



BASEL III - PILLAR 3
MARKET DISCIPLINE
2020 REPORT



UNION BANCAIRE PRIVÉE

Purpose and scope of this report

Disclosure principles

The purpose of this report is to publish in-depth information about risk management at the Union Bancaire Privée, UBP SA group in Switzerland (hereinafter the “UBP Group” or the “Bank”). This document reports on its level of share capital and describes its risk management framework.

It has been drafted as per the disclosure requirements set out in Circular 2016/01 titled “Disclosure – banks” issued by the Swiss Financial Market Supervisory Authority (FINMA).

This report is published twice a year within the two months following the mid-year closure of the accounts and four months following the closure of the annual accounts. It is available on the UBP Group’s website, www.ubp.com.

The information in this report refers to the UBP Group’s annual consolidated accounts closed on 31 December 2020.

Scope of consolidation

The scope of consolidation relating to capital requirements is based on the scope that applies to the consolidated annual financial statements (see “Consolidated holdings” on page 12 of the 2020 Annual Financial Report). The main holdings and the changes compared to the previous year taken into account in the calculation of the capital requirement are stated in the 2020 Annual Financial Report (see p. 24).

There is no indication of any internal or external restrictions preventing money or capital transfers within the UBP Group.

KM1 Table: Key regulatory figures

(in CHF thousands)

	31.12.2020	30.06.2020	31.12.2019	
Eligible capital				
1	Common equity (CET1)	2,052,326	1,969,976	1,937,966
2	Common equity (T1)	2,052,326	1,969,976	1,937,966
3	Total shareholders' equity	2,056,326	1,973,976	1,941,966
Risk-weighted assets (RWA)				
4	RWA	7,416,353	7,161,685	7,577,384
4a	Minimum capital requirement	593,308	572,935	606,191
Shareholders' equity ratios based on risk (as a % of RWA)				
5	CET1 ratio (%)	27.7%	27.5%	25.6%
6	T1 ratio (%)	27.7%	27.5%	25.6%
7	Overall common equity ratio (%)	27.7%	27.6%	25.6%
CET1 buffer requirements (as a % of RWA)				
8	Capital buffer in accordance with Basel requirements (%)	2.5%	2.5%	2.5%
11	Overall buffer requirements in accordance with Basel requirements as CET1 (%)	2.5%	2.5%	2.5%
12	Available CET1 to cover buffer requirements in accordance with Basel requirements (after deduction of CET1 assigned for covering minimum requirements and, where applicable, TLAC requirements) (%)	19.7%	19.6%	17.6%
Capital ratio target as per appendix 8 of the CAO, (as a % of RWA)				
12a	Capital buffer as per appendix 8 of the CAO (%)	4.0%	4.0%	4.0%
12b	Countercyclical buffers (Art. 44 & 44a of the CAO) (%)	0.028%	0.029%	0.018%
12c	Target CET1 ratio (as a %) as per appendix 8 of the CAO, plus countercyclical buffers as per Art. 44 & 44a of the CAO	7.8%	7.8%	7.8%
12d	Target T1 ratio (as a %) as per appendix 8 of the CAO, plus countercyclical buffers as per Art. 44 & 44a of the CAO	9.6%	9.6%	9.6%
12e	Total target capita ratio (as a %) as per appendix 8 of the CAO, plus countercyclical buffers as per Art. 44 & 44a of the CAO	12.0%	12.0%	12.0%
Leverage ratio according to Basel III				
13	Total commitments	31,048,656	31,872,195	33,612,959
14	Basel III leverage ratio (common equity as a % of total commitments)	6.6%	6.2%	5.8%
Liquidity coverage ratio (LCR)				
15	LCR numerator: sum of high-quality liquid assets	11,397,914	11,493,786	10,711,452
16	LCR denominator: net sum of cash outflows	4,593,873	4,160,581	4,062,817
17	Liquidity coverage ratio (LCR) (%)	248.1%	276.3%	263.6%

OVA Table: Bank risk management approach

Global risk management – General principles

The risk management mandate defined by the Board of Directors, via the Board's Risk Committee, and the Executive Committee is set out in the "Bank Risk Policy & Risk Governance Framework" and the "Bank's Liquidity Risk Tolerance & Risk Appetite Statement", as well as in internal directives and procedures. The aim is to ensure that risks associated with the Group's activities are identified, assessed and managed, for the benefit of both clients and shareholders. The Group's approach is very demanding in terms of employee skills and the quality of its procedures and IT infrastructure, and it actively promotes a strong risk management culture. This integrated and rigorous risk management strategy is the key to our success, as it provides a reliable base for operations.

The process is based on Risk Manuals, comprehensive and detailed guidelines, and effective information management systems for monitoring, controlling and reporting all significant risks (liquidity/ALM, market, credit, country, and operating risks). To ensure that risk is taken in a cautious, measured way in keeping with our commercial strategy, we apply a strict risk management framework when planning and conducting our business activities. In terms of organisational structure, the Group has three levels of risk management/risk controlling responsibilities:

- Overall strategic guidance and supervision, performed by the Board of Directors, via the Board's Risk Committee, which is responsible for determining general risk policy and risk management strategy (risk vision, risk appetite and risk control standards);
- Management and operational supervision by the Executive Committee and the Risk Committee (formulation and implementation of risk management strategies); and
- Risk control, primarily by the independent Group Risk Management unit, as well as the Compliance Department and the Credit Administration & Control team.

Risk is controlled and reported as follows within each of the Group's divisions – Treasury & Trading, Wealth Management, Asset Management and Group Shared Services:

- Independent risk oversight, risk alert systems and crisis scenarios, and reporting to senior management bodies and operational management;
- Governance and risk vision;
- Identifying and evaluating the Group's market, liquidity, credit, and operating risk, and submitting a Daily Risk Snapshot to the Risk Committee and the Executive Committee, as well as submitting a monthly consolidated risk report to the Board's Risk Committee, and a quarterly one to the Board of Directors;
- Controlling Wealth Management's & Asset Management's investment process, measuring performance, analysing portfolios, assessing operating risk, with consolidated risk reporting submitted to the relevant bodies at various intervals (stated above);
- Risk management system selection, design and maintenance; and
- Risk measurement relating to derivatives/structured products and new products being developed.

