Capital disclosure requirements

Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 31.12.2019

Table of contents

1 Overview of risk management, key prudential indicators and risk-weighted assets (RWA)

1.1 Risk management objective and governance

In its annual report, the bank outlines its risk management governance. The objective of this risk management is to protect the bank's assets and ensure its long-term sustainability. Risk management is therefore an integral part of all levels of the organisation.

Governance regarding risk management is described in detail in the risk policy and in all specific risk policies (credit risk policy, financial policy, etc.). These policies define the objectives, missions, roles and responsibilities of each department involved in risk management. They are based in particular on all FINMA circulars and SBA directives. They are also supplemented by supranational texts such as the Basel Committee for Bank Supervision (BCBS).

The bank has three lines of defence: (1) first level control is carried out by the front office; (2) the specialised risk control and compliance departments analyse and control risks at level two; and (3) internal audit. The committees of the Board of Directors specifically monitor certain activities of the bank. In addition, the external auditor independently prepares their annual report for the Board of Directors and FINMA.

Every year, the Board of Directors reviews the institution's risk appetite by setting limits (framework concept, banks, countries, risk envelopes by type of activity). These limits are defined according to a risk profile that is consistent and proportionate to the bank's financial and operational capacities. Any violation or exceeding of these limits must be reported to the Board of Directors.

General management implements risk management validated by the Board of Directors. It issues administrative instructions, which are guidelines for the organisation and management of the bank's various activities. These administrative instructions are supplemented by processes that explain in more detail the procedure to be followed.

To this end, the bank has several risk management committees that meet monthly. The ALM Committee oversees the bank's financial management, including balance sheet management and interest rate and liquidity risks. The Risk Committee analyses the status of all risks and incorporates information from the other committees. Other committees specifically analyse certain activities (GCF Risk Subcommittee, BCGEF Risk Subcommittee, etc.).

The control departments are responsible for identifying, assessing, controlling and reporting the bank's risks, verifying that the limits defined by the Board of Directors are respected and ensuring risk reporting to the committees. In addition, the Risk Control department is in charge of producing the Basel III regulatory statements for senior management, external auditors and FINMA.

Compliance defines the internal regulatory framework and ensures compliance with regulations concerning client relations, the fight against money laundering and terrorist financing, cross-border activities and the internal regulatory framework.

Several times a year, the Control Committee of the Board of Directors meets, in particular with the Internal Audit Department, to assess the functioning of the control system set up by general management.

1.2 Risk reporting

Risk policies define risk reports, their production frequencies, recipients and content.

Risk reporting is based on an IT architecture tailored to each type of risk (credit, market, operational). The data can be used to produce analyses on the parent company or the consolidated group. The aggregated indicators can be audited and it is possible to return to the most granular level (counterparty, transaction, ...).

Risk reports periodically disclose the bank's risk position for the various types of risks (credit, market, operational, compliance and legal). These reports verify the adequacy of the business model within the limits set by the Board of Directors or the regulator.

Specific reports present a projection of the bank's risk position over a three-year time horizon. These reports are based on the probable "optimal path" scenario used to build the business plan. In addition to this scenario, the bank assesses adverse scenarios (including a recession scenario and an extreme shock scenario). General management assesses the bank's risk position according to these scenarios, determines the impact on the income statement, on regulatory or internal ratios, on the bank's rating and on its refinancing capacity. Lastly, it proposes a list of countermeasures, assesses their protective effects and their speed of implementation.

The bank applies this stress test approach to its entire balance sheet at parent company and consolidated level. Impacts are measured through the different types of risks and ratios of equity capital, sensitivity of equity capital, or liquidity.

The processes for entering and controlling information in the Core Banking System are outlined in the bank's administrative instructions. Internal control, internal audit and external audit verify the adequacy of this control system.

1.3 Essential key figures

Banque Cantonale de Genève applies the International Standard Approach (AS-BRI) for regulatory credit risk disclosures and the Standard Approach for market risk and operational risk. For credit risk, the Bank applied the Swiss Standardised Approach (AS-CH) prior to 31.12.2018.

The regulatory consolidation scope is identical to the accounting consolidation scope.

The national countercyclical buffer (CAO='Capital Adequacy Ordinance' Art. 44) corresponds to the ratio of two percent of positions directly or indirectly secured by real estate pledges to all risk-weighted positions. Its impact is 0.6% on the overall regulatory capital requirement.

The group's equity ratio is 16.1%, above the regulatory minimum of 12.6% (category 3 bank). The leverage ratio is 7.2%, above the regulatory requirement of 3%.
The +0.5 percentage point increase in the total capital ratio between 31.12.2018 and 31.12.2019 is explained by the CHF +128 million increase in equity capital taken into account. The increase in equity capital taken into account is due to the inclusion of the Bank's results for the year 2019 and the issue of a new subordinated loan AT1 of CHF 135 million to replace a subordinated loan of CHF 110 million.

Table 1 - KM1 - Essential regulatory key figures (in 1'000 CHF)

KM1 : Essential regulatory key figures (in 1'000 CHF)		a 31.12.2019	c 30.06.2019	e 31.12.2018
Equity taken into consideration				
1	Common Equity Tier 1 (CET1)	1'633'130	1'602'128	1'540'546
2	Tier 1 (T1)	1'857'920	1'800'088	1'738'936
3	Total capital	1'981'870	1'917'182	1'853'710
Risk-weighted assets				
4	RWA	12'282'103	12'079'612	11'857'663
4a	Minimum capital requirement	982'568	966'369	948'613
Risk-based capital ratios (as % of RWA)				
5	CET1 ratio (%)	13.3%	13.3%	13.0%
6	Tier 1 ratio (%)	15.1%	14.9%	14.7%
7	Total capital ratio (%)	16.1%	15.9%	15.6%
Additional CET1 buffer requirements (as percentage of RWA)				
8	Capital buffer according to Basel minimum standard (2.5% from 2019)(%)	2.5%	2.5%	1.9%
9	Countercyclical buffer (art. 44a OFR4) according to Basel minimum standard (%)			
11	Total of bank CET1-specific requirements according to Basel minimum standard (%)	2.5%	2.5%	1.9%
12	CET11 available to cover buffer requirements according to Basel minimum standard (after deduction of CET1 allocated to cover minimum requirements and if applicable to cover TLAC requirements)(%)	8.1%	7.9%	7.6%
Target capital ratios according to Annex 8 CAO (as percentage of RWA)				
12a	Capital buffer according to Annex 8 CAO (%)	4.0%	4.0%	4.0%
12b	Countercyclical buffer (art. 44 and 44a CAO)(%)	0.6%	0.6%	0.6%
12c	Target CET1 ratio (%) according to Annex 8 CAO with addition of countercyclical buffer according to art. 44 and 44a CAO	8.4%	8.4%	8.4%
12d	Target T1 ratio (%) according to Annex 8 CAO with addition of countercyclical buffer according to art. 44 and 44a CAO	10.2%	10.2%	10.2%
12e	Total target capital ratio according to Annex 8 CAO with addition of countercyclical buffer according to art. 44 and 44a CAO	12.6%	12.6%	12.6%
Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	25'815'100	24'391'929	23'760'340
14	Basel III leverage ratio	7.2%	7.4%	7.3%
Liquidity coverage ratio (LCR)				
15	LCR numerator: total high-quality liquid assets	5'461'317	4'772'321	4'311'477
16	LCR denominator: total net cash outflow	3'656'844	3'328'809	3'559'103
17	Liquidity coverage ratio LCR (%)	149%	143%	121%

Table OV1, "Overview of risk weighted assets" highlights the bank's risk profile according to risk type. Capital requirements are calculated to cover:

- Credit risk
- Counterparty credit risk for derivatives and REPOs / Reverse REPOs
- Credit valuation adjustment (CVA)
- Risks related to collective investments managed and held by the bank
- Settlement risk
- Risk related to securitisation positions
- Market risk
- Operational risk

The capital requirements for non-counterparty assets are included in lines 1 and 2 (see footnote 4 of FINMA Circular 16/01).

The increase in risk-weighted assets of CHF +202 million between 30.06.2019 and 31.12.2019 is explained by the increase in mortgage loans and amounts due from customers and off-balance sheet commitments.

The increase in the RWA is mainly explained by the increase in foreign currency positions in EUR and USD (RWA CHF +4.5 million) and by the increase in the precious metals position in silver (RWA CHF +3.6 million).

The increase in RWA in line 25 is due to the fact that as at 30.06.2019, the participations processed in accordance with points 1.6 and 1.7 of Appendix 4 of the CAO were recorded in line 2. They are now entered on line 25 of Table OV1.

