



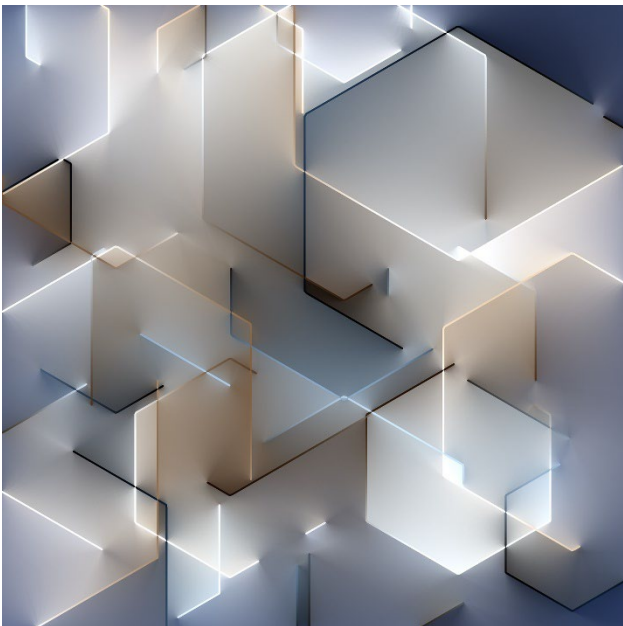
CBH

Compagnie
Bancaire
Helvétique

BASEL III PILLAR 3

DISCLOSURES – 31.12.2022

CREATIVITY WITHIN EXCELLENCE



Hexagon Light Study - ZACH LIEBERMAN
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Introduction

The aim of this document is to provide investors, analysts, rating agencies and regulatory bodies with in-depth information on the risk management of the CBH Compagnie Bancaire Helvétique SA Group (hereinafter “CBH”).

It provides information in particular on the adequacy of the Bank’s capital, the risk assessment methods and the level of risks incurred. This document has been drawn up in accordance with the publication requirements of Pillar 3 of the Basel III Framework and of the Swiss Financial Market Supervisory Authority (FINMA) Circular 2016/1 “Publication – banks”.

The CBH Group has limited the information provided in the report to the quantitative and qualitative information considered relevant.

Consolidation scope

The consolidated financial statements of the CBH Group include the financial statements of the companies controlled directly or indirectly by the Group and those over which the Group exerts significant influence. These companies are fully consolidated.

The companies forming part of the scope of consolidation are described in CBH Group’s Annual Report.

The companies taken into account in calculating capital requirements are the same as those forming part of the scope for establishing the consolidated financial statements.

There are no restrictions that might prevent transfers of money or capital within the Group.

Publication requirements related to equity and liquidity

Key metrics (KM1)

(in 1'000 CHF)	31.12.2022	31.12.2021
Available capital		
Common Equity Tier 1 (CET1)	277 725	224 043
Tier 1	277 725	236 692
Total capital	277 725	236 692
Risk-weighted assets		
Total risk-weighted assets (RWA)	804 269	867 151
Minimum capital requirement	64 342	69 372
Risk-based capital ratios as a percentage of RWA		
Common Equity Tier 1 ratio (%)	34,53%	25,84%
Tier 1 ratio (%)	34,53%	27,30%
Total capital ratio (%)	34,53%	27,30%
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirements (2.5% from 2019)	2,50%	2,50%
Total of Group CET1 specific buffer requirements	2,50%	2,50%
CET1 available after meeting the Group's minimum capital requirements	26,53%	19,30%
Target capital ratios according to annex 8 of the CAO as a percentage of RWA		
Capital buffer accordance with annex 8 CAO	3,20%	3,20%
Countercyclical capital buffer (art. 44 and 44a CAO)	0,02%	0,04%
Target ratio in CET1 (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	7,42%	7,40%
Target ratio in T1 (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	9,02%	9,00%
Overall target capital ratio (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	11,22%	11,20%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure	3 978 764	3 462 213
Basel III leverage ratio (%)	6,98%	6,84%
Liquidity Coverage Ratio		
Total HQLA	1 411 619	1 107 405
Total net cash outflow	403 915	218 750
LCR ratio (%)	349,41%	506,24%

Publication requirements related to equity and liquidity

Overview of risk weighted assets (OV1)

(in 1'000 CHF)		31.12.2022	31.12.2021	31.12.2022
	Methodology	RWA	RWA	Minimum Capital Requirement
Credit risk	Standard	591 209	620 918	47 297
Market risk	Standard	17 540	20 708	1 403
of which currencies and gold				207
of which commodities (precious metal)				1 196
Operational risk	Basic indicator	194 162	182 920	15 533
Amounts below treshold for deductions (with 250% to be risk weighted positions)	–	1 358	42 604	109
Total		804 269	867 150	64 342

CBH's risk profile derives mainly from credit and counterparty risk (74% of total weighted assets) and operational risks (basic indicator approach) contribute for 24% of total weighted assets.

