

DISCLOSURE REQUIREMENTS (BASEL III - PILLAR 3)

1) BASIC REGULATORY KEY FIGURES

	CHF 000s		31.12.2018	31.12.2017
1.1) Eligible capital				
Common Equity Tier 1 (CET1)			455'300	437'440
Tier 1 (T1)			455'300	437'440
Total eligible capital			455'300	437'440
1.2) Risk-weighted assets (RWA)				
Total risk-weighted assets (RWA)			3'076'432	2'787'590
Minimum capital requirements			246'115	223'007
1.3) Risk-based capital ratios (in % of RWA)				
CET1 ratio			14.8%	15.7%
Tier 1 ratio			14.8%	15.7%
Total capital ratio			14.8%	15.7%
1.4) Targeted capital ratios according to Annex 8 of CAO (in % of RWA)				
Minimum capital ratio			8.0%	8.0%
Capital buffer according to Annex 8 of CAO			2.5%	2.5%
CET1 target ratio according to Annex 8 of CAO			7.0%	7.0%
T1 target ratio according to Annex 8 of CAO			8.5%	8.5%
Total capital target ratio according to Annex 8 of CAO			10.5%	10.5%
1.5) Basel III leverage ratio				
Total exposure			4'394'227	5'922'916
Basel III leverage ratio (Tier 1 capital in % of total exposure)			10.4%	7.4%
1.6) Liquidity coverage ratio (LCR)				
	Average	Average	Average	Average
	Q1-2018	Q2-2018	Q3-2018	Q4-2018
				Average
				Q4-2017
LCR numerator: Total high quality liquid assets (HQLA)	1'799'740	1'891'487	1'337'070	700'785
LCR denominator: Total net cash outflow	1'879'345	1'865'631	1'171'392	559'863
LCR (in %)	95.8%	101.4%	114.1%	125.2%
				98.5%

2) OVERVIEW OF RISK-WEIGHTED ASSETS

	CHF 000s	Risk-weighted assets (RWA)		Minimum capital requir.
	Approach used	31.12.2018	31.12.2017	31.12.2018
Credit risk	SA-BIS	2'812'883	2'555'754	225'031
Market risk	SA	38'956	14'452	3'116
Operational risk	BIA	224'593	213'796	17'967
Total		3'076'432	2'784'002	246'115

3) LIQUIDITY: LIQUIDITY RISK MANAGEMENTStructure and organization

The Board of Directors defines the risk profile of the Bank based on indicators for liquidity risk appetite and tolerance. The risk tolerance is determined taking into account the short term liquidity ratio LCR and other indicators for the analysis of the balance sheet structure.

The management of the liquidity is under the responsibility of the ALCO (Assets and Liability Committee) that reports directly to the General Management. This Committee follows the liquidity risks, the placements made by the Bank on the market, and ensures an adequate diversification of the placement and funding positions. It reports the results of its activity to the General Management on a monthly basis.

The Treasury department is in charge of the operational management of the liquidity in line with the strategy defined by the Board of Directors. It carries out the necessary means and actions to ensure compliance with internal and regulatory limits.

This department surveys the foreign currency movements and estimates the global needs of the Bank in foreign currency. The Treasury department is also in charge of the sound execution of the transactions of the Bank's branches.

The Bank refinances its commercial activities mainly through deposits from the trade finance and wealth management customers, but also through the interbanking market.

Stress testing

The Bank regularly performs stress tests in order to identify and quantify the potential impacts that extreme but plausible events may have on the treasury inflows and outflows. Every year, the Bank reviews the applicable stress tests scenarios and their frequency according to internal (e.g. Bank's strategy) or external factors (e.g. market conditions). Several stress tests with two times horizon are performed. The results of the stress tests are properly documented and used to:

- compare the liquidity risk tolerance to the stress situation,
- ensure that the size and the structure of the liquidity reserve are adequate,
- integrate these stress scenarios in the process for setting of limits.

Contingency plan

The contingency plan is established by the Bank in accordance with the Liquidity Ordinance (OLiq) requirements. The contingency plan includes:

- alert indicators allowing to detect on time the dangers threatening the liquidity positions,
- internal escalation process depending on the gravity of the liquidity crisis,
- measures to undertake (in order of priority) taking into account the seriousness of the liquidity crisis,
- clear repartition of roles and competencies of involved departments,
- well established means of communication ensuring a consistent and regular flow of information.

The contingency plan is reviewed and updated every year.

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4) CREDIT RISK: CREDIT QUALITY OF ASSETS

As at : 31.12.2018	CHF 000s	Gross carrying values of		Value adjustment / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
Loans (excluding debt securities)		67'419	2'790'104	57'820	2'799'703
Debt securities		-	306'604	1'785	304'819
Off-balance sheet exposures		-	1'479'350	-	1'479'350
Total		67'419	4'576'058	59'605	4'583'872

5) CREDIT RISK: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

CHF 000s

Defaulted receivables and debt securities as at 31.12.2017	56'675
Receivables and debt securities that have defaulted since the end of the previous reporting period	11'602
Exposures that have returned to non-default status	-
Amounts written-off	-1'075
Other changes (+/-)	217
Defaulted receivables and debt securities as at 31.12.2018	67'419