OV1 Table: Overview of risk-weighted assets

(in CHF thousands)

	RWA 31.12.2020	RWA 30.06.2020	Minimum shareholders' equity as at 31.12.2020
1 Credit risk – excluding credit counterparty risk (CCR)	4,459,133	4,267,854	356,731
2 of which, standardised approach (SA)	4,132,445	3,901,691	330,596
of which, other approach (CCR)	326,688	366,163	26,135
6 Counterparty credit risk (CCR)	490,992	434,318	39,279
7 of which, standardised approach (SA-CCR)	490,992	434,318	39,279
10 Credit valuation adjustment (CVA)	184,450	205,713	14,756
13 Investments in collective investment vehicles – mandate-based approach	386,452	344,332	30,916
15 Settlement risk	1,526	188	122
20 Market risk	150,735	146,547	12,059
21 of which, standardised approach (SA)	150,735	146,547	12,059
24 Operating risk	1,743,065	1,762,733	139,445
27 Total	7,416,353	7,161,685	593,308

LI1 Table: Reconciliation between accounting and regulatory scopes of consolidation

(in CHF thousands)

	Carrying values				
	Carrying values under the scope of accounting and regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Liquid assets	7,043,041	7,043,041			
Due from banks	2,538,863	1,804,021	734,842		
Due from securities financing transactions	95,587		95,587		
Due from clients	9,587,854	9,465,602	121,107		1,145
Mortgage loans	1,957,788	1,957,788			
Trading portfolio assets	1,590,107	2,564		1,587,543	
Positive replacement values of derivative financial instruments	625,442		625,442		
Other financial instruments at fair value	1,454,014			1,454,014	
Financial investments	11,795,932	10,747,151			1,048,781
Accrued income and prepaid expenses	157,875	157,875			
Non-consolidated participations	2,755	2,660			95
Tangible fixed assets	317,643	317,643			
Intangible assets	223,433				223,433
Other assets	418,395	45,493			372,902
Total assets	37,808,729	31,543,838	1,576,978	3,041,557	1,646,356

(in CHF thousands)

	Carrying values of items				
	Carrying values under the scope of accounting and regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities					
Due to banks	592,670		56,238		536,432
Liabilities from securities financing transactions	6,403,239				6,403,239
Liabilities from client deposits	24,894,302	2,701,576	3,050		22,189,676
Liabilities from trading portfolios	241			241	
Negative replacement values of derivative financial instruments	1,317,827		1,317,827		
Liabilities from other financial instruments at fair value	1,792,661			1,792,661	
Accrued expenses and deferred income	295,309				295,309
Other liabilities	78,251				78,251
Provisions	27,306				27,306
Total liabilities	35,401,806	2,701,576	1,377,115	1,792,902	29,530,213

Carrying values under the scope of accounting consolidation and those under the scope of regulatory consolidation are identical.

LIA Table: Explanation of differences between regulatory exposure amounts and carrying values

Carrying values under the scope of accounting consolidation and those under the scope of regulatory consolidation are identical.

CC1 Table: Presentation of eligible regulatory capital

(in CHF thousands)

	31.12.2020	Reference	
Common equity Tier 1 (CET1)			
1	Issued and paid-in capital, fully eligible	300,000	c
2	Retained earnings reserves, including reserves for general banking risks/profit (loss) carried forward and profit (loss) for the period	1,109,664	
3	Capital reserves, currency reserves (+/-) and other reserves	867,336	
6	CET1: capital before regulatory adjustments	2,277,000	
CET1: regulatory adjustments			
8	Goodwill (net of related tax liability)	(223,433)	a
17	Qualified participations where a controlling influence is exercised together with other owners (CET1 instruments)	(1,241)	
	Participations to be consolidated (CET1 instruments)		
28	Total regulatory adjustments to CET1	(224,674)	
29	Common Equity Tier 1 capital (net CET1)	2,052,326	
Tier 2 capital (T2)			
50	Valuation adjustments; provisions and depreciation for prudential reasons; compulsory reserves on financial investments	4,000	
51	Tier 2 capital before regulatory adjustments	4,000	
58	Tier 2 capital (net T2)	4,000	
59	Regulatory capital (net T1 & T2)	2,056,326	
60	Total risk-weighted assets	7,416,353	
Capital ratios			
61	CET1 ratio (as a percentage of risk-weighted assets)	27.7%	
62	T1 ratio (as a percentage of risk-weighted assets)	27.7%	
63	Regulatory capital ratio (as a percentage of risk-weighted assets)	27.7%	
64	CET1 requirements in accordance with CAO transitional arrangements (minimum requirements + capital buffer + countercyclical buffer) plus the capital buffer for systemically important institutions in accordance with the Basel requirements (as a percentage of risk-weighted assets)	2.5%	
65	of which, capital buffer in accordance with Basel III requirements (as a percentage of risk-weighted assets)	2.5%	
66	of which, countercyclical buffer in accordance with Basel III requirements (as a percentage of risk-weighted assets)		
68	CET1 available to meet minimum and buffer requirements, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets)	19.7%	
68a	CET1 target in accordance with appendix 8 of the CAO, plus the countercyclical buffer (as a percentage of risk-weighted assets)	7.8%	
68b	of which, countercyclical buffer in accordance with Art. 44 & 44a of the CAO (as a percentage of risk-weighted assets)	0.028%	
68c	CET1 available (as a percentage of risk-weighted assets)	23.5%	
68d	T1 target in accordance with appendix 8 of the CAO, plus the countercyclical buffer (as a percentage of risk-weighted assets)	9.6%	
68e	T1 available (as a percentage of risk-weighted assets)	25.3%	
68f	Target for regulatory capital ratio in accordance with Appendix 8 of the CAO, plus the countercyclical buffer (as a percentage of risk-weighted assets)	12.0%	
68g	Regulatory capital available (as a percentage of risk-weighted assets)	27.7%	

CC2 Table: Reconciliation of financial statements and regulatory exposure

Balance sheet

(in CHF thousands)

	Based on close of accounts and relating to the consolidated Group	
	31.12.2020	Reference
Assets		
Liquid assets	7,043,041	
Due from banks	2,538,863	
Due from securities financing transactions	95,587	
Due from clients	9,587,854	
Mortgage loans	1,957,788	
Trading portfolio assets	1,590,107	
Positive replacement values of derivative financial instruments	625,442	
Other financial instruments at fair value	1,454,014	
Financial investments	11,795,932	
Accrued income and prepaid expenses	157,875	
Non-consolidated participations	2,755	
Tangible fixed assets	317,643	
Intangible assets	223,433	a
including goodwill	223,433	
Other assets	418,395	
Total assets	37,808,729	