Total minimum regulatory capital funds required amount to CHF 64 million, compared with eligible capital of CHF 277.7 million.

Liquidity risk

Strategy and procedures

The principles of liquidity risk management are defined by the Board of Directors. The risk profile is expressed by various indicators, including the short-term liquidity ratio (LCR). The target risk profile is reviewed annually by General Management and validated by the Board of Directors.

Structure and organisation

General Management delegates to the Treasury Committee the responsibility for managing liquidity risk in accordance with the principles defined by the Board of Directors. The evolution of the liquidity risk is monitored on a monthly basis by this Committee and presented every quarter to General Management and the Audit Committee.

Treasury is in charge of the operational management of liquidity risk and decides on ALM transactions such as interbank placements or the acquisition of non-current financial assets.

Risk assessment

Liquidity risk indicators are calculated and presented in accordance with the following two approaches:

- The static approach, consisting in calculating the risk indicators at any given date. It allows the immediate level of risk to be assessed and the evolution to be followed from a historical point of view;
- The dynamic approach, based on the simulation of how balance sheet items would evolve over the next three years under three scenarios reflecting possible trends in commercial activity and thus allowing us to anticipate the evolution of the level of risk.

The risk indicators are rounded out with the performance of stress tests quantifying the impact of various crisis scenarios on the liquidity position at any given time horizon. Analysis of the results of these stress tests serves as the starting point for the calibration of the target risk profile.

Structure and refinancing

Cash management is entrusted to the Treasury department. In this context, customer assets not invested are placed prudently, complying with such constraints as have been clearly expressed.

Emergency plan

The Group has defined an emergency plan providing for the implementation of strategies in the event of a liquidity crunch. The emergency plan is based on the following elements:

- a system of detection allowing the level of risk to be assessed in reference to specific and systemic risk indicators;
- escalation rules specifying the levels of hierarchy to be alerted depending on how the situation evolves;
- an action plan and the responsibilities for managing a liquidity crisis.

The emergency plan is reviewed annually.

Short-term liquidity ratio (LCR)

The LCR is an international regulatory liquidity standard defined by the Basel Committee and transposed into Swiss law by the Order on Bank Liquidity ("OLiQ") which came into force on 1 January 2015. The LCR ensures that a bank has sufficient liquidity to face a liquidity stress over a period of 30 days. The LCR is calculated as the ratio of available high-quality liquid assets (HQLA) to potential net outflows of liquidity at a 30-day horizon. Potential net outflows of liquidity result from the difference between outflows of liquidity (e.g. from withdrawals of sight deposits, non-renewal of borrowings with maturities shorter than 30 days) and inflows of liquidity such as from reimbursement of loans and receivables with maturities at less than 30 days, in a situation of stress. The LCR is set at 100% since 2019.

The level of LCR in CHF is structurally higher than that of the LCR for all currencies, since most of the HQLA are denominated in CHF (cash deposited with the SNB). Symmetrically, the level of LCR in EUR and USD is lower than that of the LCR for all currencies.

Publication requirements related to credit risk

Credit risk : Credit quality of assets (CR1)

(in 1'000 CHF)	31.12.2022			
	Gross carrying values of		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans (excluding debt securities)	648	2 342 175	648	2 342 175
Debt securities	–	1 416 172	–	1 416 172
Off-balance sheet exposures	–	26 310	–	26 310
Total 31.12.2022	648	3 784 657	648	3 784 657
Total 31.12.2021	873	3 104 548	873	3 104 548

Credit risk: Changes in stock of defaulted loans and debt securities (CR2)

(in 1'000 CHF)	31.12.2022
Defaulted loans and debt securities at 31.12.2021	873
Loans and debt securities that have defaulted since the last reporting period	267
Returned to non-defaulted status	-20
Amounts written off	-472
Other changes (+/-)	–
Defaulted loans and debt securities at 31.12.2022	648

In the year under review, the Group did not record any significant changes in stock of defaulted loans and debt securities.