Table2 - OV1 - Overview of risk-weighted assets (in CHF 1'000)

OV1 : Overview of risk weighted assets (in 1'000 CHF)		a	b	c
		RWA 31.12.2019	RWA 30.06.2019	Minimum capital requirement 31.12.2019
1	**Credit risk (excluding counterparty credit risk-CCR)**	11'207'898	11'072'289	896'632
2	Of which standardised approach (SA)	11'207'898	11'072'289	896'632
3	Of which internal rating-based (F-IRB) approach			
4	Of which supervisory slotting approach			
5	Of which advanced internal ratings-based (A-IRB) approach			
6	**Counterparty credit risk (CCR)**	59'626	63'063	4'770
7	Of which standardised approach for counterparty credit risk (SA-CCR)	49'112	45'435	3'929
7a	Of which simplified standardised approach (SSA-CCR)			
7b	Of which current exposure method (CEM)			
8	Of which internal model method (IMM)			
9	Of which other approach (CCR)	10'514	17'627	841
10	**Credit valuation adjustment (CVA)**	108'165	100'151	8'653
11	**Equity positions in bank portfolio under market-based approach**			
12	**Equity investments in funds – look-through approach**	40'065	38'770	3'205
13	**Equity investments in funds – mandate-based approach**	111'714	101'798	8'937
14	**Equity investments in funds – fall-back approach**	22	1	2
14a	**Equity investments in funds – simplified approach**			
15	**Settlement risk**	247		20
16	**Securitisation exposures in bank portfolio**			
17	Of which IRB ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external rating-based approach(SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	**Market risk**	17'432	10'021	1'395
21	Of which standardised approach (SA)	17'432	10'021	1'395
22	Of which: internal model approaches (IMA)			
23	**Capital charge for switch between trading portfolio and bank portfolio**			
24	**Operational risk**	681'702	673'492	54'536
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	55'231	20'027	4'418
26	**Floor adjustment**			
27	**Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)**	**12'282'103**	**12'079'612**	**982'568**

2 Differences between accounting and regulatory scopes of consolidation

Table 3 - LI1 - Differences between accounting and regulatory scopes of consolidation (in CHF 1,000)

LI1 : Differences between accounting and regulatory scopes of consolidation (in 1'000 CHF)	a	c	d	e	f	g
	Carrying values					
	As reported in published financial statements	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
ASSETS						
Liquid assets	4'746'110	4'746'110				
Amounts due from banks	475'895	468'351	7'544			
Amounts due from securities financing transactions						
Amounts due from customers	5'346'513	5'346'513				
Mortgage loans	11'678'303	11'678'303				
Trading portfolio assets	50'717	727			49'990	
Positive replacement values of derivative financial instruments	16'757		16'757		16'757	
Financial investments	1'956'852	1'956'852	532'928			
Accrued income and prepaid expenses	28'236	28'236				
Participations	60'702	60'702				
Tangible fixed assets	121'584	121'584				
Intangible assets	795					795
Other assets	436'777	436'777				
Bank's capital not paid in						
TOTAL ASSETS	**24'919'240**	**24'844'154**	**557'229**		**66'747**	**795**
LIABILITIES		0	0	0	0	0
Amounts due to banks	3'275'195		15'665			3'259'530
Liabilities from securities financing transactions	544'762		544'762			
Amounts due in respect of customer deposits	14'948'006	95'290				14'852'716
Trading portfolio liabilities	1'159				1'159	
Negative replacement values of derivative financial instruments	8'010		8'010		8'010	
Cash bonds	2'180					2'180
Bond issues and central mortgage institution loans	4'016'855					4'016'855
Accrued expenses and deferred income	115'889					115'889
Other liabilities	328'257					328'257
Provisions	12'190					12'190
TOTAL LIABILITIES	**23'252'504**	**95'290**	**568'436**		**9'169**	**22'579'609**

Column b has not been indicated because the accounting scope of consolidation and the regulatory scope of consolidation are identical.

The following exposures are subject to simultaneous capital requirements in two risk categories:

- capital requirements for credit risk are calculated for financial assets repurchased in the context of repos,
- capital requirements for counterparty credit risk (margin calls taken into account in SA-CCR) and for credit risk are calculated for amounts due from banks,
- capital requirements for counterparty credit risk and credit risk are calculated for derivatives.

Table 4 - LI2 - Differences between regulatory exposure amounts and carrying values in financial statements (in CHF 1,000)

LI2 : Differences between regulatory exposure amounts and carrying values in financial statements (annual accounts / consolidated accounts) (in CHF 1'000)						
		a	b	c	d	e
			Positions subject to :			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per table LI1)	25'468'129	24'844'154		557'229	66'747
2	Liabilities carrying value amount under regulatory scope of consolidation (as per table LI1)	672'895	95'290		568'436	9'169
3	Total net amount under regulatory scope of consolidation	24'795'234	24'748'864		-11'207	57'578
4	Off-balance sheet amounts	785'104	785'104			
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2	754'914	92'370		662'544	
7	Differences due to value adjustments and provisions					
8	Differences due to prudential filters					
9	Other					
10	Positions pertinent to regulatory calculations	26'335'252	25'626'338		651'336	57'578

The differences between the net book values (line 3) and the positions for regulatory calculations (line 10) are explained as follows:
For regulatory calculations,

- off-balance sheet exposures are taken into account and presented after multiplication by the credit conversion factor (CCF) (line 4),
- repo and reverse repo exposures are presented before taking into account financial securities (line 6),
- derivative exposures are the result of the calculation of the SA-CCR approach (line 6),

3 Regulatory eligible capital

Table 5 - CC1 - Presentation of the regulatory eligible capital (1'000 CHF)

CC1 : Presentation of the regulatory eligible capital (in 1'000 CHF)		
		a
		31.12.2019
Common Equity Tier 1 (CET1)		
1	Issued fully paid-up capital, fully eligible	360'000
2	Retained earnings reserve, including reserves for general banking risks / retained earning - loss / accumulated profit - loss	986'712
3	Capital reserves / foreign currency translation reserves (+/-)	300'217
5	Intérêts minoritaires éligibles en tant que CET1	-411
6	Common Equity Tier 1 before adjustments	1'646'517
Adjustments referring to Common Equity Tier 1		
8	Goodwill (net des impôts latents comptabilisés)	-795
16	Net long positions in own CET1 instruments	-12'593
28	Sum of CET1 adjustments	-13'388
29	Net CET1	1'633'130
Additional Tier 1 Capital (AT1)		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	224'790
36	Sum of additional Tier 1 capital (AT1), before adjustments	224'790
Adjustments of additional Tier 1 capital		
44	Additional Tier 1 capital (AT1)	224'790
45	Tier 1 capital (T1 = CET1 + AT1)	1'857'920
Eligible Tier 2 capital (T2)		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	110'000
50	Value adjustments; provisions and losses due to reasons of prudence; forced reserves on financial investments	13'950
51	Eligible Tier 2 capital (T2) before adjustments	123'950
58	Directly issued qualifying Tier 2 instruments plus related stock surplus	123'950
59	**Total regulatory capital (TC = T1 + T2)**	**1'981'870**
60	**Total risk weighted assets**	**12'282'103**
Capital ratio		
61	Common Equity Tier 1 (as a percentage of risk weighted assets) para 29	13.3%
62	Tier 1 (as a percentage of risk weighted assets) para 45	15.1%
63	Total capital (as a percentage of risk weighted assets) para 59	16.1%
65	Of which : capital conservation buffer according to Basel minimum standard (in % of risk weighted position)	2.5%
68	Common Equity Tier 1 available to meet buffers according to Basel minimum standards (after deduction of minimum requirements and, where applicable, TLAC requirements covered by CET1) (as a percentage of risk weighted assets)	8.1%
68a	Exigences globales en CET 1 selon l'annexe 8 de l'OFR, majorées des volants anticycliques selon les art. 44 et 44a OFR (en % des positions pondérées par le risque)	0.0%
68b	Of which countercyclical buffer according to Art. 44 and 44a CAO (in % of risk weighted positions)	0.6%
68c	Available Common Equity Tier 1 (in % of risk weighted positions)	11.9%
68d	Total T1 requirements according to annex 8 of CAO plus countercyclical buffer according to Art. 44 and 44a CAO (in % of risk weighted positions)	10.2%
68e	Available Tier 1 (in % of risk weighted positions)	13.7%
68f	Total regulatory capital requirements according to annex 8 of CAO plus countercyclical buffer according to Art. 44 and 44a CAO (in % of risk weighted positions)	12.6%
68g	Available regulatory capital (as a % of risk-weighted positions)	16.1%
Amounts below treshold for deductions (before risk weighting)		
72	Non-qualifying holdings in financial sector and other TLAC investment types	28'536
73	Other qualifying holdings in financial sector (CET1)	22'092
Applicable caps on the inclusion of provisions in Tier 2		
77	Cap on inclusion of provisions in Tier 2 under standardised approach BIS	141'180

Table 6 - CC2 - Reconciliation of the regulatory eligible capital with the balance sheet (in 1'000 CHF)