(in CHF thousands)

Based on close
of accounts and
relating to the
consolidated
Group

	31.12.2020	Reference
Liabilities		
Due to banks	592,670	
Liabilities from securities financing transactions	6,403,239	
Liabilities from client deposits	24,894,302	
Liabilities from trading portfolios	241	
Negative replacement values of derivative financial instruments	1,317,827	
Liabilities from other financial instruments at fair value	1,792,661	
Accrued expenses and deferred income	295,309	
Other liabilities	78,251	
Provisions	27,306	
Total liabilities	35,401,806	
Capital		
Reserves for general banking risks	215,375	
Share capital	300,000	c
of which, recognised as CET1	300,000	
Legal/optional reserves, or profits/losses carried forward and for the financial year concerned	1,891,625	
Minority interests	(77)	
Total capital	2,406,923	

CCA Table: Material features of regulatory capital instruments and other TLAC instruments

As at 31 December 2020

Share capital

1	Issuer	UNION BANCAIRE PRIVÉE, UBP SA
2	Unique identifier (e.g. ISIN)	n/a
3	Governing law of the instrument	Swiss law

Regulatory treatment

4	Under transitional Basel III rules	CET1
5	Under post-transitional Basel III rules	CET1
6	Eligible at single-entity or group level, and at single-entity and group levels	Single-entity and group
7	Equity securities/debt securities/hybrid instruments/other instruments	Equity securities
8	Amount recognised in regulatory capital (as per most recent capital adequacy report)	CHF 300 million
9	Par value of instrument	CHF 300 million
10	Accounting classification	Share capital
11	Original date of issuance	3 July 1956
12	Perpetual or dated	Perpetual
13	Original maturity date	n/a
14	Issuer call (subject to prior approval from supervisory authority)	None
15	Optional call date/contingent call dates /redemption amount	n/a
16	Subsequent call dates, if applicable	n/a

Coupons/dividends

17	Fixed/floating rate/initially fixed and subsequently floating rate/initially floating and subsequently fixed rate	n/a
18	Coupon rate and any related index	n/a
19	Existence of a dividend stopper	n/a
20	Coupon payment/dividends: fully discretionary, partially discretionary, or mandatory	Discretionary dividends
21	Existence of step up or other incentive to redeem	None
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Unsecured creditors
36	Features that prevent full recognition under Basel III	None

LR1 Table: Leverage ratio – comparison of accounting assets versus leverage ratio exposure measure

(in CHF thousands)

	31.12.2020
1 Total assets as per published financial statements	37,808,729
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (margin nos. 6 & 7 FINMA Circ. 15/3) as well as adjustment for assets deducted from Tier 1 capital (margin nos. 16 & 17 FINMA Circ. 15/3)	(224,673)
4 Adjustment for derivative financial instruments (margin nos. 21–51 FINMA Circ. 15/3)	(625,442)
5 Adjustment for securities financing transactions (SFTs) (margin nos. 52–73 FINMA Circ. 15/3)	140,886
6 Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures) (margin nos. 74–76 FINMA Circ. 15/3)	983,783
7 Other adjustments*	(7,034,627)
8 Total leverage ratio exposure	31,048,656

* Assets deposited with central banks in accordance with the temporary easing authorised by FINMA in its communications regarding oversight further to the crisis caused by COVID-19.

LR2 Table: Leverage ratio – detailed presentation

(in CHF thousands)

	31.12.2020	31.12.2019	
On-balance-sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14 and 15 FINMA Circ. 15/3)	30,053,073	31,919,165
2	(Assets that must be deducted in determining the eligible Tier 1 capital) (margin nos. 7, 16, & 17 FINMA Circ. 15/3)	(224,673)	(287,581)
3	Total on-balance sheet exposures within the leverage ratio framework (excluding derivatives and SFTs)	29,828,400	31,631,584
Derivatives			
4	Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with margin nos. 22, 23, 34, & 35 of FINMA Circ. 15/3	237,797	314,233
5	Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 & 25 FINMA Circ. 15/3)	433,160	743,469
7	(Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3)	(670,957)	
11	Total derivative exposures	-	1,057,702
Securities financing transaction (SFT) exposures			
12	Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA Circ. 15/3) including sale accounting transactions (margin no. 69 FINMA Circ. 15/3), less the items specified in margin no. 58 FINMA Circ. 15/3)	95,587	454,151
14	CCR exposure for SFT assets (margin nos. 63-68 FINMA Circ. 15/3)	140,886	
16	Total securities financing transaction exposures	236,473	454,151
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross national amounts before application of credit conversion factors	1,311,209	892,922
18	(Adjustments for conversion to credit equivalent amounts) (margin nos. 75 & 76 FINMA Circ. 15/3)	(327,426)	(423,400)
19	Total off-balance-sheet items	983,783	469,522
Eligible capital and total exposures			
20	Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	2,052,326	1,937,966
21	Total exposures	31,048,656	33,612,959
Leverage ratio			
22	Leverage ratio (margin nos. 3 and 4 FINMA Circ. 15/3)	6.6%	5.8%

LIQA Table: Liquidity risk management

The Group has a clearly defined system for managing liquidity risk including determining its risk tolerance (based on its ALM Risk Manual, Liquidity Risk Manual, Liquidity Contingency Funding Plan, Funds Transfer Pricing Policy, and ALM and Capital Management Policy for Local Entities, as well as various directives and procedures). This involves consolidated analysis carried out and submitted monthly to the Board's Risk Committee, the Executive Committee, the Risk Committee, and the departments concerned.

The general principles governing liquidity risk management can be summarised as follows:

- Maintain a comfortable level of liquidity at all times in order to withstand multiple liquidity stress scenarios, whether within the Group or on the markets;
- Have diversified and stable refinancing strategies in place at all times, with a high ratio of HQLAs;
- Maintain a liquidity stress limit which determines and sets the maximum for all other risk limits and risk appetites defined (market, ALM, credit, and operating risk);
- Run daily liquidity stress tests and impact analyses on the Group's balance sheet, profitability, and solvency;
- Maintain a solid Group-wide emergency refinancing plan;
- Meet subsidiaries', branches' and individual entities' liquidity and refinancing needs within regulatory limits.

