Capital disclosure requirements

Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 31.12.2014

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.

Composition of the eligible regulatory capital

a) Transition (in CHF thousands)

Balance sheet	According to period end
Assets	
Liquid assets	881,665
Amounts due from money market	338,028
Amounts receivable from banks	517,973
Amounts due from customers	4,047,512
Amounts due secured by mortgages	9,503,574
Securities and precious metal trading portfolios	49,489
Financial investments	1,722,694
Investments in participations	24,898
Tangible assets	144,188
Accruals and deferrals	25,179
Other assets	238,568
Total assets	17,493,768
Borrowed capital	
Money market instruments	11,428
Amounts due to banks	1,657,831
Amounts due to customers (savings and investments	4,920,346
Due to customers, other	6,719,738
Medium-term bonds	11,837
Bonds and loans issued by central mortgage	2,570,100
Accruals and deferrals	49,348
Other liabilities	311,741
Value adjustments and provisions	27,478
Total borrowed capital	16,279,847
of which subordinated liabilities, eligible as Tier 2 capital	146,000
of which subordinated liabilities, eligible as Additional Tier 1 capital (AT1)	110,000
Equity	
Reserves for general banking risks	120,000
Share capital	360,000
of which eligible as CET1	360,000
Legal reserves / disclosed reserves / profits (losses) brought forward and for the period (treasury shares)	733,921
Total shareholders' equity	1,469,921

Eligible regulatory capital, whose value is determined in accordance with the directives governing the preparation of financial statements (Circ.-FINMA 08/02), 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)	
Issued share capital paid-in, eligible in full	360,000
Retained earnings, incl. reserves for general banking risks / profits (losses) for the period	568,859
Capital reserves and reserves for foreign currencies (+/-)	299,055
= Core Equity Tier 1, prior to adjustments	1,227,914
Net long positions in own CET 1 instruments	-13,993
= Sum of CET1 adjustments	-13,993
= Net core Tier 1 capital	1,213,921
Additional core Tier 1 capital (AT1)	
Issued and paid-in instruments, eligible in full	110,000
= Additional net core capital (net AT1)	110,000
= Core capital (net Tier 1)	1,323,921
Additional Tier 2 capital (T2)	
Issued and paid-in instruments, eligible in full	120,000
Value adjustments, provisions and write-offs due to prudence; statutory reserves for financial investments	26,000
= T2 capital prior to adjustments	146,000
= Net T2 capital	146,000
= Total regulatory capital (net T1 & T2)	1,469,921
Sum of risk-weighted positions	10,519,500
Regulatory-capital ratios	
CET1 ratio (line no.29 as of risk-weighted positions)	11.54%
T1 ratio (line no.45 as % of risk-weighted positions)	12.59%
Ratio regarding the regulatory capital (line no.59 as % of risk-weighted positions)	13.97%
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)	4.26%
Of which capital buffers according to CAO (as % of the risk-weighted positions)	0%
Of which countercyclical buffer (as % of the risk-weighted positions)	0.26%
Available CET1 to cover the minimum and buffer requirements, after deducting AT1 and T2 requirements which are fulfilled with CET1 (as % of risk-weighted positions)	8.47%
Capital target ratios for CET1 as per the FINMA circ. 2011/2 plus the countercyclical buffer (as % of risk-weighted positions)	8.06%
Available CET1 (as % of risk-weighted positions)	9.77%
Capital target ratios for T1 as per the FINMA circ. 2011/2 plus the countercyclical buffer 9 (as % of risk-weighted positions)	9.86%
Available T1 (as % of risk-weighted positions)	10.82%
Regulatory capital target ratios plus the countercyclical buffer (as % of risk-weighted positions)	12.26%
Available regulatory capital (as % of risk-weighted positions)	13.97%

	Regulatory threshold ratios (1)	Bank ratios
CET1	7.8%	11.54%
T1	9.6%	12.59%
Total capital	12%	13.97%

(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.

The countercyclical buffer stands at 0.26%. This corresponds to the ratio for positions guaranteed directly or indirectly by property liens on all risk-weighted positions. The risk-weighted positions are included in the Capital ratio figure.