CC2 : Reconciliation of the regulatory eligible capital with the balance sheet (in 1'000 CHF)	a	b
	According to accounting rules	According to the regulatory scope of consolidation
Assets		
Liquid assets	4'746'110	4'746'110
Amounts due from banks	475'895	475'895
Amounts due from securities financing transactions		
Amounts due from customers	5'346'513	5'346'513
Mortgage loans	11'678'303	11'678'303
Trading portfolio assets	50'717	50'717
Positive replacement values of derivative financial instruments	16'757	16'757
Other financial instruments at fair value		
Financial investments	1'956'852	1'956'852
Accrued income and prepaid expenses	28'236	28'236
Participations	60'702	60'702
Tangible fixed assets	121'584	121'584
Intangible assets	795	795
Other assets	436'777	436'777
Capital not paid in		
Total assets	**24'919'240**	**24'919'240**
Liabilities		
Amounts due to banks	3'275'195	3'275'195
Liabilities from securities financing transactions	544'762	544'762
Amounts due in respect of customer deposits	14'948'006	14'948'006
Trading portfolio liabilities	1'159	1'159
Negative replacement values of derivative financial instruments	8'010	8'010
Liabilities from other financial instruments at fair value		
Medium-term notes	2'180	2'180
Bond issues and central mortgage institution loans	4'016'855	4'016'855
Accrued expenses and deferred income	115'889	115'889
Other liabilities	328'257	328'257
Provisions	12'190	12'190
Total liabilities	23'252'504	23'252'504
Of which subordinated loans, eligible for Tier 2 capital (T2)	110'000	110'000
Of which subordinated loans, eligible for additional Tier 1 capital (AT1)	332'355	332'355
Equity capital		
Reserves for general banking risks	245'000	245'000
Capital	360'000	360'000
Of which eligible for CET1	360'000	360'000
Of which eligible for AT1		
Legal reserves/Voluntary retained earnings reserve/Profit- Loss carried forward/ Profit-Loss of period	1'073'917	1'073'917
(Own shares)	-12'593	-12'593
Minority interests	411	411
Total equity capital	**1'666'736**	**1'666'736**

Table 7 - CCA - Main characteristics of regulatory capital instruments

		Instrument 1	Instrument 2
1	Issuer 1	BCGE	BCGE
2	Identification (e.g. ISIN)	50392437 / CH0503924372	36869771 / CH0368697717
3	Law applicable to instrument	Switzerland / Geneva	Switzerland / Geneva
	Regulatory treatment		
4	Consideration in the Basel III transitional period (CET1/AT1/T2)	AT1	T2
5	Consideration after the expiry of the Basel III transitional period (CET1 / AT1 / T2)	AT1	T2
6	Eligibility at stand-alone / group stand-alone and group levels	Stand-alone and group	Stand-alone and group
7	Equity shares / debt securities / hybrid instruments / other instruments	Hybrid instrument (subordinated loan, with conditional write-off)	Hybrid instrument (subordinated loan, with conditional write-off)
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	134.8 million	109.8 million
9	Instrument's nominal value	CHF 135 million	CHF 110 million
10	Accounting items	Loans	Loans
11	Original date of issue	12.11.2019	28/06/2017
12	Unlimited or with expiry date	Unlimited	With an expiry date
13	Original date of maturity	None	28.06.2017
14	May be cancelled by issuer (with prior approval of regulatory authorities)	Yes	Yes
15	May be terminated any time / under certain circumstances / repayment amount	Optional early redemptiom as from First Call Date (12/05/2025). Conditional early redemption possible. Redemption amount: full outstanding amount of the issue, no partial redemption	Conditional redemption possible before expiry with 30 days notice. Redemption amount: full outstanding amount of the issue, no partial redemption
16	Early redemption dates, if applicable	Annually at each interest maturity date on 12.05	None
	Coupons/dividends		
17	Fixed / variable / initially fixed then converted to variable / initially variable then converted tofixed	Fixed	Fixed
18	Nominal coupon and reference indices, if any	1.875 % until 12.05.2025, then re-fixed every 5 years on the basis of the 5-year CHF mid swap rate plus 243.7 basis points for the risk premium	1.125%
19	Existence of a payment stop for dividends (if dividends on the instrument are waived, dividends on the normal share will be omitted as well)	Yes	Yes
20	Payment of interest/dividends: entirely/partially discretionary/mandatory	Payment of interest entirely discretionary	Payment of interest mandatory
21	Existence of a clause for increasing the interest rate (step up) or another redemption incentive	None	None
22	Non-cumulative or cumulative	None	None
23	Convertible or non-convertible	None	None
24	If convertible, trigger for conversion (including PONV)	None	None
25	If convertible: in full in all cases / in full or partially / partially in all cases	None	None
26	If convertible, conversion rate	None	None
27	If convertible, conversion mandatory/optional	None	None
28	If convertible, type of instrument to be converted into	None	None
29	If convertible, issuer of instrument to be converted into	None	None
30	Depreciation characteristics	Yes	Yes
31	Trigger for depreciation	Exceeding the 5.125% threshold for CET1	Viability event
32	In full/partially	In full or partially. To get back to the trigger threshold (5.125%)	None
33	Permanent/temporary	Permanent	None
34	In case of temporary depreciation, allocation mechanism	None	None
35	Hierarchy of debt in case of liquidation (always name the instrument with the ranking immediately above)	Subordination ranking below Tier 2 instruments, pari passu with other Tier 1 instruments and above CET1	Non-subordinated, pari passu with other Tier 2 instruments and above Tier 1
36	Existence of characteristics which could jeopardise full recognition under the Basel III regime	None	None
37	If yes, which ones?	None	None

		Instrument 3	Instrument 4
1	Issuer 1	BCGE	BCGE
2	Identification (e.g. ISIN)	36701398/ ISIN CH0367013981	24569155 / ISIN CH0245691552
3	Law applicable to instrument	Switzerland / Geneva	Switzerland / Geneva
	Regulatory treatment		
4	Consideration in the Basel III transitional period (CET1/AT1/T2)	AT1	AT1
5	Consideration after the expiry of the Basel III transitional period (CET1 / AT1 / T2)	AT1	AT1
6	Eligibility at stand-alone / group stand-alone and group levels	Stand-alone and group	Stand-alone and group
7	Equity shares / debt securities / hybrid instruments / other instruments	Hybrid instrument (subordinated loan, with conditional write-off)	Hybrid instrument (subordinated loan, with conditional write-off)
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	90 million	108.4 million
9	Instrument's nominal value	CHF 90 million	CHF 110 million
10	Accounting items	Loans	Loans
11	Original date of issue	28.06.2017	04.07.2014
12	Unlimited or with expiry date	Unlimited	Unlimited
13	Original date of maturity	None	None
14	May be cancelled by issuer (with prior approval of regulatory authorities)	Yes	Yes
15	May be terminated any time / under certain circumstances / repayment amount	Optional early redemptiom as from First Call Date (08/02/2023). Conditional early redemption possible. Redemption amount: full outstanding amount of the issue, no partial redemption	Redemption on 04/02/2020 (1)
16	Early redemption dates, if applicable	All interest maturity dates after the First Call Date (08/02/2023)	Annually at each interest maturity date on 04/02
	Coupons/dividends		
17	Fixed / variable / initially fixed then converted to variable / initially variable then converted tof ixed	2% payable annually on 08/02 of the first year until 08/02/2023, First Call Date, then re-fixed every 5 years on the basis of the 5-year CHF mid-swap rate	Fixed
18	Nominal coupon and reference indices, if any	2.00%	2.875% until 04/02/2020, then re-fixed every 5 years on the basis of the 5-year CHF mid swap rate plus 243.7 basis points for the risk premium
19	Existence of a payment stop for dividends (if dividends on the instrument are waived, dividends on the normal share will be omitted as well)	Yes	Yes
20	Payment of interest/dividends: entirely/partially discretionary/mandatory	Payment of interest entirely discretionary	Payment of interest entirely discretionary
21	Existence of a clause for increasing the interest rate (step up) or another redemption incentive	None	None
22	Non-cumulative or cumulative	None	None
23	Convertible or non-convertible	None	None
24	If convertible, trigger for conversion (including PONV)	None	None
25	If convertible: in full in all cases / in full or partially / partially in all cases	None	None
26	If convertible, conversion rate	None	None
27	If convertible, conversion mandatory/optional	None	None
28	If convertible, type of instrument to be converted into	None	None
29	If convertible, issuer of instrument to be converted into	None	None
30	Depreciation characteristics	Yes	Yes
31	Trigger for depreciation	Exceeding the 5.125% threshold for CET1	Exceeding the 5.125% threshold for CET1
32	In full/partially	In full or partially. To get back to the trigger threshold (5.125%)	In full or partially. To get back to the trigger threshold (5.125%)
33	Permanent/temporary	Permanent	Permanent
34	In case of temporary depreciation, allocation mechanism	None	None
35	Hierarchy of debt in case of liquidation (always name the instrument with the ranking immediately above)	Subordination ranking below Tier 2 instruments, pari passu with other Tier 1 instruments and above CET1	Subordination ranking below Tier 2 instruments, pari passu with other Tier 1 instruments and above CET1
36	Existence of characteristics which could jeopardise full recognition under the Basel III regime	None	None
37	If yes, which ones?	None	None

(1) Not taken into account in regulatory capital calculation

4 Credit risk

4.1 General Information

The bank describes its organisation and management of credit risk in the annual report. The Board of Directors allocates risk envelopes by type of activity in order to limit credit risk. The credit granting process is governed by the Credit Regulations (validated by the Board of Directors). This document refers to the bank's normative scope for granting credit. It includes the criteria used to identify and measure the risks inherent in any credit. The bank's criteria are aligned with market best practices. A report on the granting of ETP (Exception To Policy) credit is produced quarterly and presented to the Risk Committee. In addition, the credit risk report includes, among other things, credit ratings (changes in the quality of the sound credit portfolio), rating migrations from one period to another, the stock of credit in the watch list and in default. This report is also discussed in the Risk Committee.