The Group's liquidity risk tolerance depends on the business model, objectives and capital planning; it is based on the High Crisis Stress Scenario liquidity limit and the High Crisis Stress Test (retail client run-off/run on the Bank set at 40% in a single week), and codified in the Bank's Liquidity Risk Tolerance & Risk Appetite Statement. In other words, the Group's activities are de facto limited and capped at all times by the liquidity risk tolerance limit (High Crisis Stress Scenario liquidity limit), as set by the Board's Risk Committee. This liquidity risk management concept is more conservative than LCR or NSFR measures (as are underlying assumptions for defining HQLA inflows and outflows).

The Group manages liquidity risk at three levels:

- The Board of Directors sets the liquidity risk policy and tolerance limit through the Board's Risk Committee, while the Executive Committee supervises and monitors them;
- The Treasury Desk and the Asset & Liability Committee (ALCO) manage liquidity risk, including daily active management and continuous monitoring of liquidity risk exposure;
- Group Risk Management controls liquidity risk independently on a daily basis (potentially throughout the day).

The Bank has set a Liquidity Contingency Funding Framework for managing and monitoring its liquidity risk profile during periods of stress. This Framework defines responsibilities and procedures relating to liquidity resource management to prepare for multiple liquidity stress situations that may arise (whether within the Group or on the markets), for every currency to which the Bank is exposed and for each of the Bank's entities. Two crisis levels have been identified: Stage A ('very high crisis') and Stage B ('severely high crisis'). Each of those levels has been assigned a specific body, activation and termination triggers, scenario descriptions and a specific set of measures to be taken with regard to asset classes and investment products taking into account currencies.

The Risk Management unit generates specific daily reports as regards liquidity risk exposure (crisis, high crisis, and catastrophe stress scenarios) for the Group's senior management to analyse and take decisions on, and those reports are passed on to the Risk Committee and the Executive Committee. A consolidated stress liquidity risk report is submitted to the Board's Risk Committee, the Executive Committee, the Risk Committee and the departments concerned each month.

LIQ1 Table: Liquidity coverage ratios

(in CHF thousands)

	4 th quarter 2020		3 rd quarter 2020	
	Unweighted values	Risk-weighted values	Unweighted values	Risk-weighted values
A High-quality liquid assets (HQLAs)				
1 Total HQLAs	11,337	11,398	11,773	11,811
B Cash outflows				
2 Retail deposits	17,536	2,548	17,330	2,489
3 of which, stable deposits				
4 of which, less stable deposits	17,536	2,548	17,330	2,489
5 Unsecured corporate and wholesale funding	10,145	4,712	9,941	4,559
7 of which, non-operational deposits	10,138	4,705	9,934	4,552
8 of which, unsecured debt issuance	7	7	7	7
9 Secured corporate and wholesale funding and collateral swaps	1,185	20	69	
10 Other cash outflows	2,716	799	2,630	782
11 of which, those relating to derivatives and other transactions	214	214	234	234
13 of which, those relating to committed credit and liquidity facilities	2,502	585	2,396	548
14 Other contractual funding obligations	4	3	5	4
15 Other contingent funding commitments	394	20	408	20
16 Total cash outflows	31,980	8,102	30,383	7,854
C Cash inflows				
17 Secured financing transactions				
18 Cash inflows from non-impaired receivables	6,530	3,375	5,855	2,909
19 Other cash inflows	133	133	206	206
20 Total cash inflows	6,663	3,508	6,061	3,115
21 Total high-quality liquid assets (HQLAs)		11,398		11,811
22 Net cash outflows		4,594		4,739
23 Short-term liquidity coverage ratio (as a percentage)		248.1%		249.2%

CRA Table: Credit risk – general information

Credit risk

Credit risk concerns the risk of loss should a counterparty fail to honour its contractual obligations to repay a loan or fulfil any other predetermined financial obligation.

The Group has a clearly defined system for managing client credit, counterparty, settlement and country risk, based on various risk manuals, directives and procedures. This includes consolidated analysis which is submitted monthly to the Board's Risk Committee, the Executive Committee, the Risk Committee, and the departments concerned.

Credit risks concerning individual clients

Client credit risk is managed as per the framework defined in the Group Credit Policy and related directives and procedures.

In principle, loans granted to private banking clients are secured by pledged collateral (Lombard loans). Credit risks include current account loans and advances, and risks arising from guarantees and transactions on derivatives, on forex, on securities, and on any other financial instruments.

The pledged portfolios are appraised individually by the Credit Administration & Control unit and a loan rate assigned to each position, based on the type of instrument, its credit rating where applicable and its liquidity, together with the diversification of the investments. The assets are valued daily at the market price. Daily supervision and management of loan rates is based on predefined safety thresholds (additional margin calls and realisation of pledged assets).

The Group's wealth planning business may entail granting mortgages or loans that are partially or fully secured on pledged real estate. This type of loan is granted only on the basis of appraisal of the pledged property by an independent appraiser and the fixing of an adequate loan rate. Such assessments are renewed regularly.

It is not the Group's policy to grant commercial loans.

In light of the margins applied to Lombard loans and the safety thresholds in place, there is little risk of default in this credit category. A loan is considered non-performing when a due date for payment (of interest and/or all or part of the principal) is exceeded by more than 90 days. If the borrower seems unlikely to be able to meet its commitments, the loan becomes a doubtful loan. In such an event, special provisions are set aside on a case-by-case basis, as determined by Executive Management and/or the Credit Committee and taking into account a detailed appraisal of any pledged assets. The interest is considered past due when the credit limit granted has been exceeded for longer than 90 days. As of that time, the interest is no longer credited to the statement of income.

The Credit Administration & Control team runs an independent check and monitoring of client credit risk, and produces a report on exposure to such risk which is submitted monthly to the Risk Committee and the Board's Risk Committee, and quarterly to the Board of Directors.

Credit risks concerning professional counterparties and country risk

Counterparty, settlement, and country risk is managed according to the principles set out in the manuals "Credit Risk Management (Counterparty & Settlement)" and "Country Risk Policy & Procedures Manual", and various appendices, including "Counterparty & Settlement Risk Limits", "Country Risk Limits", "Authorised Brokers List", and "Authorised Cash Correspondents & Custodians List".

Exposure to professional counterparty risk is assumed only with counterparties that have very high credit ratings. For OTC derivatives transactions, credit and counterparty risks are managed and related risk limits monitored by applying the market-value method, using regulatory multiplication factors based on the Standardised Approach for Counterparty Credit Risk (SA-CCR). For such transactions, corresponding bilateral agreements (ISDA, CSAs with daily margining) are in place with the counterparties. Risk is limited by the use of an adequate, flexible system of limits adapted to each category of product and counterparty and to the settlement period. Operational limits on counterparty credit risk exposure is based on a dynamic model using CDS spreads and ratings – a matrix approach combining the least favourable 5-year CDS spreads and the counterparty's LT rating, and comparing them to the counterparty's capital.

