Capital disclosure requirements

Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 31.12.2017

A. Eligible capital and minimum capital requirements

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, the non-counterparty risk, and the operational risk.

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. It is identical to that for 2016.

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	3,435,533
Amounts receivable from banks	766,360
Amounts due from securities financing transactions	580,000
Amounts due from clients	4,706,766
Amounts due secured by mortgages	10,985,361
Trading portfolio assets	55,549
Positive replacement values of derivative financial instruments	15,130
Other financial instruments measured at fair value	-
Financial investments	1,749,983
Accruals and deferrals	29,919
Investments in participations	61,589
Tangible fixed assets	129,651
Other assets	155,474
Total assets	22,671,315
Borrowed capital	
Amounts due to banks	2,541,918
Liabilities arising from securities financing transactions	482,846
Liabilities arising from client deposits	14,548,789
Liabilities arising from trading operations	1,045
Negative replacement values of derivative financial instruments	3,962
Medium-term notes	4,043
Bonds and loans issued by central mortgage and loans	3,432,055
Accruals and deferrals	84,289
Other liabilities *	111,517
Provisions	13,708
Total borrowed capital	21,224,172
of which subordinated liabilities eligible as Tier 2 capital	116,073
of which subordinated liabilities eligible as Additional Tier 1 capital (AT1)	198,390
Equity	
Reserves for general banking risks	180,000
Share capital	360,000
of which eligible as CET1	-
Legal reserves / optional reserves/profits (losses) brought forward and for the period	917,526
(Treasury shares)	-10,383
Sub-total of shareholders' equity	1,447,143
Total eligible regulatory capital (including AT1 and Tier2)	1,761,605

*: includes future anticipated dividends

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

Shareholdings not consolidated either by the full consolidation method nor the proportionate consolidation method	Type of processing
Mortgage Bond Centre	Weighting
SWIFT	Weighting
Aduno Hldg	Weighting
SIX group	Weighting
ACT Visa Inc	Weighting

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, including reserves for general banking risks / profits (losses) brought forward and for the period	795,105
3	Capital reserves and reserves for foreign currencies (+/-)	302,421
6	= Core Equity Tier 1, prior to adjustments	1,457,526
16	Net long positions in own CET 1 instruments	-10,383
28	= Sum of CET1 adjustments	-10,383
29	= Net core Tier 1 capital	1,447,143
Additional core Tier 1 capital (AT1)		
30	Issued and paid-in instruments, eligible in full	198,390
44	= Additional net core capital (net AT1)	198,390
45	= Core capital (net Tier 1)	1,645,533
Additional Tier 2 capital (T2)		
46	Issued and paid-in instruments, eligible in full	109,810
50	Value adjustments, provisions and write-offs due to prudence; statutory reserves for financial investments	6,263
51	= T2 capital prior to adjustments	116,073
58	= Net T2 capital	116,073
59	= Total regulatory capital (net T1 & T2)	1,761,606
60	Sum of risk-weighted positions	11,723,775
Regulatory-capital ratios		
61	CET1 ratio (line no.29 as of risk-weighted positions)	12.34%
62	T1 ratio (line no.45 as % of risk-weighted positions)	14.04%
63	Ratio regarding the regulatory capital (line no.59 as % of risk-weighted positions)	15.03%
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)	6.29%
65	Of which capital buffers according to CAO (as % of the risk-weighted positions)	1.250%
66	Of which countercyclical buffer (as % of the risk-weighted positions)	0.54%
68	Available CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements covered by CET1 (as % of risk-weighted positions)	11.53%
68a	Capital target ratios for CET1 as per the FINMA circ. 2011/12 plus the countercyclical buffer (as % of risk-weighted positions)	8.34%
68b	Available CET1 (as % of risk-weighted positions)	10.83%
68c	"Capital target ratios for T1 as per the FINMA circ. 2011/2 plus the countercyclical buffer (as % of risk-weighted positions)"	10.14%
68d	Available T1 (as % of risk-weighted positions)	12.63%
68e	Regulatory capital target ratios as per the FINMA circ. FINMA 2011/12 plus the countercyclical buffer (as % of risk-weighted positions)	12.54%
68f	Available regulatory capital (as % of risk-weighted positions)	15.03%

The countercyclical buffer stands at 0.54%. This corresponds to the two per cent ratio of the risk-weighted, direct or indirect mortgage-backed positions secured by residential property in Switzerland.

