



BASEL III – PILLAR 3
MARKET
DISCIPLINE
2021 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 16/01 titled "Disclosure – banks" issued by the Swiss Financial Market Supervisory Authority (FINMA) and article 16 of the Capital Adequacy Ordinance (hereinafter "CAO").

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 2021.

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 14 of the 2021 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 2021 Annual Financial Report (see p. 26).

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)

	31.12.2021	30.06.2021	31.12.2020	
Available capital				
1	Common equity (CET1)	2,123,990	2,080,452	2,052,326
2	Tier 1 capital (T1)	2,123,990	2,080,452	2,052,326
3	Total shareholders' equity	2,127,990	2,084,452	2,056,326
Risk-weighted assets (RWA)				
4	RWA	8,431,085	8,217,135	7,416,353
4a	Minimum capital requirement	674,487	657,371	593,308
Risk based capital ratios (as a % of RWA)				
5	CET1 ratio	25.2%	25.3%	27.7%
6	T1 ratio	25.2%	25.3%	27.7%
7	Total capital ratio	25.2%	25.4%	27.7%
Additional CET1 buffer requirements (as a % of RWA)				
8	Capital conservation buffer requirements as per Basel minimal standards	2.5%	2.5%	2.5%
11	Total of Bank CET1 specific buffer requirements as per the Basel minimal standards	2.5%	2.5%	2.5%
12	CET1 available after meeting bank's minimum capital requirements as per Basel minimal standards	17.2%	17.4%	19.7%
Capital ratio target as per Annex 8 of the CAO, (as a % of RWA)				
12a	Capital buffer as per Annex 8 of the CAO	4.0%	4.0%	4.0%
12b	Countercyclical buffers (Art. 44 & 44a of the CAO)	0.026%	0.026%	0.028%
12c	CET1 target ratio as per Annex 8 of the CAO, plus countercyclical buffer as per Art. 44 & 44a of the CAO	7.8%	7.8%	7.8%
12d	T1 target ratio as per Annex 8 of the CAO plus countercyclical buffer as per Art. 44 & 44a of the CAO	9.6%	9.6%	9.6%
12e	Total capital target as per Annex 8 of the CAO plus countercyclical buffer as per Art. 44 & 44a of the CAO	12.0%	12.0%	12.0%
BASEL III leverage ratio				
13	Total leverage ratio exposure	39,281,924	36,162,292	31,048,656
14	Leverage ratio	5.4%	5.8%	6.6%

(in CHF thousands)

	Q4 2021 3-month average	Q2 2021 3-month average	Q4 2020 3-month average	
Liquidity coverage ratio (LCR)				
15	LCR numerator: sum of high-quality liquid assets	10,274,605	10,269,216	11,397,914
16	LCR denominator: net sum of cash outflows	4,710,208	4,474,673	4,593,873
17	Liquidity coverage ratio (LCR) (%)	218.1%	229.5%	248.1%
Net stable funding ratio (NSFR)				
31.12.2021				
18	Available stable funding	23,026,858		
19	Required stable funding	14,160,512		
20	Net stable funding ratio (NSFR) (%)	162.6%		

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 Framework", 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 Operations:

- Independent risk oversight, risk alert systems and crisis scenarios;
- Governance and risk vision;
- Identifying and evaluating the Group's market, liquidity, credit, and operating risk as defined by the Board's Risk Committee and submitting a Daily Risk Snapshot to the Risk Committee as well as submitting a monthly consolidated risk report to the Board's Risk Committee and the Executive Committee;
- Controlling Wealth Management's & Asset Management's investment suitability measuring performance, analysing portfolios and assessing operating risk;
- Risk management system selection, design and maintenance; and
- Risk measurement relating to derivatives/structured products and new products and activities being developed.

