Capital disclosure requirements

Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 31.12.2020

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

1.1 Risk management objective and governance

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

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

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

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

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

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

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

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

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

1.2 Risk reporting

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

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

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

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

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

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

1.3 Essential key figures

Banque Cantonale de Genève applies the International Standard Approach (AS-BRI) for regulatory credit risk disclosures, the Standard Approach for market risk and the Basic Indicator Approach for operational risk. For operational risk, the Bank applied the Standardised Approach prior to 31.03.2020.

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

Due to the COVID-19 pandemic,
- the Federal Council deactivated the national countercyclical buffer (OFR Art. 44) on 27.03.2020,
- FINMA granted a temporary easing on the calculation of the leverage ratio (FINMA communication 02/2020, 03/2020 and 06/2020)

The group's equity ratio is 16.2%, above the regulatory minimum of 12% (category 3 bank). The leverage ratio is 8.2%, above the regulatory requirement of 3%.
The +0.2 percentage point increase in the total capital ratio between 30.06.2020 and 31.12.2020 is explained by the CHF +35 million increase in equity capital taken into account. The increase in equity capital taken into account is due to the inclusion of the Bank's results for the second semester 2020.

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

KM1 : Essential regulatory key figures (in 1'000 CHF)		a	c	e
		31.12.2020	30.06.2020	31.12.2019
Equity taken into consideration				
1	Common Equity Tier 1 (CET1)	1'682'938	1'658'403	1'633'130
2	Tier 1 (T1)	1'907'593	1'883'058	1'857'920
3	Total capital	2'048'639	2'013'474	1'981'870
Risk-weighted assets				
4	RWA	12'683'868	12'558'351	12'282'103
4a	Minimum capital requirement	1'014'709	1'004'668	982'568
Risk-based capital ratios (as % of RWA)				
5	CET1 ratio (%)	13.3%	13.2%	13.3%
6	Tier 1 ratio (%)	15.0%	15.0%	15.1%
7	Total capital ratio (%)	16.2%	16.0%	16.1%
Additional CET1 buffer requirements (as percentage of RWA)				
8	Capital buffer according to Basel minimum standard (2.5% from 2019)(%)	2.5%	2.5%	2.5%
9	Countercyclical buffer (art. 44a OFR4) according to Basel minimum standard (%)			
11	Total of bank CET1-specific requirements according to Basel minimum standard (%)	2.5%	2.5%	2.5%
12	CET11 available to cover buffer requirements according to Basel minimum standard (after deduction of CET1 allocated to cover minimum requirements and if applicable to cover TLAC requirements)(%)	8.2%	8.0%	8.1%
Target capital ratios according to Annex 8 CAO (as percentage of RWA)				
12a	Capital buffer according to Annex 8 CAO (%)	4.0%	4.0%	4.0%
12b	Countercyclical buffer (art. 44 and 44a CAO)(%)	0.0%	0.0%	0.6%
12c	Target CET1 ratio (%) according to Annex 8 CAO w ith addition of countercyclical buffer according to art. 44 and 44a CAO	7.8%	7.8%	8.4%
12d	Target T1 ratio (%) according to Annex 8 CAO w ith addition of countercyclical buffer according to art. 44 and 44a CAO	9.6%	9.6%	10.2%
12e	Total target capital ratio according to Annex 8 CAO w ith addition of countercyclical buffer according to art. 44 and 44a CAO	12.0%	12.0%	12.6%
Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	23'197'006	23'056'084	25'815'100
14	Basel III leverage ratio	8.2%	8.2%	7.2%
Liquidity coverage ratio (LCR)				
15	LCR numerator: total high-quality liquid assets	7'110'293	6'152'956	5'461'317
16	LCR denominator: total net cash outflow	4'007'700	3'494'417	3'656'844
17	Liquidity coverage ratio LCR (%)	177%	176%	149%

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

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

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

The increase in risk-weighted assets of CHF +126 million between 30.06.2020 and 31.12.2020 is explained by the increase in amounts due from customers and off-balance sheet commitments, in particular for irrevocable commitments.

The decrease in RWAs for counterparty credit risk is due to an increase in repos exposures to low-weighted counterparties.

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

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

		a	b	c
		RWA 31.12.2020	RWA 30.06.2020	Minimum capital requirement 31.12.2020
1	**Credit risk (excluding counterparty credit risk-CCR)**	11'522'052	11'391'310	921'764
2	Of which standardised approach (SA)	11'522'052	11'391'310	921'764
3	Of which internal rating-based (F-IRB) approach			
4	Of which supervisory slotting approach			
5	Of which advanced internal ratings-based (A-IRB) approach			
6	**Counterparty credit risk (CCR)**	46'870	62'278	3'750
7	Of which standardised approach for counterparty credit risk (SA-CCR)	46'636	54'217	3'731
7a	Of which simplified standardised approach (SSA-CCR)			
7b	Of which current exposure method (CEM)			
8	Of which internal model method (IMM)			
9	Of which other approach (CCR)	235	8'061	19
10	**Credit valuation adjustment (CVA)**	114'858	126'866	9'189
11	**Equity positions in bank portfolio under market-based approach**			
12	**Equity investments in funds – look-through approach**	41'146	39'126	3'292
13	**Equity investments in funds – mandate-based approach**	131'900	124'131	10'552
14	**Equity investments in funds – fall-back approach**		185	
14a	**Equity investments in funds – simplified approach**			
15	**Settlement risk**	302	0	24
16	**Securitisation exposures in bank portfolio**			
17	Of which IRB ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external rating-based approach(SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	**Market risk**	12'003	19'194	960
21	Of which standardised approach (SA)	12'003	19'194	960
22	Of which: internal model approaches (IMA)			
23	**Capital charge for switch between trading portfolio and bank portfolio**			
24	**Operational risk**	752'563	744'253	60'205
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	62'175	51'009	4'974
26	**Floor adjustment**			
27	**Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)**	**12'683'868**	**12'558'351**	**1'014'709**