	Regulatory threshold ratios	Bank ratios
CET1	8.3%	12.34%
T1	10.1%	14.04%
Total capital	12.5%	15.03%

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		**834,263**
■ of w hich foreign exchange risk for equity shares in the banking book		of which	44,445
Risks not connected with counterparties	Standard		**53,949**
Market risk	Standard		**441**
■ of which interest-rate instruments (general and specific market risk)		of which	152
■ of which equity shares		of which	117
■ of which foreign currencies and precious metals		of which	14
■ of which commodities		of which	30
Operational risk	Standard		**49,249**
Total			**937,902**

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	Companies	Retail clients	Equity investments and shares in collective capital investments	Others	Total
Balance sheet/receivables								
Amounts due from securities financing transactions	-	330,000	-	250,000	-	-	-	580,000
Amounts receivable from banks	-	742,339	-	21,361	-	-	-	763,700
Amounts due from clients	991,287	22,211	-	3,445,667	235,996	-	1	4,695,163
Amounts due secured by mortgages	1,129,777	4,680	-	4,500,088	5,666,294	-	-	11,300,839
Positive replacement values of derivative financial instruments	-	29,444	-	-	-	-	-	29,444
Financial investments/debt securities	713,450	172,527	2,942	777,468	-	92,580	-	1,758,966
Other assets	-	116,337	-	-	-	-	2,584	118,921
Other positions [3]	4,446	4,010,309	-	69,751	987	39,214	15,874	4,140,581
Total for period under review [4]	**2,838,960**	**5,427,846**	**2,942**	**9,064,336**	**5,903,277**	**131,793**	**18,459**	**23,387,614**
Total previous period [4]	**3,195,943**	**5,870,685**	**559,611**	**7,383,001**	**5,819,635**	**9,450**	**29,730**	**22,868,056**
Off-balance sheet								
Contingent liabilities	1,636	119,808	-	629,263	13,776	-	-	764,482
Irrevocable commitments	-	64,836	-	554,965	32,918	-	63,665	716,384
Liabilities for margining and re-margining calls	-	-	-	-	-	131,018	-	131,018
Approved credit line	-	14,472	-	86,355	-	-	-	100,827
Other positions	535,452	96,492	-	1,556,434	161,270	-	12	2,349,660
Total for period under review [4]	**537,088**	**295,608**	**-**	**2,827,017**	**207,964**	**131,018**	**63,678**	**4,062,372**
Total previous period [4]	510,860	396,942	-	1,950,653	157,266	-	38,336	3,054,056

[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	-	-	2,846,138	2,846,138
Banks and securities dealers	742,589	10,661	4,757,270	5,510,519
Other institutions	-	-	2,942	2,942
Companies	547,258	655,143	8,278,296	9,480,696
Private clients and small businesses	95,204	89,516	5,722,227	5,906,947
Other positions	-	-	440,687	440,687
Derivatives	-	354	95,006	95,360
Total for period under review [4]	**1,385,050**	**755,674**	**22,142,565**	**24,283,288**
Total previous period [4]	1,459,847	591,910	21,580,425	23,632,182

[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	488,914	739,447	786,332	826,998	-	4,446	-	-	-	2,846,138
Banks and securities dealers	3,583,374	1,224,682	-	606,772	48,127	47,565	-	-	-	5,510,519
Other institutions	-	2,942	-	-	-	-	-	-	-	2,942
Companies	8,007	776,115	2,537,031	150,535	1,579,419	4,392,427	-	18,251	18,911	9,480,696
Private clients and small businesses	1,219	-	5,130,030	13,897	685,833	72,243	-	3,725	-	5,906,947
Other positions	10,861	-	-	-	-	308,894	34,821	-	86,112	440,687
Derivatives	-	72,524	-	8,888	797	13,150	-	-	-	95,360
Total for period under review [3]	**4,092,374**	**2,815,710**	**8,453,393**	**1,607,090**	**2,314,176**	**4,838,726**	**34,821**	**21,976**	**105,023**	**24,283,288**
Total previous period [3]	4,246,337	3,206,992	7,913,950	1,676,019	2,277,409	4,186,148	18,067	9,295	97,965	23,632,182

[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 application of risk mitigation measures.

