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Compagnie
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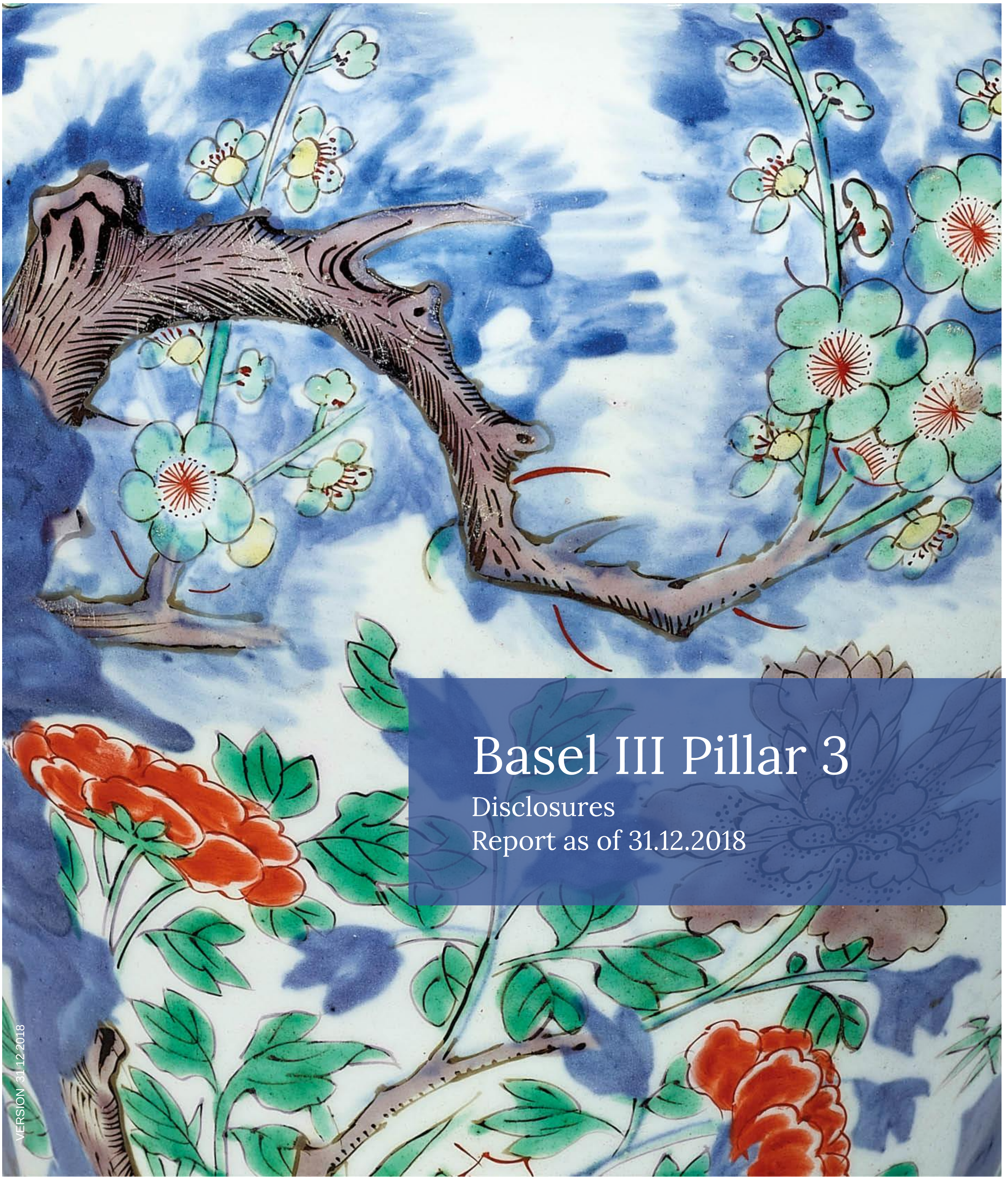
Helvétique



Basel III Pillar 3

Disclosures
Report as of 31.12.2018

CREATIVITY WITHIN EXCELLENCE

Wucai "Peony" Jar and Cover Qing Dynasty, Kangxi Period
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Index