Group Risk Management generates daily and monthly consolidated counterparty risk reports which it submits to the Risk Committee and the departments concerned, and monthly reports are produced for the Board's Risk Committee, the Board of Directors and the Executive Committee.

The Bank applies the standard method for calculating capital requirements to cover credit and counterparty risk.

For all products, the Group's exposure to country risk is calculated, monitored and reported by Risk Management to the department concerned and the Group's management organs on the basis of the credit-rating equivalent. Levels of provisioning for specific country risk exposure reflect default ratings by Moody's, Standard & Poor's and Fitch. Country risk limits are set on the basis of risk appetite defined by the strategic importance of a given country for credit and nostro activities, credit ratings and CDS spreads.

The ongoing monitoring and controlling of counterparty and country risk for market and treasury activities is managed centrally using a real-time system.

CR1 Table: Credit risk – credit quality of assets

(in CHF thousands)

		Gross carrying values of		Value adjustments/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans (excluding debt securities)	4,173	13,227,403	4,165	13,227,411
2	Debt securities		10,480,471		10,480,471
3	Off-balance-sheet exposures		1,311,209		1,311,209
4	Total	4,173	25,019,083	4,165	25,019,091

CR2 Table: Credit risk – changes in stock of defaulted loans and debt securities

(in CHF thousands)

1	Defaulted loans and debt securities as at 31.12.2019	11,261
2	Loans and debt securities that have defaulted since the end of the previous period	194
3	Returned to non-defaulted status	
4	Amounts written off	(7,086)
5	Other changes (+/-)	(196)
6	Defaulted loans and debt securities as at 31.12.2020	4,173

CRB Table: Credit risk by geographical area

(in CHF millions)

	Switzerland	Oceania	North America	Latin America	Europe	Caribbean	Asia	Africa	Total
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Loan commitments

Balance sheet/loans

Liquid assets	6,785				258				7,043
Due from banks	1,510	1	61	1	157	1	72	1	1,804
Due from clients	1,403	213	758	170	2,921	1,894	2,005	103	9,467
Mortgages	197		44	1	1,494	106	116		1,958
Financial investments/debt securities	3,041	93	4,200	25	2,491	32	865	3	10,750
Balance sheet total as at 31.12.2020	12,936	307	5,063	197	7,321	2,033	3,058	107	31,022
Balance sheet total as at 31.12.2019	10,103	299	4,527	201	6,539	2,407	2,784	98	26,958

Off-balance sheet exposures

Irrevocable commitments	29	8	17	12	111	60	158	9	404
Liabilities to pay in full and to make additional payments	65	6	38	9	321	132	247	15	833
Off-balance sheet total as at 31.12.2020	94	14	55	21	432	192	405	24	1,237
Off-balance sheet total as at 31.12.2019	22	4	62	9	147	82	100	8	434

The geographical distribution of risk is based on domicile as per the SNB's statistics.

Past-due loans

Past-due loans									
of which, past-due loans that are not impaired									
of which, loans past due for over 90 days that are not impaired									
Impaired loans	4								4
Value corrections for impaired positions	4								4
Positions written off in the year									

CRB Table: Credit risk by industry

(in CHF millions)

	Central governments and central banks	Banks and brokers	Public bodies	Corporates	Retail Shares and similar securities and rights	Other exposures	Total
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Loan commitments (at year end)

Balance sheet/loans

Liquid assets	7,035					8	7,043	
Due from banks		1,801			3		1,804	
Due from clients	138	655	970	3,905	3,799		9,467	
Mortgage loans	14	9		245	1,690		1,958	
Financial investments/debt securities	5,961	1,646	999	1,874		3	267	10,750
Balance sheet total as at 31.12.2020	13,148	4,111	1,969	6,024	5,492	3	275	31,022
Balance sheet total as at 31.12.2019	10,621	3,405	1,606	2,482	8,831	4	9	26,958

Off-balance-sheet exposures

Contingent liabilities	4	40	1	128	231			404
Liabilities to pay in full and to make additional payments	13	41	2	227	550			833
Off-balance sheet total as at 31.12.2020	17	81	3	355	781	-	-	1,237
Off-balance sheet total as at 31.12.2019	28	47	3	27	329	-	-	434

CRB Table: Credit risk by residual maturity

(in CHF millions)

	At sight	Due					Total
		Cancellable	Up to 3 months	3 to 12 months	12 months to 5 years	More than 5 years	
Balance sheet/loans							
Liquid assets	7,043						7,043
Due from banks	539		1,240	25			1,804
Due from clients		1,142	7,041	1,079	168	37	9,467
Mortgage loans			855	237	635	231	1,958
Financial investments/debt securities	107	309	6,253	1,033	2,554	494	10,750
Balance sheet total as at 31.12.2020	7,689	1,451	15,389	2,374	3,357	762	- 31,022
Balance sheet total as at 31.12.2019	7,318	740	9,211	2,824	4,140	2,725	- 26,958
Off-balance sheet exposures							
Contingent liabilities	121		243	40			404
Liabilities to pay in full and to make additional payments	31		659		7	136	833
Off-balance sheet total as at 31.12.2020	152	-	902	40	7	136	- 1,237
Off-balance sheet total as at 31.12.2019	10	-	373	2	12	37	- 434

CRC Table: Credit risk – qualitative disclosure requirements related to risk-mitigation techniques

Credit exposures are presented after netting according to capital requirements. Collateral is taken into account using the comprehensive approach.

CR3 Table: Credit risk – overview of risk-mitigation techniques

(in CHF thousands)

	Exposures unsecured/ carrying amount	Exposures secured by collateral carrying amount	of which secured by collateral/ secured amount	of which secured by financial guarantees/ or credit derivatives
1 Loans (excluding debt securities)	2,746,755	10,480,656	10,479,380	1,276
2 Debt securities	10,480,471			
3 Total	13,227,226	10,480,656	10,479,380	1,276
4 of which, defaulted exposures		4,173		

Unsecured client loans include CHF 915 million in loans granted to Swiss public entities (Canton, City).

CRD Table: Credit risk – qualitative disclosures of the Bank's use of external credit ratings under the standardised approach

The Bank uses external credit assessments for calculating the risk weighting of nearly all the counterparties to which it applies the international standardised approach and that have been rated by Standard & Poor's and/or Moody's. These are mainly large companies and bonds in the financial investment portfolio. For companies that have no external credit rating, the weighting is set at 100% (unrated classes).