OV1 Table: Overview of risk-weighted assets

(in CHF thousands)

	RWA 31.12.2021	RWA 30.06.2021	Minimal capital requirements as at 31.12.2021
1 Credit risk (excluding CCR – counterparty credit risk)	5,178,974	5,240,339	414,318
2 of which, standardised approach (SA)	4,869,684	4,908,851	389,575
of which non-counterparty related risk	309,290	331,488	24,743
6 Counterparty credit risk	436,793	484,622	34,943
7 of which, standardised approach (SA-CCR)	393,039	453,962	31,443
9 of which, other approach (CCR)	43,754	30,660	3,500
10 Credit valuation adjustment (CVA)	201,321	247,885	16,106
13 Investments in managed collective assets – mandate-based approach	425,536	335,297	34,043
15 Settlement risk	547	2,714	44
20 Market risk	363,816	154,253	29,105
21 of which, standardised approach	363,816	154,253	29,105
24 Operating risk	1,824,098	1,752,025	145,928
27 Total	8,431,085	8,217,135	674,487

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 securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and cash equivalents	5,574,847	5,574,847				
Due from banks	3,196,097	2,450,397	745,700			
Due from securities financing transactions	364,460		364,460			
Due from clients	10,491,593	10,438,454	50,314			2,825
Mortgages	2,171,942	2,171,942				
Trading portfolio assets	1,660,339	264			1,660,075	
Positive replacement values of derivative financial instruments	530,245		530,245			
Other financial instruments at fair value	2,103,184				2,103,184	
Financial investments	11,494,630	10,262,761		313,658		918,211
Accrued income and prepaid expenses	174,392	174,392				
Non-consolidated participations	3,550	3,027				523
Tangible fixed assets	305,769	305,769				
Intangible assets	218,650					218,650
Other assets	495,014	43,086				451,928
Total assets	38,784,712	31,424,939	1,690,719	313,658	3,763,259	1,592,137

(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 securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities						
Due to banks	609,258		229,093			380,165
Liabilities from securities financing transactions	5,127,130		5,127,130			
Due in respect of client deposits	26,487,668	3,034,113	4,037			23,449,518
Liabilities from trading portfolios						
Negative replacement values of derivative financial instruments	1,050,003		1,050,003			
Liabilities from other financial instruments at fair value	2,294,641				2,294,641	
Bond issues and central mortgage institution loans	335,000					335,000
Accrued expenses and deferred income	313,395					313,395
Other liabilities	56,965					56,965
Provisions	32,484					32,484
Total liabilities	36,306,544	3,034,113	6,410,263	-	2,294,641	24,567,527

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)

	31.12.2021	Reference	
Regulatory capital			
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	1,178,652	
3	Capital reserves, currency reserves (+/-) and other reserves	867,336	
6	CET1: capital before regulatory adjustments	2,345,988	
8	Goodwill (net of related tax liability)	(218,650)	a
17	Qualified participations where a controlling influence is exercised together with other owners (CET1 instruments)	(3,348)	
28	Total regulatory adjustments to CET1	(221,998)	
29	Common Equity Tier 1 capital (net CET1)	2,123,990	
45	Core capital (net T1 = net CET1 + net AT1)	2,123,990	
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)	2,127,990	
60	Total risk-weighted assets	8,431,085	
Capital ratios			
61	CET1 ratio (as a percentage of risk-weighted assets)	25.2%	
62	T1 ratio (as a percentage of risk-weighted assets)	25.2%	
63	Regulatory capital ratio (as a percentage of risk-weighted assets)	25.2%	
64	CET1 requirements in accordance with Basel III requirements (capital buffer + countercyclical buffer in accordance with Art. 44a of the CAO + capital buffer for systemically important institutions) (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 in accordance with Art. 44a of the OFR (as a percentage of risk-weighted assets)	0.0%	
68	CET1 available to meet Basel III minimum and buffer requirements, after deduction of the minimum and, where applicable, TLAC requirements met by CET1 (as a percentage of risk-weighted assets)	17.2%	
68a	CET1 target in accordance with Annex 8 of the CAO, plus the countercyclical buffer in accordance with Art. 44 & 44a of the CAO (as a percentage of risk-weighted assets)	7.8%	
68b	of which, countercyclical buffer with Art. 44 & 44a of the CAO (as a percentage of risk-weighted assets)	0.026%	
68c	CET1 available (as a percentage of risk-weighted assets)	21.0%	
68d	T1 target in accordance with Annex 8 of the CAO, plus the countercyclical buffer in accordance with Art. 44 & 44a of the CAO (as a percentage of risk-weighted assets)	9.6%	
68e	T1 available (as a percentage of risk-weighted assets)	22.8%	
68f	Target for regulatory capital ratio in accordance with Annex 8 of the CAO, plus the countercyclical buffer in accordance with Art. 44 & 44a of the CAO (as a percentage of risk-weighted assets)	12.0%	
68g	Regulatory capital available (as a percentage of risk-weighted assets)	25.2%	