Credit exposure (at closing) [1, 2]	Switzerland	Europe	North America	South America	Asia/Oceania	Others	Total
Balance sheet/receivables							
Amounts due from securities financing transactions	580,000	-	-	-	-	-	580,000
Amounts receivable from banks	329,376	191,948	37,768	9,719	171,293	23,596	763,700
Amounts due from clients	2,621,640	1,534,076	60,218	25,958	284,878	168,393	4,695,163
Amounts due secured by mortgages	9,341,986	1,694,066	82,208	28,639	132,697	21,242	11,300,839
Positive replacement values of derivative financial instruments	17,850	11,594	-	-	-	-	29,444
Financial investments/debt securities	1,315,370	347,598	82,483	-	13,516	-	1,758,966
Other assets	117,870	1,051	-	-	-	-	118,921
Other positions [3]	3,862,888	277,693	-	-	-	-	4,140,581
Total for period under review [4]	**18,186,980**	**4,058,027**	**262,677**	**64,315**	**602,384**	**213,231**	**23,387,614**
Total previous period [4]	17,792,459	4,009,236	196,248	80,251	593,632	196,230	22,868,056
Off-balance sheet							
Contingent liabilities	260,673	146,675	40,208	42,675	247,644	26,607	764,482
Irrevocable commitments	509,399	183,737	20,465	-	719	2,064	716,384
Liabilities for margining and re-margining calls	131,018	-	-	-	-	-	131,018
Approved credit line	60,872	13,247	-	-	24,445	2,263	100,827
Other positions	2,143,929	165,882	1,706	5,216	30,003	2,924	2,349,660
Total for period under review [4]	**3,105,891**	**509,541**	**62,379**	**47,891**	**302,811**	**33,859**	**4,062,372**
Total previous period [4]	2,194,147	342,900	26,218	45,679	389,317	55,796	3,054,056

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

Presentation of doubtful customer loans by geographic region

Credit exposures [1]	Doubtful client loans (gross amount)	Individual value adjustments
Switzerland	62,475	54,486
Europe	34,948	25,973
North America	13	2
South America	2,385	1,670
Asia	8,057	5,984
Others	30,437	11,632
Total for period under review	**138,314**	**99,747**
Total previous period	**124,815**	**84,560**