CR4 Table: Credit risk – exposure and credit risk mitigation (CRM) effects under the standardised approach

(in CHF thousands)

Exposure class	Exposures before CCF and CRM		Exposures after CCF and CRM		RWA	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1 Central governments and central banks	13,003,770		13,005,046		124,310	1.0%
2 Banks and securities firms	3,541,125	17,250	3,483,500	12,839	788,502	22.6%
3 Other public sector entities and multilateral development banks	1,924,623	19,106	1,922,609	9,065	266,646	13.8%
4 Corporates	2,340,846	93,168	2,131,617	31,284	820,661	37.9%
5 Retail	10,136,414	1,181,685	2,962,665	101,911	2,121,195	69.2%
6 Equity	5,467		5,467		8,201	150.0%
7 Other exposures	592,737		592,737		713,140	120.3%
8 Total	31,544,982	1,311,209	24,103,641	155,099	4,842,655	20.0%

CR5 Table: Credit risk – exposures by exposure category and risk weights under the standardised approach

(in CHF thousands)

Exposure class/risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit exposures amount (post-CCF and post-CRM)
1 Central governments and central banks	12,713,397		71,715		219,934					13,005,046
2 Banks and securities firms	295	3,247,926			226,215	15	14,066	7,823		3,496,340
3 Non-central government public sector entities and multilateral development banks	688,555	1,183,044			60,075					1,931,674
4 Corporates		1,254,165	146,495	486,632	1,482	274,127				2,162,901
5 Retail		393	1,285,307	145,738	139,338	1,493,626		173		3,064,575
6 Equity								5,467		5,467
7 Other exposures	8,414						326,688	257,635		592,737
8 Total	13,410,661	- 5,757,243	1,431,802	1,138,594	140,835	2,108,507	271,098	- 24,258,740		
9 of which, covered by mortgages			1,414,156		49,511	575,396				2,039,063
10 of which, past-due loans					367	3,798				4,165

CCRA Table: Counterparty credit risk – general information

For OTC derivative transactions, credit and counterparty risks are managed and related risk limits monitored by applying the market-value method, using regulatory add-on factors; for such transactions, corresponding bilateral agreements (ISDA, CSAs with daily margining) are in place with the counterparties. Risk is limited by the use of an adequate, flexible system of limits adapted to each category of product and counterparty and to the settlement period. Operational limits on counterparty credit risk exposure are based on a dynamic model using CDS spreads and ratings – a matrix approach combining the least favourable 5-year CDS spreads and the counterparty's LT rating and comparing them to the counterparty's capital, with the limit fluctuating according to corresponding CDS spread movements. The Bank uses the standardised approach to calculate regulatory capital requirements in relation to counterparty credit risk.

CCR3 Table: Counterparty credit risk – CCR exposures by exposure category and risk weights under the standardised approach

(in CHF thousands)

Exposure category/risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
1 Central governments and central banks									-
2 Banks and securities firms			292,504	416,747		2	3		709,256
3 Other public sector entities and multilateral development banks			51	7					58
4 Corporates		22,856	6,247		2	144,143	45	16,696	189,989
5 Retail		98,329			3,947	48,554		1,033	151,863
6 Equity									-
7 Other exposures									-
9 Total	-	-	413,740	423,001	3,949	192,699	48	17,729	1,051,166

CCR5 Table: Counterparty credit risk – composition of collateral for CCR exposure

(in CHF thousands)

	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
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – CHF	4,008		99,268			
Cash – other currencies	55,281		744,197			
Swiss Confederation sovereign debt						1,572,250
Other sovereign debt			157,922			2,606,133
Government agency debt			355,845		98,086	590,950
Corporate bonds						1,313,507
Equity						
Other collateral						
Total	59,289	-	1,357,232	-	98,086	6,082,840

CCR8 Table: Counterparty credit risk – exposures to central counterparties

(in CHF thousands)

	EAD (after CRM)	RWA
1	Exposures to QCCPs (total)	634
2	Exposures for trades through QCCPs (excluding initial margin and default fund contributions)	634
3	of which, OTC derivatives	32
4	of which, exchange-traded derivatives	602
5	of which, SFTs	
6	of which, netting sets where cross-product netting has been approved	634
7	Segregated initial margin	86,524
8	Non-segregated initial margin	
9	Pre-funded default fund contributions	
10	Unfunded default fund contributions	
11	Total exposures to non-QCCPs	
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	
13	of which, OTC derivatives	
14	of which, exchange-traded derivatives	
15	of which, SFTs	
16	of which, netting sets where cross-product netting has been approved	
17	Segregated initial margin	
18	Non-segregated initial margin	
19	Pre-funded default fund contributions	
20	Unfunded default fund contributions	

SECA Table: Securitisations – general information related to securitisation exposures

The Group has no internal securitisation activity, but it has exposures resulting from third-party securitisations in its banking book. Those securitisations are limited to US prime residential mortgages explicitly guaranteed by the government through its Ginnie Mae agency with an AAA rating.

SEC1 Table: Securitisations – exposures in the banking book

(in CHF thousands)

	Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
Retail (total) – of which							74,198		74,198
residential mortgages							74,198		74,198
credit cards									
other retail exposures									
re-securitisation									
Wholesale (total) – of which									
loans to corporates									
commercial mortgages									
leases and receivables									
other wholesale									
re-securitisation									

MRA Table: Market risk – general information

Market risk

Market risks arising through the Group's treasury and trading activities are managed within the framework defined in the internal "Market Risk Manual", and according to a system of integrated limits, established at various levels and consisting of the following:

- Position limits (market value / intraday valuation);
- Sensitivity limits (duration, delta, gamma, vega);
- Value at risk (VaR);
- Maximum loss (stop losses); and
- Primary market exposure, issuer and country limits.

That management is supplemented by stress scenario simulations, risk-adjusted performance measurement (RAPM) and VaR backtesting.

Daily consolidated reports regarding market risk exposure, stress VaR, and RAPM are generated by Risk Management for the Risk Committee and the departments concerned, as well as the Bank's management bodies.

In addition, a consolidated stress-scenario analysis is carried out, and submitted to the Board's Risk Committee, the Executive Committee, the Risk Committee, and to the departments concerned. This analysis is based on full revaluation (for linear and non-linear positions) and covers the worst historical events and the resulting liquidity situations (e.g. 1987 equity crash, 1992 ERM crisis, 1994 bond-market crisis, 2008 crisis), as defined in the stress-scenario manual for market risk.