4.2 Credit quality of assets

Table 8 - CR1 - Credit risk: credit quality of assets (in 1'000 CHF)

CR1 : Credit risk: credit quality of assets (in 1'000 CHF)					
		a	b	c	d
		Gross carrying value of			
		Defaulted exposure	Non-defaulted exposure	Provisions / impairments	Net value (a + b - c)
1	Loans (excluding debt securities)	159'272	17'420'712	79'689	17'500'295
2	Debt securities		1'811'544		1'811'544
3	Off-balance sheet exposure		2'154'137		2'154'137
4	**TOTAL**	**159'272**	**21'386'393**	**79'689**	**21'465'977**

Table 9 - CR2 - Credit risk: changes in stock of defaulted loans and debt securities (in 1'000 CHF)

CR2 : Credit risk : changes in stock of defaulted loans and debt securities (in 1'000 CHF)		
		a
		31.12.2019
1	Defaulted loans and debt securities at end of the previous reporting period	187'608
2	Loans and debt securities that have defaulted since the last reporting period	13'443
3	Amounts returned to non-defaulted status	3'293
4	Amounts written off	33'778
5	Other changes (+/-)	-4'707
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	159'272

The CRB tables show the exposure after deducting specific provisions and before taking into account credit conversion factors (CCF). Unmatched assets are included in these tables.

The bank uses the definitions of "past due" and "defaulted" in accordance with the provisions of the Basel Committee (BCBS 128) and FINMA Circular 2015/1 Accounting - Banks. The methods used to determine impaired loans (also called defaulted loans) are outlined in the bank's administrative instructions. The notion of restructured positions is not used at BCGE.

Table 10 – CRB - Credit risk: additional disclosure related to the credit quality of assets (in 1'000 CHF)

CRB : Credit risk : additional disclosure related to the credit quality of assets (in 1'000 CHF)

	Segmentation of the credit risk - Regions									
	Switzerland	Oceania	North America	Liechten-stein	Latin America	Europe	Caribbean	Asia	Africa	Total
Assets										
Liquid assets	4'661'526	43	3'620		14	80'256		632	19	**4'746'110**
Amounts due from banks	148'731	3'000	2'047		8'636	120'938	47'112	95'964	42'434	**468'861**
Amounts due from customers	3'050'151	159	23'754	20'658	35'484	1'858'554	33'506	262'875	64'935	**5'350'075**
Mortgage loans	11'326'636					354'723				**11'681'359**
Trading portfolio assets	727					0				**727**
Financial investments	1'440'331	14'501	73'812			409'416		18'793		**1'956'852**
Accrued income and prepaid expenses	26'412					1'824				**28'236**
Participations	37'583		167			22'952				**60'702**
Other assets	425'836					893				**426'728**
Total assets	**21'237'995**	**17'702**	**103'400**	**20'658**	**44'133**	**2'851'075**	**80'618**	**378'264**	**107'387**	**24'841'234**
Off Balance sheet										
Contingent liabilities	462'413		25'787	10'613		152'108	34'387	346'267	72'504	**1'104'078**
Irrevocable commitments	563'670		16'053			240'122			15'112	**834'957**
Contingent liability for calls and Margin liabilities	163'858									**163'858**
Commitment credits	14'093				4'824	4'824	6'125	20'861	516	**51'244**
Total Off Balance sheet	**1'204'034**		**41'840**	**10'613**	**4'824**	**397'054**	**40'512**	**367'128**	**88'132**	**2'154'137**
Total	**22'442'030**	**17'702**	**145'240**	**31'270**	**48'957**	**3'248'129**	**121'130**	**745'392**	**195'520**	**26'995'371**
of which Defaulted exposure (net)	30'148		1			45'906		3'986		**80'041**
Defaulted exposure (gross)	81'398	60	2			76'010		11'851		**169'321**
Provisions	51'250	60	1			30'104		7'865		**89'280**

CRB : Credit risk : additional disclosure related to the credit quality of assets (in 1'000 CHF)

Segmentation of the credit risk - Asset classes

	Central governments and Central banks	Institutions	Banks and Securities dealers	Corporates	Retail	Equity	Other exposures	Total
Assets								
Liquid assets	4'717'417		10'684				18'008	**4'746'110**
Amounts due from banks		93'846	328'409	42'287	4'319			**468'861**
Amounts due from customers	161'591	902'933	10'016	3'059'309	1'216'158		69	**5'350'075**
Mortgage loans	15	266'458		3'247'278	8'167'608			**11'681'359**
Trading portfolio assets						727		**727**
Financial investments	415'452	313'880	152'916	943'053		130'600	950	**1'956'852**
Accrued income and prepaid expenses	22			26'393	1'820			**28'236**
Participations				8'334	8'065	44'303		**60'702**
Other assets	12'854		279'297	871	886		132'820	**426'728**
Total assets	**5'307'352**	**1'577'118**	**781'323**	**7'327'526**	**9'398'857**	**175'629**	**273'431**	**24'841'234**
Off Balance sheet								
Contingent liabilities		198	171'850	891'825	40'205			**1'104'078**
Irrevocable commitments			62'842	585'277	186'838			**834'957**
Contingent liability for calls and Margin liabilities			450	988		162'420		**163'858**
Commitment credits			10'801	40'443				**51'244**
Total Off Balance sheet		**198**	**245'944**	**1'518'532**	**227'043**	**162'420**		**2'154'137**
Total	**5'307'352**	**1'577'315**	**1'027'266**	**8'846'058**	**9'625'900**	**338'049**	**273'431**	**26'995'371**
of which Defaulted exposure (net)		3'386		12'630	64'025			**80'041**
Defaulted exposure (gross)		3'449		51'540	114'332			**169'321**
Provisions		63		38'910	50'307			**89'280**

CRB : Credit risk : additional disclosure related to the credit quality of assets (in 1'000 CHF)

	Segmentation of the credit risk - Duration							
	At sight	**Cancellable**	**• 3 months**	**> 3 months**	**> 1 year and**	**> 5 years**	**No maturity**	**Total**
Assets								
Liquid assets	4'746'110							**4'746'110**
Amounts due from banks	132'393	19	243'472	92'485	492			**468'861**
Amounts due from customers	1'323'742	158'547	1'177'245	384'063	1'333'795	972'684		**5'350'075**
Mortgage loans	18'234	2'148'185	639'950	643'639	3'095'013	5'136'338		**11'681'359**
Trading portfolio assets	727							**727**
Financial investments	153'050		39'298	188'430	791'272	784'802		**1'956'852**
Accrued income and prepaid expenses	16'380				11'673	183		**28'236**
Participations	58'927					1'775		**60'702**
Other assets	426'723		4	0	1	0		**426'728**
Total assets	**6'997'868**	**2'306'751**	**2'099'970**	**1'308'618**	**5'232'245**	**6'895'783**		**24'841'234**
Off Balance sheet								
Contingent liabilities	38'835		986'633	56'302	19'605	2'702		**1'104'078**
Irrevocable commitments	139'870		80'153	155'300	342'040	117'594		**834'957**
Contingent liability for calls and Margin liabilities	163'858							**163'858**
Commitment credits	9'648		39'409	1'031	1'157			**51'244**
Total Off Balance sheet	**352'212**		**1'106'195**	**212'633**	**362'801**	**120'297**		**2'154'137**
Total	**7'350'080**	**2'306'751**	**3'206'164**	**1'521'251**	**5'595'046**	**7'016'079**		**26'995'371**
of which Defaulted exposure (net)	58'871		5'162	1'258	11'275	3'476		**80'041**
Defaulted exposure (gross)	145'489		5'879	1'744	12'550	3'658		**169'321**
Provisions	86'618		717	487	1'275	183		**89'280**

CRB : Credit risk : additional disclosure related to the credit quality of assets (in 1'000 CHF)