CC2 Table: Reconciliation of financial statements and regulatory exposure

Balance sheet

(in CHF thousands)

	According to the financial statements	
	31.12.2021	Reference
Assets		
Cash and cash equivalents	5,574,847	
Due from banks	3,196,097	
Due from securities financing transactions	364,460	
Due from clients	10,491,593	
Mortgages	2,171,942	
Trading portfolio assets	1,660,339	
Positive replacement values of derivative financial instruments	530,245	
Other financial instruments at fair value	2,103,184	
Financial investments	11,494,630	
Accrued income and prepaid expenses	174,392	
Non-consolidated participations	3,550	
Tangible fixed assets	305,769	
Intangible assets	218,650	a
of which goodwill	218,650	
Other assets	495,014	
Total assets	38,784,712	

(in CHF thousands)

	According to the financial statements	
	31.12.2021	Reference
Liabilities		
Due to banks	609,258	
Liabilities from securities financing transactions	5,127,130	
Due in respect of client deposits	26,487,668	
Negative replacement values of derivative financial instruments	1,050,003	
Liabilities from other financial instruments at fair value	2,294,641	
Bond issues and central mortgage institution loans	335,000	
Accrued expenses and deferred income	313,395	
Other liabilities	56,965	
Provisions	32,484	
Total liabilities	36,306,544	
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	1,962,613	
Minority interests in equity	180	
Total capital	2,478,168	

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

As at 31 December 2021

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	Instrument type	Equity securities
8	Amount recognised in regulatory capital	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 or floating 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 (instrument type immediately senior to instrument for the legal entity concerned)	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)

	31.12.2021
1 Total assets as per published financial statements	38,784,712
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)	(221,998)
4 Adjustment for derivative financial instruments (margin nos. 21–51 FINMA Circ. 15/3)	(530,242)
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)	1,249,452
8 Total leverage ratio exposure	39,281,924

LR2 Table: Leverage ratio – detailed presentation

(in CHF thousands)

	31.12.2021	31.12.2020	
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)	37,890,010	30,053,073
2	(Assets that must be deducted in determining the eligible Tier 1 capital) (margin nos. 7, 16, & 17 FINMA Circ. 15/3)	(221,998)	(224,673)
3	Total on-balance sheet exposures within the leverage ratio framework (excluding derivatives and SFTs)	37,668,012	29,828,400
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	174,336	237,797
5	Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 & 25 FINMA Circ. 15/3)	535,262	433,160
7	(Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with margin no. 36 FINMA Circ. 15/3)	(709,598)	(670,957)
11	Total derivative exposures	-	-
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)	364,460	95,587
14	CCR exposure for SFT assets (margin nos. 63-68 FINMA Circ. 15/3)		140,886
16	Total securities financing transaction exposures	364,460	236,473
Other off-balance-sheet exposures			
17	Off-balance-sheet exposure at gross national amounts before application of credit conversion factors	1,719,039	1,311,209
18	(Adjustments for conversion to credit equivalent amounts) (margin nos. 75 & 76 FINMA Circ. 15/3)	(469,587)	(327,426)
19	Total off-balance-sheet items	1,249,452	983,783
Eligible capital and total exposures			
20	Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	2,123,990	2,052,326
21	Total exposures	39,281,924	31,048,656
Leverage ratio			
22	Leverage ratio (margin nos. 3 and 4 FINMA Circ. 15/3)	5.4%	6.6%

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 millions)