The Bank uses the standardised approach to assess the capital required to hedge market risk in the trading book.

Interest risk in the Bank's portfolio

As regards asset-liability management (ALM), the Bank uses a centralised approach based on three levels:

- 1) The Board's Risk Committee and the Executive Committee;
- 2) The Asset & Liability Committee (ALCO); and
- 3) The Treasury Desk.

The ALCO is in charge of final ALM decision-making within the policy and framework established by the Board's Risk Committee and the Executive Committee, and meets once a month or more frequently if necessary. The role of the ALCO is mainly strategic, taking a medium- to long-term view of the Bank's overall risk position, whilst the Treasury Desk focuses on day-to-day ALM.

ALM is conducted in compliance with the framework defined in the "ALM Risk Policy & Procedures Manual" and various appendices including the "Liquidity Risk Manual", "Liquidity Contingency Funding Plan", "Funds Transfer Pricing", and "ALM and Capital Management Policy for Local Entities", and according to the following multi-level system of integrated limits:

- Stress liquidity;
- Value and income effects arising from sensitivity to interest-rate shifts (+/-100bp);
- Value at risk (VaR);
- Maximum loss (stop losses); and
- Issuer and counterparty risk exposure.

These limits are supplemented by monthly ALM stress scenario analyses and impact simulations on net interest income (e.g. through shifts in the interest rate of +/-100bp, +/-200bp, or modelled on the global tightening of 1994).

Risk Management generates specific daily and consolidated monthly reports regarding ALM market risk and stress liquidity risk exposure for analysis and decision-making by the Group's top management. A consolidated analysis of ALM market risk on the balance sheet and stress liquidity risk is submitted to the Board's Risk Committee, the Executive Committee, the Risk Committee and the departments concerned each month.

Interest rate risk in the Bank's portfolio is determined above all by loans to clients, the investment portfolio and clients' current accounts in credit. For the latter, the assumptions made for determining the impact of interest rate rise or fall scenarios are the following: 85% of accounts with a 1-day maturity, 10% with a 5-year maturity, and 5% with a 10-year maturity. The assumption for capital (net of intangible assets and real estate) is 5 years. The Bank makes substantial use of interest rate swaps for reducing interest rate risk.

As at 31 December 2020, ALM market risk exposure on the balance sheet based on a 100bp increase in interest rates was CHF +65.5 million in terms of the Bank's assets and CHF -23.9 million in terms of its income.

MR1 Table: Market risk – minimum capital requirements under the standardised approach

(in CHF thousands)

		RWA 31.12.2020
Outright products		
1	Interest-rate risk (general and specific)	61,438
2	Equity risk (general and specific)	58,147
3	Foreign exchange risk	6,976
4	Commodity risk	4,000
Options		
5	Simplified approach	
6	Delta-plus method	20,174
7	Scenario approach	
9	Total	150,735

IRRBB table / Interest rate risk: Objectives and standards for managing interest rate risk in the banking book

Interest Rate Risk in the Banking Book (IRRBB) is the risk to the Bank's capital and to its earnings arising from changes in interest rates. The banking book is composed of all client-related positions and the Bank's own positions which are not subject to its short-term trading activity.

The organisation and supervision of interest rate risk management is explained in the section on market risk.

The Asset & Liability Committee (ALCO) is the centralised decision-making body in charge of asset and liability management (ALM). Meeting monthly, it is responsible for managing and monitoring interest rate and liquidity risk through planning the balance sheet structure, ensuring that sensitivity limits set by senior management are adhered to, and ensuring that the Bank meets regulatory and supervisory requirements.

The Bank's IRRBB limit structure is composed of a limit on changes in the economic value of equity (EVE) and of a limit on changes in net interest income (NII), along with an overall liquidity risk limit defined for the Bank, which caps the maximum ALCO investment portfolio and loan book exposures, based on the existing run-off assumptions for retail deposits and on the classification of asset classes.

The Bank monitors the limits and submits reports to the ALCO and to senior management every month. The balance sheet is allocated in terms of future cash flows in order to analyse the timing of potential funding gaps. This is supplemented with an economic value stress test that excludes any replication of non-maturing positions and of capital. Several economic value stress tests based on various shifts in interest rate curves are also provided.

The sensitivity of EVE and of NII to changes in interest rates is measured by applying a 1% upward parallel shock to all interest rate curves. For economic value calculations, future cash flows are discounted using overnight indexed swap (OIS) interest rates. Cash flows from interest-yielding positions include spread margin payments. NII calculations are made over a forward-looking period of 12 months with the assumption that the balance sheet will remain constant.

For the Bank's EVE and NII, the assumption for clients' deposits is 85% with a 1-day maturity, 10% with a 5-year maturity and 5% with a 10-year maturity. The assumption for the Bank's capital is 5 years.

The Bank uses interest rate swaps to reduce interest rate risks.

IRRBA1 table / Interest rate risk: Quantitative information on the structure of the exposure and the interest rate fixing date

	Volume in CHF millions			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	Of which CHF	Of which other significant currencies that make up more than 10% of total assets or liabilities	Total	Of which CHF	Total	Of which CHF
Defined interest rate reset date							
Due from banks	2,094	1,328	766	0.05	0.07		
Due from clients	8,362	1,528	5,127	0.21	0.20		
Money market mortgages	1,697	210	599	0.18	0.22		
Fixed-rate mortgages	303	18	275	5.24	3.25		
Financial investments	11,112	3,049	7,354	3.12	1.46		
Other receivables							
Assets from interest-rate derivatives	28,827	4,301	22,761	0.17	0.44		
Due to banks	(6,524)	(4)	(6,509)	0.09	0.00		
Liabilities from client deposits	(3,591)	(5)	(3,190)	0.12	0.16		
Other liabilities	(310)	(10)	(297)	0.79	1.29		
Liabilities from interest-rate derivatives	(29,269)	(14,780)	(12,327)	1.03	0.28		

IRRBA1 table / Interest rate risk: Quantitative information on the structure of the exposure and the interest rate fixing date

	Volume in CHF millions			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	Of which CHF	Of which other significant currencies that make up more than 10% of total assets or liabilities	Total	Of which CHF	Total	Of which CHF
Undefined interest rate reset date							
Due from banks	460	83	223	0.00	0.00		
Due from clients	1,258	146	992	0.00	0.00		
Floating-rate mortgages							
Other receivables							
Sight liabilities from personal accounts and current accounts	(20,199)	(1,548)	(16,259)	0.51	0.51		
Other liabilities	(474)	(64)	(310)	0.00	0.00		
Liabilities from client deposits, terminable but not transferable (savings)							
Total	(6,254)	(5,748)	(795)	-	-	-	-
No interest rate reset date							
Deposits with central banks	7,035	6,778	256				
Other assets	2,481	611	1,654				
Other liabilities	1,881	224	1,579				
Total	5,143	1,865	2,694	-	-	-	-

Interest rate and currency swap transactions are composed of both assets and liabilities. The assets are reported under "Assets from interest-rate derivatives" and the liabilities under "Liabilities from interest-rate derivatives".

