Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 31.12.2015

A. Eligible and required capital

The Banque Cantonale de Genève publishes hereunder the regulatory statements regarding capital adequacy in accordance with Basel III standards.

According to the Finma's Basel III circulars, several methods are available for calculating capital adequacy:

- internal ratings based approach (IRB) method
- standard Swiss method
- simplified method.

The capital required is calculated to cover the credit risk, the market risk and the operational risk.

The Banque Cantonale de Genève applies the standard Swiss approach, otherwise known as SA-CH, for the regulatory disclosures of credit risk and the standard approach for market risk and operational risk.

There is no difference between the method used for accounting consolidation and that used for regulatory consolidation.

The scope of consolidation is identical to that described in the bank’s annual report.

There is no restriction preventing transfers of money or equity within the group.

Composition of the eligible regulatory capital

a) Transition (in CHF thousands)

Balance sheet	According to period end
Assets	
Liquid assets	3,417,235
Amounts receivable from banks	349,460
Amounts due from securities financing transactions	199,660
Amounts due from clients	3,745,110
Amounts due secured by mortgages	9,966,068
Trading operations	71,246
Positive replacement values of derivative financial instruments	22,930
Other financial instruments measured at fair value	0
Financial investments	1,856,245
Accruals and deferrals	29,578
Investments in participations	25,972
Tangible assets (7)	136,846
Other assets	195,861
Total assets	20,016,211
Borrowed capital	
Amounts due to banks	1,907,096
Liabilities arising from securities financing transactions	747,977
Liabilities arising from client deposits	12,732,334
Liabilities arising from trading operations	624
Negative replacement values of derivative financial instruments	25,674
Medium-term bonds	8,523
Bonds and loans issued by central mortgage and loans	2,959,144
Accruals and deferrals	66,393
Other liabilities	260,869
Provisions	12,144
Total borrowed capital	18,720,778
of which subordinated liabilities eligible as Tier 2 capital	102,000
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	110,000
Equity	
Reserves for general banking risks	150,000
Share capital	360,000
of which eligible as CET1	360,000
Legal reserves/optional reserves/profits (losses) brought forward and for the period	797,504
(Treasury shares)	-12,071
Sub-total of shareholders' equity	1,295,433
Total eligible regulatory capital (including AT1 and Tier2)	1,507,433

Eligible regulatory capital, whose value is determined in accordance with the directives governing the preparation of financial statements (Circ.-FINMA 15/01), comprises core capital (*Tier 1: CET1 + AT1*) and supplementary capital (*Tier 2*).

b) **Presentation of the eligible regulatory capital** (in CHF thousands)

		Net amounts (after taking into account the transitional provisions)
Core Equity Tier 1 capital (CET1)		
1	Issued share capital paid-in, eligible in full	360,000
2	Retained earnings, incl. reserves for general banking risks / profits (losses) brought forward and for the period	653,310
3	Capital reserves and reserves for foreign currencies (+/-)	294,194
6	= Core Equity Tier 1, prior to adjustments	1,307,504
16	Net long positions in own CET 1 instruments	-12,071
28	= Sum of CET1 adjustments	-12,071
29	= Net core Tier 1 capital	1,295,433
Additional core Tier 1 capital (AT1)		
30	Issued and paid-in instruments, eligible in full	110,000
44	= Additional net core capital (net AT1)	110,000
45	= Core capital (net Tier 1)	1,405,433
Additional Tier 2 capital (T2)		
46	Issued and paid-in instruments, eligible in full	80,000
50	Value adjustments, provisions and write-offs due to prudence; statutory reserves for financial investments	22,000
51	= T2 capital prior to adjustments	102,000
58	= Net T2 capital	102,000
59	= Total regulatory capital (net T1 & T2)	1,507,433
60	Sum of risk-weighted positions	10,089,413
Regulatory-capital ratios		
61	CET1 ratio (line no.29 as of risk-weighted positions)	12.84%
62	T1 ratio (line no.45 as % of risk-weighted positions)	13.93%
63	Ratio regarding the regulatory capital (line no.59 as % of risk-weighted positions)	14.94%
64	Requirements according to transitional provisions regarding the CAO (minimum requirements + capital buffer + countercyclical buffer) plus the capital buffer for systematically important banks as per the Basel guidelines (as % of the risk-weighted positions)	5.07%
65	Of which capital buffers according to CAO (as % of the risk-weighted positions)	0%
66	Of which countercyclical buffer (as % of the risk-weighted positions)	0.57%
68	Availabale CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements	8.94%
68a	Capital target ratios for CET1 as per the FINMA circ. 2011/12 plus the countercyclical buffer (as % of risk-weighted positions)	8.37%
68b	Available CET1 (as % of risk-weighted positions)	10.74%
68c	Capital target ratios for T1 as per the FINMA circ. 2011/2 plus the countercyclical buffer (as % of risk-weighted positions)	10.17%
68d	Available T1 (as % of risk-weighted positions)	12.54%
68e	Regulatory capital target ratios as per the FINMA circ. FINMA 2011/12 plus the countercyclical buffer (as % of risk-weighted positions)	12.57%
68f	Available regulatory capital (as % of risk-weighted positions)	14.94%