	4 th quarter 2021		3 rd quarter 2021	
	Unweighted values	Risk-weighted values	Unweighted values	Risk-weighted values
A High-quality liquid assets (HQLAs)				
1	Total HQLAs	10,275	10,823	
B Cash outflows				
2	Retail deposits	13,887	1,993	13,400
3	of which, stable deposits	786	39	800
4	of which, less stable deposits	13,101	1,954	12,600
5	Unsecured corporate and wholesale funding	13,233	5,603	13,034
7	of which, non-operational deposits	13,226	5,596	13,025
8	of which, unsecured debt issuance	7	7	9
9	Secured wholesale funding and collateral swaps		46	
10	Other outflows	2,792	687	2,536
11	of which, outflows related to derivative exposures and other transactions	132	132	91
13	of which, outflows related to committed credit and liquidity facilities	2,660	555	2,445
14	Other contractual funding commitments	5	2	4
15	Other contingent funding obligations	610	25	400
16	Total cash outflows	8,356	8,236	
C Cash inflows				
17	Secured lending (e.g. reverse repo)			
18	Inflows from fully performing exposures	6,805	3,469	6,988
19	Other cash inflows	177	177	110
20	Total cash inflows	6,982	3,646	7,098
21	Total HQLAs	10,275	10,823	
22	Total net cash outflows	4,710	4,662	
23	Liquidity coverage ratio	218.1%	232.2%	

Table LIQ2 : Liquidity – information on the net stable funding ratio (NSFR)

(in CHF millions)

		Values not weighted, according to residual maturities				Weighted values
		No maturity	< 6 months	>= 6 months up to < 1 year	>= 1 year	
Available stable funding (ASF)						
1	Capital instruments	2,277				2,277
2	Regulatory capital (1)	2,277				2,277
4	Retail deposits and deposits from small business customers	15,479	815	20	2	14,724
5	Stable deposits	778				739
6	Less stable deposits	14,701	815	20	2	13,985
7	Wholesale funding	9,404	1,538	26		5,484
9	Non-operational deposits	9,404	1,538	26		5,484
11	Other liabilities	1,391	6,065	96	1,672	542
12	NSFR derivative liabilities		244	96	541	
13	All other liabilities and equity not included in the above category	1,391	5,821		1,131	542
14	Total Available Stable Funding (ASF)					23,027

(1) Before application of capital deductions.

(in CHF millions)

		Values not weighted, according to residual maturities				Weighted values
		No maturity	< 6 months	>= 6 months up to < 1 year	>= 1 year	
Required stable funding (RSF)						
15	Total NSFR high-quality liquid assets (HQLA)	6,484	3,796	394	5,387	1,513
17	Performing loans and securities	2,268	11,117	1,019	2,784	8,236
19	Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	685	2,716	24	2	524
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereign central banks and PSEs, of which:	1,257	7,642	771	705	5,434
22	Performing residential mortgages, of which:		705	135	786	931
23	Risk-weighted up to 35% under the SA-BIS		705	135	786	931
24	Non-defaulted securities that do not qualify as HQLA, including exchange-traded shares	326	54	89	1,291	1,347
26	Other assets:	3,780	17	17	1,415	4,326
27	Physical traded commodities, including gold	918				780
29	NSFR derivatives assets				807	43
31	All other assets	2,862	17	17	608	3,503
32	Off-balance sheet items		1,360	62	297	86
33	Total Required Stable Funding (RSF)					14,161
34	Net stable funding ratio (NSFR) (%)					162.6%

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.

As interest transactions represent no more than one third of the Bank's or the Group's income, in accordance with Art. 25(1b) and (1c) of the FINMA Accounting Ordinance, no value adjustments have been made for inherent default risks.

