Capital disclosure requirements

Basel III (Pillar 3) disclosure, BCGE consolidated accounts at 30.06.2019

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1 Scope of disclosure requirements

According to FINMA Circular 16/01 "Disclosure - Banks", the Bank is required to publish a pillar 3 report every six months.
As the data in this report is updated following an interim financial statement, not all the tables are published in accordance with the information in annex 1 to the circular. Please refer to the pillar 3 report at the end of the year for further information.

2 Overview of key prudential indicators and risk-weighted assets (RWA)

Banque Cantonale de Genève applies the International Standard Approach (AS-BRI) for regulatory credit risk disclosures and the Standard Approach for market risk and operational risk. For credit risk, the Bank applied the Swiss Standardised Approach (AS-CH) prior to 31.12.2018.

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

The national countercyclical buffer (CAO='Capital Adequacy Ordinance' Art. 44) corresponds to the ratio of two percent of positions directly or indirectly secured by real estate pledges to all risk-weighted positions. Its impact is 0.6% on the overall regulatory capital requirement.

The group's equity ratio is 15.9%, above the regulatory minimum of 12.6% (category 3 bank). The leverage ratio is 7.4%, above the regulatory requirement of 3%.

In the first half of 2019, the Group's capital ratio increased by +0.3 percentage points due to the inclusion of the Bank's first half year results.

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

KM1 : Essential regulatory key figures (in 1'000 CHF)		a	c
		30.06.2019	31.12.2018
Equity taken into consideration			
1	Common Equity Tier 1 (CET1)	1'602'128	1'540'546
2	Tier 1 (T1)	1'800'088	1'738'936
3	Total capital	1'917'182	1'853'710
Risk-weighted assets			
4	RWA	12'079'612	11'857'663
4a	Minimum capital requirement	966'369	948'613
Risk-based capital ratios (as % of RWA)			
5	CET1 ratio (%)	13.3%	13.0%
6	Tier 1 ratio (%)	14.9%	14.7%
7	Total capital ratio (%)	15.9%	15.6%
Additional CET1 buffer requirements (as percentage of RWA)			
8	Capital buffer according to Basel minimum standard (2.5% from 2019)(%)	2.5%	1.9%
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%	1.9%
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)(%)	7.9%	7.6%
Target capital ratios according to Annex 8 CAO (as percentage of RWA)			
12a	Capital buffer according to Annex 8 CAO (%)	0.0%	0.0%
12b	Countercyclical buffer (art. 44 and 44a CAO)(%)	0.6%	0.6%
12c	Target CET1 ratio (%) according to Annex 8 CAO with addition of countercyclical buffer according to art. 44 and 44a CAO	8.4%	8.4%
12d	Target T1 ratio (%) according to Annex 8 CAO with addition of countercyclical buffer according to art. 44 and 44a CAO	10.2%	10.2%
12e	Total target capital ratio according to Annex 8 CAO with addition of countercyclical buffer according to art. 44 and 44a CAO	12.6%	12.6%
Basel III leverage ratio			
13	Total Basel III leverage ratio exposure measure	24'391'929	23'760'340
14	Basel III leverage ratio	7.4%	7.3%
Liquidity coverage ratio (LCR)			
15	LCR numerator: total high-quality liquid assets	4'772'321	4'311'477
16	LCR denominator: total net cash outflow	3'328'809	3'559'103
17	Liquidity coverage ratio LCR (%)	143%	121%

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).

Table 2 - OV1 – Overview of risk weighted assets (in CHF 1'000)

	OV1 : Overview of risk weighted assets (in 1'000 CHF)	a	c
		RWA 30.06.2019	Minimum capital requirement 30.06.2019
1	**Credit risk (excluding counterparty credit risk-CCR)**	11'072'289	885'783
2	Of which standardised approach (SA)	11'072'289	885'783
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)**	63'063	5'045
7	Of which standardised approach for counterparty credit risk (SA-CCR)	45'435	3'635
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)	17'627	1'410
10	**Credit valuation adjustment (CVA)**	100'151	8'012
11	**Equity positions in bank portfolio under market-based approach**		
12	**Equity investments in funds – look-through approach**	38'770	3'102
13	**Equity investments in funds – mandate-based approach**	101'798	8'144
14	**Equity investments in funds – fall-back approach**	1	0
14a	**Equity investments in funds – simplified approach**		
15	**Settlement risk**		
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**	10'021	802
21	Of which standardised approach (SA)	10'021	802
22	Of which: internal model approaches (IMA)		
23	**Capital charge for switch between trading portfolio and bank portfolio**		
24	**Operational risk**	673'492	53'879
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	20'027	1'602
26	**Floor adjustment**		
27	**Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)**	**12'079'612**	**966'369**

3 Liquidity

3.1 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.