2 Differences between accounting and regulatory scopes of consolidation

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

LI1 : Differences between accounting and regulatory scopes of consolidation (in 1'000 CHF)						
	a	c	d	e	f	g
	Carrying values					
	As reported in published financial statements	Subject to credit risk framew ork	Subject to counterparty credit risk framew ork	Subject to securitisation framew ork	Subject to market risk framew ork	Not subject to capital requirements or subject to deduction from capital
ASSETS						
Liquid assets	6'474'360	6'474'360				
Amounts due from banks	732'421	719'973	12'449			
Amounts due from securities financing transactions						
Amounts due from customers	5'587'154	5'587'154				
Mortgage loans	12'005'607	12'005'607				
Trading portfolio assets	53'729				1'085	
Positive replacement values of derivative financial instruments	15'953		15'953		15'953	
Financial investments	2'210'757	2'210'757	806'407			
Accrued income and prepaid expenses	37'131	37'131				
Participations	53'613	53'613				
Tangible fixed assets	120'102	120'102				
Intangible assets	615					615
Other assets	250'251	85'618				164'632
Bank's capital not paid in						
TOTAL ASSETS	**27'541'692**	**27'294'314**	**834'809**		**17'038**	**165'247**
LIABILITIES		0	0	0	0	0
Amounts due to banks	3'385'977		11'357			3'374'620
Liabilities from securities financing transactions	817'425		817'425			
Amounts due in respect of customer deposits	16'883'771	103'256				16'780'516
Trading portfolio liabilities	511				186	511
Negative replacement values of derivative financial instruments	12'562		12'562		12'562	
Cash bonds	1'100					1'100
Bond issues and central mortgage institution loans	4'491'155					4'491'155
Accrued expenses and deferred income	97'848					97'848
Other liabilities	122'056					122'056
Provisions	12'945					12'945
TOTAL LIABILITIES	**25'825'352**	**103'256**	**841'344**		**12'748**	**24'880'752**

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

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

- capital requirements for credit risk are calculated for financial assets repurchased in the context of repos,
- capital requirements for counterparty credit risk and credit risk are calculated for derivatives.

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

LI2 : Differences between regulatory exposure amounts and carrying values in financial statements (annual accounts / consolidated accounts) (in CHF 1'000)

		a	b	c	d	e
			Positions subject to :			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per table LI1)	27'541'692	27'294'314		834'809	17'038
2	Liabilities carrying value amount under regulatory scope of consolidation (as per table LI1)	25'825'352	103'256		841'344	12'748
3	Total net amount under regulatory scope of consolidation	1'716'341	27'191'058		-6'535	4'290
4	Off-balance sheet amounts	15'669'525	932'375		200'780	
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2	-76'795	-98'574		-215	18'261
7	Differences due to value adjustments and provisions					
8	Differences due to prudential filters					
9	Other	10'125'962				
10	Positions pertinent to regulatory calculations	27'435'032	28'024'859		194'030	22'551

The differences between the net book values (line 1) and the positions for regulatory calculations (line 10) are explained as follows:
For regulatory calculations,

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

3 Regulatory eligible capital

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

CC1 : Presentation of the regulatory eligible capital (in 1'000 CHF)		a 31.12.2020
Common Equity Tier 1 (CET1)		
1	Issued fully paid-up capital, fully eligible	360'000
2	Retained earnings reserve, including reserves for general banking risks / retained earning - loss / accumulated profit - loss	1'044'252
3	Capital reserves / foreign currency translation reserves (+/-)	300'522
5	Intérêts minoritaires éligibles en tant que CET1	-388
6	Common Equity Tier 1 before adjustments	1'704'385
Adjustments referring to Common Equity Tier 1		
8	Goodwill (net des impôts latents comptabilisés)	-615
16	Net long positions in own CET1 instruments	-20'832
28	Sum of CET1 adjustments	-21'447
29	Net CET1	1'682'938
Additional Tier 1 Capital (AT1)		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	225'000
36	Sum of additional Tier 1 capital (AT1), before adjustments	225'000
Adjustments of additional Tier 1 capital		
44	Additional Tier 1 capital (AT1)	224'655
45	Tier 1 capital (T1 = CET1 + AT1)	1'907'593
Eligible Tier 2 capital (T2)		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	110'000
50	Value adjustments; provisions and losses due to reasons of prudence; forced reserves on financial investments	31'046
51	Eligible Tier 2 capital (T2) before adjustments	141'046
58	Directly issued qualifying Tier 2 instruments plus related stock surplus	141'046
59	**Total regulatory capital (TC = T1 + T2)**	**2'048'639**
60	**Total risk weighted assets**	**12'683'868**
Capital ratio		
61	Common Equity Tier 1 (as a percentage of risk weighted assets) para 29	13.3%
62	Tier 1 (as a percentage of risk weighted assets) para 45	15.0%
63	Total capital (as a percentage of risk weighted assets) para 59	16.2%
65	Of which : capital conservation buffer according to Basel minimum standard (in % of risk weighted position)	2.5%
68	Common Equity Tier 1 available to meet buffers according to Basel minimum standards (after deduction of minimum requirements and, where applicable, TLAC requirements covered by CET1) (as a percentage of risk weighted assets)	8.2%
68a	Exigences globales en CET 1 selon l'annexe 8 de l'OFR, majorées des volants anticycliques selon les art. 44 et 44a OFR (en % des positions pondérées par le risque)	0.0%
68b	Of which countercyclical buffer according to Art. 44 and 44a CAO (in % of risk weighted positions)	0.0%
68c	Available Common Equity Tier 1 (in % of risk weighted positions)	12.0%
68d	Total T1 requirements according to annex 8 of CAO plus countercyclical buffer according to Art. 44 and 44a CAO (in % of risk weighted positions)	9.6%
68e	Available Tier 1 (in % of risk weighted positions)	13.8%
68f	Total regulatory capital requirements according to annex 8 of CAO plus countercyclical buffer according to Art. 44 and 44a CAO (in % of risk weighted positions)	12.0%
68g	Available regulatory capital (as a % of risk-weighted positions)	16.2%
Amounts below treshold for deductions (before risk weighting)		
72	Non-qualifying holdings in financial sector and other TLAC investment types	28'536
73	Other qualifying holdings in financial sector (CET1)	15'867
Applicable caps on the inclusion of provisions in Tier 2		
77	Cap on inclusion of provisions in Tier 2 under standardised approach BIS	145'261