The countercyclical buffer stands at 0.57%. This corresponds to the two per cent ratio for positions guaranteed directly or indirectly by property liens on all risk-weighted positions.

	Regulatory threshold ratios[1]	Bank ratios
CET1	7.8%	12.27%
T1	9.6%	13.36%
Total capital	12%	14.37%

[1] as per the Finma 2011/02 circular for category 3 banks

The bank is classed in Finma category 3. The ratios obtained well exceed the regulatory thresholds.

Presentation of required capital

	Approach used		Minimum capital requirements (in CHF thousands)
Credit risk	Standard		**760,190**
■ of which foreign exchange risk for equity shares in the banking book		of which	4,890
■ of which risk not connected with counterparties		of which	64,655
Market risk	Standard		**1,792**
■ of which interest-rate instruments (general and specific market risk)		of which	956
■ of which equity shares		of which	103
■ of which foreign currencies and precious metals		of which	709
■ of which commodities		of which	24
Operational risk	Standard		**45,171**
Total			**807,154**

B. Credit risk

The following four tables show the credit exposures from four different angles. The figures presented tie in with sections 01 to 07 of the "Capital Adequacy reporting form in the context of Basel 3" report from the SNB.

Distribution according to counterparty or business sector

The table below shows the exposures by type of counterparty from the Basel III angle. The amounts, on- and off-balance sheet, correspond to the credit exposure before application of credit conversion factors, without taking into account any individual value adjustments and before application of risk mitigation measures.

Credit exposure (at closing)[1 2]	Central governments and central banks	Banks and securities dealers	Other institutions	Businesses	Retail clients	Equity investments and shares in collective capital investments	Others	Total
Balance sheet/receivables								
Amounts due from securities financing transactions	-	199,660	-	-	-	-	-	199,660
Amounts receivable from banks	-	274,543	6,029	14,801	61	-	-	295,435
Amounts due from clients	1,050,787	3,993	-	2,457,169	255,493	-	427	3,767,868
Amounts due secured by mortgages	1,061,742	4,776	-	3,819,660	5,388,796	-	-	10,274,974
Positive replacement values of derivative financial instruments	-	126,090	-	-	-	-	-	126,090
Financial investments / debt securities	903,448	226,114	531,887	216,628	-	10,838	-	1,888,915
Other assets	-	145,721	-	-	-	-	13,373	159,094
Other positions [3]	8,245	4,448,191	-	40,805	2,495	1,388	6,791	4,507,915
Total for period under review [4]	**3,024,222**	**5,429,088**	**537,916**	**6,549,064**	**5,646,846**	**12,226**	**20,591**	**21,219,952**
Total previous period [4]	**2,730,937**	**2,974,166**	**588,199**	**6,743,140**	**5,434,642**	**39,823**	**38,539**	**18,549,447**
Off-balance sheet								
Contingent liabilities	540	58,809	-	423,745	15,095	-	-	498,188
Irrevocable commitments	15,504	69,270	-	403,656	904	-	3,692	493,026
Liabilities for margining and re-margining calls	-	48,456	-	-	-	-	14,082	62,538
Approved credit line	-	2,457	-	20,844	31	-	-	23,333
Other positions	399,385	235,912	-	731,537	113,552	-	11	1,480,397
Total for period under review [4]	**415,428**	**414,904**	**-**	**1,579,782**	**129,582**	**-**	**17,785**	**2,557,482**
Total previous period [4]	273,885	402,875	593	1,702,619	129,658	-	14,183	2,523,812