[1] In CHF thousands

Presentation of the main characteristics of regulatory-capital instruments

		Instrument 1	Instrument 2
1	Issuer 1	BCGE	BCGE
2	Identification (e.g. ISIN)	13072087 / ISIN CH0130720870	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)	T2	AT1
5	Consideration after the expiry of the Basel III transitional period (CET1 AT1/T2)	T2	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	Debt	Hybrid instrument (subordinated loan, with conditional write-off)
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	0	108.4 million
9	Instrument's nominal value	CHF 200 million	CHF 110 million
10	Accounting items	Loans	Loans
11	Original date of issue	07/11/2011	04/07/2014
12	Unlimited or with expiry date	With an expiry date	Unlimited
13	Original date of maturity	07/11/2018	None
14	May be cancelled by issuer (with prior approval of regulatory authorities)	None	Yes
15	May be terminated any time / 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
16	Early redemption dates, if applicable	None	Annually at each interest maturity date on 04.02
	Coupons/dividends		
17	Fixed / variable / initially fixed then converted to variable / initially variable then converted to fixed	Fixed	Fixed
18	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
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)	None	Yes
20	Payment of interest/dividends: entirely/partially discretionary/ mandatory	Payment of interest mandatory	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	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	None	Yes
31	Trigger for depreciation	None	Exceeding the 5.125% threshold for CET1
32	In full/partially	None	In full or partially. To get back to the trigger threshold (5.125%)
33	Permanent/temporary	None	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)	None	Subordination ranking below Tier 2 instruments, pari passu with other Tier 1 instruments and above CET1. (Tier 2)
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)	36869771 / CH0368697717	36701398 / ISIN CH0367013981
3	Law applicable to instrument	Switzerland/Geneva	Switzerland/Geneva
	Regulatory treatment		
4	Consideration in the Basel III transitional period (CET1/AT1/T2)	T2	AT1
5	Consideration after the expiry of the Basel III transitional period (CET1 AT1/T2)	T2	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	Debt	Debt
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	109.8 million	90 million
9	Instrument's nominal value	CHF 110 million	CHF 90 million
10	Accounting items	Loans	Loans
11	Original date of issue	28/06/2017	28/06/2017
12	Unlimited or with expiry date	With an expiry date	Unlimited
13	Original date of maturity	28/06/2027	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	Conditional redemption possible before expiry with 30 days notice. Redemption amount: full outstanding amount of the issue, no partial redemption	Optional early redemption possible; no partial redemption Conditional early redemption possible Redemption amount: full outstanding amount of the issue, no partial redemption
16	Early redemption dates, if applicable	None	All interest maturity dates after the First Call Date (08.02.2023)
	Coupons/dividends		
17	Fixed / variable / initially fixed then converted to variable / initially variable then converted to fixed	Fixed	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
18	Nominal coupon and reference indices, if any	1.125%	2.00%
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 mandatory	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	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	Viability event	Exceeding the 5.125% threshold for CET1
32	In full/partially	None	In full or partially. To get back to the trigger threshold (5.125%)
33	Permanent/temporary	None	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)	None	Subordination ranking below Tier 2 instruments, pari passu with other Tier 1 instruments and above CET1. (Tier 2)
36	Existence of characteristics which could jeopardise full recognition under the Basel III regime	None	None
37	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]	488,914	134,114	150,537	-	-	-
	Without rating	-	605,333	676,461	-	4,446	-
Sub-total		488,914	739,447	826,998	-	4,446	-
Public-sector entities	With rating	[redacted]	2,942	-	-	-	-
	Without rating	[redacted]	-	-	-	-	-
Sub-total		[redacted]	2,942	-	-	-	-
Banks and securities dealers	With rating	[redacted]	630,304	527,286	-	47,565	-
	Without rating	[redacted]	666,873	88,115	48,127	-	-
Sub-total		[redacted]	1,297,177	615,401	48,127	47,565	-
Companies	With rating	[redacted]	731079	76,953	1400,807	849,668	-
	Without rating	[redacted]	45,065	73,841	178,612	3,555,897	18,251
Sub-total		[redacted]	776,144	150,794	1,579,419	4,405,565	18,251

[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 [1]	
Total assets as per the published financial statements	22,671,315
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 (margin nos. 6 to 7 FINMA Circ. 15/3) and the related adjustments to assets which are deducted from core capital (margin nos. 16 to 17 FINMA Circ. 15/3)	-10,383
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 (margin no. 15 FINMA Circ. 15/3)	0
Adjustments relating to derivatives (margin no. 21 to 51 FINMA Circ. 15/3)	45,115
Adjustments relating to securities financing transactions (SFT) (margin nos. 52 to 73 FINMA Circ.15/3)	2,166
Adjustments relating to off-balance sheet operations (conversion of off-balance sheet exposures into credit equivalents) (margin no. 74 to 76 FINMA Circ. 15/3)	1,107,541
Other adjustments	
Overall exposure subject to the leverage ratio	**23,815,753**