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

CC2 : Reconciliation of the regulatory eligible capital with the balance sheet (in 1'000 CHF)	a	b
	According to accounting rules	According to the regulatory scope of consolidation
Assets		
Liquid assets	6'474'360	6'474'360
Amounts due from banks	732'421	732'421
Amounts due from securities financing transactions		
Amounts due from customers	5'587'154	5'587'154
Mortgage loans	12'005'607	12'005'607
Trading portfolio assets	53'729	53'729
Positive replacement values of derivative financial instruments	15'953	15'953
Other financial instruments at fair value		
Financial investments	2'210'757	2'210'757
Accrued income and prepaid expenses	37'131	37'131
Participations	53'613	53'613
Tangible fixed assets	120'102	120'102
Intangible assets	615	615
Other assets	250'251	250'251
Capital not paid in		
Total assets	**27'541'692**	**27'541'692**
Liabilities		
Amounts due to banks	3'385'977	3'385'977
Liabilities from securities financing transactions	817'425	817'425
Amounts due in respect of customer deposits	16'883'771	16'883'771
Trading portfolio liabilities	511	511
Negative replacement values of derivative financial instruments	12'562	12'562
Liabilities from other financial instruments at fair value		
Medium-term notes	1'100	1'100
Bond issues and central mortgage institution loans	4'491'155	4'491'155
Accrued expenses and deferred income	97'848	97'848
Other liabilities	122'056	122'056
Provisions	12'945	12'945
Total liabilities	25'825'352	25'825'352
Of which subordinated loans, eligible for Tier 2 capital (T2)	110'000	110'000
Of which subordinated loans, eligible for additional Tier 1 capital (AT1)	224'655	224'655
Equity capital		
Reserves for general banking risks	230'000	230'000
Capital	360'000	360'000
Of which eligible for CET1	360'000	360'000
Of which eligible for AT1		
Legal reserves/Voluntary retained earnings reserve/Profit- Loss carried forward/ Profit-Loss of period	1'146'785	1'146'785
(Own shares)	-20'832	-20'832
Minority interests	388	388
Total equity capital	**1'716'341**	**1'716'341**

Table 7 - CCA - Main characteristics of regulatory capital instruments

		Instrument 1	Instrument 2
1	Issuer 1	BCGE	BCGE
2	Identification (e.g. ISIN)	50392437 / CH0503924372	36869771 / CH0368697717
3	Law applicable to instrument	Sw itzerland / Geneva	Sw itzerland / Geneva
	Regulatory treatment		
4	Consideration in the Basel III transitional period (CET1/AT1/T2)	AT1	T2
5	Consideration after the expiry of the Basel III transitional period (CET1 / AT1 / T2)	AT1	T2
6	Eligibility at stand-alone / group stand-alone and group levels	Stand-alone and group	Stand-alone and group
7	Equity shares / debt securities / hybrid instruments / other instruments	Hybrid instrument (subordinated loan, w ith conditional w rite-off)	Hybrid instrument (subordinated loan, w ith conditional w rite-off)
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	134.9 million	110 million
9	Instrument's nominal value	CHF 135 million	CHF 110 million
10	Accounting items	Loans	Loans
11	Original date of issue	12.11.2019	28/06/2017
12	Unlimited or w ith expiry date	Unlimited	With an expiry date
13	Original date of maturity	None	28.06.2017
14	May be cancelled by issuer (w ith prior approval of regulatory authorities)	Yes	Yes
15	May be terminated any time / under certain circumstances / repayment amount	Optional early redemptiom as from First Call Date (12/05/2025). Conditional early redemption possible. Redemption amount: full outstanding amount of the issue, no partial redemption	Conditional redemption possible before expiry w ith 30 days notice. Redemption amount: full outstanding amount of the issue, no partial redemption
16	Early redemption dates, if applicable	Annually at each interest maturity date on 12.05	None
	Coupons/dividends		
17	Fixed / variable / initially fixed then converted to variable / initially variable then converted tof ixed	Fixed	Fixed
18	Nominal coupon and reference indices, if any	1.875 % until 12.05.2025, then re-fixed every 5 years on the basis of the 5-year CHF mid sw ap rate plus 243.7 basis points for the risk premium	1.125%
19	Existence of a payment stop for dividends (if dividends on the instrument are w aived, dividends on the normal share w ill be omitted as w ell)	Yes	Yes
20	Payment of interest/dividends: entirely/partially discretionary/mandatory	Payment of interest entirely discretionary	Payment of interest mandatory
21	Existence of a clause for increasing the interest rate (step up) or another redemption incentive	None	None
22	Non-cumulative or cumulative	None	None
23	Convertible or non-convertible	None	None
24	If convertible, trigger for conversion (including PONV)	None	None
25	If convertible: in full in all cases / in full or partially / partially in all cases	None	None
26	If convertible, conversion rate	None	None
27	If convertible, conversion mandatory/optional	None	None
28	If convertible, type of instrument to be converted into	None	None
29	If convertible, issuer of instrument to be converted into	None	None
30	Depreciation characteristics	Yes	Yes
31	Trigger for depreciation	Exceeding the 5.125% threshold for CET1	Viability event
32	In full/partially	In full or partially. To get back to the trigger threshold (5.125%)	None
33	Permanent/temporary	Permanent	None
34	In case of temporary depreciation, allocation mechanism	None	None
35	Hierarchy of debt in case of liquidation (alw ays name the instrument w ith the ranking immediately above)	Subordination ranking below Tier 2 instruments, pari passu w ith other Tier 1 instruments and above CET1	Non-subordinated, pari passu w ith other Tier 2 instruments and above Tier 1
36	Existence of characteristics w hich could jeopardise full recognition under the Basel III regime	None	None
37	If yes, w hich ones?	None	None