[1] : in CHF thousands

[2] : main categories of credit exposures

[3] : including Cash and Liabilities due from securities financing transactions

[4] : as per the "Capital adequacy reporting form in the context of Basel 3" report

Credit risk mitigation

The table below shows the credit exposures according to the type of risk mitigation measure from the Basel III angle. The amounts correspond to the credit exposure after application of credit conversion factors and having taken into account any individual value adjustments. With the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures.

Credit exposures/default risks (at closing) [1, 2]	Secured with recognised collateral [3]	Secured with guarantees and credit derivatives	Secured with property liens and other credit exposure	Total
Governments and central banks	320	-	3,037,413	3,037,733
Banks and securities dealers	912,342	9,668	4,722,537	5,644,547
Other institutions	-	-	537,916	537,916
Companies	286,775	418,842	6,191,914	6,897,531
Private clients and and small businesses	85,258	81,050	5,516,171	5,682,479
Other positions	-	-	41,293	41,293
Derivatives	-	-	163,942	163,942
Total for period under review [4]	**1,284,694**	**509,560**	**20,211,186**	**22,005,440**
Total previous period [4]	1,112,586	435,057	17,779,034	19,326,678

[1] in CHF thousands

[2] with the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures

[3] including accounts and securities. The bank uses risk mitigation based on the global approach

[4] as per the "Capital adequacy reporting form in the context of Basel 3" report

Segmentation of credit risk

The table below shows the credit exposures by type of risk weighting from the Basel III angle. The amounts correspond to the credit exposure after application of credit conversion factors and having taken into account any individual value adjustments. With the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures.

Credit exposures/default risks after credit risk-mitigating actions [1, 2]	0%	25%	35%	50%	75%	100%	125%	150%	>= 250 %	Total
Governments and central banks	584,779	1,033,671	686,716	724,248	4,075	4,245	0	0	0	3,037,733
Banks and securities dealers	3,790,160	1,028,748	3	644,214	52,500	61,758	19,453	0	47,711	5,644,547
Other institutions	0	537,916	0	0	0	0	0	0	0	537,916
Companies	66,447	140,698	2,093,048	82,680	1,393,590	3,109,892	0	1,563	9,613	6,897,531
Private clients and small businesses	0	0	4,722,416	14,913	839,591	97,803	0	7,756	0	5,682,479
Other positions	0	0	0	0	0	29,067	0	0	12,226	41,293
Derivatives	0	63,270	0	85,168	1,421	14,082	0	0	0	163,942
Total for period under review [3]	**4,441,386**	**2,804,302**	**7,502,182**	**1,551,221**	**2,291,178**	**3,316,848**	**19,453**	**9,320**	**69,550**	**22,005,440**
Total previous period	1,915,019	3,160,558	7,156,006	1,124,104	2,237,229	3,621,182	14,118	17,461	81,001	19,326,678

[1] in CHF thousands

[2] with the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures

[3] as per the "Capital adequacy reporting form in the context of Basel 3" report

Geographic credit risk

The table below shows the credit exposures, broken down by geographic region. The amounts, on- and off-balance sheet, correspond to the credit exposure before application of credit conversion factors, without taking into account any individual value adjustments and before applying risk mitigation measures.