	Segmentation of the credit risk - Risk Weight							
	0%	20%	35%	50%	75%	100%	150%	Total
Assets								
Liquid assets	4'746'110							**4'746'110**
Amounts due from banks		223'272		101'537		140'575	3'478	**468'861**
Amounts due from customers	271'448	378'882	363'505	783'098	383'119	3'140'399	29'623	**5'350'075**
Mortgage loans	5'761	18'600	9'193'640	7'648	491'494	1'956'040	8'174	**11'681'359**
Trading portfolio assets	727							**727**
Financial investments	410'628	1'127'538		228'698		47'517	80'132	**1'956'852**
Accrued income and prepaid expenses	22				74	28'140		**28'236**
Participations						8'065	44'303	**60'702**
Other assets	422'209	483				4'036		**426'728**
Total assets	**5'856'905**	**1'748'775**	**9'557'146**	**1'120'982**	**874'687**	**5'446'356**	**165'711**	**24'841'234**
Off Balance sheet								
Contingent liabilities	19'255	115'550		82'391	24'109	862'773		**1'104'078**
Irrevocable commitments		69'260			92'630	673'067		**834'957**
Contingent liability for calls and Margin liabilities						163'858		**163'858**
Commitment credits				5'408		45'836		**51'244**
Total Off Balance sheet	**19'255**	**184'810**		**87'798**	**116'739**	**1'745'535**		**2'154'137**
Total	**5'876'160**	**1'933'585**	**9'557'146**	**1'208'780**	**991'426**	**7'191'891**	**165'711**	**26'995'371**
of which Defaulted exposure (net)	422	3'386				38'435	37'798	**80'041**
Defaulted exposure (gross)	10'416	3'386				115'885	39'633	**169'321**
Provisions	9'994					77'451	1'836	**89'280**

CRB : Credit risk : additional disclosure related to the credit quality of assets (in 1'000 CHF)

Segmentation of the credit risk - Credit risk mitigation techniques

	Secured by financial guarantees	Secured by guarantees	Mortgage-backed	Secured by other types of collateral	Unsecured	Total
Assets						
Liquid assets					4'746'110	**4'746'110**
Amounts due from banks		93'846			375'015	**468'861**
Amounts due from customers	107'252	531'698	827'728	2'782	3'880'616	**5'350'075**
Mortgage loans	5'746	1'839	11'508'822		164'951	**11'681'359**
Trading portfolio assets					727	**727**
Financial investments				18'082	1'938'770	**1'956'852**
Accrued income and prepaid expenses					28'236	**28'236**
Participations					60'702	**60'702**
Other assets					426'728	**426'728**
Total assets	**112'997**	**627'383**	**12'336'550**	**20'864**	**11'743'439**	**24'841'234**
Off Balance sheet						
Contingent liabilities	19'255	88'984			995'839	**1'104'078**
Irrevocable commitments		6'418			828'540	**834'957**
Contingent liability for calls and Margin					163'858	**163'858**
Commitment credits		4'824			46'420	**51'244**
Total Off Balance sheet	**19'255**	**100'226**			**2'034'657**	**2'154'137**
Total	**132'252**	**727'609**	**12'336'550**	**20'864**	**13'778'095**	**26'995'371**
of which Defaulted exposure (net)	422	3'386	42'992		33'241	**80'041**
Defaulted exposure (gross)	425	3'386	48'994		116'515	**169'321**
Provisions	2		6'003		83'275	**89'280**

CRB : Credit risk : additional disclosure related to the credit quality of assets (in 1'000 CHF)

	Segmentation of the credit risk - Rating 1	2	3	4	5	6	No Rating	Total
Assets								
Liquid assets							4'746'110	**4'746'110**
Amounts due from banks	21'118	62'749	61'300	36'959	35'554	65'421	185'759	**468'861**
Amounts due from customers							5'350'075	**5'350'075**
Mortgage loans							11'681'359	**11'681'359**
Trading portfolio assets							727	**727**
Financial investments	536'897	271'984	176'731				971'241	**1'956'852**
Accrued income and prepaid expenses							28'236	**28'236**
Participations							60'702	**60'702**
Other assets							426'728	**426'728**
Total assets	**558'015**	**334'732**	**238'031**	**36'959**	**35'554**	**65'421**	**23'572'520**	**24'841'234**
Off Balance sheet								
Contingent liabilities							1'104'078	**1'104'078**
Irrevocable commitments							834'957	**834'957**
Contingent liability for calls and Margin							163'858	**163'858**
Commitment credits							51'244	**51'244**
Total Off Balance sheet							2'154'137	**2'154'137**
Total	**558'015**	**334'732**	**238'031**	**36'959**	**35'554**	**65'421**	**25'726'658**	**26'995'371**
of which Defaulted exposure (net)							80'041	**80'041**
Defaulted exposure (gross)							169'321	**169'321**
Provisions							89'280	**89'280**

CRB : Credit risk : Defaulted exposures by default date (en 1'000 CHF)

	Default date before 2012	2012	2013	2014	2015	2016	2017	2018	2019	Total
Defaulted exposure (net)	32'701	850	4'612	2'630	6'126	8'835	10'407	5'442	8'439	**80'041**
Defaulted exposure (gross)	94'302	1'290	9'708	5'854	8'855	12'321	20'189	7'517	9'285	**169'321**
Provisions	61'601	440	5'096	3'224	2'728	3'486	9'783	2'075	846	**89'280**

4.3 Mitigation of credit risk

In accordance with the CAO (Capital Adequacy Ordinance), the bank uses the global approach for Credit Risk Mitigation and regulatory discounts for financial collateral and the substitution method for guarantees. Collateral (guarantees, financial collateral, real estate) recognised under the global approach is valued conservatively by the bank and according to the valuation methods described in the credit regulations. There is no netting on or off the balance sheet. The use of this collateral to reduce credit risk does not create a significant concentration on an issuer or guarantor.

Table 11 - CR3 - Credit risk: overview of mitigation techniques (in 1'000 CHF)

CR3 : Credit risk : overview of mitigation techniques (in 1'000 CHF)						
		a	**b1**	**b**	**d**	**f**
		Exposures unsecured (carrying amount)	Exposures secured (carrying amount)	Of which exposures secured by collateral	Of which exposures secured by financial guarantees	Of which exposures secured by credit derivatives
1	Loans (without debt securities)	4'149'563	13'350'733	12'723'349	627'383	
2	Debt securities	1'793'462	18'082	18'082		
3	**Total**	**5'943'025**	**13'368'815**	**12'741'431**	**627'383**	
4	of which defaulted	106'467	52'805	49'419	3'386	

Table CR4 shows the exposure after deducting specific provisions. Unmatched assets are included in this table.

Table 12 - CR4 - Credit risk: exposure and credit risk mitigation (CRM) effects under the standardised approach (in 1'000 CHF)

CR4 : Credit risk : exposure and credit risk mitigation (CRM) effects under the standardised approach (in 1'000 CHF)		a	b	c	d	e	f
		Exposure pre-CCF and pre-CRM		Exposure post-CCF and post-CRM			
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Governments and their central banks	5'145'761		5'307'176		965	0%
2	Banks and securities traders	865'153	281'391	496'387	58'702	253'503	46%
3	Public-sector entities and multilateral developments banks	1'435'875	198	1'577'072	75	630'943	40%
4	Corporate	7'528'334	1'483'085	7'298'576	441'824	5'298'163	68%
5	Retail	9'417'119	227'043	9'318'438	109'346	4'715'495	50%
6	Equity securities	175'629	162'420	175'629	162'420	391'026	116%
7	Other assets	273'362		273'362		124'813	46%
8	**TOTAL**	**24'841'234**	**2'154'137**	**24'446'641**	**772'367**	**11'414'908**	**45%**

4.4 Use of external ratings

In accordance with the CAO and the credit risk circular 2017/7, the bank uses external ratings to benefit from favourable risk weights in its calculation of minimum capital requirements. The two external rating agencies used by the bank are Standard & Poor's and Fitch.

The positions that benefit from these external ratings are:

- The portfolio of financial investments
- Banks
- Insurances
- Pledged securities

The bank retrieves the external ratings of the two rating agencies for the scope of the positions concerned and inputs these into its system for calculating minimum capital requirements.