Publication requirements related to credit risk

Credit risk: additional information of credit quality of the assets (CRB)

(in 1'000 CHF)

Exposure by region

	Switzerland	Europe	Rest of the world	Total
Loans	558 299	1 104 455	680 069	2 342 823
<i>Of which: due from banks</i>	285 519	228 227	39 078	552 824
<i>due from customers</i>	213 648	607 789	619 082	1 440 519
<i>mortgages</i>	59 132	268 439	21 909	349 480
Debt securities	–	484 295	931 878	1 416 172
Total	558 299	1 588 750	1 611 947	3 758 995
<i>Of which: Impaired loans past due</i>	140	–	508	648
<i>Value adjustments of impaired positions</i>	140	–	508	648

Exposure by activity sectors

	Central governments and Central banks	Institutions	Banks and Stockbrokers	Corporates	Retail	Other exposures	Total
Loans	66 562	28 055	756 761	895 052	566 308	30 085	2 342 823
<i>Of which: due from banks</i>	–	25 325	527 499	–	–	–	552 824
<i>due from customers</i>	22 026	2 576	226 335	823 798	338 639	27 145	1 440 519
<i>mortgages</i>	44 536	154	2 927	71 254	227 669	2 940	349 480
Debt securities	1 203 105	134 035	59 125	19 907	–	–	1 416 172
Total	1 269 667	162 090	815 886	914 959	566 308	30 085	3 758 995
<i>Of which: Impaired loans past due</i>	–	–	–	33	615	–	648
<i>Value adjustments of impaired positions</i>	–	–	–	33	615	–	648

Exposure by duration

	At sight	Cancellable	Due			Total
			Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	
Loans	253 260	647 631	1 138 971	302 961	–	2 342 823
<i>Of which: due from banks</i>	253 260	5 891	291 403	2 270	–	552 824
<i>due from customers</i>	–	641 740	604 391	194 388	–	1 440 519
<i>mortgages</i>	–	–	243 177	106 303	–	349 480
Debt securities	–	–	1 261 646	148 824	5 702	1 416 172
Total	253 260	647 631	2 400 617	451 785	5 702	3 758 995

Publication requirements related to credit risk

Credit risk: Credit risk mitigation techniques – overview (CR3)

(in 1'000 CHF)

	31.12.2022		
	Exposures unsecured: carrying amount	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees or credit derivatives, of which: secured amount
Loans (including debt securities)	2 123 485	1 580 604	54 906
Off-balance sheet	4 640	21 670	–
Total 31.12.2022	2 128 125	1 602 274	54 906
<i>Of which defaulted</i>	648	–	–
Total 31.12.2021	1 764 868	1 285 895	54 588

Credit risk: exposures by asset classes and risk weights under the standardized approach (CR5)

(in 1'000 CHF)

Asset classes / Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	1 322 283	–	–	9 868	–	–	–	–	1 332 151
Banks and securities traders	–	512 608	–	77 587	701	25 996	–	–	616 892
Public-sector entities and multilateral developments banks	0	160 533	–	–	–	–	–	–	160 533
Corporate	–	–	33 328	19 722	73	64 694	2	–	117 819
Retail	–	–	164 248	–	12 668	172 427	–	–	349 343
Equity securities	–	–	–	–	–	–	14 034	543	14 577
Other assets	2 245	–	–	–	–	28 223	–	774	31 242
Total 31.12.2022	1 324 528	673 141	197 576	107 177	13 442	291 340	14 036	1 317	2 622 557
<i>Thereof receivables secured by real estate</i>	–	–	197 576	–	3 516	65 826	–	–	266 918
<i>Thereof receivables past due</i>	–	–	–	–	–	–	–	–	–
Total 31.12.2021	933 221	837 544	153 752	151 025	15 784	294 842	6 963	17 767	2 410 898

Publication requirements related to interest rate risk in the banking book

Interest rate risk: Objectives and guidelines for the management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) is the potential risk to a bank's capital and to its earnings, arising from the impact of adverse movements in interest rates on its banking book.

Changes in interest rates can affect the economic value of equity (EVE) as well as the bank's earnings by increasing or decreasing the net interest income (NII) and the level of other interest rate-sensitive income and operating expenses.

The Group measures the vulnerability to loss under stressful market conditions and defines at Group level the risk appetite for interest rate risk in the Banking book by fixing limits articulated in terms of risk to both economic value and earnings. These limits are expressed as:

- Sensitivity of economic value (equity effect)
- Net interest margin sensitiveness on a rolling 12-month period (earnings effect)

The Board of Directors decides on the Group's risk management and risk strategy principles, which include interest rate risk in the bank portfolio (IRRBB). The General Management is responsible for the organization and operation of the management of the IRRBB.