Presentation of required capital

	Approach used	Minimum capital requirements (in CHF thousands)	
Credit risk	Standard		**742,086**
• Of which foreign exchange risk for equity shares in the banking book		Of which	15,929
• Of which counterparty risk		Of which	35,754
Market risk	Standard		**1,599**
• Of which interest-rate instruments (general and specific market risk)		Of which	603
• Of which equity shares		Of which	106
• Of which foreign currencies and precious metals		Of which	826
• Of which commodities		Of which	40
Operational risk	Standard		**43,168**
Total			**786,852**

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 customers	Equity investments and shares in collective capital investments	Others	Total
Balance sheet/receivables								
Amounts due from money market	-	337,491	137	-	-	-	-	337,628
Amounts receivable from banks	-	505,448	8,921	5,287	242	-	-	519,899
Due from customers	1,041,974	305	-	2,779,163	269,187	-	-	4,090,628
Amounts due secured by mortgages	980,869	1,169	-	3,648,773	5,165,196	-	-	9,796,007
Financial investments / debt securities	706,414	143,605	579,140	292,256	0	38,362	-	1,759,779
Other assets	-	220,509	-	7,258	950	-	34,943	263,659
Total for period under review (3)	**2,730,937**	**3,012,037**	**588,199**	**6,750,398**	**5,435,592**	**39,823**	**38,549**	**18,595,536**
Total previous period	2,415,020	2,555,383	508,440	6,604,655	5,265,289	37,422	44,014	17,430,224
	-	-	-	-	-	-	-	-
Off-balance sheet	-	-	-	-	-	-	-	**-**
Contingent liabilities	663	133,488	332	532,622	13,538	-	3,319	683,962
Irrevocable commitments	-	65,214	-	381,654	1,060	-	1,167	449,094
Liabilities for margining and re-margining calls	-	49,625	-	-	-	-	-	49,625
Approved credit line	-	21,946	261	77,162	52	-	-	99,421
Total for period under review [3]	**273,885**	**402,875**	**593**	**1,702,619**	**129,658**	**-**	**14,183**	**2,523,812**
Total previous period	416,046	367,258	10,711	1,540,163	120,790	-	25,859	2,480,828

[1] In CHF thousands

[2] Main categories of credit exposures

[3] Based on "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	2,200	-	2,812,612	2,814,812
Banks and securities dealers	715,594	-	2,462,729	3,178,323
Other institutions	-	-	588,347	588,347
Companies	321,529	327,173	6,484,147	7,132,849
Private customers and small businesses	73,263	107,884	5,288,908	5,470,056
Other positions	-	-	85,449	85,449
Derivatives	-	-	56,842	56,842
Total for period under review[4]	**1,112,586**	**435,057**	**17,779,034**	**19,326,678**
Total previous period	765,527	409,053	16,973,521	18 148 101

[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] Based on "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	586,899	931,530	680,639	614,063	0	1,681	0	0	0	2,814,812
Banks and securities dealers	1,324,399	1,386,717	4	374,172	36,101	15,634	14,118	0	27,179	3,178,323
Other institutions	0	588,061	0	285	0	0	0	0	0	588,347
Companies	3,72	226,796	1,952,764	107,976	1,374,596	3,442,629	0	10,370	13,999	7,132,849
Private customers and small businesses	0	0	4,522,599	10,043	825,470	104,853	0	7,090	0	5,470,056
Other positions	0	0	0	0	0	45,626	0	0	39,823	85,449
Derivatives	0	27,455	0	17,565	1,062	10,760	0	0	0	56,842
Total for period under review [3]	**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**
Total previous period	2,204,434	2,135,993	7,089,027	909,819	2,130,071	3,536,797	15,556	19,533	106,872	18,148,101

[1] In CHF thousands
[2] With the exception of derivatives, off-balance sheet credit exposures are presented with the balance sheet exposures
[3] Based on "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 money market	24,938	4,441	-	-	277,688	30,560	337,628
Due from banks	310,044	172,689	4,811	4,950	23,447	3,958	519,899
Due from customers	2,623,206	1,172,458	13,771	20,431	147,021	113,741	4,090,628
Amounts due secured by mortgages	8,178,243	1,391,435	79,088	22,995	107,119	17,127	9,796,007
Financial investments / debt securities	1,455,881	265,085	14,700	10,236	13,877	-	1,759,779
Other assets	250,764	11,918	3	144	381	450	263,659
Total for period under review [3]	**14,511,104**	**3,177,933**	**112,373**	**58,757**	**569,532**	**165,837**	**18,595,536**
Total previous period	14,019,819	2,753,898	123,996	70,833	301,348	160,331	17,430,224
Off-balance sheet	-	-	-	-	-	-	-
Contingent liabilities	312,130	56,245	1,810	27,009	171,084	115,685	683,962
Irrevocable commitments	295,770	133,036	-	-	5,438	14,850	449,094
Liabilities for margining and re-margining calls	49,625	-	-	-	-	-	49,625
Approved credit line	55,407	1,821	-	-	36,172	6,022	99,421
Total for period under review [3]	**1,846,486**	**283,796**	**2,780**	**31,733**	**219,866**	**139,151**	**2,523,812**
Total previous period	1,741,219	374,057	1,884	85,643	178,110	99,915	2,480,828