4.5 Risk weightings by asset classes

Table 13 - CR5 - Credit risk: exposure by asset classes and risk weights under the standardised approach (in 1'000 CHF)

CR5 : Credit risk : exposures by asset classes and risk weights under the standardised approach (in 1'000 CHF)		a	c	d	e	f	g	h	j
		0%	20%	35%	50%	75%	100%	150%	Total credit exposure (post-CCF and post-CRM)
1	Governments and their central banks	5'302'352	4'824						5'307'176
2	Banks and securities traders	10'684	269'383		154'270		117'273	3'478	555'089
3	Public-sector entities and multilateral developments banks		535'046	227'511	739'128	2'884	72'578		1'577'147
4	Corporate		978'335	2'364'294	249'504	135'652	3'985'026	5'497	7'740'400
5	Retail		698	6'965'341	98	801'437	1'627'909	32'300	9'427'784
6	Equity securities	941	4'531		9'351		198'792	124'435	338'049
7	Other assets	148'549					124'813		273'362
8	**TOTAL**	**5'462'526**	**1'792'817**	**9'557'146**	**1'152'351**	**939'973**	**6'126'391**	**165'711**	**25'219'008**
9	of which, covered by mortgages			9'557'146		390'674	2'304'430		12'252'250
10	of which, past-due loans		3'386				38'435	37'798	79'619

5 Counterparty credit risk

The bank mainly handles OTC derivatives transactions under ISDA or CSA netting contracts. The limits are set annually by the Board of Directors based on a proposal from the Executive Board. These limits may be reviewed during the year if the situation so requires. These netting contracts allow a margin exchange between the bank and its counterparties based on the Mark-to-Market valuation of listed derivatives and Mark-to-Model for OTC derivatives. As stipulated by the CAO, the credit equivalent of derivatives is calculated according to SA-CCR.

Table 14 - CCR3 - Counterparty credit risk: standardised approach to CCR exposure by asset classes and risk weights (in 1'000 CHF)

CCR3 : Counterparty credit risk: exposures by asset classes and risk weights under the standardised approach (in 1'000 CHF)

		a	c	d	e	f	g	h	i
		0%	20%	50%	75%	100%	150%	Others	Total credit exposure
1	Governments and their central banks								
2	Banks and securities traders	413'275	107'420	1'209				2'619	524'522
3	Public-sector entities and multilateral developments banks								
4	Corporate					12'875	797		13'672
5	Retail	89'780				23'362			113'142
6	Equity securities								
7	Other assets								
8									
9	**TOTAL**	**503'054**	**107'420**	**1'209**		**36'237**	**797**	**2'619**	**651'336**

Table 15 - CCR5 - Counterparty credit risk: composition of collateral for CCR exposure (in 1'000 CHF)

CCR5 : Counterparty credit risk: composition of collateral for CCR exposure (in 1'000 CHF)	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Ségréguées	Non ségréguées	Ségréguées	Non ségréguées		
Cash in CHF		121'935		4'650	200'000	
Cash in other currencies		63'506		2'894	344'762	
Swiss government debt						172'194
Other government debt		2'427				32'524
Government agency debt		231				87'635
Corporate bonds		29'443				234'244
Equity securities		98'376				
Other collateral		58'329				
TOTAL		**374'247**		**7'544**	**544'762**	**526'596**

6 Market risk

Given its very low exposure to market risk, the bank refrains from publishing the relevant information, in accordance with circular 2016/1 Disclosure - banks Cm 14.2.

7 Interest rate risk in the bank portfolio

Interest rate risk in the bank's portfolio represents the possibility that the bank's profitability or the value of its capital may be affected by changes in interest rates.

The interest rate risk of trading activities falls within the scope of market risk.

7.1 Strategy and procedures

The Board of Directors establishes the bank’s principles for managing risk and decides on the risk strategy it will pursue with regard to interest rate risks in the bank's portfolio. The target interest-rate risk profile is defined in the Financial Policy and described in more detail in the Bank's ALM and Liquidity Policy. Exposure to interest rate risks in the bank's portfolio is subject to limits which are validated and revised each year by the Board of Directors. The limits are expressed as:

- limits on the sensitivity of the economic value of equity (value effect)
- limits on the sensitivity of the net interest margin over a year (revenue effect)

7.2 Structure and organisation

The Executive Board is responsible for organising and implementing interest rate risk management in the bank's portfolio. The Executive Board delegates management of this type of risk to its Asset and Liability Management Committee (CALM). The committee meets monthly, is chaired by the CEO and includes four other Executive Board members, including the CFO.

Within the Finance division, the control of interest rate risk in the bank's portfolio is carried out by the Risk Control department which reports to the CFO. Its tasks include:

- Producing the monthly interest rate risk management report for the bank's portfolio and presenting it to the CALM
- Producing monthly reports on fund transfer pricing
- Defining and maintaining the models and management principles used to manage interest rate risk management in the bank's portfolio, in compliance with the ALM and Liquidity Policy.

7.3 Risk assessment and measurement

The bank assesses the interest rate risk in the bank's portfolio on a monthly basis for the parent company and on a quarterly basis for the group. Interest rate risks are measured using two approaches: a static approach and a dynamic approach.

The static approach measures the effect on the current value of the bank's portfolio on the basis of the following indicators:

- The economic value of equity capital
- The sensitivity of the economic value of equity capital
- The key rate durations

In the static approach, the sensitivity of the economic value of equity capital and key rate durations are assessed using two interest rate scenarios:

- A parallel increase in interest rates of 100 basis points
- A parallel decrease in interest rates of 100 basis points

The dynamic approach measures the effect on revenue in the bank's portfolio based on the sensitivity of the net interest margin. The sensitivity of the net interest margin is assessed over a three-year horizon by taking into account interest rate scenarios and balance sheet evolution scenarios.

The interest rate scenarios used by the bank are as follows:

- A parallel increase in interest rates of 100 basis points
- A parallel decrease in interest rates of 100 basis points

- The bank's interest rate outlook scenario
- A +300 basis point increase in 10-year interest rates over a 6-month horizon
- A flattening of the interest rate curve related to a movement in long-term interest rates
- An inversion of the interest rate curve
- A parallel increase in interest rates of 400 basis points (“reverse stress test” as defined in FINMA circular 2019/2 Interest rate risks - banks Cm 31)

Additional scenarios are implemented on an ad hoc basis, in particular for stress tests.

Scenarios for the evolution of the balance sheet:

- Are dependent on the level of short-term interest rates and in particular on the Swiss National Bank policy rate;
- Client behaviour in the context of specific simulations;
- Regulatory constraints on liquidity and minimum capital requirements

The main differences in approaches between the internal approach to measuring interest rate risk and the approach planned for the publication of the results of the IRRBB1 table are as follows:

- To measure the sensitivity of the economic value of equity (ΔEVE), the margin cash flows:
    - Are taken into account for the internal assessment of interest rate risk. The internal approach is in line with the continuity of a proven system of limits defined in the "ALM and Liquidity Policy" and the need to conduct historical analysis
    - Are not taken into account for the IRRBB1 publication to reflect a consistent approach to interest rate risk exposure and to complement internal interest rate risk assessment approaches

- To measure the sensitivity of the economic value of equities (ΔEVE), the interest rate shocks applied in the internal scenarios differ from those prescribed for the IRRBB1 publication, in particular because of the need to conduct historical analysis
- To measure the sensitivity of the net interest income (ΔNII), the rate and balance sheet scenarios used internally differ from those prescribed for IRRBB1 publication in that:
    - The rate shocks applied in the internal scenarios gradually evolve over a given time horizon, whereas the prescribed rate shocks are instantaneous
    - In internal scenarios, the balance sheet is not systematically simulated on the basis of an assumption of constant outstanding amounts

7.4 Reduction of risks

Implementation of the policy applied in terms of hedging or mitigating the risks of interest rate changes is delegated to the ALM financial sub-committee (SCALM-F) chaired by the Bank’s CFO. SCALM-F is responsible for implementing and following up on the CALM’s decisions, monitoring market conditions on an ongoing basis; it is involved, among other things, in the management of strategic hedging operations for the bank's portfolio.

The most commonly used hedging instruments are interest rate swaps. The bank may use options to hedge interest rate risk in the bank's portfolio. The optional positions in the bank's portfolio generated by the commercial activity are generally hedged with a direct hedge.

The bank implements a macro-hedging strategy of the "fair value hedge" type. The effectiveness of the macro hedge is monitored on a monthly basis.

7.5 Key modelling and parametric assumptions used to calculate ΔEVE and ΔNII (IRRBBA1 and IRRBB1 tables)

The bank implements the principles defined by FINMA in circulars 2016/1 Publication - Banks and 2019/2 Interest Rate Risk - Banks. The main assumptions and parameters used are outlined in the following paragraphs.

7.6 Fluctuation in economic value (ΔEVE)

For transactions for which the rate redefinition date is defined, the bank does not take margin cash flows into account in calculating the sensitivity of the economic value (ΔEVE). To this end, the bank implements the "internal interest rate perspective" as defined in the Interest Rate Risk Announcement (SNB).

The cash flow mapping procedure is carried out in accordance with the maturity ranges prescribed by FINMA in accordance with Circular 2019/2 Interest Rate Risks - Banks Annex 2.

The benchmark portfolio method is the bank's approach for transactions where the rate redefinition date is not defined. The bank calibrates and revises the replication portfolios annually by combining several market interest rates in order to minimise margin variance between the rate applied to clients and the yield on the benchmark portfolio. The main assumptions used to determine risk of interest rate changes on outstanding non-maturing deposits are the following:

- Savings due to clients are assumed to be stable.
- The liquid and volatile components of demand deposits from corporations or financial institutions are based on a conservative proportion of short-term interest rate components from the relevant benchmark portfolios.