3.2 Structure and organisation

The Executive Board is responsible for organising 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 and Risk Control 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).

3.3 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.

3.4 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 outstanding High Quality Liquid Assets (HQLA), in the form of cash or other assets which can be converted into cash to cover its liquidity requirements to withstand a 30-calendar-day liquidity crisis.

For the first half of 2019, the BCGE Group's all-currency Liquidity Coverage Ratio remained stable overall and moves around an average of 141%. The variability of the BCGE Group's all-currency Liquidity Coverage Ratio is caused mainly by the variability of net cash outflows.

More than 70% of the high quality liquid assets (HQLA) are made up of assets deposited in clearance accounts with the Swiss National Bank (SNB). The rest is mainly in securities of issuers rated AAA to AA- (Swiss Confederation, Central Mortgage-Bond Institution, etc.) eligible for refinancing operations with the SNB and in cash held by the Bank.

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 June 30, 2019, the Bank's refinancing was essentially based on:

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

Liquidity outflows as a result of "potential" margin calls are mainly 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 centralised financing for its French subsidiary (mainly in euros) and financing for the global commodity finance business (mainly in US dollars).

3.5 Information regarding the Liquidity Coverage Ratio (LCR)

Table 3 - LIQ1 - Liquidity: information on the liquidity ratio (in CHF 1,000,000)

		Q3 2018		*Q4 2018*		*Q1 2019*		*Q2 2019*	
		Unweighted values	Weighted values	Unweighted values	Weighted values	Unweighted values	Weighted values	Unweighted values	Weighted values
	High-Quality Liquid Assets (HQLA)								
1	**Total high-quality liquid assets**		**4'232**		**4'311**		**4'573**		**4'772**
	Cash outflows								
2	Retail deposits	10'249	702	10'280	707	10'395	712	10'504	715
3	■ of which stable deposits	3'898	195	3'890	194	3'947	197	4'004	200
4	■ of which less stable deposits	6'351	507	6'390	512	6'448	515	6'500	514
5	Unsecured wholesale funding	5'049	3'014	5'441	3'283	5'302	3'305	5'339	3'231
6	■ of which operational deposits (all counterparties) and deposits in networks of cooperative banks	863	210	896	218	919	224	1'008	246
7	■ of which non-operational deposits (all counterparties)	4'183	2'801	4'456	2'976	4'368	3'066	4'321	2'975
8	■ of which unsecured debt	3	3	89	89	15	15	10	10
9	Secured wholesale funding and collateral swaps		0		0		0		0
10	Other cash outflows	2'210	1'366	2'604	1'665	2'539	1'343	2'800	1'467
11	■ of which cash outflows related to derivative exposure and other transactions	1'223	1'202	1'506	1'485	1'156	1'134	1'264	1'243
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	0	0	0	0	0	0	0	0
13	■ of which cash outflows related to credit and liquidity facilities	987	164	1'098	180	1'383	208	1'536	224
14	Other contractual financing obligations	169	157	175	36	84	4	18	0
15	Other contingent financing obligations	3'509	60	3'703	53	3'678	50	3'791	53
16	**Total cash outflows**		**5'300**		**5'743**		**5'413**		**5'466**
	Cash inflows								
17	Secured lending (e.g. reverse repos)	202	0	243	0	361	0	295	0
18	Cash inflows from fully performing exposure	1'354	587	1'628	767	2'025	972	1'813	949
19	Other cash inflows	1'091	1'091	1'418	1'418	1'164	1'164	1'189	1'189
20	**Total cash inflows**	**2'647**	**1'679**	**3'288**	**2'184**	**3'550**	**2'136**	**3'296**	**2'137**
	Adjusted values								
21	**Total HQLA**		**4'232**		**4'311**		**4'573**		**4'772**
22	**Total net cash outflows**		**3'621**		**3'559**		**3'277**		**3'329**
23	**Liquidity Coverage Ratio (as %)**		**117%**		**121%**		**140%**		**143%**