Credit exposures (at closing) [1 2]	Switzerland	Europe	North America	South America	Asia/Oceania	Others	Total
Balance sheet/receivables							
Amounts due from securities financing transactions	199,660	-	-	-	-	-	199,660
Due from banks	92,792	29,494	6,945	42,354	109,866	13,984	295,435
Due from clients	2,404,450	1,039,315	8,166	46,084	162,705	107,149	3,767,868
Amounts due secured by mortgages	8,558,451	1,476,338	80,140	25,323	116,260	18,462	10,274,974
Positive replacement values of derivative financial instruments	88,520	37,570	-	-	-	-	126,090
Financial investments / debt securities	1,415,536	364,291	85,383	5,060	13,200	5,443	1,888,915
Other assets	158,405	689	-	-	-	-	159,094
Other positions [3]	3,923,967	583,948	-	-	-	-	4,507,915
Total for period under review[4]	**16,841,781**	**3,531,646**	**180,633**	**118,821**	**402,032**	**145,039**	**21,219,952**
Total previous period [4]	14,484,204	3,159,723	112,370	58,612	569,151	165,387	18,549,447
Off-balance sheet							
Contingent liabilities	186,866	88,761	1,021	21,781	144,391	55,368	498,188
Irrevocable commitments	336,462	155,346	-	-	1,218	-	493,026
Liabilities for margining and re-margining calls	62,538	-	-	-	-	-	62,538
Approved credit line	31	18,403	-	-	4,899	-	23,333
Other positions	1,306,510	159,421	785	3,580	8,806	1,295	1,480,397
Total for period under review [4]	**1,892,406**	**421,931**	**1,806**	**25,361**	**159,315**	**56,663**	**2,557,482**
Total previous period [4]	1,846,486	283,796	2,780	31,733	219,866	139,151	2,523,812

[1] : in CHF thousands

[2] : main categories as regards credit exposure

[3] : including Cash and Liabilities due from securities financing transactions

[4] : as per the "Capital adequacy reporting form in the context of Basel 3" report

Presentation of doubtful customer loans by geographic region

Credit exposures [1]	Doubtful client loans (gross amount)	Individual value adjustments
Switzerland	80,498	61,438
Europe	34,224	24,262
Nort America	3,830	1,550
Asia	12	12
Others	31,047	13,463
Total for period under review	**149,611**	**100,725**
Total previous period	142,980	104,254

[1] in CHF thousands

Presentation of most important characteristics of regulatory-capital instruments

	Instrument 1	Instrument 2
Issuer 1	BCGE	BCGE
Identification (e.g. ISIN)	13072087/ISIN CH0130720870	24569155 / ISIN CH0245691552
Law applicable to instrument	Switzerland/Geneva	Switzerland/Geneva
Regulatory treatment		
Consideration in the Basel III transitional period (CET1/AT1/T2)	T2	AT1
Consideration after the expiry of the Basel III transitional period (CET1 AT1/T2)	T2	AT1
Eligibility at stand-alone / group stand-alone and group levels	Stand-alone and group	Stand-alone and group
Equity shares / debt securities / hybrid instruments / other instruments	Debt	Hybrid instrument (subordinated loan, with conditional write-off)
Amounts eligible for regulatory capital (according to last report submitted to SNB)	160 million	110 million
Instrument's nominal value	CHF 200 million	CHF 110 million
Accounting items	Loans	Loans
Original date of issue	07/11/2011	04/07/2014
Unlimited or with expiry date	With an expiry date	Unlimited
Original date of maturity	07/11/2018	None
May be cancelled by issuer (with prior approval of regulatory authorities)	None	Yes
May be terminated anytime / under certain circumstances /repayment amount	Possible before expiry with prior agreement of the FINMA if a tax issue is involved	04.02.2020 Redemption amount: full outstanding amount of the issue, no partial redemption
Early redemption dates, if applicable	None	Annually at each interest maturity date on 04.02
Coupons/dividends		
Fixed / variable / initially fixed then converted to variable / initially variable then converted to fixed	Fixed	Fixed
Nominal coupon and reference indices, if any	3,13%	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
Existence of a payment stop for dividends (if dividends on the instrument are waived, dividends on the normal share will be omitted as well)	None	Yes
Payment of interest/dividends: entirely/partially discretionary/ mandatory	Payment of interest mandatory	Payment of interest entirely discretionary
Existence of a clause for increasing the interest rate (step up) or another redemption incentive	None	None
Non-cumulative or cumulative	None	Non-cumulative
Convertible or non-convertible	None	Non-convertible
If convertible, trigger for conversion (incl. PONV)	None	None
If convertible: in full in all cases /in full or partially/partially in all cases	None	None
If convertible, conversion rate	None	None
If convertible, conversion mandatory/optional	None	None
If convertible, type of instrument to be converted into	None	None
If convertible, issuer of instrument to be converted into	None	None
Depreciation characteristics	None	Yes
Trigger for depreciation	None	Exceeding the 5.125% threshold for CET1
In full/partially	None	In full or partially. To get back to the trigger threshold (5.125%)
Permanent/temporary	None	Permanent
In case of temporary depreciation, allocation mechanism	None	None
Hierarchy of debt in case of liquidation (always name the instrument with the ranking just above)	None	Subordination ranking below Tier 2 instruments, pari passu with other Tier 1 instruments and above CET1. (Tier 2)
Existence of characteristics which could jeopardise full recognition under the Basel III regime	None	None
If yes, which ones?	None	None