The cash flow discount rate is measured on the basis of a zero coupon yield curve corresponding to the original currency of the cash flow. The zero coupon yield curves are evaluated by a bootstrapping approach based on the IBOR-Swap market yield curves. Intermediate discount rates are measured by linear interpolation of the ad-hoc "zero coupon" yield curve.

7.7 Fluctuation in interest income (ΔNII)

For the renewal of fixed-rate transactions, the following assumptions are applied, taking into account the specific features of each product:

- The duration of the simulated transactions is determined by product type and on the basis of an in-depth inventory analysis over a one-year period in order to take into account the "recent" behaviour of clients
- The interest rates of the simulated transactions consist of the following elements:
    - Market interest rates: they depend on simulated market rates based on prescribed rate shocks
    - Additional refinancing costs of the bank at the start date of the simulation to take into account the bank's refinancing cost
    - Commercial margins: they are determined by product type and on the basis of an in-depth inventory analysis over a one-year period in order to reflect the level of commercial margin of "recent" production

For administered rate positions, the simulated interest rates applied to clients are determined for each product on the basis of a time projection that takes into account:

- Maturity profiles of benchmark models (interest rate combinations)
- Interest rate levels prevailing in each of the scenarios over a given time horizon

7.8 Automatic and behavioural options

The bank does not implement early repayment or early withdrawal assumptions related to client behaviour to the extent that the bank applies a penalty to the client equivalent to the replacement cost of the market transaction, thus not giving rise to any financial loss. It should be noted that the phenomenon of early repayment and early withdrawal is marginal in the recent past.

Positions relating to automatic rate options are revalued.

Linear and non-linear derivative positions are mainly used to hedge interest rate risk in the bank's portfolio.

7.9 Currencies

At 31 December 2019, the breakdown by currency of the parent company's total liabilities is as follows: Swiss Franc 75.8%, Euro 11.0%, US Dollar 12.3%, other currencies 0.9%. As part of the interest rate risk in the bank's portfolio, the significant currencies are the Swiss Franc, the Euro and the US Dollar.

For calculations relating to the change in the current economic value of equity (ΔEVE), the impacts are determined for all positions, whether denominated in a significant or non-significant currency.

For calculations relating to the change in expected net interest income (ΔNII), only the impacts of transactions denominated in a significant currency are determined.

Table 16 - IRRBBA1 - Interest rate risk: quantitative information on the structure of positions and repricing maturities

Table IRRBBA1: Interest rate risk: quantitative information on the structure of positions and repricing maturities

		Volume in CHF millions			Average repricing maturity (in years)		Maximum repricing maturity (in years) assigned to non-maturity positions	
		Total	Of which CHF	Of which other significant currencies representing more than 10% of the assets or liabilities of the balance sheet total	Total	Of which CHF	Total	Of which CHF
Determined repricing maturity	Amounts due from banks	971	65	905	0.6	0.3		
	Amounts due from customers	4'097	1'987	2'092	2.3	3.6		
	Money market mortgage loans	1'935	1'848	87	0.0	0.0		
	Fixed-rate mortgage loans	10'491	10'417	74	5.8	5.8		
	Financial investments	1'821	1'487	335	5.1	5.8		
	Other assets	24	24	-	0.0	0.0		
	Receivables on interest rate derivatives	9'056	6'363	2'609	1.7	2.1		
	Amounts due to banks	-2'945	-26	-2'915	0.4	0.4		
	Amounts due in respect of customer deposits	-1'032	-190	-809	0.2	0.1		
	Cash bonds	-2	-2	-	1.9	1.9		
	Bond issues and central mortgage institution loans	-3'794	-3'783	-11	7.9	7.9		
	Other liabilities	-566	-200	-366	0.1	0.0		
	Liabilities on interest rate derivatives	-9'208	-8'328	-869	2.4	2.6		
Undetermined repricing maturity	Amounts due from banks	182	-1	112	0.2	0.0	5.0	5.0
	Amounts due from customers	1'447	208	1'222	0.3	0.5	5.0	5.0
	Variable-rate mortgage loans	227	226	1	1.6	1.6	5.0	5.0
	Other sight receivables	-	-	-	0.0	0.0	0.0	0.0
	Sight liabilities in personal and current accounts	-8'670	-6'751	-1'804	1.1	1.3	5.0	5.0
	Other sight liabilities	-1'012	-436	-493	0.1	0.0	1.0	1.0
	Liabilities from client deposits, callable but not transferable (savings)	-5'236	-5'075	-160	2.1	2.1	5.0	5.0
	Total	-2'215	-2'167	11	2.4	3.1	-	-

It should be noted that interest rate derivatives composed of a receivables leg and a payables leg appear under both the headings "Receivables on interest rate derivatives" and "Liabilities on interest rate derivatives".

Table 17 - IRRBB1 - Interest rate risk: quantitative information on economic value of equity and net interest income

Table IRRBB1: Interest rate risk: quantitative information on economic value of equity and net interest income				
In CHF	• EVE (change in economic value of equity)		• NII (change in net interest income)	
Period	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Parallel up	-156'861'142	-193'138'781	-4'111'146	-4'944'418
Parallel down	197'943'044	230'805'604	1'810'670	-22'636'077
Steepener	-115'281'842	-116'828'824		
Flattener	84'957'624	80'813'179		
Short rate up	14'993'840	-1'123'399		
Short rate down	-14'426'521	600'373		
Maximum	-156'861'142	-193'138'781	-4'111'146	-22'636'077
Period	31/12/2019		31/12/2018	
Tier 1 capital	1'857'919'735		1'738'936'421	

The economic value of equity is mainly exposed to a parallel increase in interest rates.

In this scenario, exposure has decreased compared to the situation at 31 December 2018.

The net interest income is mainly exposed to a decrease in interest rates. Exposure has decreased in this scenario compared to 31 December 2018.

8 Liquidity

8.1 Strategy and procedures

The Board of Directors sets out the principles for managing liquidity risk and determines the liquidity risk tolerance. Liquidity risk tolerance is expressed in the form of limits and thresholds based on the Liquidity Coverage Ratio (LCR). These limits are reviewed annually within the framework of the Bank's "ALM and Liquidity Policy" review.

8.2 Structure and organization

The Executive Board is responsible for organizing and implementing liquidity risk management. The Executive Board delegates management of this type of risk to its Asset and Liability Management Committee (CALM). The committee meets monthly, is chaired by the CEO and comprises four other Executive Board members, including the CFO.

Within the Finance division, liquidity risk control is carried out by the Risk Control department of the CFO. Its tasks include:

- Producing a monthly management report on liquidity risk and presenting it to the CALM
- Defining and maintaining the methods, models and management principles as regards liquidity risk management, within the framework defined in the "ALM and Liquidity Policy"
- Communicating daily to the Treasury department the parent company's Liquidity Coverage Ratio (LCR).

8.3 Risk assessment

In accordance with the principles set out in FINMA circular 2015/2, the approaches adopted by the Bank to assess the liquidity risk are:

- The Liquidity Coverage Ratio (LCR) assessed on a daily basis for the parent company and on a monthly basis for the Group and the parent company
- The Net Stable Funding Ratio (NSFR) assessed on a quarterly basis
- Stress tests mainly based on:
    - Approaches comparable to those adopted in the context of the Liquidity Coverage Ratio
    - The survival horizon principle

The stress tests are designed for systemic and/or idiosyncratic scenarios. They take into account the Bank's specificities and foreign currency refinancing.

8.4 Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is an international regulatory standard for liquidity risk management set out in the Basel III Accord. It became mandatory on January 1st, 2015. The minimum requirement is 100% from January 1st, 2019. The LCR ratio is an international standard which seeks to ensure that a bank has sufficient unencumbered High Quality Liquid Assets (HQLA), in the form of cash or other assets which can be converted into cash to cover its liquidity requirements to withstand a 30-calendar-day liquidity crisis.

For the second half of 2019, the BCGE Group's all-currency Liquidity Coverage Ratio remained high overall and above an average of 140%. The variability of the BCGE Group's all-currency Liquidity Coverage Ratio is caused mainly by the variability of net cash outflows.

More than 70% of the high quality liquid assets (HQLA) are made up of assets deposited in clearance accounts with the Swiss National Bank (SNB). The rest is mainly in securities of issuers rated AAA to AA- (Swiss Confederation, Central Mortgage-Bond Institution, etc.) eligible for refinancing operations with the SNB and in cash held by the Bank.

With regard to the concentration of financing sources, the main source of the Bank's refinancing is the individual and diversified deposits of clients. As of December 31, 2019, the Bank's refinancing was essentially based on:

- Client deposits representing more than 60% of liabilities
- Bank loans and loans from the Central Mortgage-Bond Institution representing more than 15% of liabilities.