		Instrument 3
1	Issuer 1	BCGE
2	Identification (e.g. ISIN)	36701398/ ISIN CH0367013981
3	Law applicable to instrument	Sw itzerland / Geneva
	Regulatory treatment	
4	Consideration in the Basel III transitional period (CET1/AT1/T2)	AT1
5	Consideration after the expiry of the Basel III transitional period (CET1 / AT1 / T2)	AT1
6	Eligibility at stand-alone / group stand-alone and group levels	Stand-alone and group
7	Equity shares / debt securities / hybrid instruments / other instruments	Hybrid instrument (subordinated loan, w ith conditional w rite-off)
8	Amounts eligible for regulatory capital (according to last report submitted to SNB)	89.8 million
9	Instrument's nominal value	CHF 90 million
10	Accounting items	Loans
11	Original date of issue	28.06.2017
12	Unlimited or w ith expiry date	Unlimited
13	Original date of maturity	None
14	May be cancelled by issuer (w ith prior approval of regulatory authorities)	Yes
15	May be terminated any time / under certain circumstances / repayment amount	Optional early redemptiom as from First Call Date (08/02/2023). Conditional early redemption possible. Redemption amount: full outstanding amount of the issue, no partial redemption
16	Early redemption dates, if applicable	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 tof ixed	2% payable annually on 08/02 of the first year until 08/02/2023, First Call Date, then re-fixed every 5 years on the basis of the 5-year CHF mid-sw ap rate
18	Nominal coupon and reference indices, if any	2.00%
19	Existence of a payment stop for dividends (if dividends on the instrument are w aived, dividends on the normal share w ill be omitted as w ell)	Yes
20	Payment of interest/dividends: entirely/partially discretionary/mandatory	Payment of interest entirely discretionary
21	Existence of a clause for increasing the interest rate (step up) or another redemption incentive	None
22	Non-cumulative or cumulative	None
23	Convertible or non-convertible	None
24	If convertible, trigger for conversion (including PONV)	None
25	If convertible: in full in all cases / in full or partially / partially in all cases	None
26	If convertible, conversion rate	None
27	If convertible, conversion mandatory/optional	None
28	If convertible, type of instrument to be converted into	None
29	If convertible, issuer of instrument to be converted into	None
30	Depreciation characteristics	Yes
31	Trigger for depreciation	Exceeding the 5.125% threshold for CET1
32	In full/partially	In full or partially. To get back to the trigger threshold (5.125%)
33	Permanent/temporary	Permanent
34	In case of temporary depreciation, allocation mechanism	None
35	Hierarchy of debt in case of liquidation (alw ays name the instrument w ith the ranking immediately above)	Subordination ranking below Tier 2 instruments, pari passu w ith other Tier 1 instruments and above CET1
36	Existence of characteristics w hich could jeopardise full recognition under the Basel III regime	None
37	If yes, w hich ones?	None

4 Credit risk

4.1 General Information

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

4.2 Credit quality of assets

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

CR1 : Credit risk: credit quality of assets (in 1'000 CHF)					
		a	b	c	d
		Gross carrying value of			
		Defaulted exposure	Non-defaulted exposure	Provisions / impairments	Net value (a + b - c)
1	Loans (excluding debt securities)	334'492	18'083'540	91'079	18'326'953
2	Debt securities		1'252'460		1'252'460
3	Off-balance sheet exposure		2'029'867		2'029'867
4	**TOTAL**	**334'492**	**21'365'866**	**91'079**	**21'609'279**

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

CR2 : Credit risk : changes in stock of defaulted loans and debt securities (in 1'000 CHF)		
		a
		31.12.2020
1	Defaulted loans and debt securities at end of the previous reporting period	159'272
2	Loans and debt securities that have defaulted since the last reporting period	193'928
3	Amounts returned to non-defaulted status	2'548
4	Amounts w ritten off	22'307
5	Other changes (+/-)	6'147
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	334'492

In response to the COVID-19 health crisis, the Bank set up several task forces/working groups to:

- assess the impact of the crisis on its business operations,
- implement appropriate solutions,
- and monitor the effect of the solutions implemented and adjust them where necessary.

An in-depth analysis of its credit portfolio was undertaken and resulted in some counterparties going into default. As a result, exposures in default increased between 31.12.2019 (CHF 159 million) and 31.12.2020 (CHF 334 million). The provisioning rate (ratio between the amount of provisions and the amount of exposures in default) of these new exposures in default is 12%.

The CRB tables show the exposure:

- after deducting specific provisions
- before taking into account credit conversion factors (CCF)
- before mitigation techniques.

Unmatched assets are included in these tables.

The bank uses the definitions of "past due" and "defaulted" in accordance with the provisions of the Basel Committee (BCBS 128) and FINMA Circular 2020/1 Accounting - Banks. The methods used to determine impaired loans (also called defaulted loans) are outlined in the bank's administrative instructions. The notion of restructured positions is not used at BCGE.

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

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

	Segmentation of the credit risk - Regions									
	Switzerland	**Oceania**	**North America**	**Liechten-stein**	**Latin America**	**Europe**	**Caribbean**	**Asia**	**Africa**	**Total**
Assets										
Liquid assets	6'394'969	62	1'547		8	77'239	0	512	22	**6'474'360**
Amounts due from banks	231'652	2'884	9'655		4'394	239'092	43'764	164'044	24'940	**720'425**
Amounts due from customers	3'395'843	1	52'375	14'483	32'401	1'839'630	102'102	154'699	3'275	**5'594'809**
Mortgage loans	11'677'396		66			334'223		33		**12'011'719**
Trading portfolio assets										
Financial investments	1'849'029	10'086	55'598			277'257		18'788		**2'210'757**
Accrued income and prepaid expenses	35'103					2'028				**37'131**
Participations	37'938		152			15'566				**53'656**
Other assets	74'259					1'311				**75'570**
Total assets	**23'812'888**	**13'033**	**119'393**	**14'483**	**36'803**	**2'789'749**	**145'866**	**338'076**	**28'238**	**27'298'528**
Off Balance sheet										
Contingent liabilities	403'833		53'815	6'179		153'944	41'569	247'478	9'187	**916'005**
Irrevocable commitments	548'105		10'707			248'269		2'978	7'056	**817'116**
Contingent liability for calls and Margin liabilities	178'565									**178'565**
Commitment credits	52'891		1'053			15'801		46'503	1'932	**118'180**
Total Off Balance sheet	**1'183'394**		**65'575**	**6'179**		**418'015**	**41'569**	**296'959**	**18'175**	**2'029'867**
Total	**24'996'282**	**13'033**	**184'969**	**20'662**	**36'803**	**3'207'763**	**187'435**	**635'036**	**46'413**	**29'328'395**
of which Defaulted exposure (net)	179'315		14			55'958	1'864	6'831		**243'982**
Defaulted exposure (gross)	227'390	75	15			89'677	3'588	23'797		**344'541**
Provisions	48'075	75	0			33'718	1'724	16'966		**100'559**