[1] In CHF thousands

[2] Main categories as regards credit exposure

[3] Based on "Capital adequacy reporting form in the context of Basel 3" report

Presentation of doubtful customer loans by geographic region

Credit exposures [1]	Doubtful customer loans (gross amount)	Individual value adjustments
Switzerland	88,274	68,688
Europe	40,264	27,269
North America	2,251	1,365
South America	-	-
Asia	12	12
Others	12,180	6,921
Total for period under review	**142,980**	**104,254**
Total previous period	**148,259**	**99,693**

[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 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%
		With rating (2)	586,899	336,600	70,000	-	-	
Governments and central banks		Without rating		594,930	544,063	-	1,681	
	Sub-total		586,899	931,530	614,063	-	1,681	
		With rating	-	653,825	335,880	-	15,634	
Banks and securities dealers		Without rating	-	760,324	55,827	36,101	-	
	Sub-total		-	1,414,149	391,707	36,101	15,634	
		With rating	-	588,061	-	-	-	
Public-sector entities		Without rating	-	-	285	-	-	
	Sub-total		-	588,061	285	-	-	
		With rating	-	173,621	92,090	1,311,499	642,083	
Companies		Without rating	-	53,197	15,916	63,096	2,811,296	10,370
	Sub-total		-	226,818	108,006	1,374,596	3,453,379	10,370

[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	17,493,768
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)	-13,993
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)	
Adjustments relating to derivatives (art.21 to 51 FINMA Circ 15/3)	-104,470
Adjustments relating to securities financing transactions *(*SFT) (art.52 to 73 FINMA Circ 15/3)	27,387
Adjustments relating to off-balance sheet operations (conversion of off-balance sheet exposures into credit equivalents) (art.74 to 76 FINMA Circ 15/3)	782,027
Other adjustments	
Overall exposure subject to the leverage ratio	**18,184,719**

Detailed presentation of the leverage ratio	
Total balance sheet exposures	**17,173,863**
Balance sheet operations (excluding derivatives and SFT, but including collateral) (art.14 to 15 FINMA Circ 15/3)	17,187,856
(Assets deducted from core capital taken into account) (art.7 and 16 to 17 FINMA Circ 15/3)	-13,993
Total exposures in derivatives	**102,442**
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)	41,312
Add-ons relating to all derivatives (art.22 and 25 FINMA Circ 15/3)	61,130
Total exposures relating to securities financing transactions	**126,387**
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.	99,000
Exposures to SFT counterparties (art.63 to 68 FINMA Circ 15/3)	27,387
Total off-balance sheet exposures	**782,027**
Off-balance sheet exposures based on gross nominal values, meaning before the use of factor of conversion into credit equivalents	2,386,972
(Adjustments relating to the conversion into credit equivalents) (art.75 to 76 FINMA Circ 15/3)	-1,604,945
Core capital (Tier 1, art.5 FINMA Circ 15/3)	**1,323,921**
Overall exposure	**18,184,719**
Leverage ratio (art.3 to 4 FINMA Circ 15/3)	**7.28%**

[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 defined in the Financial Policy and described in more detail in the Bank's ALM 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 running 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 rates risk management reporting in the banking book and liquidity risk management reporting. Both are submitted to the CALM
- Defining and maintaining the methodologies, models and management principles in relation to interest rate risk management in the banking book, complying with the ALM Policy
- Production of the reporting and control of the opportunity interest rates of the banking book.

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. 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 perfect 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.

	Less than 12 months	From 1 to 4 years	From 4 to 7 years	More than 7 years	Total
31.12.2014	3.9	26.9	-48.4	-95.4	-113.1
31.12.2013	3.9	14.3	-20.8	-69.9	-72.5

Given the bank's position as at 31.12.2014, only the impact of a rise in rates is shown.