CBH Compagnie Bancaire Helvetique

BASEL III PILAR 3 DISCLOSURES – 31.12.2024

CREATIVITY WITHIN EXCELLENCE

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‘Point de bascule 5’ Series: Point de bascule 2023

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Introduction

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

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

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

Consolidation scope

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

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

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

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

Publication requirements related to equity and liquidity

Key metrics (KM1)

(in 1'000 CHF)	31.12.2024	31.12.2023
Available capital		
Common Equity Tier 1 (CET1)	406 830	350 575
Tier 1	406 830	350 575
Total capital	406 830	350 575
Risk-weighted assets		
Total risk-weighted assets (RWA)	1 023 137	814 517
Minimum capital requirement	81 851	65 161
Risk-based capital ratios as a percentage of RWA		
Common Equity Tier 1 ratio (%)	39.76%	43.04%
Tier 1 ratio (%)	39.76%	43.04%
Total capital ratio (%)	39.76%	43.04%
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirements (2.5% from 2019)	2.5%	2.50%
Total of Group CET1 specific buffer requirements	2.5%	2.50%
CET1 available after meeting the Group's minimum capital requirements	31.76%	35.04%
Target capital ratios according to annex 8 of the CAO as a percentage of RWA		
Capital buffer accordance with annex 8 CAO	3.20%	3.20%
Countercyclical capital buffer (art. 44 and 44a CAO)	0.10%	0.08%
Target ratio in CET1 (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	7.50%	7.48%
Target ratio in T1 (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	9.10%	9.08%
Overall target capital ratio (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	11.30%	11.28%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure	4 544 874	4 682 669
Basel III leverage ratio (%)	8.95%	7.49%
Liquidity Coverage Ratio		
Total HQLA	2 038 246	2 761 102
Total net cash outflow	272 639	367 219
LCR ratio (%)	747.60%	751.90%

Publication requirements related to equity and liquidity

Overview of risk weighted assets (OV1)

(in 1'000 CHF)	Methodology	31.12.2024 RWA	31.12.2023 RWA	31.12.2024 Minimum Capital Requirement
Credit risk	*Standard*	665 812	548 792	53 265
Market risk	*Standard*	37 628	16 630	3 010
of which currencies and gold				164
of which commodities (precious metal)				2 846
Operational risk	*Basic indicator*	319 297	247 788	25 544
Amounts below treshold for deductions (with 250% to be risk weighted positions)	–	399	1 307	32
Total		**1 023 136**	**814 517**	**81 851**

CBH's risk profile derives mainly from credit and non-counterparty-related risks (65.1% of total weighted assets) and operational risks (basic indicator approach) contribute for 31.2% of total weighted assets.

Total minimum regulatory capital funds required amount to CHF 81.9 million, compared with eligible capital of CHF 406.8 million.

Liquidity risk

Strategy and procedures

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

Structure and organisation

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

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

Risk assessment

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

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

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

Structure and refinancing

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

Emergency plan

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

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

The emergency plan is reviewed annually.

Short-term liquidity ratio (LCR)

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

Publication requirements related to credit risk

Credit risk : Credit quality of assets (CR1)

(in 1'000 CHF)	31.12.2024			
	Gross carrying values of			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
Loans (excluding debt securities)	576	2 349 736	576	2 349 736
Debt securities	–	1 886 777	–	1 886 777
Off-balance sheet exposures	–	56 391	–	56 391
Total 31.12.2024	**576**	**4 292 904**	**576**	**4 292 904**
Total 31.12.2023	570	4 112 507	570	4 112 507

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

(in 1'000 CHF)	*31.12.2024*
Defaulted loans and debt securities at 31.12.2023	570
Loans and debt securities that have defaulted since the last reporting period	6
Returned to non-defaulted status	–
Amounts written off	–
Other changes (+/-)	–
Defaulted loans and debt securities at 31.12.2024	**576**

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

Publication requirements related to credit risk

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

(in 1'000 CHF)

Exposure by region

	Switzerland	Europe	Rest of the world	Total
Loans	550 745	930 727	868 840	2 350 312
Of which: due from banks	*231 174*	*231 689*	*50 609*	*513 472*
due from customers	*172 589*	*394 470*	*777 125*	*1 344 184*
mortgages	*146 982*	*304 568*	*41 106*	*492 656*
Debt securities	–	104 306	1 782 471	1 886 777
Total	**550 745**	**1 035 033**	**2 651 311**	**4 237 089**
Of which: Impaired loans past due	101	–	475	576
Value adjustments of impaired positions	*101*	–	*475*	*576*