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

Segmentation of the credit risk - Asset classes

	Central governments and Central banks	Institutions	Banks and Securities dealers	Corporates	Retail	Equity	Other exposures	Total
Assets								
Liquid assets	6'464'903		9'457				0	**6'474'360**
Amounts due from banks			713'199	7'223	3			**720'425**
Amounts due from customers	8	775'115		3'367'480	1'452'207		0	**5'594'809**
Mortgage loans	10	275'275		3'296'583	8'439'852			**12'011'719**
Trading portfolio assets								
Financial investments	403'764	316'413	94'339	1'244'351		23'095	128'794	**2'210'757**
Accrued income and prepaid expenses	27	8'751	446	25'961	1'946			**37'131**
Participations					3'491	50'165		**53'656**
Other assets	11'969		61'098	1'183	1'318		1	**75'570**
Total assets	**6'880'681**	**1'375'553**	**878'539**	**7'942'781**	**9'898'817**	**73'260**	**248'897**	**27'298'528**
Off Balance sheet								
Contingent liabilities		208	157'852	718'198	39'748			**916'005**
Irrevocable commitments			67'957	586'564	162'595			**817'116**
Contingent liability for calls and Margin liabilities			195	988		177'382		**178'565**
Commitment credits			32'169	86'011				**118'180**
Total Off Balance sheet		**208**	**258'173**	**1'391'760**	**202'343**	**177'382**		**2'029'867**
Total	**6'880'681**	**1'375'762**	**1'136'712**	**9'334'541**	**10'101'160**	**250'642**	**248'897**	**29'328'395**
of which Defaulted exposure (net)				102'995	140'986			**243'982**
Defaulted exposure (gross)		30		152'272	192'240			**344'541**
Provisions		30		49'276	51'253			**100'559**

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

	Segmentation of the credit risk - Duration							
	At sight	**Cancellable**	**≤ 3 months**	**> 3 months**	**> 1 year and**	**> 5 years**	**No maturity**	**Total**
Assets								
Liquid assets	6'474'360							**6'474'360**
Amounts due from banks	200'329	19	365'083	154'775	219			**720'425**
Amounts due from customers	1'169'861	245'775	1'227'073	436'027	1'545'773	970'300		**5'594'809**
Mortgage loans	2'585	2'046'160	778'302	608'464	3'187'130	5'389'078		**12'011'719**
Trading portfolio assets								
Financial investments	160'792		10'810	205'140	869'667	964'348		**2'210'757**
Accrued income and prepaid expenses	25'361				11'587	183		**37'131**
Participations	51'524					2'132		**53'656**
Other assets	75'570							**75'570**
Total assets	**8'280'483**	**2'291'955**	**2'381'268**	**1'404'405**	**5'614'377**	**7'326'041**		**27'298'528**
Off Balance sheet								
Contingent liabilities	37'854		807'071	45'928	22'372	2'781		**916'005**
Irrevocable commitments	68'027		27'563	78'228	459'088	184'211		**817'116**
Contingent liability for calls and Margin liabilities	178'565							**178'565**
Commitment credits	10'039		97'728	10'413				**118'180**
Total Off Balance sheet	**294'485**		**932'361**	**134'569**	**481'459**	**186'992**		**2'029'867**
Total	**8'574'967**	**2'291'955**	**3'313'629**	**1'538'975**	**6'095'836**	**7'513'033**		**29'328'395**
of which Defaulted exposure (net)	182'852		9'250	10'587	6'828	34'464		**243'982**
Defaulted exposure (gross)	281'498		9'250	11'002	7'961	34'829		**344'541**
Provisions	98'645			415	1'133	366		**100'559**

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

	Segmentation of the credit risk - Risk Weight							
	0%	20%	35%	50%	75%	100%	150%	Total
Assets								
Liquid assets	6'474'360							**6'474'360**
Amounts due from banks		447'917		96'095		175'397	1'015	**720'425**
Amounts due from customers	589'956	327'380	476'372	728'631	374'162	3'002'105	96'204	**5'594'809**
Mortgage loans	22'650	26'085	9'512'360	9'647	490'692	1'874'031	76'253	**12'011'719**
Trading portfolio assets								
Financial investments	439'627	1'467'932		150'749		43'306	93'276	**2'210'757**
Accrued income and prepaid expenses	27	8'751		446	40	27'867		**37'131**
Participations						3'491	41'161	**53'656**
Other assets	72'902	165				2'502		**75'570**
Total assets	**7'599'522**	**2'278'230**	**9'988'732**	**985'568**	**864'894**	**5'248'802**	**307'909**	**27'298'528**
Off Balance sheet								
Contingent liabilities	15'511	143'608		39'512	18'784	686'484	12'105	**916'005**
Irrevocable commitments		74'725		579	79'738	662'075		**817'116**
Contingent liability for calls and Margin liabilities						178'565		**178'565**
Commitment credits		5'515		19'998		92'668		**118'180**
Total Off Balance sheet	**15'511**	**223'848**		**60'089**	**98'522**	**1'619'792**	**12'105**	**2'029'867**
Total	**7'615'033**	**2'502'079**	**9'988'732**	**1'045'657**	**963'416**	**6'868'594**	**320'015**	**29'328'395**
of which Defaulted exposure (net)	181	3'386		2'156		65'802	172'457	**243'982**
Defaulted exposure (gross)	184	3'386		6'975		158'588	175'408	**344'541**
Provisions	3			4'819		92'786	2'951	**100'559**

