



Interest rate risk management

December 31, 2023

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IRRBBA: Interest rate risk

Objectives and guidelines for the management of interest rate risk in the banking book

Given that the Bank only grants loans as part of asset management, the interest rate risk is not significant. Some loans have interest rates periodically adjusted on a risk-free compounded reference interest rate basis, whereas other loans have fixed interest rates. Client deposits fund the loans, and interest rates can be adjusted at any time. Debt securities in financial assets are acquired exclusively for hold-to-maturity purpose.

The Board of Directors is fully responsible for risk management and risk control. It determines the risk tolerance, reviews it regularly, but at least annually, and ensures that the Management implements these requirements. Regarding the bank's overall risk management framework, it approves the requirements for identifying, measuring, assessing, monitoring and reporting interest rate risk in the banking book.

The risk limits focus on the present value perspective. As such, all fixed-rate positions are recognised until maturity and risk of loss is limited. In addition, income effects are monitored by integrating them into the existing risk reporting.

The compliance with the interest rate risk limits set by the Board of Directors and the Executive Board are monitored independently and reported on a regular basis.

To quantify the impact of economic value of equity, absolute and relative sensitivity measures are calculated and monitored on a quarterly basis. The interest rate shock scenarios quantify the immediate impact on economic value of equity due to changes in market rates.

The bank currently does not apply any hedging strategies.

Essential modelling and parameter assumptions

1. Determination of payment streams for the Δ EVE calculation

The cash flows (including margins) are discounted without margin or spread components.

2. Mapping-method for the Δ EVE calculation

The cash flows of products with fixed interest and capital commitments are fixed at each individual level. Variable products are modelled with a maturity of 30 days or the contractual maturity, if longer.

3. Discounting interest rates for the Δ EVE calculation

Discounting uses reference interest rates for up to one year and swap rates for longer maturities.

4. Changes in the expected income (Δ NII)

The Δ NII measures are determined with a simulation. It assumes a constant balance sheet. The base scenario is determined using forward interest rates. All positions that are due or revalued within one year are replaced by same amount with comparable interest rate revaluation criteria on an average portfolio basis.

5. Variable exposures

Replication models are currently not used due to the size and complexity of the bank and the low importance of interest rate risks.

6. Exposures with payback options

Behavioural early payback options: No position.

7. Term deposits

Behavioural early withdrawals: No position.

8. Automatic interest rate options

Automatic interest rate options independent of behaviours: No position.

9. Derivative exposures

Linear and non-linear interest rate derivatives: No position.

10. Other assumptions

No material other assumptions.

Table IRRBBA1

Interest rate risk: quantitative information on the exposure's structure and interest rate fixing date

	Volume in CHF million			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 significant currencies that make up more than 10% of assets or liabilities of total assets	Total	Of which in CHF	Total	Of which in CHF
Defined interest rate reset date							
Amounts due from banks	185	63	100	0.02	0.00		
Amounts due from customers	533	309	215	0.53	0.57		
Money market mortgage	49	49		0.50	0.50		
Fixed-rate mortgage	100	100		5.46	5.46		
Financial investments	662	606	56	3.97	4.24		
Amounts due to banks	187	58	125	0.02	0.00		
Amounts due in respect of customer deposits	734	368	343	0.00	0.00		
Undefined interest rate reset date							
Amounts due from banks							
Amounts due from customers	221	101	119	0.04	0.02		
Other payables on demand	15	15		0.00	0.00		
Payables on demand from current accounts	220	146	67	0.04	0.04		
Payables arising from client deposits, terminable (savings)	194	194		0.08	0.08		
Total	3 100	2 009	1 025	1.13	1.66	0.50	0.50

Table IRRBB1

Interest rate risk: quantitative information on the exposure's net present value and interest income

in 1000 CHF	ΔEVE (changes in the net present value)	ΔNII (changes in the discounted earnings value)
Period	31.12.2023	
Parallel shift up	–40 909	12 607
Parallel shift down	45 040	– 12 607
Steeper shock	– 11 594	
Flattener shock	3 967	
Rise in short-term interest rates	– 10 878	
Fall in short-term interest rates	11 276	
Maximum	–40 909	– 12 607

Period	31.12.2023
Tier 1 capital	571 429

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