Exposure by activity sectors

	Central governments and Central banks	Institutions	Banks and Stockbrokers	Corporates	Retail	Other exposures	Total
Loans	83 128	40 164	557 773	1 095 736	551 575	21 936	2 350 312
Of which: due from banks	–	*37 636*	*475 836*	–	–	–	*513 472*
due from customers	*46 341*	*1 383*	*76 727*	*887 643*	*318 370*	*13 720*	*1 344 184*
mortgages	*36 787*	*1 145*	*5 210*	*208 093*	*233 205*	*8 216*	*492 656*
Debt securities	1 886 597	180	–	–	–	–	1 886 777
Total	**1 969 725**	**40 344**	**557 773**	**1 095 736**	**551 575**	**21 936**	**4 237 089**
Of which: Impaired loans past due	–	–	–	–	*576*	–	*576*
Value adjustments of impaired positions	–	–	–	–	*576*	–	*576*

Exposure by duration

	At sight	Cancellable	Due			Total
			Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	
Loans	478 754	505 848	861 550	504 160	–	2 350 312
Of which: due from banks	*478 754*	*2 976*	*31 742*	–	–	*513 472*
due from customers	–	*502 872*	*501 469*	*339 843*	–	*1 344 184*
mortgages	–	–	*328 339*	*164 317*	–	*492 656*
Debt securities	–	–	1 727 101	159 676	–	1 886 777
Total	**478 754**	**505 848**	**2 588 651**	**663 836**	**–**	**4 237 089**

Publication requirements related to credit risk

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

(in 1'000 CHF)	31.12.2024		
	Exposures unsecured: carrying amount	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees or credit derivatives, of which: secured amount
Loans (including debt securities)	2 620 510	1 548 976	67 603
Off-balance sheet	43 774	12 617	–
Total 31.12.2024	**2 664 284**	**1 561 593**	**67 603**
Of which defaulted	*576*	–	–
Total 31.12.2023	2 727 013	1 335 045	51 019

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

(in 1'000 CHF)

Asset classes / Risk weight	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns and their central banks	2 075 255	–	–	–	–	–	–	–	2 075 255
Banks and securities traders	530	474 737	–	4 071	–	30 093	0	–	509 431
Public-sector entities and multilateral developments banks	180	38 919	–	–	–	–	–	–	39 099
Corporate	130	–	91 663	–	1 322	246 033	–	–	339 148
Retail	28 783	–	169 072	–	11 911	130 294	–	–	340 060
Equity securities	–	–	–	–	–	–	17 361	160	17 521
Other assets	7 240	–	–	–	–	16 559	-	597	24 396
Total 31.12.2024	**2 112 118**	**513 656**	**260 735**	**4 071**	**13 233**	**422 979**	**17 361**	**757**	**3 344 910**
Thereof receivables secured by real estate	–	–	*260 735*	–	*4 482*	*121 675*	–	–	*386 892*
Thereof receivables past due	–	–	–	–	–	–	–	–	–
Total 31.12.2023	2 781 728	234 671	300 806	124	13 394	363 265	10 123	1 094	3 705 205

Publication requirements related to interest rate risk in the banking book

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

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

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

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

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

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

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

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

Publication requirements related to interest rate risk in the banking book

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

(in 1'000 CHF)

	Volume			Average interest rate reset period (in years)	
	Total	**Of which in CHF**	**Of which in other significant currencies ***	**Total**	**Of which in CHF**
Defined interest rate reset date					
Amounts due from banks	31 742	–	31 742	0.01	0.00
Amounts due from customers	841 312	235 083	553 526	0.33	0.32
Fixed-rate mortgages	492 656	196 588	195 063	0.26	0.23
Financial investments	1 886 777	–	1 886 777	0.11	0.00
Receivables from interest-rate derivatives	73 745	50 000	4 194	0.04	0.03
Amount due in respect of customer deposits	-510 039	-21 549	-461 538	0.04	0.23
Payables to interest-rate derivatives	-73 849	–	-69 666	0.04	0.00
Undefined interest rate reset date					
Amounts due from banks	429 586	5 799	341 233	–	–
Amounts due from customers	502 872	103 243	385 434	–	–
Liabilities on sight in personal and current accounts	-2 143 986	-320 732	-1 671 791	–	–
Other liabilities on sight	-42 374	-984	-29 464	–	–
Liabilities from customer deposits, callable but not transferable	-1 232 072	-57 665	-1 127 587	–	–
Total	**256 370**	**189 783**	**37 923**		

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

Publication requirements related to interest rate risk in the banking book

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

(in 1'000 CHF)	Δ EVE (change in economic value of equity)		Δ NII (change in net interest income)	
	31.12.2024	31.12.2023	**31.12.2024**	31.12.2023
Parallel up	-9 673	-9 896	42 469	39 485
Parallel down	9 774	9 987	-34 328	-23 816
Steepener *(1)*	6 524	6 978		
Flattener *(2)*	-8 309	-8 873		
Short rate up	-10 870	-11 586		
Short rate down	10 977	11 698		
Maximum	-10 870	-11 586	-34 328	-23 816
	31.12.2024	31.12.2023		
Tier 1 capital	406 830	350 575		

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

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

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

Operational risks

Strategy and procedures

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

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

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

Risk assessment

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

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

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

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

Structure and organisation

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

Internal control system (ICS)

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

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

Creativity within Excellence

CBH | Compagnie Bancaire Helvétique

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