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

Segmentation of the credit risk - Credit risk mitigation techniques

	Secured by financial guarantees	Secured by guarantees	Mortgage-backed	Secured by other types of collateral	Unsecured	Total
Assets						
Liquid assets					6'474'360	**6'474'360**
Amounts due from banks		120'090			600'334	**720'425**
Amounts due from customers	107'122	806'874	1'046'451	2'296	3'632'066	**5'594'809**
Mortgage loans	22'640	1'905	11'819'990		167'184	**12'011'719**
Trading portfolio assets						
Financial investments					2'210'757	**2'210'757**
Accrued income and prepaid expenses					37'131	**37'131**
Participations					53'656	**53'656**
Other assets					75'570	**75'570**
Total assets	**129'762**	**928'869**	**12'866'441**	**2'296**	**13'371'160**	**27'298'528**
Off Balance sheet						
Contingent liabilities	15'511	42'244			858'250	**916'005**
Irrevocable commitments		7'346			809'769	**817'116**
Contingent liability for calls and Margin					178'565	**178'565**
Commitment credits					118'180	**118'180**
Total Off Balance sheet	**15'511**	**49'591**			**1'964'765**	**2'029'867**
Total	**145'273**	**978'460**	**12'866'441**	**2'296**	**15'335'926**	**29'328'395**
of which Defaulted exposure (net)	181	5'542	138'831		99'427	**243'982**
Defaulted exposure (gross)	184	10'361	140'893		193'103	**344'541**
Provisions	3	4'819	2'061		93'676	**100'559**

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

	Segmentation of the credit risk - Rating 1	2	3	4	5	6	No Rating	Total
Assets								
Liquid assets							6'474'360	**6'474'360**
Amounts due from banks	43'145	31'863	206'821	37'870	54'612	69'501	276'612	**720'425**
Amounts due from customers							5'594'809	**5'594'809**
Mortgage loans							12'011'719	**12'011'719**
Trading portfolio assets								
Financial investments	553'344	247'889	98'944				1'310'580	**2'210'757**
Accrued income and prepaid expenses							37'131	**37'131**
Participations							53'656	**53'656**
Other assets							75'570	**75'570**
Total assets	**596'489**	**279'753**	**305'765**	**37'870**	**54'612**	**69'501**	**25'954'539**	**27'298'528**
Off Balance sheet								
Contingent liabilities							916'005	**916'005**
Irrevocable commitments							817'116	**817'116**
Contingent liability for calls and Margin							178'565	**178'565**
Commitment credits							118'180	**118'180**
Total Off Balance sheet							2'029'867	**2'029'867**
Total	**596'489**	**279'753**	**305'765**	**37'870**	**54'612**	**69'501**	**27'984'405**	**29'328'395**
of which Defaulted exposure (net)							243'982	**243'982**
Defaulted exposure (gross)							344'541	**344'541**
Provisions							100'559	**100'559**

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

	Default date before 2013	2013	2014	2015	2016	2017	2018	2019	2020	Total
Defaulted exposure (net)	26'975	5'083	1'926	4'184	7'011	10'039	10'107	7'130	171'527	**243'982**
Defaulted exposure (gross)	78'461	9'658	5'057	6'807	9'884	18'807	14'059	7'880	193'928	**344'541**
Provisions	51'486	4'575	3'131	2'622	2'874	8'768	3'952	750	22'401	**100'559**

The increase in exposures in default in 2020 concerns the hotel and commodities sector. This increase is a consequence of the health crisis.

4.3 Mitigation of credit risk

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

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

CR3 : Credit risk : overview of mitigation techniques (in 1'000 CHF)						
		a	**b1**	**b**	**d**	**f**
		Exposures unsecured (carrying amount)	Exposures secured (carrying amount)	Of which exposures secured by collateral	Of which exposures secured by financial guarantees	Of which exposures secured by credit derivatives
1	Loans (without debt securities)	4'109'042	14'217'911	13'289'042	928'869	
2	Debt securities	1'252'460				
3	**Total**	**5'361'502**	**14'217'911**	**13'289'042**	**928'869**	
4	of which defaulted	183'054	151'438	141'077	10'361	

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

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

CR4 :	Credit risk : exposure and credit risk mitigation (CRM) effects under the standardised approach (in 1'000 CHF)						
		a	b	c	d	e	f
		Exposure pre-CCF and pre-CRM		Exposure post-CCF and post-CRM			
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Governments and their central banks	6'880'681		7'361'210		880	0%
2	Banks and securities traders	878'539	258'173	699'175	78'212	338'651	44%
3	Public-sector entities and multilateral developments banks	1'375'553	208	1'550'954	75	609'846	39%
4	Corporate	7'942'781	1'391'760	7'442'771	557'474	5'233'033	65%
5	Retail	9'898'817	202'343	9'729'270	106'178	4'969'917	51%
6	Equity securities	73'260	177'382	73'260	177'382	311'199	124%
7	Other assets	248'897		248'897		293'746	118%
8	**TOTAL**	**27'298'528**	**2'029'867**	**27'105'537**	**919'321**	**11'757'272**	**42%**

4.4 Use of external ratings

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

The positions that benefit from these external ratings are:

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

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

4.5 Risk weightings by asset classes

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

CR5 : Credit risk : exposures by asset classes and risk weights under the standardised approach (in 1'000 CHF)		a	c	d	e	f	g	h	j
		0%	20%	35%	50%	75%	100%	150%	Total credit exposure (post-CCF and post-CRM)
1	Governments and their central banks	7'356'811	4'400						7'361'210
2	Banks and securities traders	9'457	456'036		132'336		176'121	3'436	777'387
3	Public-sector entities and multilateral developments banks		535'852	227'181	728'291	2'754	56'951		1'551'029
4	Corporate		1'335'278	2'495'629	152'696	157'375	3'781'546	77'722	8'000'245
5	Retail			7'265'923	725	758'743	1'715'321	94'735	9'835'448
6	Equity securities						179'268	46'504	250'642
7	Other assets	40'263					120'701	87'933	248'897
8	**TOTAL**	**7'406'531**	**2'331'566**	**9'988'732**	**1'014'048**	**918'872**	**6'029'908**	**310'331**	**28'024'859**
9	of which, covered by mortgages			9'988'732		406'111	2'278'075		12'672'918
10	of which, past-due loans		3'386		2'156		65'802	172'457	243'800