Based on the principles written in FINMA circular 2019/02 the interest rate risk is measured quarterly using:

- Indicators to monitor the changes in economic value of Banking book (present value of equity and the sensitiveness of the present value of equity to a parallel change of +/- 100 basis points in the yield curves of different currencies for a one year time horizon).
- Indicators to monitor the changes in earnings (sensitiveness of the net interest margin to a parallel move up and down of 100 basis points in the yield curves of different currencies).
- Gap maturities analysis, identifying the gap risk resulting from the term structure of interest rate sensitive instruments that arises from differences in the timing of their rate changes.

Publication requirements related to interest rate risk in the banking book

Interest rate risk: quantitative information on the exposure's structure and interest rate fixing date

	Volume in CHF million			Average interest rate reset period (in years)	
	Total	Of which in CHF	Of which in other significant currencies *	Total	Of which in CHF
(in 1'000 CHF)					
Defined interest rate reset date					
Amounts due from banks	293 673	180 000	81 194	0,07	0,06
Amounts due from customers	798 779	110 818	645 380	0,20	0,44
Fixed-rate mortgages	349 480	61 335	155 609	0,19	0,21
Financial investments	1 416 172	–	1 416 172	0,16	0,00
Receivables from interest-rate derivatives	104 484	47 524	44 525	0,08	0,06
Amount due in respect of customer deposits	-311 613	–	-270 707	0,06	0,00
Payables to interest-rate derivatives	-101 350	-2 800	-33 768	0,08	0,00
Undefined interest rate reset date					
Amounts due from banks	199 227	5 041	137 828	0,00	0,00
Amounts due from customers	640 796	80 826	517 865	0,00	0,00
Payables on demand from personal accounts and current accounts	-3 222 165	-358 078	-2 674 814	0,00	0,00
Other payables on demand	-29 805	-2 607	-22 678	0,00	0,00
Total	137 678	122 059	-3 394		

* significant currencies that make up more than 10% of assets or liabilities of total assets

Total	- of assets	3 802 611	485 544	2 998 573
	- of liabilities	-3 664 933	-363 485	-3 001 967

Publication requirements related to interest rate risk in the banking book

Interest rate risk: quantitative information on economic value and net interest income

(in 1'000 CHF)	Δ EVE		Δ NII	
	(change in economic value of equity)		(change in net interest income)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Parallel up	-8 897	-8 571	41 489	32 917
Parallel down	8 965	8 657	-24 102	-15 348
Steepener (1)	6 564	6 253		
Flattener (2)	-8 299	-7 956		
Short rate up	-10 762	-10 397		
Short rate down	10 854	10 505		
Maximum	-10 762	-10 397	-24 102	-15 348
	31.12.2022	31.12.2021		
Tier 1 capital	267 710	236 692		

(1) Lower short-term rates combined with higher long-term rates.

(2) Short-term rate increases combined with lower long-term rates.

The Group's banking book interest rate risk exposure is significantly below the threshold of 15% of eligible capital (Tier 1) used by regulators to identify a potentially unduly high interest rate risk.

Operational risks

Strategy and procedures

Operational risk exposure results from exercising the Group's businesses and is not actively sought.

Operational risk management aims to assess and control operational risk factors by identifying areas for improvement and strengthening operational and managerial control systems. In particular, the Group aims to reduce its risk of exposure to:

- inappropriate or malicious conduct of employees, service providers, banking counterparties, clients or other external stakeholders;
- inadequate features of IT systems (applications, interfaces and hardware) or other communication systems (telephone, fax and email);
- inappropriate infrastructure;
- an organisational structure that is inadequate in relation to its activities;
- external incidents such as those deriving from the risk of natural disaster.

Structure and organisation

General Management is responsible for devising the policy for managing operational risks and for defining and implementing the measures needed to ensure compliance with the Group's risk appetite and tolerance. General Management is assisted in the performance of its tasks by the Risk Control department.

Risk assessment

The Group identifies and classifies risks and events liable to disrupt the smooth implementation of each of its processes and result in financial loss and/or damage to its reputation.

The identification process is based on an analysis of human and organisational factors, as well as those linked to the failure of computer systems or external incidents that may be the cause of the occurrence of events generating operational losses for the Group.

As controlling entity, Risk Control carries out regular reviews to identify operational risks, risk mitigation measures and the associated controls. These reviews are carried out as part of the annual analysis of the main risks and the review of the operational internal control system.

The Group determines its capital requirements for operational risks in accordance with the standard approach, which is based on an allocation of gross banking revenues defined by the Group to the segments of activity established by the regulator.

Internal control system (ICS)

Monitoring of compliance with the limits established and of operational risks is carried out by the Group's designated department/division managers (first-level controls), the Internal Control, Risk Control and Compliance functions (second-level controls) and Internal Audit (third-level control).

Risk Control reports on this subject to General Management, which ensures that controls exist for each risk, based on the assessment of the risk.

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