Risk-weighted positions on the basis of external ratings

The table below shows the credit exposures by type of risk weighting from the Basel III angle, indicating whether external agency ratings are taken into account or not. The amounts correspond to the credit exposure after application of credit conversion factors and having taken into account any individual value adjustments.

Risk-weighted positions on the basis of external ratings [1]	Rating	0%	25%	50%	75%	100%	150%
Governments and central banks	With rating [2]	584,779	378,115	70,000	-	-	
	Without rating	-	655,556	654,248	4,075	-	
Sub-total		584,779	1,033,671	724,248	4,075	4,245	
Public-sector entities	With rating	[redacted]	537,916	-	-	-	
	Without rating	[redacted]	-	-	-	-	
Sub-total		[redacted]	537,916	-	-	-	
Banks and securities dealers	With rating	[redacted]	665,280	295,360	-	61758	
	Without rating	[redacted]	426,727	434,021	53,256	-	
Sub-total		[redacted]	1,092,007	729,381	53,256	61,758	
Companies	With rating	[redacted]	109,479	73,519	1,330,897	766,242	-
	Without rating	[redacted]	31230	9,160	62,693	2,357,720	1563
Sub-total		[redacted]	140,709	82,680	1,393,590	3,123,963	1,563

[1] in CHF thousands

[2] Standard & Poors, Moody's, Fitch.

Leverage ratio

Comparison between balance sheet assets and overall exposure in relation to the leverage ratio	
Total assets as per the published financial statements	20,016,211
Adjustments relating to investments in banking, financial, insurance and commercial entities, which are consolidated for accounting purposes, but which are not included in the scope of regulatory consolidation (art.6 to 7 FINMA Circular 15/3) and the related adjustments to assets which are deducted from core capital (art.16 to 17 FINMA Circ 15/3)	-12,071
Adjustments relating to fiduciary assets, figuring in the balance sheet in accordance with accounting requirements, but not taken into account in the leverage ratio measurement (art.15 FINMA Circ 15/3)	0
Adjustments relating to derivatives (art.21 to 51 FINMA Circ 15/3)	-19,105
Adjustments relating to securities financing transactions (SFT) (art.52 to 73 FINMA Circ 15/3)	968
Adjustments relating to off-balance sheet operations (conversion of off-balance sheet exposures into credit equivalents) (art.74 to 76 FINMA Circ 15/3)	801,519
Other adjustments	
Overall exposure subject to the leverage ratio	**20,787,522**
Detailed presentation of the leverage ratio	
Total balance sheet exposures	**19,557,278**
Balance sheet operations (excluding derivatives and SFT, but including collateral) (art.14 to 15 FINMA Circ 15/3)	19,569,349
(Assets deducted from core capital taken into account) (art.7 and 16 to 17 FINMA Circ 15/3)	-12,071
Total exposures in derivatives	**228,097**
Positive replacement values relating to transactions in derivatives, including those concluded with CCPs (after taking into account margin payments and netting agreements as per art.22 to 23 and 34 to 35 FINMA Circ 15/3)	142,880
Add-ons relating to all derivatives (art.22 and 25 FINMA Circ 15/3)	85,217
Total exposures relating to securities financing transactions	**200,628**
Gross assets relating to securities financing transactions without a netting agreement (except in the case of novation with a QCCP, cf. art.57 FINMA Circ 15/3), after those that have been booked as sales have been reintegrated (art.69 FINMA Circ 15/3), and after the positions mentioned in art.58 FINMA Circ 15/3 have been deducted.	199,660
Exposures to SFT counterparties (art.63 to 68 FINMA Circ 15/3)	968
Total off-balance sheet exposures	**801,519**
Off-balance sheet exposures based on gross nominal values, meaning before the use of factor of conversion into credit equivalents	2,393,540
(Adjustments relating to the conversion into credit equivalents) (art.75 to 76 FINMA Circ 15/3)	-1,592,021
Core capital (Tier 1, art.5 FINMA Circ 15/3)	**1,405,432**
Overall exposure	**20,787,522**
Leverage ratio (art.3 to 4 FINMA Circ 15/3)	**6.76%**