5 Counterparty credit risk

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

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

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

		a	c	d	e	f	g	h	i
		0%	20%	50%	75%	100%	150%	Others	Total credit exposure
1	Governments and their central banks	60'929							60'929
2	Banks and securities traders		95'471	493		42		10'448	106'453
3	Public-sector entities and multilateral developments banks								
4	Corporate					6'397	844		7'242
5	Retail					19'406			19'406
6	Equity securities								
7	Other assets								
8									
9	**TOTAL**	**60'929**	**95'471**	**493**		**25'846**	**844**	**10'448**	**194'030**

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

CCR5 : Counterparty credit risk: composition of collateral for CCR exposure (in 1'000 CHF)	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Ségréguées	Non ségréguées	Ségréguées	Non ségréguées		
Cash in CHF		7'640		197'771		
Cash in other currencies		1'816		13'566	817'425	
Sw iss government debt						147'934
Other government debt						20'089
Government agency debt					847	127'113
Corporate bonds					2'052	486'787
Equity securities						
Other collateral						
TOTAL		**9'456**		**211'337**	**820'324**	**781'922**

6 Market risk

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

7 Interest rate risk in the bank portfolio

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

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

7.1 Strategy and procedures

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

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

7.2 Structure and organisation

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

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

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

7.3 Risk assessment and measurement

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

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

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

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

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

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

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

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

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

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

Scenarios for the evolution of the balance sheet:

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

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

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

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

7.4 Reduction of risks

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

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

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

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

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

7.6 Fluctuation in economic value (ΔEVE)

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

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

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

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

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

7.7 Fluctuation in interest income (ΔNII)

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

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

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

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

7.8 Automatic and behavioural options

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

Positions relating to automatic rate options are revalued.

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

7.9 Currencies

At 31 December 2019, the breakdown by currency of the group company's total liabilities is as follows: Swiss Franc 74.9%, Euro 9.5%, US Dollar 14.4%, other currencies 1.1%. As part of the interest rate risk in the bank's portfolio, the significant currencies are the Swiss Franc, the Euro and the US Dollar.

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

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

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

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

		Volume in CHF millions			Average repricing maturity (in years)		Maximum repricing maturity (in years) assigned to non-maturity positions	
		Total	Of which CHF	Of which other significant currencies representing more than 10% of the assets or liabilities of the balance sheet total	Total	Of which CHF	Total	Of which CHF
Determined repricing maturity	Amounts due from banks	1'232	10	1'222	0.6	0.0		
	Amounts due from customers	4'400	2'279	2'099	2.3	3.5		
	Money market mortgage loans	1'883	1'799	84	0.0	0.0		
	Fixed-rate mortgage loans	10'936	10'852	84	6.1	6.1		
	Financial investments	2'054	1'847	207	5.3	5.7		
	Other assets	2	2	-	0.0	0.0		
	Receivables on interest rate derivatives	11'279	7'855	3'314	1.9	2.7		
	Amounts due to banks	-3'299	-428	-2'859	0.4	0.3		
	Amounts due in respect of customer deposits	-1'235	-120	-1'088	0.3	0.1		
	Cash bonds	-1	-1	-	2.4	2.4		
	Bond issues and central mortgage institution loans	-4'373	-4'362	-11	7.5	7.5		
	Other liabilities	-846	-	-846	0.2	0.0		
	Liabilities on interest rate derivatives	-11'448	-10'541	-892	2.4	2.4		
Undetermined repricing maturity	Amounts due from banks	258	2	138	0.2	5.0	5.0	5.0
	Amounts due from customers	1'387	289	1'083	0.3	0.7	5.0	5.0
	Variable-rate mortgage loans	142	141	1	1.7	1.7	5.0	5.0
	Other sight receivables	-	-	-	0.0	0.0	0.0	0.0
	Sight liabilities in personal and current accounts	-10'097	-7'957	-2'022	1.1	1.3	5.0	5.0
	Other sight liabilities	-843	-403	-301	0.1	0.1	1.0	1.0
	Liabilities from client deposits, callable but not transferable (savings)	-5'526	-5'310	-214	2.1	2.1	5.0	5.0
	Total	-4'097	-4'046	-2	2.5	3.4	-	-

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

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

Table IRRBB1: Interest rate risk: quantitative information on economic value of equity and net interest income				
In CHF	ΔEVE (change in economic value of equity)		ΔNII (change in net interest income)	
Period	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Parallel up	-169'957'116	-156'861'142	-27'894'960	-4'111'146
Parallel down	212'186'307	197'943'044	21'054'681	1'810'670
Steepener	-138'100'664	-115'281'842		
Flattener	100'152'857	84'957'624		
Short rate up	21'370'946	14'993'840		
Short rate down	-20'758'154	-14'426'521		
Maximum	-169'957'116	-156'861'142	-27'894'960	-4'111'146

Period	**31/12/2020**	**31/12/2019**
Tier 1 capital	1'907'593'027	1'857'919'735

The economic value of equity is mainly exposed to a parallel increase in interest rates. In this scenario, exposure has increased compared to the situation at 31 December 2019.

The net interest income is mainly exposed to an increase in interest rates. Exposure has increase in this scenario compared to 31 December 2019.

8 Liquidity

8.1 Strategy and procedures

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

8.2 Structure and organization

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

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

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

8.3 Risk assessment

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

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

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

8.4 Liquidity Coverage Ratio (LCR)

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

For the second half of 2020, the BCGE Group's all-currency Liquidity Coverage Ratio remained high overall and above an average of 150%. The variability of the BCGE Group's all-currency Liquidity Coverage Ratio is caused mainly by the variability of net cash outflows.