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 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)	4,586	15,068,203	4,586	15,063,617
2	Debt securities		10,488,014		10,488,014
3	Off-balance-sheet exposures		1,719,039		1,719,039
4	Total	4,586	27,275,256	4,586	27,270,670

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

(in CHF thousands)

1	Defaulted loans and debt securities as at 31.12.2020	4'165
2	Loans and debt securities that have defaulted since the end of the previous period	
3	Returned to non-defaulted status	
4	Amounts written off	
5	Other changes (+/-)	421
6	Defaulted loans and debt securities as at 31.12.2021	4'586

CRB Table: Credit risk by geographical area

(in CHF millions)

	Switzerland	Oceania	North America	Latin America	Europe	Caribbean	Asia	Africa	Total
Loan commitments									
Balance sheet/loans									
Liquid assets	5,346				228		1		5,575
Due from banks	2,042	2	68		248	1	89		2,450
Due from clients	1,325	219	989	224	3,481	1,684	2,366	153	10,441
Mortgages	227		22	1	1,645	102	175		2,172
Financial assets	970	115	4,380	56	2,781	248	2,015	12	10,577
Balance sheet total as at 31.12.2021	9,910	336	5,459	281	8,383	2,035	4,646	165	31,215
Balance sheet total as at 31.12.2020	12,936	307	5,063	197	7,321	2,033	3,058	107	31,022
Off-balance sheet exposures									
Irrevocable commitments	65	9	31	14	269	80	148	12	628
Liabilities to pay in full and to make additional payments	103	11	33	8	415	174	248	16	1,008
Off-balance sheet total as at 31.12.2021	168	20	64	22	684	254	396	28	1,636
Off-balance sheet total as at 31.12.2020	94	14	55	21	432	192	405	24	1,237

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

CRB Table: Credit risk by sectors

(in CHF millions)

	Central governments and central banks	Public bodies	Banks and brokers	Corporates	Retail Shares and similar securities and rights	Other exposures	Total	
Loan commitments (at year end)								
Balance sheet/loans								
Liquid assets	5,567		1			7	5,575	
Due from banks		1,455	995				2,450	
Due from clients	113	896	609	4,105	4,718		10,441	
Mortgages	2		8	193	1,969		2,172	
Financial assets	5,660	1,359	1,214	2,057		287	10,577	
Balance sheet total as at 31.12.2021	11,342	3,710	2,827	6,355	6,687	-	294	31,215
Balance sheet total as at 31.12.2020	13,148	1,969	4,111	6,024	5,492	3	275	31,022
Off-balance-sheet exposures								
Contingent liabilities	3	7	33	171	414		628	
Liabilities to pay in full and to make additional payments	6	2	45	269	686		1,008	
Off-balance sheet total as at 31.12.2021	9	9	78	440	1,100	-	-	1,636
Off-balance sheet total as at 31.12.2020	17	3	81	355	781	-	-	1,237

CRB Table: Credit risk by maturity

(in CHF millions)

	Due						Total
	At sight	Cancellable	Up to 3 months	3 to 12 months	12 months to 5 years	More than 5 years	
Balance sheet/loans							
Cash and cash equivalents	5,575						5,575
Due from banks	614		1,836				2,450
Due from clients		1,317	7,287	1,395	392	50	10,441
Mortgages			728	423	736	285	2,172
Financial investments	180	299	3,721	579	3,824	1,974	10,577
Balance sheet total as at 31.12.2021	6,369	1,616	13,572	2,397	4,952	2,309	- 31,215
Balance sheet total as at 31.12.2020	7,689	1,451	15,389	2,374	3,357	762	- 31,022
Off-balance sheet exposures							
Contingent liabilities	106		436	78	4	4	628
Liabilities to pay in full and to make additional payments	21		860	2	9	116	1,008
Off-balance sheet total as at 31.12.2021	127	-	1,296	80	13	120	- 1,636
Off-balance sheet total as at 31.12.2020	152	-	902	40	7	136	- 1,237

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)	2,949,853	12,113,764	10,398,522	1,715,244
2 Debt securities	9,636,381	851,633		851,633
3 Total	12,586,234	12,965,397	10,398,522	2,566,877
4 of which, defaulted exposures	4,586			

Unsecured client loans include CHF 835 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	10,460,582		11,237,184	69	162,956	1.5%
2 Banks and securities firms	4,360,717	28,936	2,278,787	25,494	619,098	26.9%
3 Other public sector entities and multilateral development banks	2,202,254	20,004	3,654,706	9,510	606,370	16.5%
4 Corporates	2,623,897	73,852	2,274,678	17,497	916,037	40.0%
5 Retail	11,491,142	1,596,247	3,504,794	190,524	2,560,057	69.3%
6 Equity	3,291		3,291		4,936	150.0%
7 Other exposures	599,541		599,541		735,056	122.6%
8 Total	31,741,424	1,719,039	23,552,981	243,094	5,604,510	23.6%