6) CREDIT RISK: ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

As at : 31.12.2018	CHF 000s	Gross carrying values of		Value adjustment / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
Région/pays					
Switzerland		1'605	551'506	1'605	551'506
Europe		5'080	501'613	5'065	501'628
Middle-East		29'884	142'477	24'868	147'493
Americas & Caribbean area		19'281	364'329	14'713	368'897
Rest of the world		3'472	237'898	3'472	237'898
Total amounts due from clients		59'322	1'797'823	49'723	1'807'422
Switzerland		-	309'912	-	309'912
Europe		-	413'606	1'785	411'821
Middle-East		-	124'008	-	124'008
Americas & Caribbean area		-	155'999	-	155'999
Rest of the world		8'097	295'360	8'097	295'360
Total amounts due from banks and debt securities		8'097	1'298'885	9'882	1'297'100

The Bank mitigates credit risks, in particular through due attention to their diversification. The Bank is highly selective on the quality of the borrowers, which is assessed taking into account specific guarantees inherent to trade finance business in terms of documentation and risk coverage.

7) CREDIT RISK: OVERVIEW OF RISK MITIGATION TECHNIQUES

As at : 31.12.2018	CHF 000s	Exposures secured with financial guarantees or credit derivatives		
		Unsecured exposures	Secured exposures	
		carrying amounts	actual collateralized amounts	actual collateralized amounts
Receivables (including debt securities)		3'104'522	420'905	-
Off-balance sheet transactions		1'479'350	360'205	-
Total		4'583'872	781'110	-
- of which: defaulted		9'599	-	-

9) INTEREST RATE RISK: QUALITATIVE INFORMATION

Market risk is not an important risk for the Bank. In this context and considering the short term nature of most activities of the Bank, the interest rate risk is also very limited. The interest rate risk on the balance sheet and off-balance sheet side is centrally managed and supervised by the ALCO Committee (Assets and Liabilities Management), which meets every week.

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10) INTEREST RATE RISK: QUANTITATIVE INFORMATION ON THE EXPOSURE'S STRUCTURE AND INTEREST RATE FIXING DATE

As at : 31.12.2018

		Volume in CHF millions			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modeled (not determined) interest rate reset dates	
		Total	of which in CHF	of which other currencies (*)	Total	of which in CHF	Total	of which in CHF
		Defined interest rate reset date	Amounts due from banks	619	-	470	0.1	-
	Amounts due from customers	837	1	839	0.1	0.9		
	Financial investments	287	6	237	3.5	3.0		
	Amounts due to banks	-1'166	-	-866	0.1	-		
	Amounts due in respect of client deposits	-308	-	-306	0.3	-		
Undefined interest rate reset date	Amounts due from banks	373	262	89	0.1	0.1	0.1	0.1
	Amounts due from customers	971	13	949	0.1	0.1	1.0	1.0
	Financial investments	-	-	-	-	-	-	-
	Amounts due to banks	-528	-72	-438	0.1	0.1	0.1	0.1
	Amounts due in respect of client deposits	-	-	-	0.0	0.0	0.0	0.0
		-940	-37	-874	0.1	0.1	0.1	0.1
Total		145	173	100	4.5	4.3		

(*) Significant currencies that make up more than 10% of assets or liabilities of total assets.

11) INTEREST RATE RISK: QUANTITATIVE INFORMATION ON THE EXPOSURE'S NET PRESENT VALUE AND INTEREST RATE INCOME

CHF Mio	EVE (changes in the net present value)		NII (changes in the discounted earnings value)	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	Parallel shift up	-12	-11	
Parallel shift down	14	13		
Steeper chock	-1	-1		
Flattener chock	-2	-1		
Rise in short-term interest rates	-7	-5		
Fall in short-term interest rates	7	6		
Maximum	-12	-11		
			31.12.2018	31.12.2017
Tier 1 capital			455'300	437'440

12) OPERATIONAL RISK: GENERAL INFORMATIONFramework and procedures

Operational risk is inherent to the different activities of the Bank, namely commodity trade finance, wealth management, treasury and correspondent banking.

In order to reduce as much as possible the occurrence of operational risk, the Bank has put in place a reinforced management of operational risks by:

- enhanced employee awareness in order to have a cautious attitude in their activities,
- reinforcement of operational processes which are formalised through directives and procedures,
- systematic application of task segregation and 4 eyes principles,
- regular tests aimed at detecting inappropriate behaviours in IT systems (applications, interfaces) or other means of communication,
- regular stress tests.

Structure

Within the Risk Management department, one dedicated person is responsible for performing analysis in order to follow the operational risk profile of the Bank through Key Risk Indicators. This person establishes an inventory and performs a reporting and follow-up of the incidents and operational losses.

The General Management has put in place an Operational Risk Management Committee, which meets on a quarterly basis. This Committee analyses the reports received from the Operational Risk Manager, discusses, proposes and/or validates the measures aimed at reinforcing the control of the operational risk.

In the context of the internal control system of the Bank, the Internal Control division reinforces the processes and controls put in place. Depending on the situation, this division carries out punctual missions based on risk evaluations. The division issues recommendations and may collaborate with the Operational Risk Manager in order to elaborate and set up remediation actions.

The Bank determines its operational risk capital requirements based on the Basic Indicator Approach.