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

With regard to the concentration of financing sources, the main source of the Bank's refinancing is the individual and diversified deposits of clients. As of December 31, 2020, the Bank's refinancing was essentially based on:

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

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

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

8.5 Information regarding the Liquidity Coverage Ratio (LCR)

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

		Q3 2020		Q4 2020	
		Unweighted values	Weighted values	Unweighted values	Weighted values
	High-Quality Liquid Assets (HQLA)				
1	**Total high-quality liquid assets**		**6'511**		**7'110**
	Cash outflows				
2	Retail deposits	10'048	794	9'510	804
3	■ of which stable deposits	3'986	199	4'047	202
4	■ of which less stable deposits	6'062	594	5'463	602
5	Unsecured wholesale funding	5'224	3'215	5'709	3'567
6	■ of which operational deposits (all counterparties) and deposits in networks of cooperative banks	969	232	1'054	251
7	■ of which non-operational deposits (all counterparties)	4'254	2'983	4'654	3'316
8	■ of which unsecured debt	0	0	0	0
9	Secured wholesale funding and collateral swaps		0		9
10	Other cash outflows	1'803	941	1'193	333
11	■ of which cash outflows related to derivative exposure and other transactions	770	741	181	145
12	■ of which cash outflows associated with losses on asset-backed securities financing, covered bonds, other structured instruments, asset-backed money market paper, special purpose vehicles, securities investment vehicles and other similar financing facilities	19	19	0	0
13	■ of which cash outflows related to credit and liquidity facilities	1'013	181	1'011	188
14	Other contractual financing obligations	60	56	87	83
15	Other contingent financing obligations	3'086	42	3'193	47
16	**Total cash outflows**		**5'048**		**4'844**
	Cash inflows				
17	Secured lending (e.g. reverse repos)	0	0	0	0
18	Cash inflows from fully performing exposure	1'534	733	1'518	827
19	Other cash inflows	643	643	10	10
20	**Total cash inflows**	**2'176**	**1'376**	**1'528**	**837**
	Adjusted values				
21	**Total HQLA**		**6'511**		**7'110**
22	**Total net cash outflows**		**3'672**		**4'008**
23	**Liquidity Coverage Ratio (as %)**		**177%**		**177%**

9 Operational risk

The bank uses the Basic Indicator Approach to calculate minimum capital requirements for operational risk.

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

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

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

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

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

10 Leverage ratio

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

LR1 :	Leverage Ratio: comparison between accounting assets and total leverage ratio exposure measure (in 1'000 CHF)	
		a **31.12.2020**
1	**Total assets as per published financial statements**	27'541'692
1a	Differences betw een published financial statements and the basis of calculation for the determination of	
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting but outside the scope of regulatory consolidation (Cm 6 Circ.-FINMA 15/3), as w ell as adjustment for assets deducted from Tier 1 capital (Cm 16 and 17 Circ.-FINMA 15/3)	-615
3	Adjustment for fiduciary assets recognised on the balance sheet for accounting purposes, but excluded from the leverage ratio exposure measure (Cm 15 FINMA Circ.15/3)	
4	Adjustments for derivative financial instruments (Cm 21 to 51 Circ.-FINMA Circ. 15/3)	-15'953
5	Adjustment for securities financing transactions (SFT) (Cm 52 to 73 FINMA-Circ.15/3)	-21'002
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) (Cm 74 to 76 FINMA-Circ.15/3)	1'083'246
7	Other adjustments	-5'390'363
8	**Leverage ratio exposure (sum of rows 1-7)**	**23'197'006**

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

LR2 : Leverage ratio: detailed presentation (in 1'000 CHF)		a	b
		31.12.2020	31.12.2019
On-balance sheet exposure			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral) (Cm 14 and 15 FINMA-Circ. 15/3)	21'328'969	24'369'555
2	Assets that must be deducted in determining the eligible Tier 1 capital (Cm 7, 16 and 17 FINMA-Circ. 15/3)	-615	-795
3	Total on-balance sheet exposure within the leverage ratio framework, excluding derivatives and SFTs (sum of rows 1 and 2)	21'328'354	24'368'760
Derivative exposure			
4	Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements (ie net of eligible cash variation margin) (according to Cm 22 and 23, 34 and 35 FINMA-Circ. 15/3)	12'165	5'194
5	Add-on amounts for PFE associated with all derivatives transactions (Cm 22 and 25 Circ.-FINMA	60'464	50'339
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework (Cm 27 FINMA-Circ. 15/3)		
7	Deduction of receivables assets for cash variation margin provided in derivatives transactions, according to cm 36 FINMA-Circ. 15/3)	-72'628	-55'533
8	Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting) (Cm 39 FINMA-Circ. 15/3)		
9	Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (Cm 43 FINMA-Circ. 15/3)		
10	Adjusted effective notional offsets of bought/written credit derivatives (Cm 44 to 50 FINMA-Circ. 15/3) and add-on deductions for written credit derivatives (Cm 51 FINMA-Circ. 15/3))		
11	Total derivative exposure (sum of rows 4-10)		
Securities financing transaction exposure			
12	Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per cm 57 FINMA Circ. 15/3) including sale accounting transactions (cm 69 FINMA Circ. 15/3), less the items specified in cm 58 FINMA Circ. 15/3)	781'922	526'596
13	Netted amounts of cash payables and cash receivables relating to SFT counterparties (Cm 59 to 62 FINMA-Circ. 15/3)		
14	CCR exposure for SFT assets (Cm 63 to 68 FINMA-Circ. 15/3)	3'483	
15	Agent transaction exposure (Cm 70 to 73 FINMA-Circ. 15/3)		
16	Total securities financing transaction exposure (sum of rows 12-15)	785'405	526'596
Other off-balance sheet exposure			
17	Off-balance sheet exposure at gross notional amount before application of credit conversion factors	3'538'580	3'500'537
18	Adjustments for conversion to credit equivalent amounts (Cm 75 and 76 FINMA-Circ. 15/3)	-2'455'334	-2'580'793
19	Total off-balance-sheet items (sum of rows 17-18)	1'083'246	919'744
Eligible capital and total exposure			
20	Tier 1 capital (Cm 5 FINMA-Circ. 15/3)	1'907'593	1'857'920
21	Total exposure (sum of rows 3, 11, 16 and 19)	23'197'006	25'815'100
Leverage ratio			
22	Leverage ratio (Cm 3 to 4 FINMA-Circ. 15/3)	8.2%	7.2%

Due to the COVID-19 pandemic, FINMA granted a temporary easing on the calculation of the leverage ratio (FINMA communication 02/2020, 03/2020 and 06/2020). This easing resulted in an increase in the leverage ratio of 1.1 percentage points. Without the easing, the leverage ratio would be 7.1%, corresponding to the ratio of 7.2% on 31 December 2019.