[1] in CHF thousands

C. Risk of interest rate changes in the banking book

Strategy and procedures

The Board of Directors decides on the principles governing risk management and the Bank's risk-taking strategy as regards interest rate risks in the banking book. The framework for the management of risks related to interest rates in the banking book is therefore defined in the "Financial Policy" and described in more detail in the bank's "ALM and Liquidity Policy". The exposure to interest rate risks in the banking book is guided by limits which are validated and revised each year by the Board of Directors. The limits are expressed in the form of:

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

Structure and organisation

The Executive Board is responsible for organising and exercising rates risk management in the banking book. The Executive Board delegates rates risk management in the banking book to the ALM Committee (CALM). This committee, which meets monthly, is chaired by the CEO and comprises four other executives, including the CFO.

Within the Finance and Risk Control Division, risk control over interest rates in the banking book is performed by the Market Risk Section of the Risk Control Department which reports to the CFO. This section is responsible for:

- monthly production of the management report on the rates risk in the banking book and presentation of the interest rate risk profile to the CALM
- monthly production of the report on opportunity interest rates
- defining and maintaining the methodologies, models and management principles in relation to interest rate risk management in the banking book, complying with the "ALM and Liquidity Policy"

Risk assessment

In accordance with the principles set out in the FINMA circular 2008/6, interest rate risks are measured each month using both a static approach and a dynamic approach. The families of indicators used are:

- static indicators measuring the sensitivity of the present net value of the banking book:
    - current equity value
    - sensitivity of the value of the equity for parallel rate variations of +/-100 basis points rate duration
    - key rate duration
- dynamic indicators measuring the revenue effect linked to interest rate variations. They establish the sensitivity of the net interest margin based on 8 pre-defined simulation scenarios taking into account interest rate trends for the Swiss franc, the US dollar and the Euro, change scenarios involving outstanding loans, while complying with regulatory liquidity constraints and the level of equity required and customer behavioural scenarios.

The benchmark (or replication) portfolio method is the method adopted by the bank to determine the effective constraint of interest rates on the administered rates of outstanding loans. The bank calibrates the benchmark portfolios monthly and revises them annually by combining several market interest rates, so as to minimise margin variance between the rate applied to customers and the yield on the benchmark portfolio. The principal assumptions used to determine the risk of changing the interest rate on outstanding loans without deterministic interest rate constraints are:

- an assumption of stability regarding outstanding loans for the amounts due to customers in the form of savings
- an assumption of taking into account a liquid and volatile proportion for the demand liabilities of companies or financial institutions by incorporating a cautious proportion of short-term rate components in the ad hoc benchmark portfolios

Interest rate risks on trading activities represent market risks and are outside the scope of the interest rate risk in the banking book.