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	10,866,166		79,962				288,325						2,801						11,237,254
2 Banks and securities firms	964		1,983,199				195,319						124,798						2,304,280
3 Non-central government public sector entities and multilateral development banks	743,184		2,847,153				73,879												3,664,216
4 Corporates			1,337,254	99,820			501,119		70			335,662	18,250						2,292,175
5 Retail	9,965		3,239	1,541,203			157,481		168,723			1,814,707							3,695,318
6 Equity																3,291			3,291
7 Other exposures	7,242											306,786	285,513						599,541
8 Total	11,627,521		- 6,250,807	1,641,023	1,216,123		168,793	2,584,754	307,054										- 23,796,075
9 of which, covered by mortgages				1,597,271			55,321		542,643										2,195,235
10 of which, past-due loans									193		4,393								4,586

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, 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 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.

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				41					41
2 Banks and securities firms			254,472	433,894					688,366
3 Other public sector entities and multilateral development banks			6,833	2					6,835
4 Corporates			35,393	1,209		145,991	1	30,535	213,129
5 Retail	43,000		15,171		5,382	37,495			101,048
6 Equity									-
7 Other exposures									-
9 Total	43,000	-	311,869	435,146	5,382	183,486	1	30,535	1,009,419

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	27,206		105,786			
Cash – other currencies	211,974		696,279			
Swiss Confederation sovereign debt			149,527			
Other sovereign debt	13,403		38,291			3,655,220
Government agency debt						610,704
Corporate bonds			337,360		382,191	982,814
Equity			103,948			
Other collateral						
Total	252,583	-	1,431,191	-	382,191	5,248,738

CCR8 Table: Counterparty credit risk – exposures to central counterparties

(in CHF thousands)

	EAD (after CRM)	RWA
1		406
Exposures to QCCPs (total)		
2		
Exposures for trades through QCCPs (excluding initial margin and default fund contributions)	14,737	406
3		
of which, OTC derivatives	9,160	183
4		
of which, exchange-traded derivatives	5,577	223
5		
of which, SFTs		
6		
of which, netting sets where cross-product netting has been approved	14,737	406
7		
Segregated initial margin	93,254	
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		

Tableau SECA: Securitisations – general indications related to securitisation exposures

The Group runs no internal securitisation activities, but does have exposure resulting from third-party securitisation in its banking book. It comprises:

- US prime residential mortgage loans explicitly backed by the government through its AAA-rated Ginnie Mae agency
- AAA-rated senior collateralised loan obligations (CLOs)

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							55,363		55,363
residential mortgages							55,363		55,363
credit cards									
other retail exposures									
re-securitisation									
Wholesale (total) – of which							258,295		258,295
loans to corporates							258,295		258,295
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.

Risk Management submits consolidated reports regarding market risk exposure, stress VaR, and RAPM to the Risk Committee and the departments concerned on a daily basis, and to the Board's Risk Committee and the Executive Committee on a monthly basis for review and analysis.

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 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 2021, ALM market risk exposure on the balance sheet based on a 100bp increase in interest rates was CHF -15.3 million in terms of the Bank's assets and CHF -54.8 million in terms of its income.

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

(in CHF thousands)

		31.12.2021 RWA
Outright products		
1	Interest-rate risk (general and specific)	180,163
2	Equity risk (general and specific)	116,127
3	Foreign exchange risk	24,329
4	Commodity risk	12,022
Options		
5	Simplified approach	
6	Delta-plus method	31,175
7	Scenario approach	
9	Total	363'816

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 manage interest rate risks.

