master agreement | Standardised contract developed by ISDA to facilitate bilateral derivatives trading. |
| L | |
| Leverage ratio | A calculation prescribed under Basel III (and CRDIV) to measure the ratio of total exposures to available Tier 1 capital. |
| K | |

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

Cautionary Statement Regarding Forward-looking Information

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

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

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

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

These factors include:

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

The foregoing list of important factors is not exclusive.



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