Detailed presentation of the leverage ratio	
Total balance sheet exposures	**22,003,662**
Balance sheet operations (excluding derivatives and SFT, but including collateral) (margin nos. 14 to 15 FINMA Circ. 15/3)	22,014,045
(Assets deducted from core capital taken into account) (margin nos. 7 and 16 to 17 FINMA Circ. 15/3)	-10,383
Total exposures in derivatives	**122,385**
Positive replacement values relating to transactions in derivatives, including those concluded with CCPs (after taking into account margin payments and netting agreements as per margin nos. 22 to 23 and 34 to 35 FINMA Circ. 15/3)	38,579
Add-ons relating to all derivatives (margin nos. 22 and 25 FINMA Circ. 15/3)	83,806
Total exposures relating to securities financing transactions	**582,166**
Gross assets relating to securities financing transactions without a netting agreement (except in the case of novation with a QCCP, cf. margin no. 57 FINMA Circ. 15/3), after those that have been booked as sales have been reintegrated (margin no. 69 FINMA Circ. 15/3), and after the positions mentioned in margin no. 58 FINMA Circ. 15/3 have been deducted.	580,000
Exposures to SFT counterparties (margin nos. 63 to 68 FINMA Circ. 15/3)	2,166
Total off-balance sheet exposures	**1,107,541**
Off-balance sheet exposures based on gross nominal values, meaning before the use of factor of conversion into credit equivalents	3,840,306
(Adjustments relating to the conversion into credit equivalents) (margin nos. 75 to 76 FINMA Circ. 15/3)	-2,732,766
Core capital (Tier 1, margin no. 5 FINMA Circ. 15/3)	**1,645,533**
Overall exposure	**23,815,753**
Leverage ratio (margin nos. 3 to 4 FINMA Circ. 15/3)	**6.91%**

[1] In CHF thousands

C. Interest-rate risk on the banking book

Strategy and processes

The Board of Directors establishes the Bank's principles for managing risk and decides on the risk strategy it will pursue, which includes the target profile for interest-rate risk on the banking book (IRRBB). 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. The process for defining the IRRBB target profile 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 implementing IRRBB management. The Executive Board delegates management of this type of risk to its Asset and Liability Management Committee (CALM). This committee, which meets monthly, is chaired by the CEO and comprises four other Executive Board members, including the CFO.

Within the Finance and Risk Control Division, IRRBB management is centralised by the Market Risk Section of the Risk Control Department, which reports directly to the CFO. This section is responsible for:

- Producing monthly reports on IRRBB management and presenting them to the CALM
- Producing monthly reports on opportunity interest rates
- Defining and maintaining the models and management principles used to manage IRRBB, in compliance with the ALM and Liquidity Policy.

Risk assessment

In accordance with the principles set out in 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, which measure the sensitivity of the net current value of the banking book, including:
    - The current value of equity capital
    - The sensitivity of the economic value of equity capital to an interest-rate change of 100bp
    - Key rate durations
- Dynamic indicators, which measure the sensitivity of the net interest margin to different interest-rate scenarios. These indicators simulate the net interest margin based on eight pre-defined simulation scenarios. These take into account interest rate trends for the Swiss franc, the US dollar and the euro, or involve changes in the level of outstanding loans, regulatory liquidity constraints, the level of equity required and customer behaviour.

The benchmark (or replication) portfolio method is the method adopted by the Bank for determining the effective constraint of interest rates on the administered rates of outstanding loans. The Bank calibrates the benchmark portfolios monthly and revises them periodically 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 main assumptions used to compute the interest rate risk of non-maturing deposits are the following:

- Savings due to customers 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 rate components from the relevant replicating portfolio.

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. 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 banking book. The most commonly used hedging instruments 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
31/12/2017	14.0	14.5	-26.0	-106.6	-104.0
31/12/2016	6.1	36.2	-66.3	-116.3	-140.3

Given the Bank's position as at 31.12.2017, only the impact of a rise in rates is shown.

The table below shows the sensitivity (in CHF million) of the parent company's net interest margin for a parallel rise of 100 basis points in the interest rates curve over a one-year time horizon.

Sensitivity of the net interest margin over a one-year time horizon
In CHF million

	Net interest margin sensitivity (+100 bp)
31/12/2017	16.5
31/12/2016	5.9

D. Liquidity risk

Strategy and procedures

The Board of Directors sets out the principles for managing liquidity risk and the target liquidity risk profile. Liquidity risk profile is expressed in the form of internal limits and thresholds based mainly on on-and off-balance sheet structure indicators. These limits are reviewed annually within the framework of the Bank's "ALM and Liquidity Policy" review.

Structure and organisation

The Executive Board delegates responsibility for managing liquidity risk to the ALM Committee (CALM), which does so in accordance with the principles set out by the Board of Directors. The committee, which meets monthly, is chaired by the CEO and comprises four other Executive Board members, including the CFO.

Within the Finance and Risk Control Division, the Market Risk Section of the Risk Control Department, which reports to the CFO, is responsible for the centralised and operational management of liquidity risk. 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).