IRRBB A1 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	2,945	1,875	1,070	0.08	0.07		
Due from clients	9,210	1,343	5,915	0.20	0.24		
Money market mortgages	1,827	176	697	0.27	0.42		
Fixed-rate mortgages	418	103	265	3.97	3.86		
Financial investments	11,221	996	8,213	4.03	3.44		
Other receivables							
Assets from interest-rate derivatives	30,369	4,966	22,827	0.48	0.75		
Due to banks	(5,454)	(19)	(5,200)	0.09	0.00		
Liabilities from client deposits	(3,000)	(10)	(2,520)	0.11	0.01		
Bonds and mortgage-backed bonds	(338)	(338)		4.94	4.94		
Other liabilities	(267)	(3)	(261)	0.88	0.21		
Liabilities from interest-rate derivatives	(30,675)	(12,442)	(14,614)	1.44	0.35		

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	493	86	276	0.00	0.00		
Due from clients	1,362	235	974	0.00	0.00		
Floating-rate mortgages							
Other receivables							
Sight liabilities from personal accounts and current accounts	(22,352)	(1,682)	(17,287)	0.51	0.51		
Other liabilities	(285)	(42)	(195)	0.00	0.00		
Liabilities from client deposits, terminable but not transferable (savings)							
Total	(4,526)	(4,756)	160			10	10

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) 31.12.2021	NII (changes in the discounted earnings value) 31.12.2021
Parallel shift up	(80)	220
Parallel shift down	83	(188)
Steeper shock	1	
Flattener shock	(22)	
Rise in short-term interest rates	(57)	
Fall in short-term interest rates	57	
Maximum	83	220
Period	31.12.2021	
Tier 1 capital	2,124	

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. The Bank uses interest rate swaps to reduce interest rate risk. 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 for a 12-month period 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, short-term liquidity coverage, leverage ratios and financing ratio – Parent bank

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

(in CHF millions)

31.12.2021 | 31.12.2020

Capital ratio

Minimum capital based on risk-weighted asset (RWA) requirements	697	618
Eligible capital	1,700	1,647
of which, Common Equity Tier 1 (CET1)	1,421	1,367
of which, core capital (T1)	1,696	1,647
Risk-weighted assets (RWA)	8,708	7,719
CET1 ratio (as % of RWA)	16.3%	17.7%
T1 ratio (as % of RWA)	19.5%	21.3%
Total capital ratio (as % of RWA)	19.5%	21.3%
Countercyclical capital buffer (as % of RWA)	0.026%	0.027%
Target CET1 ratio (in %) as per Annex 8 of the CAO, plus countercyclical buffer	7.8%	7.8%
Target T1 ratio (in %) as per Annex 8 of the CAO, plus countercyclical buffer	9.6%	9.6%
Total capital ratio target (in %) as per Annex 8 of the CAO, plus countercyclical buffer	12.0%	12.0%

Leverage ratio according to Basel III

Leverage ratio Basel III (margin numbers 3 and 4, FINMA Circ. 15/3)	4.4%	5.4%
Total exposures	38,853	30,666

Liquidity coverage ratio (LCR)

Liquidity coverage ratio (LCR) (in %), 4 th quarter	181.0%	211.1%
LCR numerator: sum of high-quality liquid assets	9,889	10,977
LCR denominator: net sum of cash outflows	5,464	5,201
Liquidity coverage ratio (LCR) (in %), 3 rd quarter	198.0%	214.2%
LCR numerator: sum of high-quality liquid assets	10,439	11,391
LCR denominator: net sum of cash outflows	5,272	5,319
Liquidity coverage ratio (LCR) (in %), 2 nd quarter	190.7%	233.4%
LCR numerator: sum of high-quality liquid assets	9,885	11,177
LCR denominator: net sum of cash outflows	5,182	4,789
Liquidity coverage ratio (LCR) (in %), 1 st quarter	204.1%	235.9%
LCR numerator: sum of high-quality liquid assets	10,506	10,930
LCR denominator: net sum of cash outflows	5,147	4,634

Net stable funding ratio (NSFR)

Net stable funding ratio (NSFR) (%)	152.2%
Numerator: Available stable funding	21,809
Denominator: Required stable funding	14,333

Copyright

© 2022 Union Bancaire Privée, UBP SA
Photos: @Getty Images / @iStock / @Depositphotos
April 2022



UNION BANCAIRE PRIVÉE