Table IRRBB1 / Interest rate risk: quantitative information on the net present value of the exposure and interest income

(in CHF millions)	EVE (changes in the net present value) 31.12.2020	NII (changes in the discounted earnings value) 31.12.2020
Parallel shift up	35	183
Parallel shift down	(53)	(188)
Steeper shock	48	
Flattener shock	(41)	
Rise in short-term interest rates	(20)	
Fall in short-term interest rates	19	
Maximum	(53)	(188)
Period	31.12.2020	
Tier 1 capital	2,052	

The six interest rate scenarios are imposed by FINMA Circular 2019/2 “Interest rate risk – Banks”. Values are calculated according to FINMA Circular 2016/1 “Disclosure – banks”.

Interest rate risk in the banking book is influenced mainly by the investment book and by clients’ current account balances. Due to the current account balances in USD of its high-asset clients, the Bank is exposed to USD interest rates, which impacts potential net interest income (NII) fluctuations. NII projections are made assuming that the structure of the balance sheet will remain the same.

For the Bank’s EVE and NII, the assumption for clients’ deposits is 85% with a 1-day maturity, 10% with a 5-year maturity and 5% with a 10-year maturity.

ORA Table: Operational risk – general information

Operational risk

To manage and supervise operational risk, the Bank has set up a dedicated framework and system that it applies consistently throughout its operational entities and activities. The Operational Risk Manual, supplemented by various appendices including the New Business/Product Risk Assessment and Change Risk Assessment, defines the following principles and key components:

- The policy, strategies and active supervision required to manage operational risk, as developed by the Board's Risk Committee and implemented by the Executive Committee;
- A common description of operational risk, applied throughout the Group and encompassing all types of operational risk or incident liable to have a significant impact on the Group's activities;
- Clear lines of operational risk responsibilities from the Board's Risk Committee and the Executive Committee down to the Heads of Operating Units and the Risk Control Units (Risk Management, Compliance);
- The methodology used to identify, assess, monitor and control or reduce operational risk (risk event management, risk self-assessment, scenario analysis, change risk assessment, issue management and tracking, and key risk indicators);
- The procedures for regular, efficient monitoring and reporting of operational risk profiles (use of risk mapping and risk indicators) by the Bank's entities and activities, for communication to the Group's top management, Executive Committee, Board's Risk Committee and Audit Committee;
- Emergency and business-continuity plans, to ensure that the Bank's activities may proceed uninterrupted;
- A clear procedure for assessing the operational risk inherent in the launch or use of new products, business activities, processes or systems; and
- Guidelines for promoting a sound internal operational risk culture.

To ensure dynamic management and effective supervision of operational risk and to define proactive risk-reduction measures, the Bank has introduced a multi-tiered organisational structure:

- Board's Risk Committee
- Audit Committee
- Risk Committee
- Independent Control Units (Group Risk Management, Compliance, Legal departments)
- Internal Audit, and
- Business Unit management teams

The Bank's priority is therefore to ensure that our risk management culture is sustainable at all levels, and that our risk measurement and supervision process is independent and effective. The approach enables us to provide better information to our departments and department heads, thereby ensuring uniformity across the Bank, and to improve our risk management constantly as our business evolves.

The Bank uses the standardised approach to calculate regulatory capital requirements in relation to operational risk.

Capital, liquidity coverage, and leverage ratios

Parent bank

Some ratio requirements presented for the parent bank (non-consolidated) in accordance with FINMA Circular 2016/01

Capital ratio

(in CHF thousands)

	31.12.2020	31.12.2019
Minimum capital based on risk-weighted asset (RWA) requirements	617,539	630,743
Eligible capital	1,646,573	1,518,380
of which, Common Equity Tier 1 (CET1)	1,367,200	1,239,007
of which, core capital (T1)	1,646,573	1,514,380
Risk-weighted assets (RWA)	7,719,237	7,884,292
CET1 ratio (as % of RWA)	17.7%	15.7%
T1 ratio (as % of RWA)	21.3%	19.2%
Total capital ratio (as % of RWA)	21.3%	19.3%
Countercyclical capital buffer (as % of RWA)	0.03%	0.02%
Target CET1 ratio (in %) as per appendix 8 of the CAO, plus countercyclical buffer	7.8%	7.8%
Target T1 ratio (in %) as per appendix 8 of the CAO, plus countercyclical buffer	9.6%	9.6%
Total capital ratio target (in %) as per appendix 8 of the CAO, plus countercyclical buffer	12.0%	12.0%

Leverage ratio according to Basel III

(in CHF millions)

Leverage ratio Basel III (margin numbers 3 and 4, FINMA Circ. 15/3)	5.4%	4.5%
Total commitments	30,666	33,401

Liquidity coverage ratio (LCR)

(in CHF millions)

Liquidity coverage ratio (LCR) (in %), 4 th quarter	211.1%	220.2%
LCR numerator: sum of high-quality liquid assets	10,977	10,476
LCR denominator: net sum of cash outflows	5,201	4,757
Liquidity coverage ratio (LCR) (in %), 3 rd quarter	214.2%	258.9%
LCR numerator: sum of high-quality liquid assets	11,391	11,748
LCR denominator: net sum of cash outflows	5,319	4,538
Liquidity coverage ratio (LCR) (in %), 2 nd quarter	233.4%	253.9%
LCR numerator: sum of high-quality liquid assets	11,177	12,267
LCR denominator: net sum of cash outflows	4,789	4,831
Liquidity coverage ratio (LCR) (in %), 1 st quarter	235.9%	268.9%
LCR numerator: sum of high-quality liquid assets	10,930	11,817
LCR denominator: net sum of cash outflows	4,634	4,395

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