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 Accord and of 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 note 32 to the 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)	*31.12.2018*	*31.12.2017*
Available capital		
Common Equity Tier 1 (CET1)	194'290	179'113
Tier 1	194'290	179'113
Total capital	194'290	179'113
Risk-weighted assets		
Total risk-weighted assets (RWA)	605'977	550'588
Minimum capital requirement	48'478	44'047
Risk-based capital ratios as a percentage of RWA		
Common Equity Tier 1 ratio (%)	32.06%	32.53%
Tier 1 ratio (%)	32.06%	32.53%
Total capital ratio (%)	32.06%	32.53%
Additional CET1 buffer requirements as a percentage of RWA		
Capital convervation buffer requirement (2.5% from 2019)	1.88%	1.25%
Total of bank CET1 specific buffer requirements	1.88%	1.25%
CET1 available after meeting the bank's minimum capital requirements	28.56%	29.03%
Target capital ratios according to annex 8 of the CAO as a percentage of RWA		
Capital buffer accordance with annex 8 CAO	3.20%	3.20%
Countercyclical capital buffer (art. 44 and 44a CAO)	0.02%	0.04%
Target ratio in CET1 (in%) according to annex 8 of the CAO plus contercyclical buffer according to art. 44 and 44a CAO	7.42%	7.44%
Target ratio in T1 (in%) according to annex 8 of the CAO plus contercyclical buffer according to art. 44 and 44a CAO	9.02%	9.04%
Overall target capital ratio (in%) according to annex 8 of the CAO plus contercyclical buffer according to art. 44 and 44a CAO	11.22%	11.24%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure	2'449'712	2'516'585
Basel III leverage ratio (%)	7.93%	7.12%
Liquidity Coverage Ratio		
Total HQLA	452'699	575'162
Total net cash outflow	303'912	138'516
LCR ratio (%)	148.96%	415.23%

Publication requirements related to equity and liquidity

Overview of risk weighted assets (OV1)

(in 1'000 CHF)		31.12.2018	31.12.2017	31.12.2018
	Methodology	*RWA*	*RWA*	*Minimum Capital Requirement*
Credit risk	*Standard*	426'992	377'759	34'159
Market risk	*Standard*	21'756	29'141	1'740
of which currencies and gold				172
of which commodities (precious metal)				1'568
Operational risk	*Basic indicator*	147'335	134'198	11'787
Amounts below treshold for deductions (with 250% to be risk weighted positions)	–	1'055	1'077	84
Total		**597'138**	**542'175**	**47'770**

CBH's risk profile derives mainly from credit and counterparty risk (72% of total weighted assets); operational risks (basic indicator approach) contribute for 24%, while market risks account for 4% of total weighted assets.

Total minimum regulatory capital funds required amount to CHF 41.0 million, compared with eligible capital of CHF 129.9 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 (SLR). The target risk profile is reviewed annually by General Management and validated by the Board of Directors.

Structure and organisation

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

Treasury is in charge of 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 Bank 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 by 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 (SLR)

The SLR 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 SLR ensures that a bank has sufficient liquidity to face a liquidity stress over a period of 30 days. The SLR 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 SLR is set at 90% for 2018 and will be increased to 100% in 2019.

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

Publication requirements related to credit risk

Credit risk : Credit quality of assets (CR1)

(in 1'000 CHF)	*31.12.2018* Gross carrying values of			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
Loans (excluding debt securities)	66	1'764'069	66	1'764'069
Debt securities	875	324'808	875	324'808
Off-balance sheet exposures	0	12'149	0	12'149
Total 31.12.2018	**941**	**2'101'026**	**941**	**2'101'026**
Total 31.12.2017	4'444	1'751'443	4'444	1'751'443

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

(in 1'000 CHF)	*31.12.2018*
Defaulted loans and debt securities at 31.12.2017	4'444
Loans and debt securities that have defaulted since the last reporting period	-
Returned to non-defaulted status	-
Amounts written off	-3'574
Other changes (+/-)	71
Defaulted loans and debt securities at 31.12.2018	**941**

Amounts amortized are primarily related to the amortization of a financial investments.