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. The SCALM-F is responsible for implementing and following up the CALM's decisions, monitoring market conditions on an ongoing basis and is involved, amongst other things, in the management of strategic hedging operations for the banking book. The most commonly used hedging products are interest rate swaps (IRS). The bank may use options in the context of hedging the risk of an interest change in the banking book. Options positions on the banking book generated by commercial activities are systematically backed by a direct hedge.

The table below shows the sensitivity (in CHF million) of the economic value of the parent company's equity for a parallel rise of 100 basis points in the interest rates' curve.

Breakdown of equity sensitivity by time intervals

In CHF million

	Less than 12 months	From 1 to 4 years	From 4 to 7 years	More than 7 years	Total
31/12/2015	8.3	34.2	-56.0	-133.8	-147.2
31/12/2014	3.9	26.9	-48.4	-95.4	-113.1

Given the bank's position as at 31.12.2015, only the impact of a rise in rates is shown.

D. Liquidity risk

Strategy and procedures
The Board of Directors decides on the principles governing liquidity risk management and determines the level of liquidity risk tolerance. Liquidity risk tolerance is expressed through internal alert limits and thresholds based mainly on on-and off-balance sheet structure indicators. The level of these limits is reviewed annually within the framework of the bank's "ALM and Liquidity Policy" revision.

Structure and organisation
The Executive Board is responsible for organising and operating liquidity risk management. The Executive Board delegates liquidity risk management to the ALM Committee (CALM). This committee, which meets monthly, is chaired by the CEO and comprises four other executives, including the CFO.

Within the Finance and Risk Control Division, control over liquidity risk is performed by the Market Risk Section of the Risk Control Department which reports to the CFO. This section is responsible for:

- monthly production of the management report on liquidity risk and presentation to the CALM
- defining and maintaining the methodologies, models and management principles in relation to liquidity risk management, within the framework defined in the “ALM and Liquidity Policy”
- daily communication of the parent company's Liquidity Coverage Ratio (LCR) to treasury department

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

- internal alert limits and thresholds based mainly on on-and off-balance sheet structure indicators
- maturity concentration ratios of long-term loans
- 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.

Liquidity Coverage Ratio *(LCR)*
The Liquidity Coverage Ratio (LCR) is one of the quantitative regulatory standards for liquidity risk management defined in the Basel III Agreement. It came into force on 1st January 2015 and the minimum requirement is 60% for 2015. This minimum requirement will be raised by 10% each year to reach 100% on 1st January 2019. The LCR ratio is an international standard which seeks to ensure that a bank has sufficient unencumbered outstanding High Quality Liquid Assets (HQLA), in the form of cash or other assets which can be converted into cash to cover its liquidity requirements in the case of a liquidity crisis lasting 30 calendar days.

LCR breakdown
In CHF million, BCGE group, average weighted amounts

	Q1 2015	*Q2 2015*	*Q3 2015*	*Q4 2015*
	Weighted amounts	Weighted amounts	Weighted amounts	Weighted amounts
Total amount of HQLA	**2,366**	**3,868**	**3,908**	**3,968**
Net amount of cash outflows	**2,793**	**3,122**	**3,284**	**3,574**
Liquidity Coverage Ratio (LCR) as a %	**85%**	**124%**	**119%**	**111%**

The BCGE group's LCR ratio level, covering all currencies, rose during the first quarter of 2015 (Q1 2015). This rise was mainly due to a marked increase in as a result of a rise in:

- amounts due to banks beyond 30 days
- client deposits

Over the last 3 quarters of 2015, the LCR ratio stabilised and on average exceeds 110%.

More than 75% of the high quality liquid assets (HQLA) are made up of assets deposited in clearance accounts with the Swiss National Bank (SNB). The rest mainly 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.

As regards the concentration of financing sources, the main source of the bank's refinancing is made of clients' atomic and diversified deposits. As at 31.12.2015, 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 caused by 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 covering all currencies, firstly because the HQLA are principally CHF-denominated and, secondly, because the BCGE group must ensure centralised financing for its French subsidiary (mainly in euros) and financing for the global commodity finance business (mainly in USD).