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:

- 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 an international regulatory standard for liquidity risk management set out in the Basel III Accord. It became mandatory on 1 January 2015. The minimum requirement for 2017 is 80%. 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 to withstand a 30-calendar-day liquidity crisis.

LCR breakdown

In CHF million, BCGE Group, average weighted amounts

	Q1 2017	*Q2 2017*	*Q3 2017*	*Q4 2017*
	Weighted values	Weighted values	Weighted values	Weighted values
Total high-quality liquid assets (HQLA)	**3,663**	**4,099**	**4,182**	**4,479**
Cash outflows	**2,911**	**2,733**	**2,879**	**2,864**
Liquidity Coverage Ratio (LCR) (%)	**126%**	**150%**	**145%**	**156%**

The BCGE Group's all-currency liquidity coverage ratio remained stable overall and moves around an average of 144%. 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.

As regards the concentration of financing sources, the main source of the Bank's refinancing is the individual and diversified deposits of clients. As at 31.12.2017, 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 nearly 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 for all currencies combined, 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).

Information regarding the short-term liquidity coverage ratio (LCR)

Detailed presentation of the liquidity coverage ratio (LCR) (FINMA Circ. 2008/22, margin note 46)

In CHF millions, BCGE Group

		Q1 2017		Q2 2017		Q3 2017		Q4 2017	
		Non-weighted values	Weighted values	Non-weighted values	Weighted values	Non-weighted values	Weighted values	Non-weighted values	Weighted values
	Actifs liquides de haute qualité (HQLA)								
1	**Total high-quality liquid assets (HQLA)**		**3,663**		**4,099**		**4,182**		**4,479**
	Cash outflows								
2	Retail deposit base	9,589	694	9,766	711	9,914	726	9,990	731
3	▪ of which stable deposits	2,650	133	2,719	136	2,742	137	2,754	138
4	▪ of which less stable deposits	6,939	562	7,047	575	7,172	589	7,236	593
5	Unsecured business-client or wholesale funding	5,103	3,046	4,700	2,676	4,807	2,747	4,983	2,861
6	▪ of which operational deposits (all counterparties) and deposits with the central institution of a cooperative bank network	850	208	849	207	837	204	846	207
7	▪ of which non-operational deposits (all counterparties)	4,193	2,778	3,799	2,417	3,954	2,527	4,133	2,651
8	▪ of which unsecured debt securities	60	60	52	52	16	16	4	4
9	Secured business-client or wholesale funding and collateral swaps		-		-		-		-
10	Other cash outflows	2,474	1,666	2,450	1,387	2,137	1,411	2,166	1,477
11	▪ of which cash outflows related to derivative exposures and other transactions	1,534	1,508	1,200	1,173	1,287	1,260	1,359	1,333
12	▪ of which cash outflows related to loss of funding on asset-backed securities, covered bonds, other structured finance, asset-backed commercial paper, conduits, securities investment vehicles and other such financing facilities	-	-	-	-	-	-	-	-
13	▪ of which cash outflows from committed credit and liquidity facilities	939	159	1,251	213	850	151	807	143
14	Other contractual funding obligations	273	93	153	64	128	37	222	68
15	Other contingent funding obligations	2,108	49	2,274	45	2,902	49	3,050	50
16	**= Total cash outflows**		**5,548**		**4,884**		**4,970**		**5,187**
	Cash inflows								
17	Secured funding transactions (e.g. reverse repo transactions)	136	-	209	-	256	-	524	-
18	Inflows from fully performing exposures	1,952	1,198	1,657	982	1,510	908	1,744	1,092
19	Other cash inflows	1,439	1,439	1,169	1,169	1,183	1,183	1,231	1,231
20	**Total cash inflows**	**3,527**	**2,637**	**3,034**	**2,151**	**2,949**	**2,091**	**3,499**	**2,323**
	Adjusted value								
21	**Total HQLA**		**3,663**		**4,099**		**4,182**		**4,479**
22	**Total net cash outflows**		**2,911**		**2,733**		**2,879**		**2,864**
23	**Liquidity Coverage Ratio (LCR) (%)**		**126%**		**150%**		**145%**		**156%**