Liquidity outflows as a result of “potential” margin calls are mainly attributable to derivative-based interest rate risk hedging operations under CSAs (Credit Support Annex) with bank counterparties.

The LCR level in CHF is significantly higher than that of the LCR for all currencies combined, firstly because the HQLA are principally CHF-denominated and, secondly, because the BCGE Group must ensure centralized financing for its French subsidiary (mainly in Euros) and financing for the global commodity finance business (mainly in US Dollars).

8.5 Information regarding the Liquidity Coverage Ratio (LCR)

Table 18 - LIQ1 - Liquidity: information on the liquidity ratio (in CHF 1,000,000)

		Q1 2019		Q2 2019		Q3 2019		Q4 2019	
		Unweighted values	Weighted values	Unweighted values	Weighted values	Unweighted values	Weighted values	Unweighted values	Weighted values
	High-Quality Liquid Assets (HQLA)								
1	**Total high-quality liquid assets**		**4'573**		**4'772**		**4'771**		**5'461**
	Cash outflows								
2	Retail deposits	10'395	712	10'504	715	10'591	727	10'726	747
3	• of which stable deposits	3'947	197	4'004	200	4'001	200	3'834	192
4	• of which less stable deposits	6'448	515	6'500	514	6'590	527	6'893	555
5	Unsecured wholesale funding	5'302	3'305	5'339	3'231	4'630	2'716	5'377	3'354
6	• of which operational deposits (all counterparties) and deposits in networks of cooperative banks	919	224	1'008	246	942	229	902	220
7	• of which non-operational deposits (all counterparties)	4'368	3'066	4'321	2'975	3'661	2'460	4'457	3'117
8	• of which unsecured debt	15	15	10	10	27	27	18	18
9	Secured wholesale funding and collateral swaps		0		0		0		0
10	Other cash outflows	2'539	1'343	2'800	1'467	2'057	1'171	2'707	1'778
11	• of which cash outflows related to derivative exposure and other transactions	1'156	1'134	1'264	1'243	1'004	983	1'613	1'591
12	• of which cash outflows associated with losses on asset-backed securities financing, covered bonds, other structured instruments, asset-backed money market paper, special purpose vehicles, securities investment vehicles and other similar financing facilities	0	0	0	0	0	0	1	1
13	• of which cash outflows related to credit and liquidity facilities	1'383	208	1'536	224	1'052	188	1'094	187
14	Other contractual financing obligations	84	4	18	0	12	0	200	9
15	Other contingent financing obligations	3'678	50	3'791	53	2'838	51	3'108	52
16	**Total cash outflows**		**5'413**		**5'466**		**4'665**		**5'941**
	Cash inflows								
17	Secured lending (e.g. reverse repos)	361	0	295	0	411	0	365	0
18	Cash inflows from fully performing exposure	2'025	972	1'813	949	1'691	877	1'756	736
19	Other cash inflows	1'164	1'164	1'189	1'189	907	907	1'549	1'549
20	**Total cash inflows**	**3'550**	**2'136**	**3'296**	**2'137**	**3'010**	**1'784**	**3'669**	**2'284**
	Adjusted values								
21	**Total HQLA**		**4'573**		**4'772**		**4'771**		**5'461**
22	**Total net cash outflows**		**3'277**		**3'329**		**2'881**		**3'657**
23	**Liquidity Coverage Ratio (as %)**		**140%**		**143%**		**166%**		**149%**

9 Operational risk

The bank uses the standard approach to calculate minimum capital requirements for operational risk.

The objective of operational risk management is to limit losses related to operational risks. To this end, the Board of Directors validates the internal control and operational risk policy. In order to limit operational risks (and in particular major risks), executive management implements the internal control system, which identifies all control structures and processes at all levels of the bank.

The Risk Control department determines the architecture, defines the methodology and ensures consistency in the implementation of the internal control system across all the bank's activities.

On a monthly basis, the Risk Committee analyses the overall position of operational risks and proposes solutions and makes recommendations to management. On a quarterly basis, the Risk Committee submits its report to the Executive Board and the Board of Directors. The Risk Control Department prepares an annual CIROP report for General Management and the Board of Directors on the assessment of operational risks and internal control for the year.

The internal audit department prepares its annual audit plan based on its assessment of the bank's operational risk, internal control system and corporate governance.

Lastly, the Control Committee (Commission of the Board of Directors) reports to the Board of Directors on the functioning of the internal control system based on the reports of the Executive Board, the Internal Audit and the External Audit.

10 Leverage ratio

Table 19 - LR1 - Leverage ratio: comparison between balance sheet assets and total leverage ratio exposure (in CHF 1,000)

LR1 :	Leverage Ratio: comparison between accounting assets and total leverage ratio exposure measure (in 1'000 CHF)	
		a 31.12.2019
1	**Total assets as per published financial statements**	24'919'240
1a	Differences betw een published financial statements and the basis of calculation for the determination of	
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting but outside the scope of regulatory consolidation (Cm 6 Circ.-FINMA 15/3), as w ell as adjustment for assets deducted from Tier 1 capital (Cm 16 and 17 Circ.-FINMA 15/3)	-795
3	Adjustment for fiduciary assets recognised on the balance sheet for accounting purposes, but excluded from the leverage ratio exposure measure (Cm 15 FINMA Circ.15/3)	
4	Adjustments for derivative financial instruments (Cm 21 to 51 Circ.-FINMA Circ. 15/3)	-16'757
5	Adjustment for securities financing transactions (SFT) (Cm 52 to 73 FINMA-Circ.15/3)	-6'332
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) (Cm 74 to 76 FINMA-Circ.15/3)	919'744
7	Other adjustments	
8	**Leverage ratio exposure (sum of rows 1-7)**	**25'815'100**

Table 20 - LR2 - Leverage ratio: detailed presentation (in CHF 1'000)

LR2 : Leverage ratio: detailed presentation (in 1'000 CHF)		a	b
		31.12.2019	31.12.2018
On-balance sheet exposure			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral) (Cm 14 and 15 FINMA-Circ. 15/3)	24'369'555	22'503'021
2	Assets that must be deducted in determining the eligible Tier 1 capital (Cm 7, 16 and 17 FINMA-Circ. 15/3)	-795	
3	Total on-balance sheet exposure within the leverage ratio framework, excluding derivatives and SFTs (sum of rows 1 and 2)	24'368'760	22'503'021
Derivative exposure			
4	Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements (ie net of eligible cash variation margin) (according to Cm 22 and 23, 34 and 35 FINMA-Circ. 15/3)	5'194	7'285
5	Add-on amounts for PFE associated with all derivatives transactions (Cm 22 and 25 Circ.-FINMA	50'339	43'482
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (Cm 27 FINMA-Circ. 15/3)		
7	Deduction of receivables assets for cash variation margin provided in derivatives transactions, according to cm 36 FINMA-Circ. 15/3)	-55'533	-50'766
8	Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting) (Cm 39 FINMA-Circ. 15/3)		
9	Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (Cm 43 FINMA-Circ. 15/3)		
10	Adjusted effective notional offsets of bought/written credit derivatives (Cm 44 to 50 FINMA-Circ. 15/3) and add-on deductions for written credit derivatives (Cm 51 FINMA-Circ. 15/3))		
11	Total derivative exposure (sum of rows 4-10)		
Securities financing transaction exposure			
12	Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per cm 57 FINMA Circ. 15/3) including sale accounting transactions (cm 69 FINMA Circ. 15/3), less the items specified in cm 58 FINMA Circ. 15/3)	526'596	517'802
13	Netted amounts of cash payables and cash receivables relating to SFT counterparties (Cm 59 to 62 FINMA-Circ. 15/3)		
14	CCR exposure for SFT assets (Cm 63 to 68 FINMA-Circ. 15/3)		
15	Agent transaction exposure (Cm 70 to 73 FINMA-Circ. 15/3)		
16	Total securities financing transaction exposure (sum of rows 12-15)	526'596	517'802
Other off-balance sheet exposure			
17	Off-balance sheet exposure at gross notional amount before application of credit conversion factors	3'500'537	3'210'082
18	Adjustments for conversion to credit equivalent amounts (Cm 75 and 76 FINMA-Circ. 15/3)	-2'580'793	-2'470'565
19	Total off-balance-sheet items (sum of rows 17-18)	919'744	739'517
Eligible capital and total exposure			
20	Tier 1 capital (Cm 5 FINMA-Circ. 15/3)	1'857'920	1'738'936
21	Total exposure (sum of rows 3, 11, 16 and 19)	25'815'100	23'760'340
Leverage ratio			
22	Leverage ratio (Cm 3 to 4 FINMA-Circ. 15/3)	7.2%	7.3%

The increase in the total commitment for the leverage ratio reflects the increase in the bank's balance sheet between 31.12.2018 and 31.12.2019. In particular, liquid assets increased by CHF +1.3 billion and amounts due from customers and mortgage loans by CHF +427 million.