Detailed LCR table
In CHF million, BCGE group, average weighted amounts

		Q1 2015		Q2 2015	
		Non-weighted values	Weighted values	Non-weighted values	Weighted values
	High Quality Liquid Assets				
1	**Total high quality liquid assets (HQLA)**		**2,366**		**3,868**
	Cash outflows				
2	Retail deposits	9,085	824	9,285	839
3	■ of which stable deposits	2,613	131	2,695	135
4	■ of which less stable deposits	6,471	694	6,590	705
5	Financing of non-guaranteed commercial or large clients	3,856	2,613	4,139	2,740
6	■ of which operating deposits (all counterparties) and deposits of members of a financial network made with the central cashier	411	100	412	101
7	■ of which non-operating deposits (all counterparties)	3,444	2,512	3,727	2,640
8	■ of which non-guaranteed debt securities	1	1	0	0
9	Financing of guaranteed commercial or large clients and guarantee swaps		0		0
10	Other cash outflows	2,333	1,025	2,669	1,339
11	■ of which cash outflows associated with derivatives and other transactions	866	839	1,182	1,154
12	■ of which cash outflows associated with financing losses on asset-backed securities, covered bonds, other structured instruments, asset-backed money-market paper, ad hoc structures, investment vehicles on securities and other similar financing facilities	0	0	0	0
13	■ of which cash outflows associated with credit and liquidity facilities	1,467	186	1,487	184
14	Other contractual financing commitments	39	39	11	6
15	Other contingent financing commitments	815	39	877	42
16	**= Total cash outflows**		**4,540**		**4,967**
	Cash inflows				
17	Guaranteed financing operations (e.g. reverse repos)	62	0	155	0
18	Cash inflows from fully performing exposures	1,464	965	1,215	677
19	Other cash inflows	782	782	1,168	1,168
20	**= Total cash inflows**	**2,308**	**1,747**	**2,538**	**1,845**
	Reconciled values				
21	**Total HQLA**		**2,366**		**3,868**
22	**Net amount of cash outflows**		**2,793**		**3,122**
23	**Liquidity Coverage Ratio (LCR) as a %**		**85%**		**124%**

		Q3 2015		Q4 2015	
		Non-weighted values	Weighted values	Non-weighted values	Weighted values
	High Quality Liquid Assets				
1	**Total high quality liquid assets (HQLA)**		**3908**		**3,968**
	Cash outflows				
2	Retail deposits	9,315	844	9,232	838
3	■ of which stable deposits	2,732	137	2,744	137
4	■ of which less stable deposits	6,583	707	6,488	700
5	Financing of non-guaranteed commercial or large clients	4,423	2,784	4,973	3,210
6	■ of which operating deposits (all counterparties) and deposits of members of a financial network made with the central cashier	476	117	495	121
7	■ of which non-operating deposits (all counterparties)	3,946	2,667	4,476	3,087
8	■ of which non-guaranteed debt securities	0	0	2	2
9	Financing of guaranteed commercial or large clients and guarantee swaps		0		0
10	Other cash outflows	2,744	1,399	2,639	1,496
11	■ of which cash outflows associated with derivatives and other transactions	1,240	1,212	1,353	1,325
12	■ of which cash outflows associated with financing losses on asset-backed securities, covered bonds, other structured instruments, asset-backed money-market paper, ad hoc structures, investment vehicles on securities and other similar financing facilities	0	0	0	0
13	■ of which cash outflows associated with credit and liquidity facilities	1,504	187	1,286	171
14	Other contractual financing commitments	11	11	27	3
15	Other contingent financing commitments	740	36	931	32
16	**= Total cash outflows**		**5,073**		**5,578**
	Cash inflows				
17	Guaranteed finacing operations (e.g. reverse repos)	148	0	120	0
18	Cash inflows from fully performing exposures	1,095	637	1,197	710
19	Other cash inflows	1,153	1,153	1,293	1,293
20	**= Total cash inflows**	**2,395**	**1,790**	**2,610**	**2,003**
	Reconciled values				
21	**Total HQLA**		**3,908**		**3,968**
22	**Net amount of cash outflows**		**3,284**		**3,574**
23	**Liquidity Coverage Ratio (LCR) as a %**		**119%**		**111%**