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	169'112	817'523	777'500	1'764'135
Of which: due from banks	*70'637*	*128'921*	*16'058*	*215'616*
due from customers	*63'992*	*520'324*	*761'442*	*1'345'758*
mortgages	*34'483*	*168'278*	*0*	*202'761*
Debt securities	17'519	259'396	48'768	325'683
Total	**186'631**	**1'076'919**	**826'268**	**2'089'818**
Of which: Impaired loans past due			941	941
Value adjustments of impaired positions			*941*	*941*

Exposure by activity sectors

	Central governments and Central banks	Instituttions	Banks and Stockbrokers	Entreprises	Retail	Other exposures	Total
Loans	44'559	29'907	288'159	792'401	596'147	12'962	1'764'135
Of which: due from banks	*0*	*18'508*	*197'093*	*15*	*0*	*0*	*215'616*
due from customers	*44'502*	*11'392*	*87'644*	*753'962*	*435'296*	*12'962*	*1'345'758*
mortgages	*57*	*7*	*3'422*	*38'424*	*160'851*	*0*	*202'761*
Debt securities	160'140	88'341	75'755	1'447	0	0	325'683
Total	**204'699**	**118'248**	**363'914**	**793'848**	**596'147**	**12'962**	**2'089'818**
Of which: Impaired loans past due			*875*		*66*		*941*
Value adjustments of impaired positions			*875*		*66*		*941*

Exposure by duration

	At sight	Cancellable	Due			Total
			Within 3 months	Within 3 month to 12 month	Within 12 month to 5 years	
Loans	132'609	683'654	517'022	427'705	3'145	1'764'135
Of which: due from banks	*132'592*	*73'112*	*9'912*	*0*	*0*	*215'616*
due from customers	*17*	*610'542*	*357'681*	*374'373*	*3'145*	*1'345'758*
mortgages	*0*	*0*	*149'429*	*53'332*	*0*	*202'761*
Debt securities	0	0	34'395	182'494	108'794	325'683
Total	**132'609**	**683'654**	**551'417**	**610'199**	**111'939**	**2'089'818**

Publication requirements related to credit risk

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

(in 1'000 CHF)	*31.12.2018*		
	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)	682'791	1'369'638	37'389
Off-balance sheet	3'265	8'884	0
Total 31.12.2018	**686'056**	**1'378'522**	**37'389**
Of which defaulted	*941*	*0*	*0*

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

(in 1'000 CHF)

Asset classes / Risk weight	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns and their central banks	323'360						28'647	352'007
Banks and securities traders	0	278'067		19'352		7'806	99	305'324
Public-sector entities and multilateral developments banks	35'528	95'363						130'891
Corporate	0		3'846		192	82'526	10'596	97'160
Retail	0		136'903		8'500	101'732		247'135
Equity securities							1'709	1'709
Other assets	2'321					14'541		16'862
TOTAL	**361'209**	**373'430**	**140'749**	**19'352**	**8'692**	**206'605**	**41'051**	**1'151'089**
Thereof receivables secured by real estate			*140'749*		*1'453*	*63'143*		*205'345*
Thereof receivables past due								

Publication requirements related to credit risk

Counterparty credit risk: exposures by regulatory portfolio and risk weights under the standardised approach (CCR3)

(in 1'000 CHF)

Asset classes / Risk weight	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Autres**	**Total credit exposure**
Sovereigns and their central banks									0
Banks and securities traders	49		2'836	6'994					9'879
Public-sector entities and multilateral developments banks	20		5						25
Corporate	2'407					457			2'864
Retail	3'598				11	892			4'501
Equity securities									0
Other assets	104					0			104
TOTAL	**6'178**	**-**	**2'841**	**6'994**	**11**	**1'349**	**-**	**-**	**17'373**

Operational risks

Strategy and procedures

Operational risk exposure results from exercising the Bank'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 Bank aims to reduce its risk of exposure to:

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

Structure and organisation

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

Risk assessment

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

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

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 Bank 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 Bank to the segments of activity established by the regulator.

Internal control system (ICS)

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

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

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