Information on interest rate risk (IRRBB) as of 31 December 2023

Definition

IRRBB as the risk to which the Bank's own funds and profits are exposed as a result of adverse movements in interest rates. To this end, the Bank monitors two indicators: i) the change in the economic value of equity (or EVE), which corresponds to the change in the net present value of all cash flows from assets, liabilities and off-balance sheet of the banking book resulting from a change in interest rates; and ii) the change in net interest income (NII) resulting from interest rate movements.

Strategy, structure, and organization

The target appetite and limits, defined from an economic value perspective, are reviewed at least annually. The Executive Committee in charge of organizing and implementing IRRBB management, delegates this responsibility to the Risk Committee, which is held on a monthly basis. The Bank does not hedge the interest rate risk with derivative financial instrument.

Scenarios

In accordance with cm 32 of Circ. FINMA 2019/02, the Bank applies the six rate shock scenarios defined in Appendix 2 of this circular. Assumptions and scenario data are based on Appendix 2 Circ. FINMA 2019/02. Concerning the base case scenario, the Bank uses forward curves.

Assumptions and parameters

For the EVE calculation purpose, cash flows are discounted with market rates. Nominal and interests are considered in the cash flows. For NII calculation purpose, transactions are renewed according to observed average renewal repricing maturities, with respect to positions with determined repricing maturity. With respect to positions with undetermined repricing maturity, the Bank applies a statistical approach (with a replication key). The Bank does not grant medium- and long-term loans. The longest maturity is one year. For customer loans with a fixed maturity, the remaining term is used. Concerning current accounts and sight liabilities, a short-term period is used. For subordinated notes, the maturity date is the first redemption date. The maturity buckets and the maturity buckets medians (in years) are those documented in the Appendix 2 of Circ. FINMA 2019/02 (19 maturity buckets from overnight to >20 years). Positions with early repayment options are not material. Concerning aggregation across currencies, the total in each scenario is the sum of the results for each currency. The main currencies are CHF, USD, EUR, and OTH (sum of the other currencies representing less than 10% of the total balance sheet).

Quantitative information on the structure and on the repricing renewal

		Volumes in thousands of CHF			Average interest rate repricing date (in years)		Maximum interest rate repricing period (in years) for exposures with modeled (non-predeterminated) interest rate repricing dates	
		Total	Of which CHF	Of which other significant currencies*	Total	Of which CHF	Total	Of which CHF
Determined repricing maturity	Receivables from banks	46 414	42 194	4 220	0,06	0,04		
	Receivables from clients	122 182	16 443	103 684	0,10	0,15		
	Fixed-rate mortgages	16 537	16 537	0	0,21	0,21		
	Financial investments	100 389	29 880	70 509	0,68	0,10		
Undetermined repricing maturity	Receivables from banks	55 431	14 614	36 050	0,08	0,08		
	Receivables from clients	33 581	2 826	27 321	0,00	0,00		
	Sight liabilities in personal and current accounts	-430 177	-62 152	-346 779	0,00	0,00		
	Other liabilities	-1 680	-242	-1 423	0,08	0,08		
	Total	**-57 324**	**60 099**	**-106 419**	**0,12**	**0,07**	**0,08**	**0,08**

* Representing more than 10% of the total balance sheet

Quantitative information on economic value of equity and net interest income

In thousands of CHF	Change in net present value		Change in net interest income	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Parallel upward shift	-1 628	89	-2 564	-1 896
Parallel downward shift	1 678	-15	2 497	1 865
Steepener shock	739	-898		
Flattener shock	-1 029	961		
Upward short-term interest rate shock	-1 469	1 004		
Downward short-term interest rate shock	1 495	-1 002		
Maximum	**-1 628**	**-1 002**	**-2 564**	**-1 896**

	31.12.2023	31.12.2022
Tier 1 capital	**41 386**	**34 293**

As regards **the change in net present value**, the yearly variations concern the client deposits in EUR and in USD.

For EUR, it mainly concerns the last four standardized stress test scenarios (i.e. excluding parallel upward and downward shifts) whereas all standardized stress test scenarios are concerned for USD client deposits. In all cases, the yearly variations are not driven by any specific transaction.

As regards **the change in net interest income**, the maximum yearly variation counter-valued in kCHF is of -688 for the "parallel upward shift" stress test scenario and of +632 for the "parallel downward shift" stress test scenario. It respectively represents a yearly variation of 27% and 25% compared to the maximum change in net interest income at the end of 2023. Those variations mainly concern the EUR and other currencies.

The yearly variation in net interest income for EUR operations represents 36% of the total yearly variation and concerns amounts due from customers (term advances). Concerning the yearly variation in net interest income for operations in other currencies, the latter represents 43% of the total yearly variation. However, we have not identified some variations on specific accounts and/or currencies. The last variations in net interest income relate to operations in CHF and USD but they are not significant.

Finally, the "outlier test" is greatly respected because the maximum change in net present value represents about 4% of our Tier 1 Capital as of 31 December 2023 (it represented about 7% at the end of 2022).